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Company name (Japanese):	TDK <i>Kabushiki-Kaisha</i>
Company name (English):	TDK CORPORATION
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Place where the document to be filed is available for public inspection	Tokyo Stock Exchange, Inc. (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	121st term	122nd term	123rd term	124th term	125th term
Accounting period	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021
Net sales (Millions of yen)	1,178,257	1,271,747	1,381,806	1,363,037	1,479,008
Income from continuing operations before income taxes (Millions of yen)	211,717	89,811	115,554	95,876	121,904
Net income attributable to TDK (Millions of yen)	145,099	63,463	82,205	57,780	79,340
Comprehensive income (loss) attributable to TDK (Millions of yen)	138,952	52,473	80,335	(7,821)	186,729
TDK stockholders' equity (Millions of yen)	793,614	824,634	877,290	843,957	1,003,538
Net assets (Millions of yen)	802,118	831,232	883,756	848,564	1,006,297
Total assets (Millions of yen)	1,664,333	1,905,209	1,992,480	1,943,379	2,401,433
TDK stockholders' equity per share (Yen)	6,288.55	6,532.01	6,946.70	6,681.15	7,944.23
Net income attributable to TDK per share (Yen)	1,150.16	502.80	651.02	457.47	628.08
Diluted net income attributable to TDK per share (Yen)	1,147.57	501.47	649.45	456.44	626.78
Stockholders' equity ratio (%)	47.7	43.3	44.0	43.4	41.8
Return on stockholders' equity (%)	19.8	7.8	9.7	6.7	8.6
Price earnings ratio (PER) (Times)	6.1	19.1	13.3	18.3	24.4
Net cash provided by operating activities (Millions of yen)	160,136	91,310	140,274	222,390	222,814
Net cash used in investing activities (Millions of yen)	(71,111)	(246,099)	(140,179)	(41,964)	(231,488)
Net cash provided by (used in) financing activities (Millions of yen)	(37,753)	110,088	9,435	(121,769)	29,193
Cash and cash equivalents at end of term (Millions of yen)	330,388	279,624	289,175	332,717	380,387
Number of employees (Person)	99,693	102,883	104,781	107,138	129,284

Notes: 1. Net sales do not include consumption taxes, etc.

2. Net assets per share, equity ratio and return on equity have been replaced with stockholders' equity per share, stockholders' equity ratio and return on stockholders' equity because TDK Corporation prepared consolidated financial statements based on U.S. GAAP.

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

Term	121st term	122nd term	123rd term	124th term	125th term
Accounting period	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021
Net sales (Millions of yen)	244,361	292,146	309,326	303,810	329,300
Current income (loss) (Millions of yen)	78,686	3,454	(15,269)	(10,624)	1,378
Net income (loss) (Millions of yen)	72,377	3,685	(36,063)	(35,618)	119,224
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	129,591	129,591	129,591
Net assets (Millions of yen)	342,249	327,866	273,157	219,309	316,879
Total assets (Millions of yen)	774,572	942,543	935,939	874,708	1,081,338
Net assets per share (Yen)	2,701.20	2,585.20	2,150.67	1,724.62	2,495.44
Cash dividends per share (Yen)	120.00	130.00	160.00	180.00	180.00
[Interim dividends per share] (Yen)	[60.00]	[60.00]	[80.00]	[90.00]	[90.00]
Net income (loss) per share (Yen)	573.72	29.20	(285.60)	(282.00)	943.81
Diluted net income per share (Yen)	572.43	29.13	—	—	941.86
Equity ratio [%]	44.0	34.6	29.0	24.9	29.2
Return on equity [ROE] [%]	23.2	1.1	(12.1)	(14.6)	44.7
Price earnings ratio [PER] [Times]	12.3	328.4	—	—	16.2
Dividend payout ratio [%]	20.9	445.2	—	—	19.1
Number of employees [Person]	4,644	5,055	5,330	5,521	5,689
Total shareholder return (%) (Benchmark: TOPIX index)	114.7 (114.7)	157.4 (132.9)	145.3 (126.2)	143.5 (114.2)	257.6 (162.3)
Highest(Yen)	8,470	10,860	12,940	12,880	18,240
Lowest(Yen)	5,170	6,380	7,070	6,740	7,280

Notes:

1. Net sales do not include consumption taxes, etc.
2. Diluted net income per share in the 123rd and 124th terms are not presented because, although there were potentially dilutive shares, net losses per share were reported.
3. Highest and lowest share prices were those recorded on the first section of the Tokyo Stock Exchange.

2. Description of business operations

TDK Corporation prepares its consolidated financial statements according to U.S. generally accepted accounting principles (U.S. GAAP). It discloses information based on these consolidated financial statements pertaining to its subsidiaries and affiliates based on the definitions of U.S. GAAP. The same applies to “II. Review of operations” and “III. Facilities.”

As of March 31, 2021, the TDK Group (“TDK”) is comprised of TDK Corporation (the “Company”), 140 consolidated subsidiaries and 5 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 TDK Europe GmbH TDK Electronics AG TDK HONG KONG COMPANY LIMITED TDK(Shanghai)International Trading Co., Ltd. 62 other companies (Domestic: 3, Overseas:59) (Total: 67 companies)
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors	The Company InvenSense, Inc. TDK-Micronas GmbH 17 other companies (Domestic: 2, Overseas: 15) (Total: 20 companies)
Magnetic Application Products	HDD Heads, HDD suspension assemblies, Magnets	The Company SAE Magnetics (H.K.) Ltd. Magnecomp Precision Technology Public Co., Ltd. Headway Technologies, Inc. Hutchinson Technology Operations (Thailand), Co., Ltd. 12 other companies (Domestic: 0, Overseas: 12) (Total: 17 companies)
Energy Application Products	Energy devices (Rechargeable batteries), Power supplies	The Company Amperex Technology Ltd. TDK-Lambda Corporation 23 other companies (Domestic:1, Overseas: 22) (Total: 26 companies)
Other	Mechatronics (production equipment), Camera Module Micro Actuators for smartphones, other	The Company TDK Taiwan Corporation 18 other companies (Domestic: 8, Overseas: 10) (Total: 20 companies)

3. Status of subsidiaries and affiliates

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
(Consolidated subsidiaries – Overseas)					
Ningde Amperex Technology Ltd. *1 , *2	Ningde, China	RMB 839,909,052	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
Amperex Technology Ltd.*1 , *3	Hong Kong, China	US\$ 277,588,100	Energy Application Products	100 (57.6)	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: Yes
Navitasys Technology Ltd. *1	Hong Kong, China	US\$ 10,000,000	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
SAE Magnetics (H.K.) Ltd. *1	Hong Kong, China	HK\$ 50,000	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Loans to TDK 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 Interlocking directorate: Yes
TDK HONG KONG COMPANY LIMITED *1	Hong Kong, China	HK\$ 25,500,000	Passive Components	100	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: No
TDK (Shanghai) International Trading Co., Ltd.	Shanghai, China	RMB 1,659,160	Passive Components	100 (100)	Sales of TDK products 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 Interlocking directorate: Yes
TDK (Zhuhai FTZ) Co., Ltd.	Zhuhai, China	RMB 29,390,675	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Xiamen Co., Ltd. *1	Xiamen, China	RMB 681,074,000	Passive Components	100 (41.5)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Electronics Hong Kong Limited	Hong Kong, China	HK\$ 2,000,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
TDK (Suzhou) Co., Ltd.	Suzhou, China	RMB 93,324,615	Passive Components	100 (10)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK (Shanghai) Electronics Ltd.	Shanghai, China	RMB 13,081,180	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
TDK (Zhuhai) Co., Ltd.	Zhuhai, China	RMB 161,627,185	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Dalian Corporation *1	Dalian, China	US\$ 97,816,000	Passive Components	100 (28)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK China Co., Ltd. *1	Shanghai, China	RMB 260,973,200	Investment in and financing to subsidiaries and affiliates and their management	100	——— Loans from TDK Interlocking directorate: Yes
TDK Europe GmbH *1	Munich, Germany	EUR 46,545,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
TDK Electronics AG *1	Munich, Germany	EUR 66,682,270	Passive Components	100 (45.4)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Hungary Components Kft.	Szombathely, Hungary	EUR 9,670,320	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Electronics GmbH & Co OG	Deutschlandsberg, Austria	EUR 14,500,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK-Micronas GmbH	Freiburg, Germany	EUR 500,000	Sensor Application Products	100	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
TDK Foil Italy S.p.A	Milano, Italy	EUR 15,300,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Europe S.A. *1	Windhof, Luxembourg	EUR 20,974,825	Investment in and financing to subsidiaries and affiliates and their management	100	Loans to TDK Interlocking directorate: No
TDK Corporation of America	Illinois, U.S.A	US\$ 3,800,000	Passive Components	100 (100)	Sales of TDK products 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 Loans from TDK Interlocking directorate: Yes
InvenSense, Inc. *1	California, U.S.A.	US\$ 79,923	Sensor Application Products	100 (100)	Manufacturing and sales of TDK products 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	Loans from TDK Interlocking directorate: Yes
Magnecomp Precision Technology Public Co., Ltd. *1	Ayutthaya, Thailand	US\$ 96,333,296	Magnetic Application Products	99.9	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Electronics Korea Corporation	Seoul, Republic of Korea	KRW 10,000,000,000	Passive Components	100	Sales of TDK products Interlocking directorate: No
TDK Singapore (Pte) Ltd.	Singapore	US\$ 126,050	Passive Components	100 (100)	Sales of TDK products Loans to TDK Interlocking directorate: No
TDK Taiwan Corporation	Taipei, Taiwan	NT\$ 424,125,200	Passive Components	95.4	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes
(Consolidated subsidiaries – Domestic) TDK-Lambda Corporation	Chuo-ku, Tokyo	(Millions of yen) 2,976	Energy Application Products	100	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes
TDK Service Corporation	Ichikawa, Chiba	34	Insurance and real estate agency	100	Consignment of insurance agency and property management for TDK Interlocking directorate: No
TDK Akita Corporation	Yurihonjo City, Akita Prefecture	200	Passive Components	100	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: No
TDK Shonai Corporation	Tsuruoka City, Yamagata	110	Passive Components	100	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: No
105 other companies					
(Equity-method affiliates) TODA KOGYO CORP.,	Hiroshima City, Hiroshima Prefecture	(Millions of yen) 7,477	Manufacturing and sales of a magnetic material	25.5	Interlocking directorate: Yes
Semiconductor Energy Laboratory Co., Ltd.	Atsugi City, Kanagawa Prefecture	4,348	Research and development of semiconductor products	31.7	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 Ningde Ampere Technology Ltd. exceeded 10% of net sales of TDK.
The major items of income are as follows:

i. Net sales	¥546,590 million
ii. Income before income taxes	¥143,254 million
iii. Net income	¥123,766 million
iv. Net assets	¥ 401,166 million
v. Total assets	¥767,049 million

6. *3: Net sales of Amperex Technology Ltd. exceeded 10% of net sales of TDK.
- The major items of income are as follows:
- | | |
|--------------------------------|-------------------|
| i. Net sales | ¥326,090 million |
| ii. Income before income taxes | ¥33,640 million |
| iii. Net income | ¥31,970 million |
| iv. Net assets | ¥ 152,390 million |
| v. Total assets | ¥249,897 million |

4. Status of employees

(1) Status of consolidated companies

(As of March 31, 2021)

Name of business segment	Number of employees (Person)
Passive Components	32,805
Sensor Application Products	8,523
Magnetic Application Products	13,726
Energy Application Products	67,694
Other	4,104
Corporate (Common)	2,432
Total	129,284

Note: The number of employees increased by 22,146 compared to the end of the previous fiscal year. The main reason for the increase is production increase resulting from start-up of new product for energy application products – energy devices (rechargeable batteries).

(2) Status of filing company (the Company)

(As of March 31, 2021)

Number of employees (Person)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
5,689	43.5	18.3	7,867,849

Name of business segment	Number of employees (Person)
Passive Components	1,712
Sensor Application Products	117
Magnetic Application Products	612
Energy Application Products	264
Other	678
Corporate (Common)	2,306
Total	5,689

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.

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, 2021.

① Fundamental Management Policy

TDK was established in 1935 as an entrepreneurial venture to industrialize a magnetic material called ferrite invented at Tokyo Institute of Technology.

Based on the company's founding spirit "Contribute to culture and industry through creativity." as its Corporate Motto, TDK has promoted the development of new products that respond to market needs as well as the advancement of materials and process technologies, and also has promoted globalization and diversification while actively utilizing M&A and collaborating with external parties. As a result, TDK is developing passive components, sensor application products, magnetic application products and energy application products as its main business.

TDK wishes to continue to be an energetic company that constantly creates even higher value for all stakeholders, including shareholders, customers, suppliers, employees and society, by having an innovative thinking and a willingness to tackle new challenges, and by leveraging the strengths of each company of the TDK Group and mobilizing the power of the entire TDK Group.

② Medium- and Long-Term Management Strategy

The business environment revolving around electronics is now standing on the threshold of a period of major upheaval.

Transformation has begun in earnest, with an energy transformation (EX) driven by the shift from fossil fuels to renewable energy and a digital transformation (DX) driven by the permeation of digital technologies, such as the Internet of Things (IoT) and Artificial Intelligence (AI), to every aspect of society.

The TDK Group regards such changes in the social environment as opportunities for new social contributions and business growth, and has formulated a three-year medium-term plan with the fiscal year ending March 2022 as the first year. In DX, the Group will contribute to the transformation of society through digital technologies by supplying products for high-speed communication networks, sensors, autonomous driving, and robots. In EX, the Group will contribute to the promotion of a decarbonized society by supplying products related to energy storage, conversion, and control necessary for the creation of a highly efficient energy society, as well as products related to electric vehicles and renewable energy.

Under the medium-term plan, the Group will aim to create corporate value by implementing a cycle based on the following three pillars: "Social Value" that serves as a basis for contributing to solving social issues and creating a sustainable society, "Commercial Value" that involves continuing to provide valuable products to society, and "Asset Value" that pursues efficient management. The Group has positioned "social value" as a basis of its management plan and has identified the "TDK Group's Materiality (key issues)" as priority management issues for the Group based on the Sustainable Development Goals (SDGs) adopted by the United Nations Summit 2015. The "TDK Group's Materiality" has specified EX and DX as business areas to focus on and identified "quality management," "human resource management," "supply chain management," "opportunity and risk management," "pursuing both delegation of authority and internal controls," and "asset efficiency improvement" as materiality that should be addressed as the basis of corporate growth.

With the materiality and medium-term plan which are an integrated initiative based on social value, the Group will contribute to a sustainable society and increase its corporate value by implementing a value creation cycle comprised of Social Value, Commercial Value, and Asset Value.

<Value Creation Cycle and Materiality for TDK Group>



Energy transformation (EX): Contribution to energy and environmental solutions by minimizing waste heat and noise with electronic devices

- Effective use of energy and expanding use of renewable energy toward the realization of net zero CO₂ emissions in 2050
- Provide products and solutions for creating clean energy to realize a zero-carbon society
- Provide products and solutions for realizing an efficient energy society by storing, converting, and controlling energy

Digital transformation (DX): Promotion of the digitization of society by adding software technology to material science and process technology

- Provide products and solutions to help build resilient communication network infrastructure
- Provide products and solutions for supporting robotics and mobility to promote human capability enhancement and complementation
- Promote digitalization at TDK

Quality Management

- Pursue zero-defect product quality
- Reduce quality costs
- Maximize customer satisfaction with product and service quality

HR Management

- Develop human resources to lead the TDK Group
- Foster greater diversity and inclusion
- Improve employee engagement and job satisfaction to attract and retain talented employees

Supply Chain Management

- Enhance global procurement capabilities and mechanisms
- Ensure responsible procurement
- Ensure societal and environmental consideration in the supply chain

Opportunity & Risk Management

- Identify and capture business opportunities effectively by strengthening marketing capability with full use of digital technology
- Strengthen the group's risk management capabilities

Pursuing Both Delegation of Authority and Internal Controls

- Ensure speed and transparency in operations, based on the clearly defined roles, authorities and responsibilities of each organization
- Make management systems of each group company more effective and efficient, aligned with the group's unified policy
- Implement appropriate post-merger integration (PMI) for acquired companies

Asset Efficiency Improvement

- Rebuild business portfolio
- Optimize facilities and manufacturing sites

③ Pressing Issues of TDK

The global spread of the COVID-19 pandemic has drastically reshaped the social and industrial landscape. These changes will not likely stop even when the spread of the virus is contained, but are expected to remain as the “new normal.” The business environment surrounding the TDK Group could also be altered drastically.

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

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

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

TDK also recognizes that addressing the following issues that are identified as materiality is a pressing issue for achieving growth: “quality management,” “human resource management,” “supply chain management,” “opportunity and risk management,” “pursuing both delegation of authority and internal controls,” and “asset efficiency improvement.”

For example, as part of our improvements in asset efficiency, the Group has been reviewing and restructuring its business portfolio. In addition, human resources are the basis of growth. With non-Japanese employees accounting for more than 90% of the Group’s workforce, TDK believes that diverse and abundant human resources are a key source of its competitiveness. TDK has continuously engaged in a wide range of human resource management initiatives to attract and retain talented human resources.

2. Business risks

For the company-wide measures against factors that obstruct the achievement of the business targets and business operations of the TDK group, TDK has established an ERM* Committee to promote enterprise risk management. The ERM Committee identifies, analyzes, and evaluates risks that require cross-functional responses and introduces measures in cooperation with related divisions to promote enterprise risk management.

The results of risk analysis and evaluation, as well as the status of countermeasures, are discussed by the Executive Committee and reported to the Board of Directors.

(* ERM: Enterprise Risk Management)

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 23, 2021. 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 view improvement in capital efficiency as one of the priority issues in the medium-term and are conducting several measures (optimization of manufacturing sites, examination of capital investment plan, improvement of business efficiency in headquarters, etc.) for that.

(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 1.2 billion yen and 200 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, electricity supply 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 BCP (Business Continuity Planning) 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 continuing or further spread of the COVID-19 infection, it may have a significant impact on our business performance.

(Major Countermeasures)

TDK is formulating BCP (Business Continuity Planning) for each major business and establishing BCM (Business Continuity Management) system so that production can be resumed as soon as possible in the event of an emergency. In addition, not only the manufacturing department but also the sales and headquarters staff functions have a BCP in the same way to prepare for emergencies so that the entire functions of the company will not be suspended. Globally, TDK is promoting the introduction of a system that enables real-time information sharing between our overseas subsidiaries and the headquarters to quickly grasp the damage situation in the event of an emergency.

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 that exceeds assumptions, in accordance with the procedure stipulated by the BCP, TDK is preparing to continue priority operations at affected locations such as payment to suppliers and continuation of material supplies from alternative sites.

To cope with the COVID-19 pandemic, TDK established a Crisis Management Corporate Headquarters headed by the president in January 2020 and worked on measures to reduce the risk of its employees being infected. Examples of such measures include education for employees about hygiene management such as thorough hand washing and proper wearing of masks, ensuring social distance in factories, and promotion of work from home. While implementing these measures, we are working closely with local governments to continue production activities while ensuring the health and safety of employees. Furthermore, the Crisis Management Committee has issued a warning notice to TDK's worldwide sites instructing that each office or plant should thoroughly implement infection prevention measures for their employees and visitors, such as from vendor company, to avoid delays in production or shipment due to the temporary closure of operation caused by the infection.

(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, our tangible fixed assets in China are 417.5 billion yen, and the amount of production at our Chinese factories exceeds 60% of the total amount of production of 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.

(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 set "Consider the Societal and Environmental Impact of the Supply Chain" as one of our key CSR issues and are working on this theme globally. For our own manufacturing sites, CSR Group 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. The Transition Risk (indirect loss risks due to changes in policy and regulation, technology development, market trends, market evaluations, etc.) and the Physical Risk (direct loss risks caused by Climate Change), as is shown below, could have a significant adverse effect on TDK's financial position.

【Transition Risk】 e.g.

- Loss of sales due to increased costs and delays in responding to the customers' request of introducing renewable energy
- Production stop and loss of sales due to increase of introducing carbon tax around the world and tightening other environmental law restrictions

【Physical Risk】 e.g.

- Outbreak of recovery costs for facilities and production due to unexpected floods caused by huge 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.

(Major Countermeasures)

Based on a TCFD (Task Force on Climate-related Financial Disclosures) recommendation that we agreed with in May 2019, the environmental officer became responsible for initiating countermeasures to Climate Change Risk in connection with our business.

As for Transition Risk, aiming at the goal of "Environmental Vision 2035" halving CO2 emissions in a life cycle perspective by 2035, we are promoting energy savings, introduction of renewable energy, and sales expansion of products which contribute to energy savings. 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 feasibility 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 feasibility is reviewed due to the enforcement, introduction, amendment or abolition of tax laws or their interpretations and operations, we may have to increase the valuation allowance of deferred tax assets.

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. This 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. Also, we organized the corporate marketing function starting from April 2021 to grasp accurate market trends and 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 established in July 2019, we can quickly detect new technology trends, reinforce technology roadmaps, and are working on entering a new market.

(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 automobiles 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 Mineral 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, 2021. The sales to the customer group was approximately 196.8 billion yen (13% 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 impose 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, including a scenario that we actively involve reorganization, 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. However, despite of above measures, conflict with these regulations 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. 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:

- internal investigation utilizing outside experts;
- announcement of thorough compliance from 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.

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 the portfolio, 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 put up 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 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 or other causes.

In such an event, TDK could suffer a lowering of credibility, be liable for costs relating to the compensation payments to the parties suffering damage, and suspend its 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, restricts usage of devices with high risk of information leakage such as a USB memory, SD card, etc., 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.

(17) Risks concerning securing personnel and training personnel

TDK pursues business operations in more than 30 countries and regions around the world, and more than 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 M&A

In the increasingly competitive electronics field, for necessary technologies and other elements which increase corporate value, we conduct M&As as necessity if they are effective means to accelerate business growth or major synergies can be expected in terms of establishing a competitive edge in the market.

When conducting M&As, we take sufficiently into account market trends, customer needs, the business results, financial position, technological advantage and market competitiveness of the target companies, TDK’s business portfolio, risk analysis associated with the M&As, and other factors.

However, even in case there is prior research or prior consideration, tumultuous changes in the market and competitive environment after M&A could occur, the acquired business could fail to develop as planned, or the investment cannot be recovered or additional expenses are incurred. If that were to happen, TDK’s business results, growth and business development among others could be significantly affected.

(Major Countermeasures)

Each M&A project proposal is examined and decided from various perspectives at the Board of Directors consisting of one third (1/3) or more outside directors, considering whether it is consistent with the growth strategy and the target to be aimed, or its business plan is feasible or not. Besides, in order to smoothly proceed with post-merger integration and maximize integration synergies, we have defined a standard target of the matters to be implemented and its achievement timing in the post-merger integration.

(19) Risks of impairment of fixed asset and goodwill

TDK has continuously invested on capital expenses such as manufacturing facilities to improve production capacity, quality, or productivity. And, if necessary, we have implemented M&A to accelerate the growth of business. As a result of these investments, we own a large amount of assets such as “property, plant and equipment,” “intangible fixed asset with certain recognizable amortization period,” and “goodwill and other intangible asset.” Goodwill of 165.1 billion yen was booked on the consolidated balance sheet as of the end of March 31, 2021, of which 98.7 billion yen related to InvenSense, Inc., acquired in May 2017.

With respect to “property, plant and equipment” and “intangible fixed asset with certain recognizable amortization period,” we conduct an impairment test if there is an indication that we are not able to collect the carrying amount of the assets. In the event that the impairment test judges that these assets no longer create enough cash flow in the future, there may be a need to recognize an impairment. With respect to “goodwill and other intangible asset,” we conduct an impairment test at least once a year, or when the fair value of goodwill reporting units and other intangible assets tend to fall below the book value or in case of any changes in situations. If the book value of these goodwill and intangible assets exceeds their fair value, 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.

3. Analysis of financial position, operating results and cash flow position by manager

(1) Overview of operating results, etc.

Overview of financial position, operating results and cash flow position of TDK for the year ended March 31, 2021 is provided below.

① Financial position and operating results

In fiscal 2021, the global economy was significantly affected by the resurgence of the COVID-19 pandemic and the worsening tensions between the United States and China. On the other hand, the recovery trend continued with the gradual resumption of social and economic activities as well as production activities.

In the electronics market, which has a large bearing on the consolidated performance of TDK, the automotive market, which had experienced significant weakness due to lockdown measures in various countries during the first quarter, saw a rapid recovery of orders in the second quarter and have remained robust since then. Although automobile production volume fell below the level of the previous fiscal year, the number of components installed per vehicle continued to increase due to advances in the electrification of automobiles as well as the rise in ratio of electric vehicles. In the Information and Communications Technology (ICT) market, demand expanded significantly for notebook PCs and tablets reflecting a rapid increase in the number of people who worked and studied at home. Furthermore, demand related to the fifth-generation mobile communication system (5G) remained brisk, and smartphone production volume recovered to the level of the previous fiscal year.

a. Financial position

Total assets increased ¥458,054 million from ¥1,943,379 million, as of March 31, 2020, to ¥2,401,433 million, as of March 31, 2021.

Total liabilities increased ¥300,321 million from ¥1,094,815 million, as of March 31, 2020, to ¥1,395,136 million, as of March 31, 2021.

Total equity decreased ¥157,733 million from ¥848,564 million, as of March 31, 2020, to ¥1,006,297 million, as of March 31, 2021.

b. Operating results

TDK recorded net sales of ¥1,479,008 million, up 8.5% from ¥1,363,037 million in fiscal 2020. TDK recorded operating income of ¥111,535 million, up 14.0% from ¥97,870 million in fiscal 2020. TDK also recorded income before income taxes of ¥121,904 million, up 27.1% from ¥95,876 million in fiscal 2020. Furthermore, TDK recorded net income attributable to TDK of ¥79,340 million, up 37.3% from ¥57,780 million in fiscal 2020. Basic net income attributable to TDK per common share was ¥628.08, compared with ¥457.47 in fiscal 2020.

Average exchange rates for the U.S. dollar and euro during fiscal 2021, were ¥106.05 and ¥123.67, respectively, as the yen appreciated 2.5% against the U.S. dollar and depreciated 2.3% against the euro. As a result of these factors and fluctuations in foreign exchange rates, net sales decreased by approximately ¥21.7 billion and decreased operating income by approximately ¥8.1 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 either of these segments are classified under "Other."

The Passive Components segment recorded net sales of ¥407,126 million, up 3.0% from ¥395,456 million in fiscal 2020 and segment income of ¥40,201 million, up 2.9% from ¥39,072 million in fiscal 2020.

The Sensor Application Products segment recorded net sales of ¥81,345 million, up 4.4% from ¥77,938 million in fiscal 2020 and segment loss of ¥24,872 million, from ¥25,024 million in fiscal 2020.

The Magnetic Application Products segment recorded net sales of ¥199,253 million, down 9.3% from ¥219,668 million in fiscal 2020 and segment loss of ¥2,382 million, from segment income of ¥425 million in fiscal 2020.

The Energy Application Products segment recorded net sales of ¥740,227 million, up 23.8% from ¥597,698 million in fiscal 2020 and segment income of ¥147,375 million, up 18.7% from ¥124,149 million in fiscal 2020.

The Other segment, businesses which do not belong to any of the four reportable segments recorded net sales of ¥51,057 million, down 29.4% from ¥72,277 million in fiscal 2020 and segment loss of ¥16,058 million, from ¥8,590 million in fiscal 2020.

The geographic segment information for sales are the following.

Sales for Japan region was ¥117,205 million, increase of 6.2% from ¥110,403 million in fiscal 2020. Sales for Energy Application Products segment increased.

Sales for Americas region was ¥96,666 million, increase of 0.6% from ¥96,135 million in fiscal 2020. Sales for Energy Application Products segment increased.

Sales for Europe region was ¥148,443 million, increase of 0.1% from ¥148,254 million in fiscal 2020. Sales for Energy Application Products segment increased.

Sales for China region was ¥840,129 million, increase of 17.7% from ¥714,011 million in fiscal 2020. Sales for Energy Application Products segment increased.

Sales for Asia and others region was ¥276,565 million, decrease of 6.0% from ¥294,234 million in fiscal 2020. Sales for Magnetic Application Products segment has decreased.

As a result, total overseas sales was ¥1,361,803 million, increase of 8.7% from ¥1,252,634 million in fiscal 2020. The overseas sales ratio was 92.1%, a 0.2% increase from 91.9% in fiscal 2020.

② Cash flows

Cash flows from operating activities

Operating activities provided net cash of ¥222,814 million, an increase of ¥424 million year on year.

Cash flows from investing activities

Investing activities used net cash of ¥231,488 million, an increase of ¥189,524 million year on year. It mainly came from decrease of proceeds from sale of investments in affiliates

Cash flows from financing activities

Financing activities provided net cash of ¥29,193 million, a difference of ¥150,962 million from fiscal 2020 year on year in which financial activities used net cash. It mainly came from increase in debt, which is a result of issuance of corporate bonds.

As a result of adding in the effects of currency fluctuations, cash and cash equivalents as of March 31, 2021 was ¥380,387 million, ¥47,670 million larger than as of March 31, 2020.

③ Results of production, orders received and sales

a. Production results

A breakdown of production results by business segment for fiscal 2021 is given below.

(Millions of yen)		
Name of business segment	Production Results	YoY Increase/ Decrease (%)
Passive Components	402,043	1.1
Sensor Application Products	79,609	4.0
Magnetic Application Products	198,484	(11.9)
Energy Application Products	786,463	31.5
Other	50,425	(31.2)
Total	1,517,024	10.7

Notes: 1. Amounts are calculated by the sales price.

2. Consumption taxes, etc. are not included in the above figures.

b. Results of orders received

A breakdown of orders received by business segment for fiscal 2021 is given below.

(Millions of yen)

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	496,920	25.6	182,993	58.4
Sensor Application Products	107,093	43.3	47,975	135.2
Magnetic Application Products	197,557	(9.4)	19,695	38.5
Energy Application Products	898,452	20.9	179,578	36.0
Other	41,779	(36.1)	8,434	16.7
Total	1,741,801	16.3	438,675	51.6

Note: Amounts are calculated by the sales price.

c. Sales results

A breakdown of sales results by business segment for fiscal 2021 is given below.

(Millions of yen)

Name of business segment	Sales Results	YoY Increase/ Decrease (%)
Passive Components	407,126	3.0
Sensor Application Products	81,345	4.4
Magnetic Application Products	199,253	(9.3)
Energy Application Products	740,227	23.8
Other	51,057	(29.4)
Total	1,479,008	8.5

Note: Consumption taxes, etc. are not included in the above figures.

(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, 2021.

① Significant accounting policies and estimates

Significant accounting policies 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.

The following is not intended to be a comprehensive list of all of TDK's accounting policies. TDK's significant accounting policies are more fully described in Note 1 of the Notes to Consolidated Financial Statements. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting an available alternative would not produce a materially different result.

TDK has identified the following as critical accounting policies: impairment of long-lived assets, valuation of inventories, accounting for business combinations, goodwill and other intangible assets, pension benefit costs, and deferred tax assets.

Assumptions for the impact of COVID-19 on estimates is stated in Note 1 (15) Use of Estimates (additional information) of the Notes to Consolidated Financial Statements.

Impairment of long-lived assets

As of March 31, 2020 and 2021, the aggregate of TDK's property, plant and equipment and amortized intangible assets was ¥686,910 million and ¥854,009 million, which accounted for 35.3% and 35.6% of total assets, respectively. TDK believes that impairment of long-lived assets is critical to TDK's financial statements because the recoverability of the amounts or lack thereof, could significantly affect its results of operations.

TDK's long-lived assets and certain identifiable intangibles with certain amortization periods are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying amount of the asset is considered to be impaired, an impairment charge is recorded for the amount by which the carrying value of an asset exceeds its fair value. Management judges that the estimates of future cash flows and fair values are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuation of those long-lived 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 stated at the lower of cost or market. The carrying value of inventory is reduced for estimated obsolescence by the difference between its cost and the estimated market 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 estimates, which become a standard in recognizing adjustments in the carrying values of inventory for expected obsolescence, are influential to business results of TDK, we conclude it as a significant accounting policy. 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 does not use a method based on various scenarios, but a method to reconsider 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.

Business combination

We account for acquired businesses by using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The judgments made in determining the estimated fair value assigned to each class of assets acquired, as well as asset lives, can materially impact net income of the periods subsequent to the acquisition through depreciation and amortization, and in certain instances by impairment charges, if the asset becomes impaired in the future.

In determining the estimated fair value for intangible assets, we typically utilize the income approach, which employs discounting of the projected future net cash flow using an appropriate discount rate that reflects the risk factors associated with the cash flow streams.

Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives. Intangible assets determined to have an indefinite useful life have been reassessed periodically based on the factors prescribed in FASB Accounting Standards Codification 350 including, but not limited to, the expected use of the asset by us, legal or contractual provisions that may affect the useful life or renewal or extension of the asset's contractual life without substantial cost, and the effects of demand, competition and other economic factors.

Goodwill and other intangible assets

Goodwill and other intangible assets that are determined to have an indefinite life are not amortized but are tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit and other intangible assets below their carrying amount. In a case the carrying amount of a reporting unit and other intangible assets is more than its fair value, an impairment loss is recognized. Fair value is mainly determined using a discounted cash flow analysis, which is based on an authorized business plan. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations of goodwill and other intangible assets and significantly affect TDK's financial position and results of operations.

Pension benefit costs

Employee pension benefit costs and 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, long-term return on plan assets and other factors. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect TDK's recognized expense and recorded obligation in future periods. While TDK believes that its assumptions used are appropriate, differences in actual experience or changes in assumptions may affect TDK's benefit obligations and future expense.

In preparing its consolidated financial statements for fiscal 2021, TDK established discount rates of 0.7% and 1.8% for domestic and overseas pension plans, respectively, and expected long-term rates of return of 2.0% and 6.1% on domestic and overseas plan assets, respectively. In estimating the discount rate, TDK uses available information about rates of return on long-term corporate bonds currently available and expected to be available during the period to the maturity of the pension benefits. TDK established the expected long-term rate of return on plan assets based on management's expectations in respect of the long-term returns of the various plan asset categories in which it invests. Management developed expectations with respect to each plan asset category based on actual historical returns and its current expectations for future returns.

A decrease in the discount rate leads to an increase in actuarial pension benefit obligations that could lead to an increase in net periodic pension cost through amortization of unrecognized actuarial gain or losses.

An increase in the expected return on plan assets may decrease net periodic pension cost. However, the difference between the expected return and the actual return on those assets could negatively affect net income in future years.

Deferred tax assets

TDK has significant deferred tax assets, which are subject to realizability assessment. In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. TDK considers the planned reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, TDK believes that it is more likely than not that all of the deferred tax assets less valuation allowance, will be realized. 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 realization of deferred tax assets based on other factors, deferred tax assets may be determined not to be realizable, which then would require TDK to increase a valuation allowance against the deferred tax assets resulting in additional income tax expenses.

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

Operating results and factors significantly impact to operating results

In fiscal 2021, TDK posted consolidated net sales of ¥1,479,008 million, up 8.5% from fiscal 2020. TDK recorded operating income of ¥111,535 million, an increase of 14.0% year on year. TDK recorded net income attributable to TDK of ¥79,340 million, an increase of 37.3% compared to fiscal 2020.

The global economy during the fiscal year ended March 2021 was greatly affected by the resurgence of COVID-19 and the worsening conflict between the United States and China, but demand for electronic components continued to recover due to the gradual resumption of social and economic activities as well as production activities in each country from the second quarter. In particular, demand related to digital transformation (DX) and energy transformation (EX) grew more than initially expected, and we responded by handling surging orders in a timely manner. As a result, net sales increased 8.5% year on year and operating income increased 14.0% year on year, setting record highs in both sales and operating income. Orders remained strong for the automotive market, which recovered rapidly during the second quarter. This resulted in an increase particularly in sales of passive components, coupled with the acceleration of the electrification of automobiles, such as xEV and ADAS. As for sales to the ICT market, DX-related demand remained brisk from the beginning of the fiscal year, and sales of rechargeable batteries, passive components, and sensors increased for PCs, tablets, and 5G smartphones. In the industrial equipment market, demand for renewable energy has increased, and the recovery in EX-related demand has become clear.

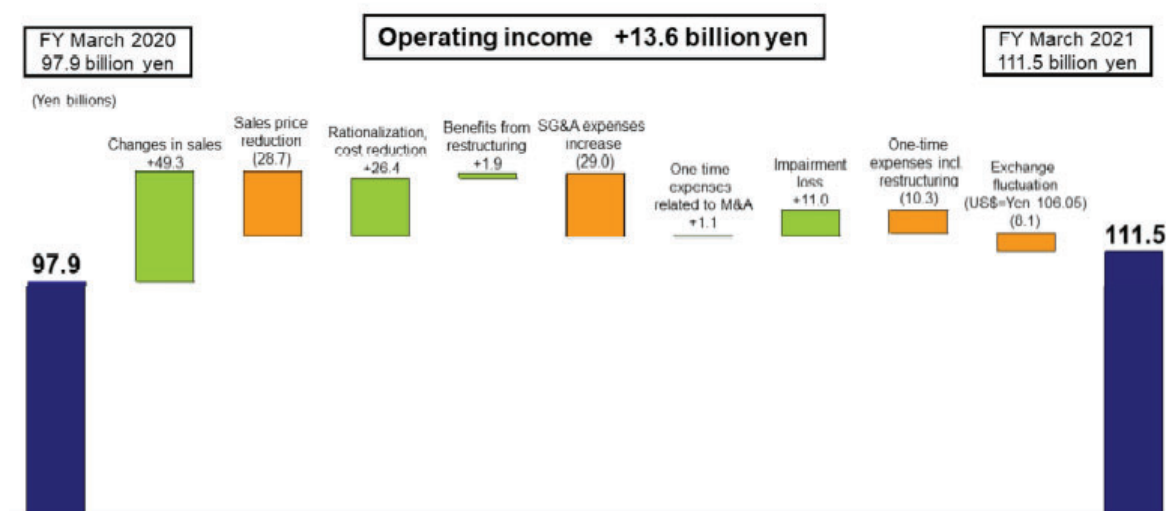
The environment surrounding electronic components has entered a period of major transformation, and it is expected that the trends of DX and EX will continue to accelerate in the future. In order to seize such growth opportunities and carry out more efficient and competitive business operations, we implemented structural reforms in the fourth quarter to enhance asset efficiency, including business site restructuring and impairment of equipment, looking ahead to expected changes in demand trends.

There was a decrease of about 21.7 billion yen in net sales and a decrease of about 8.1 billion yen in operating income due to exchange rate fluctuations against the U.S. dollar and other currencies. Including this impact, net sales were 1,479.0 billion yen, an increase of 116.0 billion yen, or 8.5%, year on year. Operating income was 111.5 billion yen, up 13.6 billion yen, or 14.0%, year on year, including the effect of one-time expenses such as restructuring of 17.6 billion yen. Income before income taxes was 121.9 billion yen, net income was 79.3 billion yen, and earnings per share were 628.08 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 income by about 1.2 billion yen, while a change against the euro will have an impact of about 0.2 billion yen.

The following is the breakdown of increase in operating income ¥13.6 billion.

Breakdown of operating income changes



There was an increase in income of about 49.3 billion yen due to an increase in sales volumes reflecting the expansion of sales of rechargeable batteries and other products. The negative impact of sales price reductions of about 28.7 billion yen was counteracted by the effects of cost reductions from rationalizing about 26.4 billion yen as well as benefits from restructuring of about 1.9 billion yen. Expenses related to the InvenSense acquisition decreased by about 1.1 billion yen, while selling, general and administrative expenses (SG&A) increased by about 29.0 billion yen due to increases in connection with the business expansion in rechargeable batteries and development expenses reflecting the acceleration of power cell development, as well as the cessation of a filter fee that TDK had been receiving up to the previous fiscal year. Operating income increased by 13.6 billion yen in total, as an impairment loss of about 18.3 billion yen in the previous fiscal year decreased by about 11.0 billion yen year on year to about 7.3 billion yen in the fiscal 2021, profit decreased by about 10.3 billion yen due to one-time expenses for business site restructuring and asset disposal, and profit decreased by about 8.1 billion yen due to exchange rate fluctuations.

Capital resources and liquidity of 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 group efficiency funds, commitment line contract and so on for liquidity. The balance of liquid funds amounted to ¥446,329 million as of March 31, 2021, which was equal to approximately 3.6 months of average monthly net sales. Regions, mainly U.S. and China, are reaching an economic recovery stage as the vaccination for COVID-19 progress; however, TDK is taking measures to financially prepare for the impact of continuing spread of COVID-19 and impact of the mutated COVID-19, which may result in the uncertainty of economic recovery, on the company's cash flow. Measures include expanding liquidity assets and considering extending terms for loans from banks, issuing corporate bonds, and increasing commitment line agreements' contract amount.

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

As procurement policy, basic for short term operating funds are own funds and short term loan from financial institution and for capital investment and long term funds are long term loan from financial institution and corporate bonds, etc. The balance of debt with interest, which includes loans from banks, corporate bonds, and lease obligations, amounted to ¥483,336 million as of March 31, 2021.

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

TDK is working to strengthen our performance management framework as a part to put growth strategy conceived by TDK into practice with organically tying not only to our finance and capital strategy, but all the way to policies on the front lines. 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 promoting our growth strategy, but, we believe, will enable us to build a financial constitution capable of achieving ROE of 14% or more in 3 year medium-term plan (final year ending March 2024) by also tying that strategy to selection and consolidation of capital expenditures through stronger management of investment efficiency.

ROE in fiscal 2021 was 8.6%, a 1.9 point increase from fiscal 2020 6.7%.

To analyze the increase of ROE in comparison to fiscal 2020, ROE is divided into return on sales, asset turnover, and financial leverage. There is not much change for asset turnover and financial leverage in comparison to fiscal 2020. Increase of loss (gain) on securities contributed to increase of return on sales and resulted in increase of ROE.

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

(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 ¥407,126 million, up 3.0% year on year from ¥395,456 million. Segment profit was ¥40,201 million, up 2.9% year on year from ¥39,072 million. Segment asset was ¥626,120 million, up 10.5% year on year from ¥566,577 million.

Segment sales results by business for fiscal 2021 were as follows.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Energy Capacitors. Sales in the Capacitors were ¥158,182 million, up 2.8% year on year from ¥153,882 million. Sales of Inductive Devices increased by 1.8% year on year from ¥137,572 million to ¥139,990 million. Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components increased by 4.8% year on year from ¥104,002 million to ¥108,954 million.

Demand from the automotive market has been recovering rapidly since the second quarter, 5G-related demand remained robust in the ICT market, and demand related to renewable energy increased in the industrial equipment market, resulting in increased sales in all our priority markets. Operating income was 40.2 billion yen, an increase of 2.9% year on year, and the recording of one-time expenses including business site restructuring of about 3.7 billion yen in the fourth quarter resulted in an operating margin of 9.9%, the same level as the previous fiscal year.

By business, sales of ceramic capacitors increased, but profit decreased due to the impact of declining demand in the automotive market, reflecting the effects of the lockdown in the first quarter. In aluminum electrolytic capacitors and film capacitors, sales to the industrial equipment market surged mainly in renewable energy-related sales, which also resulted in improvement in profitability. In inductive devices, sales increased to the automotive market due to a recovery in demand, as well as to the ICT market, such as smartphone applications. Consequently, both sales and profit increased year on year. Sales and profit of high-frequency components increased year on year due to strong 5G-related demand. Sales of piezoelectric material products and circuit protection components increased for industrial equipment such as renewable energy-related products, as well as for game consoles and home appliances due to increased demand resulting from people staying home, which led to an increase in profit.

(Sensor Application Products Segment)

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 4.4% year on year from ¥77,938 million to ¥81,345 million. Segment loss was ¥24,872 million, year on year from ¥25,024 million. Segment asset was ¥220,585 million, up 0.5% year on year from ¥219,485 million.

Although sales to the automotive market fell sharply in the first half, sales recovered significantly in the second half due to the recovery in demand from the automotive market and the effect of expansion in customer base and applications of strategic products. As a result, sales in the fourth quarter reached the highest level on a quarterly basis.

In the fourth quarter, we posted about 4.1 billion yen in restructuring expenses, including business site restructuring and asset disposal. Despite the recording of a loss, overall earnings improved due to the effects of enhanced development efficiency and cost improvement measures. Earnings from TMR sensors rose substantially, driven by dramatic growth in sales to the ICT market. Sales of MEMS sensors increased, owing to the expansion of the customer base for motion sensors and the launch of new businesses for MEMS microphones.

(Magnetic Application Products Segment)

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales decreased by 9.3% year on year, from ¥219,668 million to ¥199,253 million. Segment loss was ¥2,382 million and segment profit was ¥425 million the previous fiscal year. Segment asset was ¥382,892 million, up 6.8% year on year from ¥358,422 million.

As for HDD heads, sales volume decreased significantly due to the plant closures (lockdowns) of a major customer in the first quarter, and the selling price of existing products fell amid the absence of a new product launch. Consequently, earnings deteriorated significantly. Meanwhile, HDD suspension assemblies saw increases in both sales and profit due to a rise driven by robust sales of nearline HDDs for the data centers of a major customer and the sales expansion of μ DSA products. Sales of magnets decreased year on year, reflecting a decline in demand from the automotive market in the first half, despite an increase in sales to the industrial equipment market such as renewable energy-related applications. Meanwhile, the amount of loss diminished due to the decrease in the impairment loss recorded in the previous fiscal year.

(Energy Application Products Segment)

This segment is made up of Energy Devices (Rechargeable Batteries). Segment sales increased by 23.8% from ¥597,698 million to ¥740,227 million. Segment profit was ¥147,375 million, up 18.7% year on year from ¥124,149 million. Segment asset was ¥1,229,118 million, up 52.6% year on year from ¥805,366 million.

As for rechargeable batteries, since we made upfront investments prior to the launch of new power cell products, the profit increase rate declined slightly compared to the increase in sales.

Sales of rechargeable batteries for mobile applications such as smartphones, tablets and notebook PCs have been strong since the beginning of the fiscal year, and sales for tablets and notebook PCs in particular increased significantly, reflecting increased demand related to remote work and education. In addition, sales for game consoles and sales of mini cell products expanded, and sales of power cell products mainly for residential energy storage systems and electric motorcycles, which are expected to grow in the future, began in earnest, with sales increasing significantly from the previous fiscal year.

In power supplies, sales and profit increased, driven by a recovery in demand for use in industrial equipment such as semiconductor manufacturing equipment. Sales of EV power supplies decreased due to a decline in sales of inverters, despite steady growth in sales of DC-DC converters.

(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 29.4% from ¥72,277 million to ¥51,057 million. Segment loss was ¥16,058 million, year on year from ¥8,590 million. Segment asset was ¥82,608 million, down 6.5% year on year from ¥88,342 million.

Sales of Mechatronics increased to the industrial equipment market. Due to the significant decrease of sales of Camera Module Micro Actuators for smartphones to the ICT market, impairment loss was recorded; as a result, both sales and profit decreased.

4. Important operational contracts, etc.

TDK's wholly-owned subsidiary Navitasys Technology Limited (Hong Kong Special Administrative Region of China, hereinafter "NVT HK"), which engages in the package business of rechargeable battery, signed a letter of intent on December 22, 2020 with respect to discussing a potential business collaboration, including the establishment of a joint venture with Shenzhen Desay Battery Technology Co., Ltd. (Guangdong, China, hereinafter "SZ Desay"), which manufactures and sells the package of rechargeable battery. The joint venture will be Huizhou Desay Battery Co., Ltd. (Guangdong, China), which is currently a wholly-owned subsidiary of SZ Desay prior to the formation of joint venture. It is planned that the maximum shareholding ratio of NVT HK will be 49% and the remaining will be owned by SZ Desay.

This business collaboration aims to strengthen the cooperative relationship between both companies through a joint venture in the rechargeable battery package business and further strengthen product competitiveness in this field.

From now, both companies will discuss the transaction details, including the consideration to be paid for the joint venture shares in the future. This letter of intent is not legally binding and the business collaboration will only be implemented if a formal agreement is reached through discussion by the parties and upon the completion of satisfactory due diligence by both companies.

Overview of TDK's subsidiary

(1) Name	Navitasys Technology Limited
(2) Location	Hong Kong Special Administrative Region of the People's Republic of China
(3) Representative	Yee ChunKeung (General Manager)
(4) Business	Manufacture and sale of rechargeable battery packages
(5) Capital	US\$ 10,000,000

Overview of the other party to conclude the letter of intent

(1) Name	Shenzhen Desay Battery Technology Co., Ltd.
(2) Location	Guangdong, China
(3) Representative	Liu Qi (Chairman)
(4) Business	Manufacture and sale of rechargeable battery packages
(5) Capital	RMB 207,197,738 (about 3,200 million Japanese yen)
(6) Date of establishment	4th September, 1985
(7) Large shareholders and shareholding ratio (As of 30th June, 2020)	Guangdong Desay Corporation (44.80%)
	Central Huijin Asset Management Ltd. (3.39%)
	Zhong Ou AMC of ICBC (3.18%)
	Hong Kong Securities Clearing Company Limited (2.47%)

Overview of a company planning to become a joint venture

(1) Name	Huizhou Desay Battery Co., Ltd.
(2) Location	Guangdong, China
(3) Representative	Zeng Jianyun (Chairman)
(4) Business	Manufacture and sale of rechargeable battery packages
(5) Capital	RMB 700,000,000 (about 10,700 million Japanese yen)
(6) Date of establishment	22 nd October, 2002
(7) Equity ratio (planned)	The maximum shareholding ratio of NVT HK will be 49% and the remaining will be owned by SZ Desay.

※Currency exchange rate is 15.22 Japanese yen / 1RMB.

5. 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 DX and EX, 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 (Micro Electro Mechanical System) and software. For energy unit, TDK is focusing on the development of energy unit using TDK's batteries, power supplies and wireless power transfer, and also focusing on magnet, of that demand is increasing for motor use. For next-generation electric components, TDK promotes to develop the high-value added products that respond to diversifying market needs by the fusion of SESUB (Semiconductor Embedded SUBstrate) technology, thin-film technology and materials technology.

It was one of TDK's achievements in fiscal 2021 that TDK's "InWheelSense™", which enable sensing without a battery within wheels, was awarded Grad Prix in the Digital City Planning of the New Normal Age category of the CEATEC AWARD 2020. The "EH module (energy harvesting module)" installed in the tires generate electrical power using the weight of the vehicle. This has enabled battery-less sensing and wireless transmission within the tire, to which supplying power used to be very difficult. It will contribute to the improvement of safety and comfort of next-generation automobiles by detection of vehicle, road, and driving conditions in real time.

Also, TDK's "Ultra-small full color laser module for AR glasses", which contributes to overall decrease in size and weight of AR glasses, was awarded Semi Grand Prix in the Elemental Technologies/Devices of the New Normal Society category of the CEATEC AWARD 2020. The ultra-small laser module is approximately one-tenth the typical size of a laser module, and contributes to overall decrease in size and weight of AR glasses.

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. To achieve continuous advancement, TDK will refine material technology, process technology, product design, production technology, and evaluation, assessment, and simulation technology to accelerate the company's research and development goals for the medium-and long-term. Guided by the slogan, "Link Technology to customers. Prepare technology for the future." TDK is pushing ahead with development activities that will benefit customers in preparation for tomorrow's society. In doing so, we aim to put our technologies at the service for customers.

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 high recording density next-generation heads, and devices for hybrid and electric vehicles. TDK aims to develop highly efficient power supplies appropriate to the societal trend towards low energy consumption and reduce carbon dioxide emission. 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 elements.

In the Energy Application Products field, TDK is developing materials for next-generation lithium batteries.

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-base 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 time-to-market mindset.

Especially with Sensors, which are a vital device for the IoT era, TDK aims to offer innovative next generation products and platforms by sensor fusion, the combination of sensor technologies and software taking into consideration for collaboration with the companies holding technology assets necessary for the realization.

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 regarding source technologies that TDK does not possess. Notably, TDK concludes an organizational alliance agreement with the Tokyo Institute of Technology, advances joint research, etc. and cooperates with WISE Program (Doctoral Program for World-leading Innovative & Smart Education).

Under this agreement, the joint research is being advanced with the aim of achieving highly original development results. R&D expenses in fiscal 2021 increased 8.1% year on year to ¥127,046 million, 8.6% of net sales.

III. Facilities

1. Outline of capital expenditures

In fiscal 2021, TDK spent ¥212,355 million on capital expenditures to accurately respond to the rapid technological innovation and the intensified sales competition in the electronics market to which TDK belongs.

Capital expenditures in the Passive Components segment totaled ¥35,123 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 ¥6,668 million. 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 ¥29,679 million, mainly for the production of high-density next-generation heads for HDDs and micro actuator suspensions.

Capital expenditures in the Energy Application Products segment totaled ¥127,956 million, mainly to boost and rationalize production of rechargeable batteries.

Capital expenditures in the Other totaled ¥3,575 million.

Capital expenditures for the R&D divisions at the headquarters totaled ¥9,354 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	Manufacturing passive components	33,633	52,814	3,887 (559)	27	4,977	95,340	1,441

Note: Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

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)	Construction in progress	Total	
TDK Shonai Corporation (Tsuruoka City, Yamagata Pref. and other locations)	Manufacturing passive components	4,267	2,405	1,248 (94)	-	7,920	833
TDK Akita Corporation (Yurihonjo City, Akita Pref. and other locations)	Manufacturing passive components	5,271	253	1,046 (194)	48	6,618	2,694

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)	Construction in progress	Total	
TDK Xiamen Co., Ltd. (China)	Manufacturing passive components	3,873	13,071	—	1,366	18,310	4,564
TDK Electronics GmbH & Co OG (Austria)	Manufacturing passive components	4,553	7,845	586 (123)	495	13,479	786
TDK Hungary Components Kft. (Hungary)	Manufacturing passive components	3,320	8,473	351 (33)	666	12,810	2,133
TDK Dalian Corporation (China)	Manufacturing passive components	1,790	7,938	—	1,187	10,915	1,502
TDK (Zhuhai FTZ) Co., Ltd. (China)	Manufacturing passive components	1,612	8,093	—	683	10,388	3,416

(2) Sensor Application Products

a. Overseas subsidiaries

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)	Construction in progress	Total	
TDK-Micronas GmbH (Germany)	Manufacturing sensor application products	2,352	6,425	1,069 (51)	1,432	11,278	744

(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	3,813	1	1,773 (218)	—	—	5,587	533

Note: Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

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)	Construction in progress	Total	
Headway Technologies, Inc. (U.S.A)	Manufacturing magnetic application products	4,192	14,826	1,368 (9)	9,710	30,096	735
Magnecomp Precision Technology Public Co., Ltd. (Thailand)	Manufacturing magnetic application products	1,336	11,603	588 (136)	3,055	16,582	4,884
Hutchinson Technology Incorporated (U.S.A)	Manufacturing magnetic application products	3,234	10,557	182 (102)	961	14,934	460

(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)	Construction in progress	Total	
TDK-Lambda Corporation (Chuo-ku, Tokyo and other locations)	Manufacturing energy application products	977	851	363 (64)	77	2,268	634

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)	Construction in progress	Total	
Ningde Amperex Technology Ltd. (China)	Manufacturing energy application products	79,574	137,398	—	59,127	276,099	36,470
Dongguan Amperex Technology Ltd. (China)	Manufacturing energy application products	3,818	9,656	—	2,627	16,101	6,392
ATLBATTERY TECHNOLOGY (INDIA) PRIVATE LTD. (India)	Manufacturing energy application products	1,039	10	—	9,221	10,270	66

(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.)	Corporate (Common) and Other	12,431	743	1,205 (36)	73	68	14,522	521
Narita Plant (Narita City, Chiba Pref.)	Corporate (Common)	8,741	1,640	767 (47)	27	1,197	12,371	238
Asama Techno Plant (Saku City, Nagano Pref.) 1 other plant in Oita Pref.	Other	4,398	7,646	1,805 (270)	27	326	14,198	654

Notes: 1. Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

2. Technical Center is mainly a corporate (common) facility, but it also includes business segments which are classified as Other. However, due to difficulties in drawing such distinctions, it is displayed under "Corporate (Common) and Other".

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

TDK conducts a broad range of operations in Japan and overseas. As of March 31, 2021, plans of 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 2021 are ¥300,000 million and the breakdown by business segment is as follows.

Name of business segment	Projected amount at the end of fiscal 2021 (Millions of yen)	Main contents and objectives of facilities, etc.	Capital resource
Passive Components	45,000	Production capacity increase and rationalization of ceramic capacitors, inductive devices, and high-frequency devices.	—
Sensor Application Products	7,000	Production capacity increase of each sensor products	—
Magnetic Application Products	50,000	Developing and manufacturing facilities of high-density next-generation heads for HDD and micro actuator suspensions	—
Energy Application Products	185,000	Production capacity increase of rechargeable batteries and rationalization of facilities	—
Other	3,000	—	—
HQ/R&D divisions	10,000	Establishment of internal IT system and basic research and development	—
Total	300,000	—	Own capital and borrowing

Notes: 1. Consumption taxes, etc. are not included.

2. 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	480,000,000
Total	480,000,000

b. Number of shares issued

Class	Number of issued shares (As of March 31, 2021)	Number of issued shares (As of the date of filing: June 23, 2021)	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	129,590,659	129,590,659	Tokyo Stock Exchange (First Section)	Share unit number 100 shares
Total	129,590,659	129,590,659	—	—

Note: The number of shares issued by exercise of stock acquisition rights between June 1, 2021 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
2005	June 29, 2005	26	2,600 shares of common stock	Free of charge	From July 1, 2005 to June 30, 2025	—	—
2008	May 28, 2008	17	1,700 shares of common stock	¥5,967 (fair value)	From July 6, 2008 to July 5, 2028	—	—
2009	May 27, 2009	68	6,800 shares of common stock	¥4,021 (fair value)	From July 5, 2009 to July 4, 2029	—	—
2010	May 26, 2010	137	13,700 shares of common stock	¥4,213 (fair value)	From July 4, 2010 to July 3, 2030	1 person, 7 rights	—
2011	May 25, 2011	163	16,300 shares of common stock	¥3,925 (fair value)	From July 3, 2011 to July 2, 2031	1 person, 18 rights	1 person 3 rights
2012	June 21, 2012	184 [177]	18,400 [17,700] shares of common stock	¥2,770 (fair value)	From July 8, 2012 to July 7, 2032	1 person, 25 rights	1 person 3 rights
2013	June 19, 2013	200	20,000 shares of common stock	¥3,112 (fair value)	From July 7, 2013 to July 6, 2033	1 person, 24 rights	1 person 15 rights
2014	June 18, 2014	291	29,100 shares of common stock	¥4,136 (fair value)	From July 6, 2014 to July 5, 2034	1 person, 24 rights	2 people 28 rights
2015	July 31, 2015	480	48,000 shares of common stock	¥6,806 (fair value)	From August 23, 2015 to August 22, 2035	3 people, 64 rights	2 people 42 rights
2016	June 17, 2016	400	40,000 shares of common stock	¥4,273 (fair value)	From July 10, 2016 to July 9, 2036	3 people, 126 rights	2 people 25 rights
2017	June 16, 2017	244	24,400 shares of common stock	¥6,584 (fair value)	From July 9, 2017 to July 8, 2037	3 people, 58 rights	2 people 17 rights
2018	March 23, 2018	812	81,200 shares of common stock	¥8,373 (fair value)	From April 8, 2018 to April 7, 2038	3 people, 286 rights	2 people 29 rights
2018	June 20, 2018	24	2,400 shares of common stock	¥10,410 (fair value)	From July 8, 2018 to July 7, 2038	1 person, 24 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
2019	March 26, 2019	187	18,700 shares of common stock	¥8,562 (fair value)	From April 7, 2019 to April 6, 2039	3 people, 39 rights	—
2019	June 19, 2019	32	3,200 shares of common stock	¥7,800 (fair value)	From July 7, 2019 to July 6, 2039	1 person, 32 rights	—
2020	March 25, 2020	10	1,000 shares of common stock	¥7,596 (fair value)	April 12, 2020 to April 11, 2040	2 people, 4 rights	—
2020	May 25, 2020	2	200 shares of common stock	¥7,596 (fair value)	June 14, 2020 to June 13, 2040	1 person, 2 rights	—

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 is based on information as of March 31, 2021. For those which have changed from March 31, 2021 to May 31, 2021, it is states in []. Others have not changed since March 31, 2021.

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.

(Reference) Stock acquisition rights, etc., held by Directors, Audit & Supervisory Board Members, Corporate Officers and employees, etc., of the Company and its subsidiaries as of March 31, 2021

Number of Stock-Linked Compensation Stock Acquisition Rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Percentage of the number of stock acquisition rights in the total number of the issued shares
3,277	327,700 shares of common stock	0.25%

(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)
August 10, 2007 (Note)	(3,599,000)	129,590,659	—	32,641	—	59,256

Note: Decrease due to cancellation of treasury stock.

(6) Shareholder composition

(As of March 31, 2021)

Category	Shareholder composition (Number of shares consisting 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)	—	118	58	292	831	38	17,727	19,064	—
Number of shares held (Share units)	—	658,406	37,931	8,971	483,650	115	106,257	1,295,330	57,659
Holding rate of shares (%)	—	50.83	2.93	0.69	37.34	0.01	8.20	100.00	—

Notes: 1. In the “Other corporations” column, three share units in the name of Japan Securities Depository Center, Inc. are included.
2. 3,267,806 treasury shares of which 32,678 share units are included in “Individuals, etc.” and 6 shares are included in “Shares less than one unit.”

(7) Status of major shareholders

(As of March 31, 2021)

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)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	28,658	22.69
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	14,313	11.33
Custody Bank of Japan, Ltd. (Securities investment trust account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	3,497	2.77
SSBTC CLIENT OMNIBUS ACCOUNT	Boston, USA (3-11-1, Nihonbashi Chuo-ku, Tokyo, Japan)	3,325	2.63
Custody Bank of Japan, Ltd. (Trust account 9)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	2,751	2.18
Custody Bank of Japan, Ltd. (Trust account 7)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	2,279	1.80
STATE STREET BANK WEST CLIENT - TREATY 505234	Massachusetts, USA (2-15-1, Konan, Minato-ku, Tokyo, Japan)	2,161	1.71
STATE STREET BANK AND TRUST COMPANY 505025	Boston, USA (2-15-1, Konan, Minato-ku, Tokyo, Japan)	1,647	1.30
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,640	1.30
JP MORGAN CHASE BANK 385632	London, UK (2-15-1, Konan, Minato-ku, Tokyo, Japan)	1,499	1.19
Total	-	61,768	48.90

- Notes: 1. Other than the above, the Company holds 3,268 thousand shares of treasury stock.
2. In a Change Report that was disclosed to public on June 6, 2017, the share possessions by shareholders as of May 31, 2017, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2021, 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	2,858,000	2.21
BlackRock Investment Management LLC	New Jersey, USA	172,943	0.13
BlackRock Life Limited	London, UK	259,204	0.20
BlackRock Asset Management Ireland Limited	Dublin, Ireland	601,751	0.46
BlackRock Fund Advisors	San Francisco, USA	1,689,800	1.30
BlackRock Institutional Trust Company, N.A.	San Francisco, USA	2,004,106	1.55
BlackRock Investment Management (UK) Limited	London, UK	308,781	0.24
Total	-	7,894,585	6.09

3. In a Change Report that was disclosed to public on July 19, 2019, the share possessions by shareholders as of July 15, 2019, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2021, 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 Holdings, Inc.	1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	355,000	0.27
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo, Japan	3,325,000	2.57
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo, Japan	7,706,000	5.95
Total	—	11,386,000	8.79

4. In a Change 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 the end of March 31, 2021, 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

5. In a Change Report that was disclosed to public on June 1, 2020, the share possessions by shareholders as of May 25, 2020, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2021, 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 (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	540,372	0.42
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,361,600	1.82
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo, Japan	3,462,300	2.67
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	792,373	0.61
Total	—	7,156,645	5.52

6. In a Change Report that was disclosed to public on July 7, 2020, the share possessions by shareholders as of July 1, 2020, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2021, 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 HOLDINGS, INC.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	97,654	0.08
NOMURA INTERNATIONAL PLC	London, UK	262,714	0.20
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo, Japan	15,293,900	11.80
Total	—	15,654,268	12.08

7. In a Change Report that was disclosed to public on March 22, 2021, the share possessions by shareholders as of March 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, 2021, 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 (%)
Asset Management One Co., Ltd.	1-8-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	6,952,500	5.36

(8) Status of voting rights

a. Issued shares

(As of March 31, 2021)

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 3,267,800 (Cross-Holding stock) Common stock 92,000	—	—
Shares with full voting rights (Other)	Common stock 126,173,200	1,261,732	—
Shares less than one unit	Common stock 57,659	—	—
Total number of issued shares	129,590,659	—	—
Total number of voting rights	—	1,261,732	—

Note: The number of “Shares with full voting rights (Other)” includes 300 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes three units of voting rights related to shares with full voting rights in its name.

b. Treasury stock, etc.

(As of March 31, 2021)

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	3,267,800	—	3,267,800	2.52
(Cross-Holding stock) TODA KOGYO CORP.	1-23, Kyobashi-cho, Minami-ku, Hiroshima City, Hiroshim Pref. Japan	90,000	—	90,000	0.07
(Cross-Holding stock) YURIKOGYO CO.,LTD.	2-659, Numatashinmichishita , Nishimemachi, Yurihonjo City, Akita Pref. Japan	2,000	—	2,000	0.00
Total	—	3,359,800	—	3,359,800	2.59

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, 2021	580	7,631,430
Treasury stock acquired during the period under review	6	87,960

Note: Shares acquired by the purchase of shares less than one unit between June 1, 2021 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 2021		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 (Note 1)	4,300	22,089,440	700	3,596,950
Treasury stock held	3,267,806	—	3,267,112	—

Notes: 1. "Fiscal 2020" and "Period under review" consists of disposals due to exercises of stock acquisition rights.
2. Shares disposed of between June 1, 2021 and the date of filing of this Annual Securities Report are not included in treasury stock disposed of during the period under review.
3. Shares acquired or disposed of between June 1, 2021 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 stockholders' equity (ROE) and dividends on stockholders' 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, 2021 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 October 30, 2020	11,369	90
The General Meeting of Shareholders held on June 23, 2021	11,369	90

4. Status of corporate governance, etc.

(1) Overview of corporate governance

① Basic 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 Tokyo Institute of Technology, TDK unrelentingly pursues originality and increases corporate value through supplies of products and services which have created new value.
- b. TDK builds satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continues to be helpful to the society by resolving 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 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 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 comprehensive, accurate, timely, and impartial disclosure of information.

TDK has established “TDK Basic Policy on Corporate Governance” as its basic views and policy regarding 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

② Overview of current system and reason for adoption

The Company is a company with the Audit & Supervisory Board and has implemented various measures to strengthen its corporate governance. In 2002, efforts to reform governance included the introduction of an executive 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 4 committees acting as advisory organizations to the Board of Directors (the Nomination Advisory Committee, the Compensation Advisory Committee, the Corporate Governance Committee, the Business Ethics Committee) to exact our business ethics and fulfill our social responsibilities as well as strengthen our management supervision functions and framework for fulfilling our duty of explanation to our shareholders and investors.

Further, TDK established “TDK Basic Policy on Corporate Governance” in 2016 June. The policy request to elect Independent Outside Directors which account for one-third 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 one-third 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.

	Representative Director, President	Shigenao Ishiguro
	Representative Director	Tetsuji Yamanishi
	Director, Chairman	Makoto Sumita
	Director	Seiji Osaka
	Director	Shigeki Sato
Chair of the board	Outside Director	Kazuhiko Ishimura
	Outside Director	Kozue Nakayama
	Outside Director	Mutsuo Iwai

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.

Chairperson Full-time Audit & Supervisory Board Member	Takakazu Momozuka
Full-time Audit & Supervisory Board Member	Satoru Sueki
Outside Audit & Supervisory Board Member	Jun Ishii
Outside Audit & Supervisory Board Member	Douglas K. Freeman
Outside Audit & Supervisory Board Member	Michiko Chiba

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 half or more 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.

Chair of the committee Outside Director	Kozue Nakayama
Outside Director	Kazuhiko Ishimura
Outside Director	Mutsuo Iwai
Director, Chairman	Makoto Sumita
Representative Director, President	Shigenao Ishiguro

<The Compensation Advisory Committee>

The Compensation Advisory Committee is chaired by an Outside Director of the Company and a half or more 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.

Chair of the committee Outside Director	Kazuhiko Ishimura
Outside Director	Kozue Nakayama
Outside Director	Mutsuo Iwai
Director, Chairman	Makoto Sumita
Director	Seiji Osaka

<The Corporate Governance Committee>

The Corporate Governance Committee conducts deliberations on matters concerning corporate governance, internal control system and its operation, 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.

Chair of the committee Director, Chairman

Makoto Sumita

Committee Members Some of the General Managers of HQ staff functions

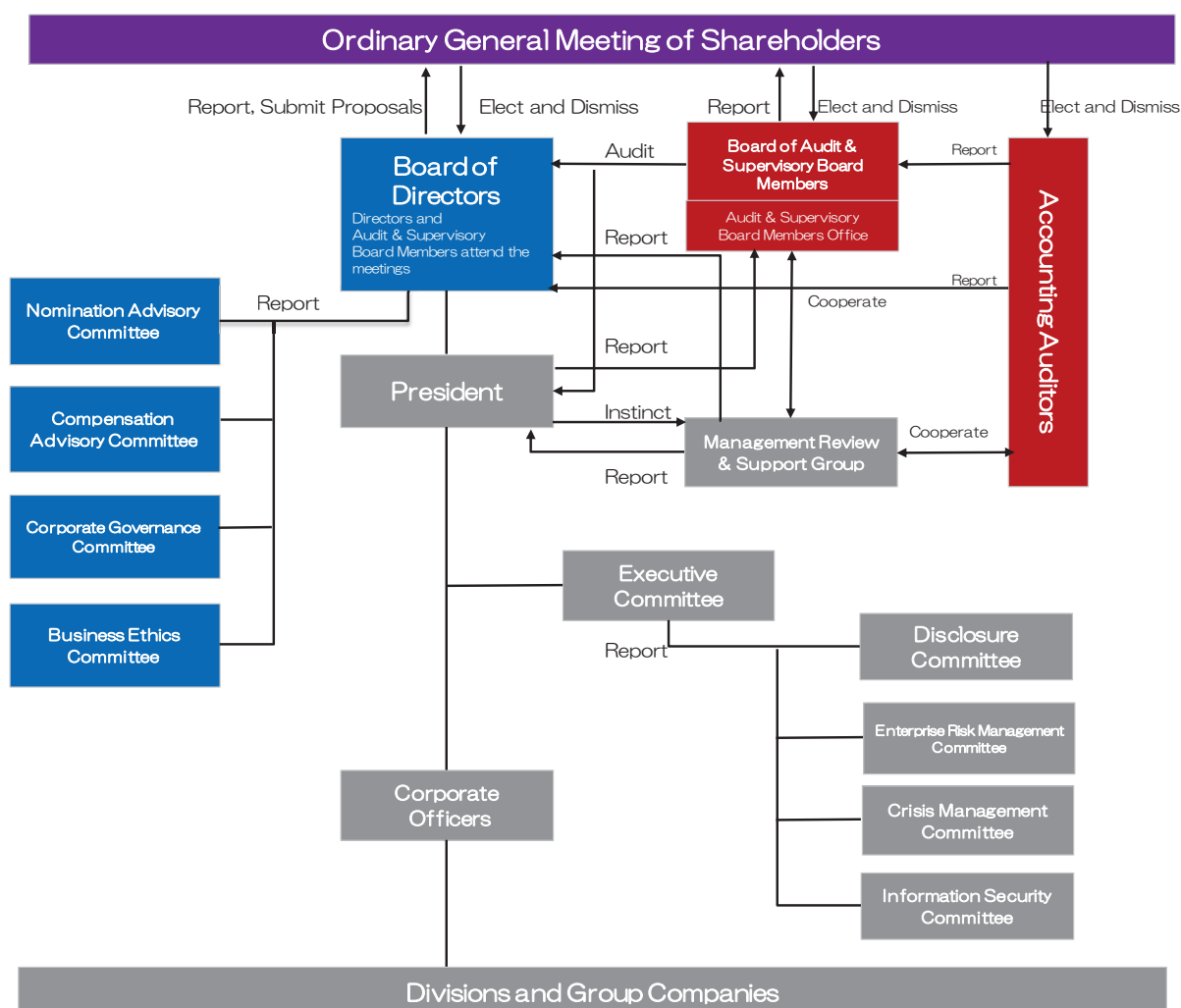
<The Business Ethics Committee>

The aim of the Business Ethics Committee is to ensure compliance with the TDK Corporate Motto, understanding of corporate ethics and improvement of awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Audit & Supervisory Board Members, Corporate Officers and all other members of TDK are made fully aware of the "TDK Code of Conduct", which stipulates concrete standards of business conduct in compliance with the TDK's management philosophy, including the TDK Corporate Motto, Corporate Principle and social norms, including relevant laws, regulations and international rules and the spirit thereof.

Chair of the committee General Manager of Human Resources HQ

Committee Members Some of the General Managers of HQ staff functions

d. Organization Chart



③Other 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:

[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 28, 2021)

- (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. In the ensuing years, the Company has unrelentingly pursued originality and increased corporate value through provisions of products and services which have created new value, based on the founding spirit “Contribute to culture and industry through creativity” as its Corporate Motto. In addition, TDK will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continue to be helpful by resolving 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 comprehensive, accurate, timely and impartial disclosure of information.

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.
 - ① Adoption 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.
 - ② Strengthening 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 one-third 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.
 - ③ Adoption 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.
 - ④ Establishment of Advisory Bodies to the Board of Directors (Nomination Advisory Committee, Compensation Advisory Committee, Corporate Governance Committee and Business Ethics Committee):

The Nomination Advisory Committee is chaired by an Outside Director of the Company and a half or more 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 half or more 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 matters concerning corporate governance, internal control system and its operation, 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.

The aim of the Business Ethics Committee is to ensure compliance with the TDK Corporate Motto, understanding of corporate ethics and improvement of awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Audit & Supervisory Board Members, Corporate Officers and all other members of TDK are made fully aware of the “TDK Code of Conduct”, which stipulates concrete standards of business conduct in compliance with the TDK’s management philosophy, including the TDK Corporate Motto, Corporate Principle and social norms, including relevant laws, regulations and international rules and the spirit thereof.
- 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 the following four committees (which is chaired by a Corporate Officer appointed by the President) under the direct control of the Executive Committee.

- (i) Disclosure Committee
The Disclosure Committee deliberates on and examines important corporate information and disclosure materials of the Company that are required for investment decisions by shareholders and investors, to ensure that the Company discloses appropriate information in a comprehensive, accurate, timely and impartial manner, in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchange on which the Company's shares are listed.
- (ii) ERM* Committee
For the purpose of the company-wide treatment of factors that obstruct the achievement of the business targets and business operations of the Company, the Company has established the ERM Committee and promotes enterprise risk management. Corporate regulations, bylaws, guidelines and departmental guidelines established in each department provide for operating rules for specific risks, including legal, financial and IT-related risks. These risks are managed by managers in charge of the particular areas of operation.
*ERM (Enterprise Risk Management)
- (iii) Crisis Management Committee
The Crisis Management Committee has been established and operates with the aim of implementing preventive measures for serious accidents, incidents, disasters, 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 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 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.

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 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 regular reports from Corporate Officers to 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".
- (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.
Furthermore, the Company has established a corporate ethics management system under the Business Ethics Committee, to regularly monitor the Company's compliance with corporate ethics, including the Company's subsidiaries worldwide. The Consultations and Help Lines also enable employees to directly report all relevant information and opinions concerning corporate ethics, etc. within TDK.
In addition, the Company has established a compliance promotion department under the direct control of the President and appoints a Global Chief Compliance Officer from among Corporate Officers upon resolution of the Board of Directors. The Global Chief Compliance Officer and compliance promotion department, together with Regional Chief Compliance Officers appointed in each region of the world as well as in Japan, operate in order to establish and strengthen a compliance system of TDK.
Especially as to compliance with cartel regulations in each country, the Company has established a system of checks, monitoring, etc., achieves thorough compliance with the applicable code of conduct and ensures a strict performance of duties.
- (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 and executing business decisions 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 researching 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, efficiency of management, and compliance with relevant laws and regulations.
- (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 Committee through the Consultations or Help Lines established by the said Committee and covering the whole of TDK. In cases where the Business Ethics Committee 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 to the Consultation or Help Line 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 internal audit department ensure that the audits of Audit & Supervisory Board Members are conducted effectively by meeting regularly, receiving 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 contract, which amount shall be equal to or greater than the amount provided for in Article 425 paragraph 1 of the same Act.

⑤ Number of Directors

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

⑥ 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.

⑦ 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 the 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.

⑧ 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 General Meeting of Shareholders.

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

①List of Directors and Audit & Supervisory Board Members

Men: 11 Women: 2 (Percentage of women among directors and audit & supervisory board members: 15.4%)

Title & Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Representative Director President and CEO, and General Manager of Humidifier Countermeasures HQ	Shigenao Ishiguro	Oct. 30, 1957	<p>Jan. 1982: Entered the Company</p> <p>Apr. 2002: Senior Manager of Planning Group of Europe Sales Group of Recording Media & Solutions Business Group of the Company</p> <p>Jul. 2004: Leader of Planning Group of Japan Operation of HDD Head Business Division of Data Storage & Thin Film Technology Components Business Group of the Company</p> <p>Apr. 2007: Leader of Japan Operation of HDD Head Business Division of Data Storage & Thin Film Technology Components Business Group of the Company</p> <p>Apr. 2011: Deputy General Manager of Data Storage & Thin Film Technology Components Business Group of the Company</p> <p>Jun. 2012: General Manager of Data Storage & Thin Film Technology Components Business Group of the Company</p> <p>Jun. 2014: Corporate Officer of the Company</p> <p>Apr. 2015: CEO of Magnetic Heads and Sensors Business Company of the Company</p> <p>Jun. 2015: Senior Vice President of the Company</p> <p>Jun. 2016: President & Representative Director of the Company (present post)</p> <p>General Manager of Humidifier Countermeasures HQ of the Company (present post)</p> <p>General Manager of Manufacturing HQ of the Company</p>	Note: 3	55
Representative Director Executive Vice President Global Chief Compliance Officer General Manager of Finance & Accounting HQ	Tetsuji Yamanishi	May. 29, 1960	<p>Apr. 1983: Entered the Company</p> <p>Jan. 2005: Senior Manager of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company</p> <p>Jul. 2008: Head of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company</p> <p>Jun. 2013: General Manager of Finance & Accounting Department of the Company</p> <p>Apr. 2015: General Manager of Finance & Accounting Group of the Company</p> <p>Jun. 2015: Corporate Officer of the Company</p> <p>Jun. 2016: Director of the Company</p> <p>Apr. 2017: General Manager of Finance & Accounting HQ of the Company (present post)</p> <p>Jun. 2017: Senior Vice President of the Company</p> <p>Jun. 2018: Representative Director of the Company(present post)</p> <p>Apr. 2019: Global Chief Compliance Officer of the Company (present post)</p> <p>Apr. 2020: Executive Vice President of the Company (present post)</p>	Note: 3	30

Title & Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Director Chairman	Makoto Sumita	Jan. 6, 1954	Apr. 1980: Jun. 1996:	Entered Nomura Research Institute, Ltd. Director of INNOTECH CORPORATION	Note: 3	—
			Apr. 2005:	Executive Vice President & Representative Director of the said company		
			Jun. 2005: Apr. 2007:	Director of IT Access Co., Ltd. President & CEO of INNOTECH CORPORATION		
			Jun. 2011:	Outside Audit & Supervisory Board Member of the Company		
			Apr. 2013:	Chairman & CEO of INNOTECH CORPORATION		
			Jun. 2013	Resigned Outside Audit & Supervisory Board Member of the Company		
				Outside Director of the Company		
			Feb. 2015:	Chairman & CEO of INNOTECH FRONTIER, Inc.		
			Jun. 2018:	Chairman & Director of INNOTECH CORPORATION Chairman & Director of the Company (present post)		
			Apr. 2021:	Director of INNOTECH CORPORATION (present post)		
Director Executive Vice President General Manager of Corporate Strategy HQ	Seiji Osaka	Oct.28, 1958	Apr. 1982: Apr. 2003:	Entered the Company Senior Manager if Corporate Planning Dept. of the Company	Note: 3	30
			Jun. 2009:	Corporate Officer of the Company General Manager of Corporate Planning Dept. of Corporate Strategy Group of the Company		
			May. 2011:	General Manager of Corporate Planning Group of the Company General Manager of Corporate Planning Dept. of Corporate Planning Group of the Company		
			Jun. 2012:	Senior Vice President of the Company Senior Executive Vice President & COO of TDK-EPC Corporation		
			Apr. 2015:	General Manager of Electronic Components Sales & Marketing Group of the Company General Manager of ICT Group of Electronic Components Sales & Marketing Group of the Company		
			Apr. 2017:	General Manager of Corporate Strategy HQ of the Company (present post) In charge of Human Resources		
			Jun. 2017:	Director & Executive Vice President of the Company (present post) Outside Director of TABUCHI ELECTRIC CO.,LTD.		
Director Senior Vice President General Manager of Technology and Intellectual Property HQ	Shigeki Sato	Jul. 9, 1964	Apr. 1989 Jan. 2004	Entered the Company General Manager of Advanced Process Technology Center of the Company	Note: 3	—
			Feb. 2007	Head of Technology Division of Capacitors Business Group of the Company		
			Dec. 2011	Senior Manager of Multilayer product Business Unit of Magnetics Business Group of the Company		
			Apr. 2016	General Manager of Ceramic Capacitors Business Group of Electronic Components Business Company of the Company		
			Apr. 2019	Corporate Officer of the Company CEO of Electronic Components Business Company of the Company		
			Apr. 2021	Senior Vice President of the Company (present post) General Manager of Technology and Intellectual Property HQ of the Company (present post)		
			Jun. 2021	Director of the Company (present post)		

Title & Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Director	Kazuhiko Ishimura	Sep.18, 1954	<p>Apr. 1979: Entered Asahi Glass Co., Ltd. (currently AGC Inc.)</p> <p>Jan. 2006: Executive Officer of the said company</p> <p>Jan. 2007: Senior Executive Officer and GM of Electronics & Energy General Division of the said company</p> <p>Mar. 2008: President & COO & Representative Director of the said company</p> <p>Jan. 2010: President & CEO & Representative Director of the said company</p> <p>Jan. 2015: Chairman & Representative Director of the said company</p> <p>Jun. 2015: Outside Director of the Company (present post)</p> <p>Jun. 2017: Outside Director of IHI Corporation (present post)</p> <p>Jan. 2018: Chairman & Director of ASAHI GLASS CO.,LTD. (currently AGC Inc.)</p> <p>Jun. 2018: Outside Director of Nomura Holdings, Inc. (present post)</p> <p>Mar. 2020: Director of AGC Inc.</p> <p>Apr. 2020: President of the National Institute of Advanced Industrial Science and Technology (present post)</p>	Note: 3	—
Director	Kozue Nakayama	Feb. 25, 1958	<p>Apr. 1982: Entered Nissan Motor Co., Ltd.</p> <p>Sep. 2010: Deputy General Manager of Global Branding Division of the said company</p> <p>Mar. 2011: Retired from the said company</p> <p>Apr. 2011: Entered Yokohama City</p> <p>Apr. 2012: Director General of Culture and Tourism Bureau of the said city</p> <p>Jun. 2018: President and Representative Director of Pacific Convention Plaza Yokohama</p> <p>Jun. 2019: Outside Audit & Supervisory Board Member of Imperial Hotel, Ltd. (present post)</p> <p>Jun. 2020: Outside Director of the Company (present post)</p> <p>Outside Director of Isuzu Motors Limited (present post)</p>	Note: 3	—
Director	Mutsuo Iwai	Oct. 29, 1960	<p>Apr. 1983: Entered Japan Tobacco and Salt Public Corporation</p> <p>Jun. 2005: Senior Vice President and Vice President of Food Business Division of Food Business of Japan Tobacco Inc. ("JT")</p> <p>Jun. 2006: Member of the Board and Executive Vice President; President of Food Business of JT</p> <p>Jun. 2008: Executive Vice President; Chief Strategy Officer of JT</p> <p>Jun. 2010: Member of the Board and Senior Vice President; Chief Strategy Officer and Assistant to CEO in Food Business of JT</p> <p>Jun. 2011: Member of the Board of JT International S.A.</p> <p>Jun. 2013: Senior Executive Vice President; Chief Strategy Officer of JT</p> <p>Jan. 2016: Executive Vice President; President of Tobacco Business of JT</p> <p>Mar. 2016: Representative Director and Executive Vice President; President of Tobacco Business of JT</p> <p>Jan. 2020: Member of the Board of JT</p> <p>Mar. 2020: Member and Deputy Chairperson of the Board of JT (present post)</p> <p>Jun. 2020: Outside Director of Benesse Holdings, Inc. (present post)</p> <p>Jun. 2021: Outside Director of the Company (present post)</p>	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	Takakazu Momozuka	Nov. 3, 1958	Apr. 1982: Apr. 2005:	Entered the Company Senior Manager, Finance & Accounting Department, Administration Group of the Company	Note: 4	30
			Jun. 2008:	General Manager, Finance & Accounting Department, Administration Group of the Company		
			Jun. 2011:	Corporate Officer of the Company		
			Jun. 2013:	In charge of Finance & Accounting and BPR Project of the Company		
			Apr. 2015:	General Manager, Corporate Administration HQ of the Company In charge of Management System and BPR Project of the Company		
			Jun. 2016:	Deputy General Manager, Corporate Administration HQ of the Company General Manager, General Affairs Group, Corporate Administration HQ of the Company		
			Oct. 2016:	Chief Compliance Officer of the Company General Manager, Compliance HQ of the Company		
			Apr. 2017:	General Manager, Legal & Compliance HQ of the Company		
			Mar. 2019:	Retirement of Corporate Officer of the Company		
			Jun. 2019:	Full-time Audit & Supervisory Board Member of the Company (present post)		
Full-time Audit & Supervisory Board Member	Satoru Sueki	Jul. 1, 1958	Mar. 1984: Apr. 2005:	Entered the Company Leader, Thin Film Device Product Group, Thin Film Device Division, Data Storage & Thin Film Technology Components Business Group of the Company	Note: 4	29
			Apr. 2006:	Project Leader, Thin Film Product Project, Technology Group of the Company		
			Apr. 2009:	Deputy General Manager, Device Development Center, Technology Group of the Company		
			Jun. 2010:	General Manager, Quality Assurance Department of the Company		
			Apr. 2013:	General Manager, Quality Assurance Group, Manufacturing HQ of the Company General Manager, Humidifier Recall Office, Humidifier Countermeasures HQ of the Company		
			Jun. 2014:	Corporate Officer of the Company General Manager, Quality Assurance Group of the Company		
			Apr. 2017:	General Manager, Quality Assurance HQ of the Company		
			Mar. 2019:	Retirement of Corporate Officer of the Company		
			Jun. 2019:	Full-time Audit & Supervisory Board Member of the Company (present post)		
			Jun. 2019:	Full-time Audit & Supervisory Board Member of the Company (present post)		
Audit & Supervisory Board Member	Jun Ishii	Mar.24, 1956	Apr. 1979: Apr. 2007: Apr. 2012:	Entered Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) Executive Officer of the said company Managing Executive Officer of the said company	Note: 4	—
			Jun. 2014: Apr. 2015:	Managing Director of the said company In charge of Human Resources, General Affairs, Social Relations, Legal Affairs, Fair Business, Corporate Governance, Risk Management, Facility Management, Corporate Sport Promotion and Executive Support Office; and Director, Risk & Governance Management Division, Of the said company		
			Jun. 2017:	Director, Managing Executive Officer, Chief Risk Management Officer (CRO), and Chief Compliance Officer (CCO); In charge of Corporate Governance; Director, Risk & Governance Management Division; and In charge of General Affairs, Social Relations, Facility Management and Executive Support Office, Of the said company		
			Apr. 2018:	Director of the said company (Retired in Jun. 2018)		
			Jun. 2019:	Outside Audit & Supervisory Board Member of the Company (present post)		

Title & Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Audit & Supervisory Board Member	Douglas K. Freeman	May. 23, 1966	Apr. 1990: Apr. 1996: Jun. 1997: Sep. 2002:	Entered Goldman Sachs Japan Co., Ltd. Registered as lawyer in Japan Joined Mitsui, Yasuda, Wani & Maeda Joined Hamada Law Offices Registered as lawyer in New York, the United States of America Joined Sullivan & Cromwell LLP Principal of Law Offices of Douglas K. Freeman (present post) Feb. 2016: Apr. 2019: Jun. 2019:	Note: 4	—
Audit & Supervisory Board Member	Michiko Chiba	Jun. 27, 1961	Apr. 1984 Oct. 1989 Mar. 1993 Jul. 2010 Sep. 2016 Jun. 2018 Mar. 2019 Jun. 2019	Entered Tokyo Metropolitan Government Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Registered as certified public accountant in Japan Senior Partner, Ernst & Young ShinNihon LLC Principal of Chiba Certified Public Accountant Office (present post) Outside Audit & Supervisory Board Member of CASIO COMPUTER CO., LTD. Outside Audit & Supervisory Board Member of DIC Corporation (present post) Outside Director, Audit & Supervisory Committee Member of CASIO COMPUTER CO., LTD. (present post) Outside Audit & Supervisory Board Member of the Company (present post)	Note: 4	—
Total						174

Notes: 1. Mr. Kazuhiko Ishimura, Ms. Kozue Nakayama, and Mr. Mutsuo Iwai are Outside Directors.
2. Mr. Jun Ishii, Mr. Douglas K. Freeman and Ms. Michiko Chiba are Outside Audit & Supervisory Board Member.
3. One year from the Ordinary General Meeting of Shareholders held on June 23, 2021.
4. Four years from the Ordinary General Meeting of Shareholders held on June 27, 2019.
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 (three 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 the Company has a business relationship with IHI Corporation, where Outside Director Mr. Kazuhiko Ishimura serves as Outside Director, 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, 2021, the ratio of sales of TDK to the IHI Group represented less than 1% of the consolidated net sales of TDK.
- Although the Company has research consignment and other relationships with the National Institute of Advanced Industrial Science and Technology ("AIST"), where Mr. Kazuhiko Ishimura is President, 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, 2021, the ratio of the amount of payment of research consignment fees, etc. by TDK to AIST represented less than 1% of the annual income amount of AIST.
- Although the Company has a business relationship with JT, where Mr. Mutsuo Iwai is a Member of the Board, 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, 2021, the ratio of sales of TDK to JT represented less than 1% of the consolidated net sales of TDK.

- Although the Company has a business relationship with CASIO COMPUTER CO., LTD., where Outside Audit & Supervisory Board Member Ms. Michiko Chiba serves as Outside Director and Audit & Supervisory Committee Member, 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, 2021, the ratio of sales of TDK to the CASIO COMPUTER 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, three of the eight Directors are Outside Directors and three of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

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 it invites, 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.

“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)
-

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 Mr. Kazuhiko Ishimura, Ms. Kozue Nakayama, and Mr. Mutsuo Iwai and its Outside Audit & Supervisory Board Members, namely Mr. Jun Ishii, Mr. Douglas K. Freeman and Ms. Michiko Chiba, 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)

Kazuhiko Ishimura (Outside Director):	Meetings of the Board of Directors: 13 of the 14 meetings Nomination Advisory Committee: 10 out of the 10 meetings Compensation Advisory Committee: 7 out of the 7 meetings
Kazunori Yagi (Outside Director):	Meetings of the Board of Directors: 14 of the 14 meetings Nomination Advisory Committee: 10 out of the 10 meetings Compensation Advisory Committee: 7 out of the 7 meetings
Kozue Nakayama (Outside Director): (following appointment in June 2020)	Meetings of the Board of Directors: 10 of the 10 meetings Nomination Advisory Committee: 9 out of the 9 meetings Compensation Advisory Committee: 5 out of the 5 meetings
Jun Ishii (Outside Audit & Supervisory Board Member)	Meetings of the Audit & Supervisory Board: 14 of the 14 meetings Meetings of the Board of Directors: 14 of the 14 meetings
Douglas K. Freeman (Outside Audit & Supervisory Board Member)	Meetings of the Audit & Supervisory Board: 14 of the 14 meetings Meetings of the Board of Directors: 14 of the 14 meetings
Michiko Chiba (Outside Audit & Supervisory Board Member)	Meetings of the Audit & Supervisory Board: 14 of the 14 meetings Meetings of the Board of Directors: 14 of the 14 meetings

Outside Directors participate as 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

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

① Status 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, and Outside Audit & Supervisory Board Member Ms. Michiko Chiba is a certified public accountant; thus she has 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 14 times). The details of attendance for each Audit & Supervisory Board members is as follows.

Position	Name	Attendance (Attendance ratio)
Full-Time Audit & Supervisory Board Member	Satoru Sueki	14 of the 14 meetings (Attendance ratio: 100%)
Full-Time Audit & Supervisory Board Member	Takakazu Momozuka	14 of the 14 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Jun Ishii	14 of the 14 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Douglas K. Freeman	14 of the 14 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Michiko Chiba	14 of the 14 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 by the full-time Audit & Supervisory Board Members. The Audit & Supervisory Board Members share and deliberate such information among themselves. Also, 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 department managers and headquarters. Furthermore, the Audit & Supervisory Board Members receive the internal audit report from the internal audit department and promote information sharing and collaboration with them through establishing regular meetings. These audit results summary, identified issues, 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. In addition, the Audit & Supervisory Board Members have meetings with an attorney with whom the Audit & Supervisory Board has entered into an advisory contract from time to time and receive legal advice regarding Audit & Supervisory Board Members' duties timely, and thereby improve the effectiveness of Audit & Supervisory Board Members' duties.

The Audit & Supervisory Board 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. 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. To support the Audit & Supervisory Board, TDK has set an Audit & Supervisory Board Members Office, separate from the operational function to support administration of Audit & Supervisory Board and to support each member's operation.

② Status of internal audit

The Management Review & Support Group, an internal audit department of the Company, is organized by 12 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 bases 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 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 status of evaluation of the “effectiveness of internal controls over financial reporting” in accordance with the Financial Instruments and Exchange Act of Japan.

③ Status of accounting audit

a. Name of auditor

KPMG AZSA LLC

b. Continuing Auditing Period

18 years

c. Certified public accountants who conducted the accounting audit

Mr. Yutaka Terasawa

Mr. Hiroto Yamane

Mr. Kohei Shingaki

d. Constitution of assistant in conducting the accounting audit

Working to assist the above accountants in conducting the accounting audit of the Company were 10 certified public accountants, 9 assistant certified public accountants, and 8 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 quality control organization of audit firm to be accounting auditor, rationality and validity of conducting audit by audit team and judges comprehensively considering validity of audit fee as well. In addition, accounting auditor could be non-reappointed in case there is any item that doesn’t 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 accounting auditor for the previous fiscal year. The objects of evaluation are appropriateness of quality control organization of accounting auditor and rationality and validity of conducting audit by audit team, mentioned above. The Audit & Supervisory Board has decided to reappoint KPMG AZSA LLC as accounting auditor for FY2021 based on these results of evaluation for the fiscal year under review.

④Audit fees, etc.

a. Details of fees to auditors

Category	Fiscal 2020		Fiscal 2021	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	348	47	357	20
Consolidated subsidiaries	36	—	28	1
Total	384	47	385	21

In fiscal 2020 and fiscal 2021, the content of non-attest service that TDK Corporation will pay to KPMG AZSA LLC, TDK Corporation's auditors, is guidance and advice for accounting standards.

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

Category	Fiscal 2020		Fiscal 2021	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	—	81	—	43
Consolidated subsidiaries	554	83	594	174
Total	554	164	594	217

In fiscal 2020 and fiscal 2021, 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 2020)

TDK Electronics AG, consolidated subsidiary of TDK Corporation, has paid ¥161 million to Ernst & Young as audit fees.

(Fiscal 2021)

TDK Electronics AG, consolidated subsidiary of TDK Corporation, has paid ¥177 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 2021, 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 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 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. **Policy on determining the amount of remuneration for individual Directors (excluding results-linked compensation and non-monetary compensation; hereinafter “fixed compensation”) or the method of calculation thereof (including the policy on determining the timing and conditions for compensation, and the method of determining the details; same through c. below)**

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 rank 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. **Policy on determining the details of performance indicators for results-linked compensation and the method of calculation of amounts or numbers of said results-linked compensation**

Results-linked compensation shall be results-linked bonuses (monetary compensation). The payment amounts 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. Results-linked bonuses are paid out at a certain time each year, as determined by the Board of Directors after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee.

- c. **Policy on determining the details of non-monetary compensation and the amounts or numbers or the method of calculation thereof**

Non-monetary compensation shall be stock-linked compensation. The system emphasizes the linkage with medium- to long-term results and uses some consolidated performance indicators from the Medium-Term Plan, where the number of shares to be delivered fluctuates based on the degree of achievement of the targets. Details are determined by the Board of Directors after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee.

Stock-linked compensation to be granted after the fiscal year ended March 31, 2021 shall be post-delivery type stock remuneration. Post-delivery type stock remuneration will be paid with approximately half of the number of shares to be delivered in shares and the remainder in monetary form after the end of a period of three (3) 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 (3) years of more as determined by the Board of Directors of the Company.

Note: In accordance with the introduction of the post-delivery type stock remuneration plan that was approved by the 124th Ordinary General Meeting of Shareholders held on June 23, 2020, the stock-linked compensation stock option plan was abolished, except for those that had already been granted. As a result, the stock-linked compensation stock option plan is not included in the Determining Policy in regard to non-monetary compensation.

- d. **Policy on determining the ratio of amounts of fixed compensation, results-linked compensation and non-monetary compensation to amounts of remuneration for individual Directors**

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 rank, 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 rank 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 0.5-0.6 : approximately 0.6-0.8 (assuming 100% achievement of performance targets).

- e. **Other important matters concerning determinations about details of remuneration for individual Directors**

In the event that the Company's performance sharply and significantly deteriorates, or there are illegal activities or violations of laws and regulations, 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) **Structure and Role of Compensation Advisory Committee**

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.

(iii) Reason for Board of Directors judging the details of remuneration for individual Directors for the fiscal year under review are in accordance with the Determining Policy

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. In addition, for the fiscal year under review, stock-linked compensation stock options had been granted before the Board of Directors' resolution on the Determining Policy, but the concept which is basically the same as the Determining Policy had been adopted for stock-linked compensation stock options.

As explained in (i) 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.

(iv) 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)
Restricted Stock Unit (RSU)	RSU is a type of stock remuneration which is issued based on continuous service. In 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
Post-delivery type stock remuneration	PSU is a type of stock remuneration which is issued based on performance. In 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)

Notes: 1. In accordance with the introduction of the post-delivery type stock remuneration plan that was approved by the 124th Ordinary General Meeting of Shareholders held on June 23, 2020, the stock-linked compensation stock option plan was abolished, except for those that had already been granted, and is not shown in the above table.

2. The RSU plan came into operation from the fiscal year ended on March 2021. The PSU plan is scheduled to come into operation from the fiscal year ending on March 2022.

3. 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	Stock-linked Compensation Stock Options*	RSU**	PSU***
Results-linked compensation	—	●	●	—	●
Non-monetary compensation	—	—	●	●	●
Compensation other than the above	●	—	—	●	—

* Stock-linked compensation stock options are classified as "non-monetary compensation" and the portion with the results achievement condition attached is also classified as "results-linked compensation."

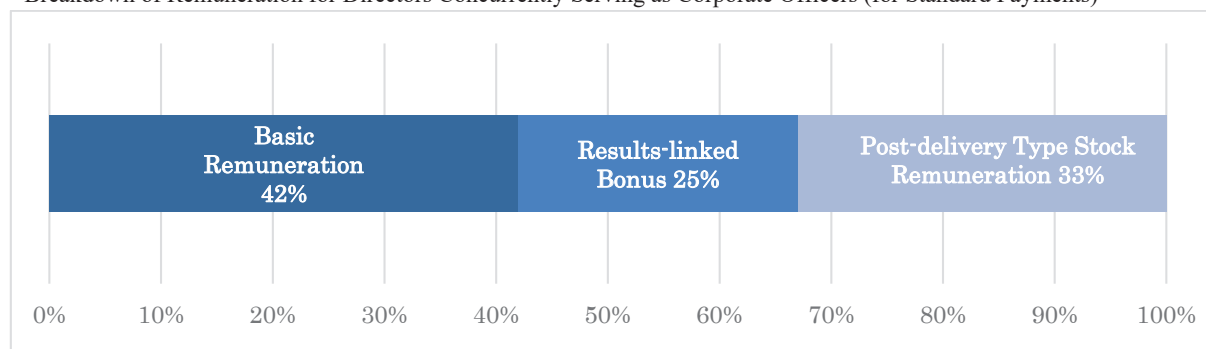
** Under RSU, the stock remuneration portion is classified as "non-monetary compensation" and the monetary compensation portion is classified under "compensation other than the above."

*** 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)>



(v) 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 ¥70,900 million (target), ¥111,535 million (result)

Consolidated ROE 5.6% (target), 8.6% (result)

- b. Some stock-linked compensation stock options have a results achievement condition attached to them. 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 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, 2021, are as follows.

Consolidated operating income (cumulative amount for three-years)

¥419,515 million (target), ¥317,228 million (result)

Consolidated ROE (amount for the last year)

14.0% (target), 8.6% (result)

- c. Matters Concerning Stock Acquisition Rights, Etc. In accordance with the introduction of the post-delivery type stock remuneration plan that was approved by the 124th Ordinary General Meeting of Shareholders held on June 23, 2020, the stock-linked compensation stock option plan was abolished, except for those that had already been granted, and the RSU plan came into operation from the fiscal year ended March 31, 2021. The PSU plan is scheduled to come into operation from the fiscal year ending March 31, 2022. The Company plans to deliver its shares and cash from the fiscal year ending March 31, 2024 onward for the RSU plan and from the fiscal year ending March 31, 2025 onward for the PSU plan.

(vi) Others

- a. 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.
- b. In regards to remuneration of Directors and Corporate Officers, Clawback provisions are set forth by the Company. When there has been an illegal behavior or violation of the law, the Company may ask for a repayment of remuneration with consideration of the Compensation Advisory Committee and decision by the Board of Directors.

- 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)	Stock-linked compensation stock options	Restricted Stock Units (RSU)	
Directors (Excluding Outside Directors)	497	221	181	77	17	4
Outside Directors	48	48				4
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	61	61				2
Outside Audit & Supervisory Board Members	35	35				3

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, 2021 in the table above, the total number of payees, the total amount of remuneration and the basic remuneration in the breakdown thereof regarding Directors as shown above include one (1) Outside Director who retired at the close of the 124th Ordinary General Meeting of Shareholders held on June 23, 2020, and the amount of remuneration paid to him.

2. Resolution of the General Meeting of Shareholders regarding the amounts of remuneration and other payments for Directors and Audit & Supervisory Board Members

< Directors (Numbers as of the date of filing of this Annual Securities Report:8, 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) Stock-linked compensation stock options

The amount of stock-linked compensation stock options for Directors, excluding Outside Directors, is ¥457 million or less per year (as for the number of shares, 77,500 shares or less per year), as approved by the 119th Ordinary General Meeting of Shareholders held on June 26, 2015. There were four (4) Directors, excluding Outside Directors, as of the close of the said Ordinary General Meeting of Shareholders. In accordance with the introduction of the post-delivery type stock remuneration plan that was approved by the 124th Ordinary General Meeting of Shareholders held on June 23, 2020, the stock-linked compensation stock option plan was abolished, except for those that had already been granted.

(iv) 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.

< 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. As for the results-linked bonuses, stock-linked compensation stock options and RSUs for Directors for the fiscal year under review, the amounts shown above are those recorded as an expense for the fiscal year under review.

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)	Share-based compensation type stock options	Restricted Stock Units (RSU)
Shigeno Ishiguro	209	Representative Director, President and CEO	Filling company	77	90	37	5
Tetsuji Yamanishi	108	Representative Director, Executive Vice President	Filling company	42	44	19	3
Seiji Osaka	112	Director, Executive Vice President	Filling company	42	46	21	3

(5) Share ownership

① Standard 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.

② Investment 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	13	288
Stocks other than unlisted stocks	3	4,530

(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	-	-	-
Stocks other than unlisted stocks	-	-	-

Note: “-” shows that TDK does not hold the issue.

(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	547

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, 2021, 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, 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 logistic and continuously holds the share for maintaining and strengthening good business to business transactions.	No
	2,661	1,794		
Mabuchi Motor Co., Ltd.	360,000	480,000	The company does business in Magnets business, etc. and continuously holds the share for maintaining and strengthening good business to business transactions.	No
	1,751	1,545		
SIIX Corporation	72,000	72,000	The company does business in Passive Components business, etc. and continuously holds the share for maintaining and strengthening good business to business transactions.	No
	117	62		

Note: “-” shows that TDK does not hold the issue.

Regarded as holding shares

Issue	The fiscal year under review,	The previous fiscal year	Holding purpose, 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)		
Fukuda Denshi Co., Ltd.	241,000	269,100	The company does business in Passive Components business, etc. and contributes on retirement benefit trust currently. As to exercising voting rights, the company holds the authority to give instructions.	Yes
	2,026	2,260		
Shinko Shoji Co., Ltd.	698,000	698,000	The company does business in Passive Components business, etc. and contributes on retirement benefit trust currently. As to exercising voting rights, the company holds the authority to give instructions.	Yes
	558	621		
TODA KOGYO CORP.	199,400	199,400	It is an affiliate of the company and the company contributes on retirement benefit trust currently. As to exercising voting rights, the company holds the authority to give instructions.	Yes
	431	242		
NIKKO COMPANY	2,453,000	2,495,000	The company contributes on retirement benefit trust currently. As to exercising voting rights, the company holds the authority to give instructions.	No
	360	391		
Ricoh Company, Ltd.	108,000	108,000	The company does business in Passive Components business, etc. and contributes on retirement benefit trust currently. As to exercising voting rights, the company holds the authority to give instructions.	Yes
	121	85		
DENKYOSHA CO., LTD.	55,500	55,500	The company contributes on retirement benefit trust currently. As to exercising voting rights, the company holds the authority to give instructions.	Yes
	75	48		
KYOCERA Corporation	-	210,000	The company does business in Passive Components business, etc. and contributes on retirement benefit trust currently. As to exercising voting rights, the company holds the authority to give instructions.	No
	-	1,345		

Note: “-” shows that TDK does not hold the issue.

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

V. Consolidated Financial Statements and Notes to Consolidated Financial Statements

Consolidated statements of income

For the years ended March 31, 2020 and 2021

Consolidated statements of income		Yen	U.S. Dollars	
For the years ended March 31, 2020 and 2021		(Millions)	(Thousands) (Note 2)	
		2020	2021	2021
Net sales (Notes 23 and 25)		¥ 1,363,037	¥ 1,479,008	\$ 13,324,396
Cost of sales		959,714	1,044,690	9,411,621
Gross profit		403,323	434,318	3,912,775
Selling, general and administrative expenses		289,771	317,302	2,858,577
Other operating expense (income) (Notes 22 and 24)		15,682	5,481	49,378
Operating income		97,870	111,535	1,004,820
Other income (deductions):				
Interest and dividend income		10,166	9,727	87,631
Interest expense		(3,671)	(3,526)	(31,766)
Gain (loss) on securities, net (Note 3)		1,879	9,030	81,351
Equity in earnings of affiliates (Note 4)		(2,329)	(890)	(8,018)
Gain (loss) on sale of investments in affiliates		(183)	1,093	9,847
Foreign exchange gain (loss)		(4,020)	(1,302)	(11,730)
Other - net		(3,836)	(3,763)	(33,901)
		(1,994)	10,369	93,414
Income before income taxes (Note 25)		95,876	121,904	1,098,234
Income taxes (Note 7)				
Current		43,156	36,477	328,621
Deferred		(4,437)	6,222	56,054
		38,719	42,699	384,675
Net income		57,157	79,205	713,559
Less: Net loss attributable to noncontrolling interests		(623)	(135)	(1,216)
Net income attributable to TDK		¥ 57,780	¥ 79,340	\$ 714,775
Amounts per share:		Yen	U.S. Dollars	
			(Note 2)	
Net income attributable to TDK (Note 20):				
Basic		¥ 457.47	¥ 628.08	\$ 5.66
Diluted		456.44	626.78	5.65
Cash dividends paid during the year (Note 9)		¥ 170.00	¥ 180.00	\$ 1.62

Consolidated statements of comprehensive income (loss)

For the years ended March 31, 2020 and 2021

Consolidated statements of comprehensive income (loss)			U.S. Dollars
For the years ended March 31, 2020 and 2021			(Thousands)
	Yen		(Note 2)
	(Millions)		
	2020	2021	2021
Net income	¥ 57,157	¥ 79,205	\$ 713,559
Other comprehensive income (loss), net of taxes:			
Foreign currencies translation adjustments	(45,684)	78,559	707,739
Pension liability adjustments	(20,065)	28,852	259,928
Net unrealized gains (losses) on securities	(87)	123	1,108
Total other comprehensive income (loss) (Note 12)	(65,836)	107,534	968,775
Comprehensive income (loss)	(8,679)	186,739	1,682,334
Comprehensive income (loss) attributable to noncontrolling interests	(858)	10	90
Comprehensive income (loss) attributable to TDK	¥ (7,821)	¥ 186,729	\$ 1,682,244

See accompanying notes to consolidated financial statements.

Consolidated balance sheets

As of March 31, 2020 and 2021

U.S. Dollars

(Thousands)

Yen
(Millions)

(Note 2)

ASSETS	2020	2021	2021
Current assets:			
Cash and cash equivalents	¥ 332,717	¥ 380,387	\$ 3,426,910
Short-term investments	32,494	65,886	593,568
Marketable securities (Note 3)	56	56	505
Trade receivables:			
Notes	58,079	82,886	746,721
Accounts	253,783	348,010	3,135,225
Allowance for doubtful receivables	(1,720)	(1,442)	(12,991)
Net trade receivables	310,142	429,454	3,868,955
Inventories (Note 5)	236,453	288,854	2,602,288
Income taxes receivables	9,201	4,983	44,892
Prepaid expenses			
and other current assets	45,419	63,765	574,459
Total current assets	966,482	1,233,385	11,111,577
Investments in affiliates (Notes 3 and 4)	14,888	12,764	114,991
Other investments in securities (Note 3)	18,341	31,523	283,991
Property, plant and equipment, at cost (Note 18):			
Land	22,057	23,953	215,793
Buildings	347,655	423,689	3,817,018
Machinery and equipment	972,492	1,207,552	10,878,847
Construction in progress	81,923	124,558	1,122,144
	1,424,127	1,779,752	16,033,802
Less accumulated depreciation	(812,977)	(995,381)	(8,967,397)
Net property, plant and equipment	611,150	784,371	7,066,405
Right-of-use assets of operating lease (Note 13)	39,215	42,325	381,306
Goodwill (Note 19)	160,945	165,096	1,487,352
Intangible assets (Note 19)	79,748	73,280	660,180
Deferred income taxes (Note 7)	34,862	41,024	369,586
Other assets (Note 21)	17,748	17,665	159,144
Total assets (Note 25)	¥ 1,943,379	¥ 2,401,433	\$ 21,634,532

See accompanying notes to consolidated financial statements.

	Yen (Millions)	U.S. Dollars (Thousands) (Note 2)	
LIABILITIES AND EQUITY	2020	2021	2021
Current liabilities:			
Short-term debt (Note 6)	¥ 216,601	¥ 192,938	\$ 1,738,180
Current installments of long-term debt (Note 6)	68,028	135,125	1,217,342
Current portion of operating lease obligations (Note 13)	7,252	8,444	76,072
Trade payables (Note 21):			
Notes	102,200	171,673	1,546,603
Accounts	99,625	152,700	1,375,676
Accrued salaries and wages	87,772	118,860	1,070,811
Accrued expenses (Note 8)	113,819	205,893	1,854,892
Income taxes payables (Note 7)	7,341	9,232	83,171
Other current liabilities	16,267	16,611	149,649
Total current liabilities	718,905	1,011,476	9,112,396
Long-term debt, excluding current installments (Note 6)	140,061	155,273	1,398,856
Long-term operating lease obligations (Note 13)	28,824	29,833	268,766
Retirement and severance benefits (Note 8)	142,958	116,745	1,051,757
Deferred income taxes (Note 7)	38,329	52,172	470,018
Other noncurrent liabilities (Note 7)	25,738	29,637	267,000
Total noncurrent liabilities	375,910	383,660	3,456,397
Total liabilities	1,094,815	1,395,136	12,568,793
TDK stockholders' equity:			
Common stock			
Authorized 480,000,000 shares;			
issued 129,590,659 shares in 2020 and 2021;			
outstanding 126,319,133 shares in 2020			
and 126,322,853 shares in 2021	32,641	32,641	294,063
Additional paid-in capital (Note 11)	1,783	-	-
Legal reserve (Note 9)	45,254	46,403	418,045
Retained earnings (Note 9)	971,140	1,024,019	9,225,396
Accumulated other comprehensive income (loss) (Note 12)	(190,055)	(82,733)	(745,342)
Treasury stock at cost; 3,271,526 shares in 2020			
and 3,267,806 shares in 2021	(16,806)	(16,792)	(151,279)
Total TDK stockholders' equity	843,957	1,003,538	9,040,883
Noncontrolling interests (Note 11)	4,607	2,759	24,856
Total equity	848,564	1,006,297	9,065,739
Total liabilities and equity	¥ 1,943,379	¥ 2,401,433	\$ 21,634,532

Consolidated statements of equity

For the years ended March 31, 2020 and 2021

Yen (Millions)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 11	Note 9	Note 9	Note 12			Note 11	
Balance at April 1, 2019	¥ 32,641	¥ 5,958	¥ 44,436	¥ 935,649	¥ (124,435)	¥ (16,959)	¥ 877,290	¥ 6,466	¥ 883,756
Equity transaction of consolidated subsidiaries and other		(4,079)			(19)		(4,098)	(896)	(4,994)
Cash dividends				(21,471)			(21,471)	(105)	(21,576)
Transferred to legal reserve			818	(818)			-		-
Comprehensive income									
Net income				57,780			57,780	(623)	57,157
Other comprehensive income (loss)					(65,601)		(65,601)	(235)	(65,836)
Total comprehensive income (loss)							(7,821)	(858)	(8,679)
Acquisition of treasury stock						(5)	(5)		(5)
Compensation expenses related to stock options		33					33		33
Exercise of stock options		(129)				158	29		29
Balance at March 31, 2020	¥ 32,641	¥ 1,783	¥ 45,254	¥ 971,140	¥ (190,055)	¥ (16,806)	¥ 843,957	¥ 4,607	¥ 848,564
Equity transaction of consolidated subsidiaries and other		(4,591)			(67)		(4,658)	(1,492)	(6,150)
Cash dividends				(22,738)			(22,738)	(366)	(23,104)
Transferred to legal reserve			1,149	(1,149)			-		-
Transferred to Additional paid-in capital from retained earnings		2,574		(2,574)			-		-
Comprehensive income									
Net income				79,340			79,340	(135)	79,205
Other comprehensive income (loss)					107,389		107,389	145	107,534
Total comprehensive income (loss)							186,729	10	186,739
Acquisition of treasury stock						(8)	(8)		(8)
Compensation expenses related to stock options		256					256		256
Exercise of stock options		(22)				22	0		0
Balance at March 31, 2021	¥ 32,641	¥ -	¥ 46,403	¥ 1,024,019	¥ (82,733)	¥ (16,792)	¥ 1,003,538	¥ 2,759	¥ 1,006,297

See accompanying notes to consolidated financial statements.

U.S.Dollars (Thousands)

(Note 2)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 11	Note 9	Note 9	Note 12			Note 11	
Balance at April 1, 2020	\$ 294,063	\$ 16,063	\$ 407,694	\$ 8,749,008	\$ (1,712,207)	\$ (151,405)	\$ 7,603,216	\$ 41,504	\$ 7,644,720
Equity transaction of consolidated subsidiaries and other		(41,360)			(604)		(41,964)	(13,441)	(55,405)
Cash dividends				(204,847)			(204,847)	(3,297)	(208,144)
Transferred to legal reserve			10,351	(10,351)			-		-
Transferred to Additional paid-in capital from retained earnings		23,189		(23,189)			-		-
Comprehensive income									
Net income				714,775			714,775	(1,216)	713,559
Other comprehensive income (loss)					967,469		967,469	1,306	968,775
Total comprehensive income (loss)							1,682,244	90	1,682,334
Acquisition of treasury stock						(72)	(72)		(72)
Compensation expenses related to stock options		2,306					2,306		2,306
Exercise of stock options		(198)				198	0		0
Balance at March 31, 2021	\$ 294,063	\$ -	\$ 418,045	\$ 9,225,396	\$ (745,342)	\$ (151,279)	\$ 9,040,883	\$ 24,856	\$ 9,065,739

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended March 31, 2020 and 2021

U.S. Dollars

Yen
(Thousands)
(Note 2)

	2020	2021	2021
Cash flows from operating activities:			
Net income	¥ 57,157	¥ 79,205	\$ 713,559
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	124,984	140,285	1,263,829
Deferred income taxes	(4,437)	6,222	56,054
Loss (gain) on sale or disposal of property, plant and equipment	2,183	(18)	(162)
Impairment loss on long-lived assets	18,592	7,914	71,297
Gain on sale of business	(2,910)	(2,433)	(21,919)
Loss (gain) on securities, net	(1,879)	(9,030)	(81,351)
Equity in earnings of affiliates, net of dividends received	2,370	905	8,153
Loss (gain) on sale of investments in affiliates	183	(1,093)	(9,847)
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	(13,198)	(96,966)	(873,568)
Decrease (increase) in inventories	(20,357)	(38,603)	(347,775)
Decrease (increase) in other current assets	9,118	(18,370)	(165,496)
Increase (decrease) in trade payables	23,090	99,098	892,775
Increase (decrease) in accrued expenses	16,563	43,882	395,333
Increase (decrease) in income taxes payables, net	1,423	5,738	51,694
Increase (decrease) in other current liabilities	(80)	(326)	(2,937)
Increase (decrease) in retirement and severance benefits, net	(3,794)	(3,098)	(27,910)
Other - net	13,382	9,502	85,603
Net cash provided by operating activities	222,390	222,814	2,007,332
Cash flows from investing activities:			
Capital expenditures	(173,429)	(212,355)	(1,913,108)
Proceeds from sales of tangible and intangible assets	2,945	3,586	32,306
Proceeds from sale and maturity of short-term investments	80,328	90,606	816,270
Payment for purchase of short-term investments	(74,665)	(120,427)	(1,084,928)
Proceeds from sale and maturity of securities	1,608	1,080	9,730
Payment for purchase of securities	(2,380)	(3,994)	(35,982)
Proceeds from sale of business, net of cash transferred	—	7,017	63,216
Proceeds from sale of investments in affiliates	124,484	2,502	22,541
Other - net	(855)	497	4,478
Net cash used in investing activities	(41,964)	(231,488)	(2,085,477)
Cash flows from financing activities:			
Proceeds from debt with maturities longer than three months	21,407	178,619	1,609,180
Repayment of debt with maturities longer than three months	(95,087)	(93,994)	(846,793)
Net increase (decrease) in debt with maturities of three months	(21,613)	(25,938)	(233,676)
Dividends paid	(21,469)	(22,738)	(204,847)
Acquisition of noncontrolling interests	(4,991)	(5,955)	(53,649)
Other - net	(16)	(801)	(7,215)
Net cash provided by (used in) financing activities	(121,769)	29,193	263,000
Effect of exchange rate changes on cash and cash equivalents	(15,115)	27,151	244,605
Net increase in cash and cash equivalents	43,542	47,670	429,460
Cash and cash equivalents, beginning of year	289,175	332,717	2,997,450
Cash and cash equivalents, end of year	¥ 332,717	¥ 380,387	\$ 3,426,910

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

(1) Nature of Operations

TDK Corporation, a Tokyo-based company founded in 1935 to accomplish the world's first industrialization of a magnetic material called ferrite, and its subsidiaries (collectively "TDK") have 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 items created by pursuing core technologies.

TDK's four basic reportable segments, Passive Components, Sensor Application Products, Magnetic Application Products and Energy Application Products, and the "Other", which is unrelated to the aforementioned four segments, accounted for 27.5 percent, 5.5 percent, 13.5 percent, 50.0 percent, and 3.5 percent of net sales, respectively, for the year ended March 31, 2021.

These four segments and the Other consist of the following businesses:

(i) Passive Components:

Ceramic Capacitors, Aluminum Electrolytic Capacitors, Film Capacitors, Inductive Devices (Coils / Ferrite Cores / Transformers), High-Frequency Devices, Piezoelectric Material Products, Circuit Protection Components

(ii) Sensor Application Products:

Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors

(iii) Magnetic Application Products:

HDD Heads, HDD Suspension Assemblies, Magnets

(iv) Energy Application Products:

Energy Devices (Rechargeable Batteries), Power Supplies

(v) Other:

Mechatronics (Production Equipment), Camera Module Micro Actuators for smartphones, Others

(2) Basis of Presentation

TDK Corporation and its domestic subsidiaries maintain their books of account in conformity with the generally accepted accounting principles in Japan, and its foreign subsidiaries mainly maintain their books of account in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein reflect certain adjustments, not recorded in the primary books of TDK Corporation and its subsidiaries, to present the financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles ("U.S. GAAP").

(3) Consolidation Policy

The consolidated financial statements include the accounts of TDK Corporation, its subsidiaries and those variable interest entities where TDK is the primary beneficiary as defined under U.S. GAAP. All significant intercompany balances and transactions have been eliminated in consolidation.

The investments in affiliates where TDK exercises significant influence over their operating and financial policies are accounted for by the equity method of accounting. All significant intercompany profits from these affiliates have been eliminated.

(4) Cash Equivalents and Short-term Investments

Cash equivalents include all highly liquid investments with an original maturity of three months or less. All other highly liquid investments not considered to be cash equivalents are classified as short-term investments. TDK determines the appropriate classification of its investments at the time of purchase.

(5) Allowance for Doubtful Receivables

The allowance for doubtful receivables is TDK's best estimate of the amount of probable credit losses in TDK's existing trade receivables. An additional reserve for individual receivables is recorded when TDK becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in a customer's operating results or financial position. If customer circumstances change, estimates of the recoverability of receivables would be further adjusted.

(6) Marketable Securities and Other Investments in Securities

TDK classifies marketable securities and other investments in securities into debt and equity securities, and further classifies debt securities into one of the three categories: trading, available-for-sale, or held-to-maturity. Trading securities are acquired and held principally for the purpose of selling them in the near future. Held-to-maturity securities are those securities in which TDK has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on equity securities (excluding investments in subsidiaries and affiliates) are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on debt securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. As of March 31, 2020 and 2021, TDK did not hold any trading or held-to-maturity securities. Available-for-sale securities, which mature or are expected to be sold in less than one year, are classified as marketable securities.

If a decline in the fair value below amortized cost basis of a debt security not expected to be sold is deemed to be other-than-temporary and represents a credit loss, and if a decline in the fair value of an available-for-sale security expected to be sold before recovery of its amortized cost basis exists, an impairment loss is recognized in earnings and the fair value becomes the new cost basis of the security. To determine whether an impairment is other-than-temporary, TDK periodically reviews the fair value of available-for-sale securities for possible impairment by taking into consideration the financial and operating conditions of the issuer, general market conditions in the issuer's industry, degree and period of the decline in fair value and other relevant factors.

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 value as of the date that the observable transaction occurred. TDK periodically evaluates whether an event or change in circumstances may have a significant adverse effect on the fair value of the investment. Factors considered in assessing whether an indication of impairment exists include the financial and operating conditions of the issuer, general market conditions in the issuer's industry and other relevant factors. If an indication of impairment is present, TDK estimates the fair value of those nonmarketable equity securities. If the fair value is less than cost, the nonmarketable equity security is written down to its impaired value through a charge to earnings.

The gross realized gains and losses on the sale of debt securities classified as available-for-sale securities are determined on an average cost basis and are reflected in earnings.

(7) Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method.

The cost elements for finished goods and work in process include direct costs for materials such as primary materials and purchased semi-finished products, direct labor costs such as basic salaries, bonuses, and legal welfare expenses, direct costs such as expenses paid to subcontractors, and indirect manufacturing costs comprising material costs, labor costs and other overhead costs.

(8) Property, Plant and Equipment

Depreciation of property, plant and equipment is principally calculated using the straight-line method over the following estimated useful lives:

Buildings	:	2 to 60 years
Machinery and equipment	:	2 to 25 years

(9) Income Taxes

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 carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. TDK uses a specific identification method to release the residual tax effects associated with components of other comprehensive income (loss) resulting from a change in tax law or rate.

The financial statement impact of tax positions are 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 percent likely of being realized upon settlement with the tax authorities.

(10) Stock Based Compensation

Stock Option Plan

TDK measures the expenses of employee services received in exchange for equity awards based on the grant date fair value of the awards and use the straight-line attribution method to recognize compensation expenses related to stock options over the requisite service period. TDK will continue to use the simplified method to estimate expected remaining term until TDK has the historical data necessary to provide reasonable estimates of the expected term.

Post-delivery Type Stock Remuneration Plan

TDK measures the expenses of employee services received in exchange for equity awards based on the grant-date fair value of the awards and measures the expenses of employee services received in exchange for money awards based on the fiscal year end date fair value of the awards. TDK uses the straight-line attribution method to recognize compensation expenses over the requisite service period.

(11) Research and Development Expenses

Research and development expenses are expensed as incurred.

(12) Advertising Costs

Advertising costs are expensed as incurred.

(13) Shipping and Handling Fees and Costs

Shipping and handling fees and costs amounted to ¥14,997 million and ¥18,396 million (\$165,730 thousand) for the years ended March 31, 2020 and 2021, respectively, and are included in selling, general and administrative expenses in the consolidated statements of income.

(14) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 830, “Foreign Currency Matters”. Under FASB ASC 830, the assets and liabilities of TDK’s subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements of foreign subsidiaries are excluded from the statements of income and are accumulated in TDK stockholders’ equity as a component of accumulated other comprehensive income (loss).

(15) 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 of the year ended 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.

(16) Accounting for the Impairment of Long-Lived Assets

Property, plant and equipment and certain identifiable intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, an impairment loss to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

(17) Goodwill and Other Intangible Assets

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

Intangible assets with finite useful lives are amortized over their respective estimated useful lives. Intangible assets determined to have indefinite useful lives are not amortized, but instead are tested for impairment annually or more frequently if certain indicators arise until the useful life is determined to no longer be indefinite except TDK determines 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.

(18) 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 designated as hedges must be adjusted to fair value through the consolidated statement of income. If a derivative is designated as 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 recognized in the foreign currency translation adjustments section of other comprehensive income (loss).

The required disclosures in accordance with FASB ASC 815 “Derivatives and Hedging” are presented in Note 15 of the Notes to Consolidated Financial Statements.

(19) Net Income attributable to TDK per Share

Basic net income attributable to TDK per share has been computed by dividing net income attributable to TDK available to common stockholders by the weighted average number of common shares outstanding for each year. Diluted net income attributable to TDK per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock of TDK.

(20) Revenue Recognition

TDK applies ASC606 “Revenue from Contracts with Customers”, and recognizes revenue based on the following 5 steps.

Step 1 : Identify the contracts 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

Further detail is presented in Note 24 of Notes to Consolidated Financial Statements.

(21) Receipt of Contingent Consideration

Contingent consideration is recognized when the amount of the contingent consideration becomes realized or realizable.

(22) Adoption of New Accounting Standards

Amendments of fair value measurement disclosure requirements

In August 2018, the 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.

This 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.

(23) Subsequent Events

TDK has evaluated the subsequent events through June 23, 2021, the date on which the consolidated financial statements are available to be issued.

(24) Reclassifications

Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the presentation used for the year ended March 31, 2021.

2. Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen, the functional currency of TDK Corporation. As a supplement, the Japanese yen amounts as of and for the year ended March 31, 2021, have also been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥111=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2021. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Marketable Securities and Other Investments in Securities

Marketable securities and other investments in securities as of March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Marketable securities			
Debt securities	¥ 56	¥ 56	\$ 505
Total Marketable securities	56	56	505
Investments in affiliates (Note 4)	¥ 14,888	¥ 12,764	\$ 114,991
Other investments in securities:			
Debt securities	42	46	414
Equity securities with readily determinable fair values	4,745	6,803	61,288
Equity securities without readily determinable fair values	13,554	24,674	222,289
Total other investments in securities	18,341	31,523	283,991
Total	¥ 33,285	¥ 44,343	\$ 399,487

Debt securities include available-for-sale securities. Information with respect to such securities as of March 31, 2020 and 2021 is as follows:

2020

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Yen (Millions):				
Marketable securities (Debt securities):				
Government bonds	¥ 56	¥ 0	¥ -	¥ 56
Investments (Debt securities):				
Commercial papers	0	42	-	42
Public utility bonds	0	-	-	0
Total	¥ 56	¥ 42	¥ -	¥ 98

2021

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Yen (Millions):				
Marketable securities (Debt securities):				
Government bonds	¥ 56	¥ 0	¥ -	¥ 56
Investments (Debt securities):				
Commercial papers	0	46	-	46
Public utility bonds	0	-	-	0
Total	¥ 56	¥ 46	¥ -	¥ 102

2021

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
U.S. Dollars (Thousands):				
Marketable securities (Debt securities):				
Government bonds	\$ 505	\$ 0	\$ -	\$ 505
Investments (Debt securities):				
Commercial papers	0	414	-	414
Public utility bonds	0	-	-	0
Total	\$ 505	\$ 414	\$ -	\$ 919

The proceeds from sale and maturity of debt securities classified as available-for-sale securities were ¥10 million and ¥14 million (\$126 thousand) for the year ended March 31, 2020 and 2021, respectively. The gross realized gains and losses on the sale of debt securities classified as available-for-sale securities are determined on an average cost basis and are reflected in earnings.

As of March 31, 2021, all of the debt securities classified as available-for-sale securities with unrealized losses were in a continuous unrealized loss position for less than 12 months.

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 value as of the date that the observable transaction occurred. The book value of such investments amounted to ¥3,984 million (\$35,892 thousand) as of March 31, 2021. TDK recorded an impairment loss of ¥254 million (\$2,288 thousand) for the year ended March 31, 2021.

Net gains and losses and unrealized gains and losses recognized during the period on equity securities for the year ended March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Unrealized gains and losses recognized during the period on equity securities held as of March 31	¥ 1,692	¥ 8,804	\$ 79,314
Net gains and losses recognized on equity securities sold during the period	174	212	1,913
Net gains and losses recognized during the period on equity securities	¥ 1,866	¥ 9,016	\$ 81,227

4. Investments in Affiliates

As of March 31, 2021, investments in affiliates accounted for under the equity method consist of holdings of 31.7 percent of the common stock of Semiconductor Energy Laboratory Co., Ltd., a research and development company, 25.5 percent of the common stock of TODA KOGYO CORP., a magnetic material manufacturing company, and three other affiliated companies. The effect of investments in affiliates accounted for under the equity method to our financial statements, collectively, is not material as of March 31, 2020 and 2021. As of March 31, 2020 and 2021, the difference between TDK's carrying value of investments in affiliates and its share of the underlying net equity in such affiliates substantially consists of unamortized amounts of equity method goodwill of ¥980 million (\$8,829 thousand).

TODA KOGYO CORP. is listed on the Tokyo Stock Exchange. TDK's investment in this company have a carrying value and fair value of ¥1,531 million as of March 31, 2020. TDK's investment in this company have a carrying value and fair value of ¥837 million (\$7,541 thousand) and ¥2,727 million (\$24,568 thousand), respectively, as of March 31, 2021. TDK recognized impairment loss of ¥1,305 million for the year ended March 31, 2020. The impairment loss is included in Equity in earnings of affiliates of the consolidated statements of income. Please refer to Note 17 Fair Value Measurements for further detail.

5. Inventories

Inventories as of March 31, 2020 and 2021 are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Finished goods	¥ 87,721	¥ 101,517	\$ 914,567
Work in process	56,697	66,060	595,135
Raw materials	92,035	121,277	1,092,586
Total	¥ 236,453	¥ 288,854	\$ 2,602,288

6. Short-Term and Long-Term Debt

Short-term debt and weighted average interest rates as of March 31, 2020 and 2021 are as follows:

	2020		2021		2021
	Yen (Millions)	Weighted average interest rate	Yen (Millions)	Weighted average interest rate	U.S. Dollars (Thousands)
Short-term bank loans – unsecured	¥ 216,601	0.43%	¥ 192,938	0.53%	\$1,738,180

Long-term debt as of March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Loans from banks, unsecured (weighted average: 2020-0.16%, 2021-0.21%)	¥ 202,207	¥ 185,116	\$ 1,667,712
Unsecured Bonds due 2025 - 0.18% (issuance by TDK Corporation)	-	30,000	270,270
Unsecured Bonds due 2027 - 0.31% (issuance by TDK Corporation)	-	30,000	270,270
Unsecured Bonds due 2027 - 0.31% (issuance by TDK Corporation)	-	40,000	360,360
Bond issuance cost		(388)	(3,495)
Finance lease obligation (weighted average: 2020 - 13.18%, 2021 – 13.33 %)	5,882	5,670	51,081
	208,089	290,398	2,616,198
Less current portion	68,028	135,125	1,217,342
Total	¥ 140,061	¥ 155,273	\$ 1,398,856

The aggregate annual maturities of long-term debt outstanding as of March 31, 2021 are as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2022	¥ 134,580	\$ 1,212,432
2023	167	1,505
2024	138	1,243
2025	50,095	451,306
2026	30,042	270,649
2027 and thereafter	70,094	631,477
Total	¥ 285,116	\$ 2,568,612

The aggregate annual maturities of long-term debt outstanding as of March 31, 2021 do not include lease obligation. A schedule by years of future minimum lease payments is presented in Note 13 of the Notes to Consolidated Financial Statements.

Short-term and long-term debt from banks were made under general agreements in which security and guarantees for present and future indebtedness will be given upon request of the banks, and that the banks shall have the rights, as the obligations become due, or in the event of default, to offset cash deposits against such obligations due to the banks.

As of March 31, 2020, property, plant and equipment having a net book value of ¥81 million was pledged as collateral for lease obligation. As of March 31, 2021, there is no property, plant and equipment as collateral for lease obligation.

There were no debt covenants or cross-default provisions which cause significant disadvantage under TDK's financing arrangements. Furthermore, there were no subsidiary level dividend restrictions under the financing arrangements.

7. Income Taxes

TDK Corporation and its domestic subsidiaries are subject to a statutory rate of approximately 31.1 percent both for the year ended March 31, 2020 and for the year ended March 31, 2021.

The effective tax rates of TDK for the years ended March 31, 2020 and 2021 are reconciled with the Japanese statutory tax rate in the following table:

	2020	2020
Japanese statutory tax rate for income from continuing operations, before income taxes	31.1%	31.1%
Difference in statutory tax rates of foreign subsidiaries	(21.9)	(20.6)
Expenses not deductible for tax purposes	4.3	2.1
Nontaxable income	(0.9)	(2.1)
Foreign withholding tax	9.6	4.5
Change in valuation allowance generated from loss making entities	26.5	18.8
Change in valuation allowance	(4.6)	(2.4)
Investment tax credit	(5.3)	(4.8)
Research and development tax credit	(1.3)	(1.3)
Prior-year tax adjustments	6.0	2.0
Undistributed earnings of subsidiaries and affiliates	(2.6)	11.2
Tax effect of investments in subsidiaries' and affiliates' securities	(0.9)	(4.3)
Other	0.4	0.8
Effective tax rate of continuing operations	<u>40.4%</u>	<u>35.0%</u>

Total income taxes for the years ended March 31, 2020 and 2021 are allocated as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
	2020	2021
Net income attributable to TDK	¥ 38,719	¥ 42,699
Other comprehensive income (loss):		
Foreign currency translation adjustments	(348)	2,707
Pension liability adjustments	705	338
Total income taxes	<u>¥ 39,076</u>	<u>¥ 45,744</u>
		\$ 384,675
		\$ 24,387
		\$ 3,045
		\$ 412,107

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Deferred tax assets:			
Inventories	¥ 3,801	¥ 3,703	\$ 33,359
Accrued expenses	16,383	21,595	194,546
Retirement and severance benefits	38,858	29,824	268,681
Net operating loss carryforwards	95,189	113,875	1,025,904
Tax credit carryforwards	10,982	12,689	114,317
Property, plant and equipment, and Intangible assets	14,772	14,942	134,615
Operating lease liabilities	8,935	9,916	89,337
Tax effect of investments in subsidiaries' and affiliates' securities	848	6,035	54,374
Other	427	2,090	18,828
Total gross deferred tax assets	190,195	214,670	1,933,961
Less valuation allowance	(142,125)	(156,714)	(1,411,838)
Net deferred tax assets	¥48,070	¥57,956	\$ 522,123
Deferred tax liabilities:			
Marketable securities and investments adjustments	¥ (2,117)	¥ (2,216)	\$ (19,960)
Undistributed earnings of foreign subsidiaries and affiliated companies	(33,276)	(49,547)	(446,370)
Fixed assets acquired through business combination	(4,493)	(4,039)	(36,387)
Operating lease right-of-use assets	(8,673)	(9,662)	(87,041)
Other	(2,978)	(3,640)	(32,797)
Total gross deferred tax liabilities	(51,537)	(69,104)	(622,555)
Net deferred tax assets	¥ (3,467)	¥ (11,148)	\$ (100,432)

The net changes in total valuation allowance were an increase of ¥24,089 million for the year ended March 31, 2020 and an increase of ¥ 14,589 million (\$131,432 thousand) for the year ended March 31, 2021. The valuation allowance primarily relates to deferred tax assets associated with net operating loss carryforwards.

In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilized. TDK considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the these deductible differences and tax loss carryforwards are deductible or usable, TDK believes it is more likely than not that TDK will realize the benefits of these deferred tax assets, net of the existing valuation allowance as of March 31, 2021.

As of March 31, 2021, TDK Corporation and its subsidiaries have net operating loss carryforwards for income tax purposes of ¥406,078million (\$3,658,360 thousand) which are available to offset future taxable income, if any.

Periods available to offset future taxable income vary in each tax jurisdiction and range from one year to an indefinite period as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Within 1 year	¥ 2,765	\$ 24,910
1 to 5 years	86,403	778,405
5 to 20 years	149,343	1,345,432
Indefinite periods	167,567	1,509,613
	¥ 406,078	\$ 3,658,360

As of March 31, 2021, TDK Corporation and its subsidiaries have tax credit carryforwards for income tax purposes of ¥12,689 million (\$114,315 thousand) which are available to reduce future income taxes, if any. Approximately ¥6,853 million (\$61,739 thousand) of the tax credit carryforwards will expire through 2041, while the remainder has an indefinite carryforward period.

As of March 31, 2020 and 2021, TDK did not recognize deferred tax liabilities of approximately ¥24,917 million and ¥26,567 million (\$239,342 thousand), respectively, for certain portions of undistributed earnings of foreign subsidiaries because TDK currently does not expect those unremitted earnings to reverse and become taxable to TDK in the foreseeable future.

A deferred tax liability will be recognized when TDK expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 31, 2020 and 2021, the undistributed earnings of these subsidiaries are approximately ¥270,263 million and ¥245,619 million (\$2,212,784 thousand), respectively.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for the years ended March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Balance at beginning of year	¥ 11,089	¥ 17,456	\$ 157,261
Additions for tax positions of the current year	7,492	2,331	21,000
Additions for tax positions of prior years	4,206	430	3,874
Reductions for tax positions of prior years	(4,646)	(285)	(2,568)
Settlements with tax authorities during the period	(23)	(434)	(3,910)
Other	(662)	736	6,631
Balance at end of year	¥ 17,456	¥ 20,234	\$ 182,288

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of March 31, 2020 and 2021 are ¥9,368 million and ¥10,578 million (\$95,297 thousand), respectively.

Although TDK believes its estimates and assumptions used to identify unrecognized tax benefits are reasonable, there is an uncertainty about the final determination of tax audit settlements and any related litigation which could affect the effective tax rate in the future periods. As of March 31, 2021, TDK is not aware of any significant changes in its unrecognized tax benefits over the next 12 months.

TDK classifies interest and penalties related to unrecognized tax benefits as interest expense and other-net in other income (deductions), respectively, in the consolidated statements of income. Interest and penalties accrued which are recorded in other current liabilities as of March 31, 2021 as well as interest and penalties recorded in interest expense and other-net in other income (deductions) for the year then ended are not material.

TDK files income tax returns in Japan and various foreign tax jurisdictions. In Japan, TDK is no longer subject to regular income tax examinations by the tax authority for years ended on or before March 31, 2018. In other major foreign tax jurisdictions, including the U.S. and Hong Kong, TDK is no longer subject to income tax examinations by tax authorities for years ended on or before March 31, 2015 with few exceptions. The tax authorities are currently conducting income tax examinations of TDK's income tax returns for certain years ended on or after March 31, 2016 in some foreign tax jurisdictions. While there has been no specific indication by the tax authority that TDK will be subject to a transfer pricing examination in the near future, the tax authority could conduct a transfer pricing examination for years ended on or after March 31, 2011.

8. Retirement and Severance Benefits

1. Defined Benefit Pension Plans

TDK sponsors contributory and noncontributory retirement and severance plans that provide for pension or lump-sum benefit payments, based on length of service, employee salary and certain other factors, to substantially all employees who retire or terminate their employment for reasons other than dismissal for cause. These pension plans are recognized in accordance with FASB ASC 715 "Compensation—Retirement Benefits".

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets are as follows:

	Yen (Millions)			
	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Change in benefit obligations:				
Benefit obligations at beginning of period	¥ 226,022	¥ 95,291	¥ 237,754	¥ 95,709
Service cost	6,033	2,574	6,109	2,723
Interest cost	1,075	1,944	1,597	1,852
Actuarial loss (gain)	13,396	2,042	(53)	1,018
Benefits paid	(8,772)	(3,114)	(8,805)	(3,719)
Plan amendments	-	393	-	14
Curtailment/settlement	-	-	-	(207)
Translation adjustment	-	(3,421)	-	6,172
Benefit obligations at end of period	237,754	95,709	236,602	103,562
Change in plan assets:				
Fair value of plan assets at beginning of period	164,797	24,206	162,511	24,927
Actual return on plan assets	(2,956)	(815)	21,425	6,639
Employer contributions	8,471	4,424	11,711	3,401
Benefits paid	(7,801)	(2,148)	(8,028)	(2,337)
Curtailment/settlement	-	-	-	(180)
Translation adjustment	-	(740)	-	656
Fair value of plan assets at end of period	162,511	24,927	187,619	33,106
Funded status	¥ (75,243)	¥ (70,782)	¥ (48,983)	¥ (70,456)

U.S. Dollars (Thousands)		
2021		
	Japanese plans	Foreign plans
Change in benefit obligations:		
Benefit obligations at beginning of period	\$ 2,141,928	\$ 862,243
Service cost	55,036	24,532
Interest cost	14,387	16,685
Actuarial loss	(477)	9,171
Benefits paid	(79,324)	(33,505)
Plan amendments	-	126
Curtailment/settlement	-	(1,865)
Translation adjustment	-	55,604
Benefit obligations at end of period	2,131,550	932,991
Change in plan assets:		
Fair value of plan assets at beginning of period	1,464,063	224,568
Actual return on plan assets	193,018	59,811
Employer contributions	105,505	30,640
Benefits paid	(72,324)	(21,054)
Curtailment/settlement	-	(1,622)
Translation adjustment	-	5,910
Fair value of plan assets at end of period	1,690,262	298,253
Funded status	\$ (441,288)	\$ (634,738)

Amounts recognized in the consolidated balance sheets as of March 31, 2020 and 2021 consist of:

Yen (Millions)				
2020		2021		
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Other assets	¥ 34	¥ 248	¥ 176	¥ 632
Accrued expenses	(2,119)	(2,306)	(2,130)	(2,540)
Retirement and severance benefits	(73,158)	(68,724)	(47,029)	(68,548)
Total	¥ (75,243)	¥ (70,782)	¥ (48,983)	¥ (70,456)

U.S. Dollars (Thousands)		
2021		
	Japanese plans	Foreign plans
Other assets	\$ 1,586	\$ 5,694
Accrued expenses	(19,189)	(22,883)
Retirement and severance benefits	(423,685)	(617,549)
Total	\$ (441,288)	\$ (634,738)

Amounts recognized in accumulated other comprehensive income as of March 31, 2020 and 2021 consist of:

	Yen (Millions)			
	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss	¥ 86,262	¥ 27,198	¥ 63,116	¥ 21,202
Prior service cost (benefit)	2,955	(722)	2,819	(699)
Total	¥ 89,217	¥ 26,476	¥ 65,935	¥ 20,503

	U.S. Dollars (Thousands)	
	2021	
	Japanese plans	Foreign plans
Net actuarial loss	\$ 568,613	191,009
Prior service cost (benefit)	25,396	(6,297)
Total	\$ 594,009	\$ 184,712

Accumulated benefit obligations for all defined benefit plans are as follows:

	Yen (Millions)			
	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Accumulated benefit obligations	¥ 229,458	¥ 89,558	¥ 228,442	¥ 97,962

	U.S. Dollars (Thousands)	
	2021	
	Japanese plans	Foreign plans
Accumulated benefit obligations	\$ 2,058,036	\$ 882,541

The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	Yen (Millions)			
	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	¥ 234,536	¥ 95,709	¥ 233,457	¥ 76,221
Fair value of plan assets	159,259	24,927	184,298	5,417
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	¥ 226,296	¥ 87,472	¥ 225,327	¥ 70,883
Fair value of plan assets	159,259	22,764	184,298	3,274

	U.S. Dollars (Thousands)	
	2021	
	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	\$ 2,103,216	\$ 686,676
Fair value of plan assets	1,660,342	48,802
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	\$ 2,029,973	\$ 638,586
Fair value of plan assets	1,660,342	29,495

Net periodic benefit cost (including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the years ended March 31, 2020 and 2021 consist of the following components. Prior service cost (benefit) is amortized by a straight-line method over the average remaining service period of current employees.

	Yen (Millions)			
	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Service cost-benefits earned during the year	¥ 6,033	¥ 2,574	¥ 6,109	¥ 2,723
Interest cost on projected benefit obligation	1,075	1,944	1,597	1,852
Expected return on plan assets	(3,449)	(1,472)	(3,067)	(1,508)
Amortization of actuarial loss	3,400	1,921	4,735	1,847
Amortization of prior service cost (benefit)	(290)	41	136	(9)
Curtailment/settlement	-	-	-	9
Net periodic benefit cost	¥ 6,769	¥ 5,008	¥ 9,510	¥ 4,914

	U.S. Dollars (Thousands)	
	2021	
	Japanese plans	Foreign plans
Service cost-benefits earned during the year	\$ 55,036	\$ 24,532
Interest cost on projected benefit obligation	14,387	16,685
Expected return on plan assets	(27,631)	(13,586)
Amortization of actuarial loss	42,658	16,640
Amortization of prior service cost (benefit)	1,225	(81)
Curtailment/settlement	-	81
Net periodic benefit cost	\$ 85,675	\$ 44,271

In net periodic benefit cost for TDK's employee retirement and severance defined benefit plans, service cost is included in cost of sales and sales and general administrative expense of the consolidated statements of income. Other elements except service cost are included in other - net of other income (deductions).

Amounts recognized in pension liability adjustment that is a part of other comprehensive income mainly as changes in plan assets and benefit obligations for the years ended March 31, 2020 and 2021 are summarized as follows:

	Yen (Millions)			
	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	¥19,801	¥ 4,329	¥ (18,411)	¥ (4,113)
Plan amendments	-	393	-	14
Amortization of actuarial loss	(3,400)	(1,921)	(4,735)	(1,847)
Amortization of prior service (cost) benefit	290	(41)	(136)	9
Curtailment/settlement	-	-	-	(36)
Amount recognized in other comprehensive income	16,691	2,760	(23,282)	(5,973)
Total of net periodic benefit cost and amount recognized in other comprehensive income	¥ 23,460	¥ 7,768	¥ (13,772)	¥ (1,059)

	U.S. Dollars (Thousands)	
	2021	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	\$ (165,865)	\$ (37,054)
Plan amendments	-	126
Amortization of actuarial loss	(42,658)	(16,640)
Amortization of prior service (cost) benefit	(1,225)	81
Curtailment/settlement	-	(324)
Amount recognized in other comprehensive income	(209,748)	(53,811)
Total of net periodic benefit cost and amount recognized in other comprehensive income	\$ (124,073)	\$ (9,540)

Assumptions

Weighted average assumptions used to determine benefit obligations as of March 31:

	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	0.7%	2.1%	0.7%	1.8%
Assumed rate of increase in future compensation levels	2.8%	2.9%	2.8%	2.9%
Interest rate	1.0%	2.5%	1.0%	2.5%

Weighted average assumptions used to determine net periodic benefit cost for the years ended March 31:

	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	0.5%	2.2%	0.7%	2.1%
Assumed rate of increase in future compensation levels	2.8%	2.8%	2.8%	2.9%
Interest rate	1.0%	2.5%	1.0%	2.5%
Expected long-term rate of return on plan assets	2.3%	6.1%	2.0%	6.1%

TDK determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. TDK considers the current expectations for future returns and the actual historical returns of each plan asset category.

Plan assets

TDK's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, TDK formulates a "model" portfolio comprised of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the "model" portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. TDK evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the "model" portfolio. TDK revises the "model" portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

As of March 31, 2021, the asset portfolio of TDK's Japanese plans is divided into three main asset categories with approximately 26 percent consisting of equity securities, approximately 32 percent of debt securities and approximately 42 percent of other assets such as cash and cash equivalents. The asset portfolio of TDK's foreign plans is also divided into three main asset categories with approximately 54 percent consisting of equity securities, approximately 36 percent of debt securities and approximately 10 percent of other assets such as cash and cash equivalents. As of March 31, 2021, there is no significant deviation between the target allocations and actual results.

Shares in Japanese companies included in equity securities mainly consist of shares listed on stock exchanges and over-the-counter markets. They are selected after a thorough examination and analysis of the operations of investment target companies and are appropriately diversified with respect to business categories and issues. Bonds of Japanese companies among debt securities mainly consist of corporate bonds, government bonds and public bonds. They are selected after a thorough examination and analysis of issuance conditions such as bond ratings, coupons, maturity dates and are appropriately diversified with respect to issuers and remaining periods. Regarding investments in foreign issues, target countries and currencies are selected after a thorough examination of political and economic stability, market characteristics such as clearing systems and taxation systems. For other assets, which include a life insurance company general account, pooled funds and real estate investment trusts, among others, diversified investment is carried out after a 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.

The fair value of TDK's plan assets as of March 31, 2020 and 2021 by asset type are as follows:

Yen (Millions)								
2020								
Japanese plans				Foreign plans				
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
Plan assets:								
Assets measured at other than net asset value per share								
Cash and cash equivalents:								
Cash and cash equivalents	¥ 4,460	¥ -	¥ -	¥ 4,460	¥ 2,992	¥ -	¥ -	¥ 2,992
Equity securities:								
Listed shares	5,052	-	-	5,052	2,172	-	-	2,172
Mutual funds	-	22,304	-	22,304	7,449	1,234	-	8,683
Debt securities:								
Government bonds, public bonds, corporate bonds	6,913	-	-	6,913	1,975	5,360	-	7,335
Mutual funds	-	19,776	-	19,776	1,124	647	-	1,771
Other assets:								
Life insurance company general account	-	16,166	-	16,166	-	172	-	172
Mutual funds	-	18,766	-	18,766	-	-	-	-
Others	-	220	6,479	6,699	-	1,377	-	1,377
Assets measured at net asset value per share								
Equity securities:								
Pooled funds	-	-	-	8,012	-	-	-	204
Debt securities:								
Pooled funds	-	-	-	34,944	-	-	-	221
Other assets:								
Pooled funds	-	-	-	19,419	-	-	-	-
Total plan assets	¥ 16,425	¥ 77,232	¥ 6,479	¥ 162,511	¥ 15,712	¥ 8,790	¥ -	¥ 24,927

Plan assets that are measured at fair value using the net asset value are not classified in the fair value hierarchy.

Yen (Millions)								
2021								
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Assets measured at other than net asset value per share								
Cash and cash equivalents:								
Cash and cash equivalents	¥ 4,050	¥ -	¥ -	¥ 4,050	¥ 1,534	¥ -	¥ -	¥ 1,534
Equity securities:								
Listed shares	3,536	-	-	3,536	3,710	-	-	3,710
Mutual funds	-	34,004	-	34,004	12,150	1,846	-	13,996
Debt securities:								
Government bonds, public bonds, corporate bonds	4,445	-	-	4,445	3,100	5,917	-	9,017
Mutual funds	-	23,976	-	23,976	1,090	1,576	-	2,666
Other assets:								
Life insurance company general account	-	16,296	-	16,296	-	194	-	194
Mutual funds	-	21,376	-	21,376	-	-	-	-
Others	-	217	6,262	6,479	-	1,520	-	1,520
Assets measured at net asset value per share								
Equity securities:								
Pooled funds	-	-	-	10,750	-	-	-	247
Debt securities:								
Pooled funds	-	-	-	31,724	-	-	-	222
Other assets:								
Pooled funds	-	-	-	30,983	-	-	-	-
Total plan assets	¥ 12,031	¥ 95,869	¥ 6,262	¥ 187,619	¥ 21,584	¥ 11,053	¥ -	¥ 33,106

Plan assets that are measured at fair value using the net asset value are not classified in the fair value hierarchy.

U.S. Dollars (Thousands)								
2021								
	Japanese plans				Foreign plans			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Plan assets:								
Assets measured at other than net asset value per share								
Cash and cash equivalents:								
Cash and cash equivalents	\$ 36,486	\$ -	\$ -	\$ 36,486	\$ 13,820	\$ -	\$ -	\$ 13,820
Equity securities:								
Listed shares	31,856	-	-	31,856	33,423	-	-	33,423
Mutual funds	-	306,342	-	306,342	109,459	16,631	-	126,090
Debt securities:								
Government bonds, public bonds, corporate bonds	40,045	-	-	40,045	27,928	53,306	-	81,234
Mutual funds	-	216,000	-	216,000	9,820	14,198	-	24,018
Other assets:								
Life insurance company general account	-	146,811	-	146,811	-	1,748	-	1,748
Mutual funds	-	192,577	-	192,577	-	-	-	-
Others	-	1,955	56,414	58,369	-	13,694	-	13,694
Assets measured at net asset value per share								
Equity securities:								
Pooled funds	-	-	-	96,847	-	-	-	2,225
Debt securities:								
Pooled funds	-	-	-	285,802	-	-	-	2,001
Other assets:								
Pooled funds	-	-	-	279,127	-	-	-	-
Total plan assets	\$ 108,387	\$ 863,685	\$ 56,414	\$ 1,690,262	\$ 194,450	\$ 99,577	\$ -	\$ 298,253

Plan assets that are measured at fair value using the net asset value are not classified in the fair value hierarchy.

Level 1 assets are mainly equity securities and debt securities that are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Level 2 assets include mainly mutual funds that invest in equity securities and debt securities. They are valued based on quoted prices obtained from asset management agencies and are verified using observable market inputs. Level 3 assets are insurance products that are valued based on unobservable inputs regarding the assets and the relevant liabilities. Plan assets that are measured at fair value using the net asset value are pooled funds, which are measured at net asset value calculated by the trust operator.

Change in TDK's plan assets that are classified as Level 3 assets for the years ended March 31, 2020 and 2021 are as follows:

	Yen (Millions)	
	2020	2021
	Insurance products	
Balance at beginning of year	¥ 8,805	¥ 6,479
Net change due to purchase, sale, etc.	(2,424)	(74)
Gain (loss) on assets held at end of year	98	(143)
Balance at end of year	¥ 6,479	¥ 6,262

	U.S. Dollars (Thousands)	
	2021	
	Insurance products	
Balance at beginning of year	\$ 58,369	
Net change due to purchase, sale, etc.	(667)	
Gain (loss) on assets held at end of year	(1,288)	
Balance at end of year	\$ 56,414	

Contributions

TDK expects to contribute ¥3,872 million (\$34,883 thousand) to its Japanese defined benefit plans and ¥1,767 million (\$15,919 thousand) to its foreign defined benefit plans for the year ending March 31, 2022.

Estimated future benefit payments

The benefits are expected to be paid from the pension plans in each year 2022 through 2031 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Year ending March 31,				
2022	¥ 9,203	¥ 3,909	\$ 82,910	\$ 35,216
2023	10,129	3,767	91,252	33,937
2024	10,543	3,934	94,982	35,441
2025	9,947	4,496	89,613	40,505
2026	10,025	4,420	90,315	39,820
2027 - 2031 total	50,062	26,120	451,009	235,315

2. Deferred Compensation Plans

Certain subsidiaries of TDK Corporation have deferred compensation plans under which employees place a portion of their compensation in a pension fund and contributions can be received with interest at the time of retirement. Estimated future benefit payments to retirees are determined by actuarial calculation. Liabilities relating to these plans are recorded as either the market value of plan assets or the present value of estimated future benefit payments, whichever is greater. As of March 31, 2020 and 2021, the amount of ¥1,076 million and ¥1,168 million (\$10,523 thousand) are recorded as retirement and severance benefits, respectively.

Amount recognized in pension liability adjustment that is a part of other comprehensive income (loss) mainly as changes in plan assets and benefit obligations for the years ended March 31, 2020 and 2021 are summarized as follows:

	Yen (Millions)			
	2020		2021	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	¥ -	¥ (90)	¥ -	¥ 44
Amortization of actuarial loss	-	(14)	-	(7)
Amortization of prior service (cost) benefit	-	6	-	6
Amount recognized in other comprehensive income (loss)	¥ -	¥ (98)	¥ -	¥ 43

	U.S. Dollars (Thousands)	
	2021	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	\$ -	\$ 396
Amortization of actuarial loss	-	(63)
Amortization of prior service (cost) benefit	-	54
Amount recognized in other comprehensive income (loss)	\$ -	\$ 387

3. Defined Contribution Pension Plans

Expenses for defined contribution pension plan recognized by TDK Corporation and certain subsidiaries for the years ended March 31, 2020 and 2021 were ¥2,152 million and ¥2,030 million (\$18,288 thousand), respectively.

9. Legal Reserve and Dividends

The Japanese Companies Act provides that an amount equal to 10 percent of cash dividends and other distributions from retained earnings paid by TDK Corporation and its domestic subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25 percent of their respective stated capital. The Japanese Companies Act also provides that additional paid-in capital and the legal reserve are available for appropriations by the resolution of the shareholders. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries. Cash dividends and appropriations to the legal reserve charged to retained earnings in accordance with Japanese Companies Act for the years ended March 31, 2020 and 2021 represent dividends paid out during those years and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the dividend taken up at the Ordinary General Meeting of Shareholders of ¥90 (\$0.81) per share aggregating ¥11,369 million (\$102,423 thousand) in respect of the year ended March 31, 2021.

Cash dividends per common share are computed based on dividends paid for the year.

10. Stock Based Compensation

Expenses related to stock based compensation that TDK Corporation and one of its subsidiaries recognized for the years ended March 31, 2020 and 2021 were ¥33 million and ¥282 million (\$2,541 thousand), respectively.

The tax benefits related to these compensation expenses for the years ended March 31, 2020 and 2021 were ¥10 million and ¥86 million (\$775 thousand), respectively. The tax benefits realized from stock options exercised for the years ended March 31, 2020 and 2021 were ¥33 million and ¥5 million (\$45 thousand), respectively.

1. TDK Corporation Stock Option Plans

TDK Corporation has two types of stock option plans, the Ordinary-Type Stock Options and the Share-based Compensation Type Stock Options. Under the Ordinary-Type Stock Options, stock options, each representing a right to purchase 100 shares of common stock of TDK Corporation, are granted to the senior executives of TDK Corporation and to the directors and senior executives of its subsidiaries. The stock options are vested based on 2 years of continuous service after the grant date and have the exercise period of 4 years. The exercise price of the stock options is equal to or greater than the fair market value of TDK Corporation's common stock on the grant date.

There are two types of the Share-based Compensation Type Stock Options as described below and the second type contains a certain performance condition.

- 1) Stock options, each representing a right to purchase 100 shares of common stock of TDK Corporation, are granted to the directors and corporate officers of TDK Corporation. The stock options are fully vested on the grant date and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of the stock options is set at ¥1 (\$0.01) per share of common stock.
- 2) Stock options, each representing a right to purchase 100 shares of common stock of TDK Corporation, are granted to the directors and corporate officers of TDK Corporation. The stock options are vested depending on the degree of achievement of the medium-term management plan and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of the stock options is set at ¥1 (\$0.01) per share of common stock.

A summary of the status of TDK Corporation's stock options as of March 31, 2020 and 2021, and of the activity for the years ended on those dates, is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (1)
		Yen	Years	Yen (Millions)
2020				
Outstanding at beginning of year	364,900	¥ 249		
Granted	21,900	1		
Exercised	30,800	947		
Forfeited or Expired	25,200	2,436		
Outstanding at end of year	330,800	1	15.4	2,772
Exercisable at end of year	264,200	1	14.8	2,214
Expected to vest after end of year	66,600	1	18.1	558
2021				
Outstanding at beginning of year	330,800	¥ 1		
Granted	1,200	1		
Exercised	4,300	1		
Forfeited or Expired	-	-		
Outstanding at end of year	327,700	1	14.5	5,023
Exercisable at end of year	259,900	1	13.8	3,984
Expected to vest after end of year	67,800	1	17.1	1,039

⁽¹⁾ The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of ¥8,380 on March 31, 2020 and ¥15,330 (\$138.11) on March 31, 2021.

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
2021				
Outstanding at beginning of year	330,800	\$ 0.01		
Granted	1,200	0.01		
Exercised	4,300	0.01		
Forfeited or Expired	-	0.01		
Outstanding at end of year	327,700	0.01	14.5	45,252
Exercisable at end of year	259,900	0.01	13.8	35,892
Expected to vest after end of year	67,800	0.01	17.1	9,360

As of March 31, 2021, all outstanding stock options were vested or expected to be vested. The total intrinsic value of stock options exercised for the years ended March 31, 2020 and 2021 was ¥275 million and ¥54 million (\$486 thousand), respectively. Cash received from stock options exercised for the years ended March 31, 2020 and 2021 was ¥29 million and ¥0 million (\$0 thousand).

Information about stock options outstanding as of March 31, 2021 is as follows:

Options Outstanding				
Range of exercise prices	Number outstanding at March 31, 2021	Weighted average remaining contractual term	Weighted average exercise price	
Yen		(years)	Yen	U.S. Dollars
1	327,700	14.5	¥ 1	\$ 0.01

A summary of the status of TDK Corporation's nonvested stock options as of March 31, 2020 and 2021, and of the activity for the years ended on those dates, is as follows:

	2020		2021		
	Number of shares	Weighted average grant-date fair value	Number of shares	Weighted average grant-date fair value	U.S. Dollars
		Yen		Yen	
Nonvested at beginning of year	75,000	¥ 8,373	66,600	¥ 8,387	\$ 75.56
Granted	21,900	8,451	1,200	7,596	68.43
Vested	21,700	8,410	-	-	-
Forfeited	8,600	8,373	-	-	-
Nonvested at end of year	66,600	8,387	67,800	8,373	75.43

As of March 31, 2021, TDK Corporation had ¥301 million (\$2,712 thousand) of total unrecognized compensation expenses related to stock options that will be recognized over the weighted average period of 0.1 years. The total fair value of stock options vested for the years ended March 31, 2020 was ¥182 million. There are not stock options vested for the years ended March 31, 2021.

The fair value of these stock options as of the grant date was estimated using the Black-Scholes option pricing model with the following assumptions:

Share-based Compensation-Type Stock Options – the exercise price is less than the market price of the stock on the grant date

	2020		2021
	April	July	April and June
Grant-date fair value	¥ 8,562	¥ 7,800	¥ 7,596 (\$ 68.43)
Expected term	8.5 years	5.5 years	7.8 years
Risk-free interest rate	(0.119)%	(0.262)%	(0.116)%
Expected volatility	33.35%	32.56%	33.14%
Expected dividend yield	1.35%	1.85%	1.83%

2. Subsidiary Stock Option Plans

One of TDK Corporation's subsidiaries in China has a stock option plan. Under the plan, stock options, each representing a right to purchase one common share of the subsidiary, are granted to the directors, senior executives and so on of the subsidiary and its affiliates. The stock options are gradually vested by April 30, 2025 and has an exercise period until April 30, 2025. Exercise price of the stock option is set at 0.055 RMB per option.

Common shares of the subsidiary, which are held by its affiliated companies, are delivered upon stock option exercise.

As the subsidiary is a nonpublic company, the fair value of these stock options is estimated based on valuation techniques using certain assumptions.

A summary of the status of the subsidiary's stock options as of March 31, 2021, and of the activity for the years ended on those dates, is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		RMB	Years	RMB (Thousands)
2021				
Outstanding at beginning of year	-	¥ -		
Granted	14,448,180	0.055		
Exercised	-	-		
Forfeited or Expired	-	-		
Outstanding at end of year	14,448,180	0.055	2.1	4,706
Exercisable at end of year	-	-	-	-
Expected to vest after end of year	14,448,180	-	2.1	4,706

As of March 31, 2021, all outstanding stock options were expected to be vested.

Information about stock options outstanding as of March 31, 2021 is as follows:

Options Outstanding			
Range of exercise prices	Number outstanding at March 31, 2021	Weighted average remaining contractual term	Weighted average exercise price
RMB		(years)	RMB
0.055	14,448,180	2.1	¥ 0.055

A summary of the status of the subsidiary's nonvested stock options as of March 31, 2021, and of the activity for the years ended on those dates, is as follows:

2021		
	Number of shares	Weighted average grant-date fair value RMB
Nonvested at beginning of year	-	¥ -
Granted	14,448,180	0.3807
Vested	-	-
Forfeited	-	-
Nonvested at end of year	14,448,180	0.3807

As of March 31, 2021, the subsidiary had 3,773 thousand RMB of total unrecognized compensation expenses related to stock options that will be recognized over the weighted average period of 2.6 years.

The fair value of these stock options as of the grant date was estimated using the Binomial model with the following assumptions:

	2021 December
Grant-date fair value	0.3807 RMB
Expected term	4.37 years
Risk-free interest rate	2.69 %
Expected volatility	48.36 %

3. TDK Corporation Post-delivery Type Stock Remuneration Plan

TDK Corporation introduced Post-delivery Type Stock Remuneration Plan from the year ended March 31, 2021.

① Restricted Stock Units (RSU)

RSU is a type of stock remuneration which is issued based on continuous service. In 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 to the directors and corporate officers of TDK Corporation after the end of the Target Period.

The fair value of RSU for shares to be delivered is estimated on the grant date and money to be paid is estimated on the fiscal year end date based on the fair value of common stock of TDK Corporation.

A summary of the status of TDK Corporation's RSU as of March 31, 2021, and of the activity for the years ended on those dates, is as follows:

	Number of units	Weighted average remaining contractual term	Aggregate intrinsic value (2)
		Years	Yen (Millions)
2021			
Outstanding at beginning of year	-		
Granted	15,764		
Delivered	-		
Forfeited or Expired	-		
Outstanding at end of year	15,764	2.4	242
Deliverable at end of year	-	-	-
Expected to vest after end of year	15,764	2.4	242

	Number of units	Weighted average remaining contractual term	Aggregate intrinsic value
		Years	U.S. Dollars (Thousands)
2021			
Outstanding at beginning of year	-		
Granted	15,764		
Delivered	-		
Forfeited or Expired	-		
Outstanding at end of year	15,764	2.4	2,180
Deliverable at end of year	-	-	-
Expected to vest after end of year	15,764	2.4	2,180

As of March 31, 2021, all outstanding RSU was expected to be vested.

(2) The aggregate intrinsic value is calculated based on the closing stock price of ¥15,330 (\$138.11) on March 31, 2021.

A summary of the status of TDK Corporation's nonvested RSU as of March 31, 2021, and of the activity for the years ended on those dates, is as follows:

	2021		
	Number of units	Weighted average grant-date fair value	
		Yen	U.S. Dollars
Nonvested at beginning of year	-	¥ -	\$ -
Granted	15,764	12,785	115.18
Vested	-	-	-
Forfeited	-	-	-
Nonvested at end of year	15,764	12,785	115.18

As of March 31, 2021, TDK Corporation had ¥157 million (\$1,414 thousand) of total unrecognized compensation expenses related to RSU that will be recognized over the weighted average period of 2.4 years.

The fair value of these RSU for shares to be delivered as of the grant date was estimated using DCF method with the following assumptions:

RSU (shares to be delivered)

	2021 August
Grant-date fair value	¥ 10,667 (\$ 96.10)
Expected term	3.0 years
Expected dividend yield	1.6%
Grant-date stock price	¥ 11,190 (\$ 100.81)

The fair value of these RSU for money to be paid as of the fiscal year end date was estimated using DCF method with the following assumptions:

RSU (money to be paid)

	2021 August
Fiscal year end-date fair value	¥ 14,904 (\$ 134.27)
Expected term	2.4 years
Expected dividend yield	1.2%
Fiscal year end-date stock price	¥ 15,330 (\$ 138.11)

11. Equity

Net income attributable to TDK and transfers (to) from noncontrolling interest for the years ended March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Net income attributable to TDK	¥ 57,780	¥ 79,340	\$ 714,775
Decrease in TDK's additional paid-in capital for purchase of Ampere Technology Ltd.'s common shares from third parties	(4,075)	(4,497)	(40,513)
Decrease in TDK's additional paid-in capital for purchase of SolidGear Corporation's common shares from third parties	(4)	(3)	(27)
Decrease in TDK's additional paid-in capital for purchase of Relyon Plasma GmbH's common shares from third parties	-	(91)	(820)
Net transfers (to) from noncontrolling interest	(4,079)	(4,591)	(41,360)
Change from net income attributable to TDK and transfers (to) from noncontrolling interest	¥ 53,701	¥ 74,749	\$ 673,415

12. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) for the years ended March 31, 2020 and 2021 are as follows:

2020	Yen (Millions)			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2019	¥ (48,905)	¥ (75,640)	¥ 110	¥ (124,435)
Equity transaction of consolidated subsidiaries and other	(19)	-	-	(19)
Other comprehensive income (loss) before reclassifications	(50,656)	(24,668)	(77)	(75,401)
Amounts reclassified from accumulated other comprehensive income (loss)	4,972	4,603	(10)	9,565
Other comprehensive income (loss)	(45,684)	(20,065)	(87)	(65,836)
Other comprehensive income (loss) attributable to noncontrolling interests	(239)	4	-	(235)
March 31, 2020	¥ (94,369)	¥ (95,709)	¥ 23	¥ (190,055)
2021	Yen (Millions)			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2020	¥ (94,369)	¥ (95,709)	¥ 23	¥ (190,055)
Equity transaction of consolidated subsidiaries and other	(67)	-	-	(67)
Other comprehensive income (loss) before reclassifications	78,538	22,470	137	101,145
Amounts reclassified from accumulated other comprehensive income (loss)	21	6,382	(14)	6,389
Other comprehensive income (loss)	78,559	28,852	123	107,534
Other comprehensive income (loss) attributable to noncontrolling interests	139	6	-	145
March 31, 2021	¥ (16,016)	¥ (66,863)	¥ 146	¥ (82,733)

2021

	U.S. Dollars (Thousands)			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2020	\$ (850,171)	\$ (862,243)	\$ 207	\$ (1,712,207)
Equity transaction of consolidated subsidiaries and other	(604)	-	-	(604)
Other comprehensive income (loss) before reclassifications	707,550	202,432	1,234	911,216
Amounts reclassified from accumulated other comprehensive income (loss)	189	57,496	(126)	57,559
Other comprehensive income (loss)	707,739	259,928	1,108	968,775
Other comprehensive income (loss) attributable to noncontrolling interests	1,252	54	-	1,306
March 31, 2021	\$ (144,288)	\$ (602,369)	\$ 1,315	\$ (745,342)

The reclassifications out of accumulated other comprehensive income (loss) for the year ended March 31, 2020 and 2021 are as follows:

	Amount reclassified from accumulated other comprehensive income (loss) *1			Affected line items in consolidated statements of income
	2020	2021	2021	
	Yen	(Millions)	U.S. Dollars (Thousands)	
Foreign currency translation adjustments:				
	¥ (5,745)	¥ (19)	\$ (171)	Other - net of other income (deductions)
	773	(2)	(18)	Tax (expense) or benefit
	(4,972)	(21)	(189)	Net of tax
Pension liability adjustments:				
	(5,080)	(6,746)	(60,775)	Other - net of other income (deductions)*2
	477	364	3,279	Tax (expense) or benefit
	(4,603)	(6,382)	(57,496)	Net of tax
Net unrealized gains (losses) on securities:				
	10	14	126	Other - net of other income (deductions)
	-	-	-	Tax (expense) or benefit
	10	14	126	Net of tax
Total amount reclassified, net of tax	¥ (9,565)	¥ (6,389)	\$ (57,559)	

*1 Increase in amount indicate increase in profit and amount in parentheses indicate loss in consolidated statements of income.

*2 This accumulated other comprehensive income (loss) component is included in the computation of net periodic benefit cost that is presented in Note 8 of the Notes to Consolidated Financial Statements.

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2020 and 2021, are as follows:

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
2020			
Foreign currency translation adjustments:			
Amount arising during the year from investments in foreign entities	¥ (51,777)	¥ 1,121	¥ (50,656)
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	5,745	(773)	4,972
Net foreign currency translation adjustments	(46,032)	348	(45,684)
Pension liability adjustments:			
Amount arising during the year	(24,440)	(228)	(24,668)
Reclassification adjustments for amortization and curtailment/settlement	5,080	(477)	4,603
Net pension liability adjustments	(19,360)	(705)	(20,065)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(77)	-	(77)
Reclassification adjustments for (gains) losses realized in net income	(10)	-	(10)
Net unrealized gains (losses)	(87)	-	(87)
Other comprehensive income (loss)	¥ (65,479)	¥ (357)	¥ (65,836)

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
2021			
Foreign currency translation adjustments:			
Amount arising during the year from investments in foreign entities	¥ 81,247	¥ (2,709)	¥ 78,538
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	19	2	21
Net foreign currency translation adjustments	81,266	(2,707)	78,559
Pension liability adjustments:			
Amount arising during the year	22,444	26	22,470
Reclassification adjustments for amortization and curtailment/settlement	6,746	(364)	6,382
Net pension liability adjustments	29,190	(338)	28,852
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	137	-	137
Reclassification adjustments for (gains) losses realized in net income	(14)	-	(14)
Net unrealized gains (losses)	123	-	123
Other comprehensive income (loss)	¥ 110,579	¥ (3,045)	¥ 107,534

	U.S. Dollars (Thousands)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
2021			
Foreign currency translation adjustments:			
Amount arising during the year from investments in foreign entities	\$ 731,955	\$ (24,405)	\$ 707,550
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	171	18	189
Net foreign currency translation adjustments	732,126	(24,387)	707,739
Pension liability adjustments:			
Amount arising during the year	202,198	234	202,432
Reclassification adjustments for amortization and curtailment/settlement	60,775	(3,279)	57,496
Net pension liability adjustments	262,973	(3,045)	259,928
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	1,234	-	1,234
Reclassification adjustments for (gains) losses realized in net income	(126)	-	(126)
Net unrealized gains (losses)	1,108	-	1,108
Other comprehensive income (loss)	\$ 996,207	\$ (27,432)	\$ 968,775

13. Leases

TDK leases land, buildings, and machineries etc. under various operating lease agreements and finance lease agreements expiring in and after the year ended March 31, 2021. At inception of a contract, TDK determines whether the contract is a lease contract, or if it contains leases. TDK does not have any significant lease contracts with variable lease payments. Some lease contracts include an option to extend or terminate the lease. When it is reasonably assured that the option will be exercised, lease term is decided in consideration with the term of the option. TDK does not have any lease contracts with residual value guarantees nor financial covenants. Since most of the lease contracts do not clearly state the interest rate, TDK calculates net present value of total lease payments with incremental borrowing rate based on information available at inception of a contract. As some of the lease contracts include lease and nonlease components, TDK accounts for them separately.

The amount of assets under finance leases included in property, plant and equipment on the consolidated balance sheets as of March 31, 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Buildings	¥ 4,088	¥ 4,433	\$39,937
Machinery and equipment	3,625	2,721	24,514
Accumulated depreciation	(3,923)	(3,670)	(33,063)
Total	¥ 3,790	¥ 3,484	\$ 31,388

The gain and loss related to leases as a lessee are as follows.

	Yen (Millions)	U.S. Dollars (Thousands)
	2020	2021
Finance lease expense		
Right of use asset accumulated depreciation	¥ 724	¥ 631
Interest expenses for lease obligation	829	802
Total	¥1,553	¥1,433
Operating lease expense	8,958	8,509
Others	674	977
Gain and loss related to leases as a lessee total	¥11,185	¥10,919

Other information is as follows.

	Yen (Millions)	U.S. Dollars (Thousands)
	2020	2021
Cash payments including measurement of finance lease obligation		
Cash flows from operating activities	¥ 829	¥ 802
Cash flows from financing activities	675	601
Cash payments including measurement of operating lease obligation		
Cash flows from operating activities	8,849	8,691
Right of use assets from exchanging finance lease obligation	529	170
Right of use assets from exchanging operating lease obligation	8,044	9,690

	Year
	2020
Weighted average remaining lease period	
Finance lease	15.94
Operating lease	7.24

	%
	2020
Weighted average interest rate	
Finance lease	13.18
Operating lease	2.58

The following is a schedule by year of future minimum lease payments required under finance leases and operating as of March 31, 2021:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Finance leases	Operating leases	Finance leases	Operating leases
Year ending March 31,				
2022	¥ 1,169	¥ 8,202	\$ 10,532	\$ 73,892
2023	1,007	7,105	9,072	64,009
2024	859	6,180	7,739	55,675
2025	792	5,285	7,135	47,613
2026	773	3,593	6,964	32,369
Later years	8,476	12,417	76,360	111,865
Total minimum lease payments	¥13,076	¥ 42,782	\$ 117,802	\$ 385,423
Amounts representing interest	7,406	4,505	66,721	40,585
Present value of net minimum lease payments	5,670	38,277	51,081	344,838
Current portion	545	8,444	4,910	76,072
Long-term lease obligations (Excluding current portion)	¥ 5,125	¥29,833	\$ 46,171	\$268,766

14. Commitments and Contingent Liabilities

Commitments outstanding for the purchase of property, plant and equipment as of March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Commitments outstanding for the purchase of property, plant and equipment	¥ 60,057	¥ 88,051	\$ 793,252

Certain overseas subsidiaries entered into minimum purchase agreements with suppliers for raw materials and electricity that are necessary for production activities. As of March 31, 2020 and 2021, the minimum purchase obligations based on these agreements are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Commitments outstanding for the purchase of raw material and electricity	¥ 18,461	¥ 34,546	\$ 311,225

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. For each guarantee issued, in the event the employee defaults on payment, TDK would be required to make payments under its guarantee.

The maximum amount of undiscounted payments TDK would have to make in the event of default as of March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Guarantees to third parties on bank loans of employees	¥ 469	¥ 354	\$ 3,189

As of March 31, 2021, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangements is not material.

Several claims against TDK are pending. Claims include class action raised in the United States of America and Canada for violation of antitrust law and damage suit raised by several customers; 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.

15. Derivative Financial Instruments and Hedging Activities

TDK operates internationally and is exposed to the risk of changes in foreign exchange rates and interest rates as well as changes in raw material prices. TDK assesses these risks by continuously monitoring changes in the exchange rates, interest rates and raw material prices and by evaluating hedging opportunities. Derivative financial instruments are utilized to reduce these risks. TDK does not hold or issue derivative financial instruments for trading purposes. TDK is exposed to credit related losses in the event of nonperformance by the counterparties to those derivative financial instruments, but does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure of those financial instruments is represented by the fair values of contracts. The fair values of the contracts are calculated based on the quotes presented by financial institutions. TDK does not hold any derivative instruments which consisted credit-risk-related contingent features.

(1) Hedges of net investment in foreign operations

TDK uses forward foreign exchange contracts and borrowings denominated in the subsidiary's local currency to hedge the foreign currency exposure of the net investment in overseas subsidiaries. The gains and losses of these hedging instruments are recorded in foreign currency translation adjustments, which is a part of other comprehensive income (loss). There are no gains (losses) reclassified from other comprehensive income (loss) to earnings. Also, there is no ineffective portion and amount excluded from effectiveness testing.

(2) Derivatives not designated as hedging instruments

TDK uses forward foreign exchange contracts, nondeliverable 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. Although these contracts are not designated as hedges, which is required to apply hedge accountings, TDK considers that these are effective as hedges from an economic viewpoint. Changes in fair values of these undesignated contracts are recognized as income or expenses as earned or incurred.

The effect of derivative financial instruments and other hedging instruments on the consolidated statements of income and consolidated statements of comprehensive income (loss) for the years ended March 31, 2020 and 2021 are as follows:

(1) Hedges of net investment in foreign operations and other hedging instruments

	Yen (Millions)	
	2020	
	Gains (losses) recognized in other comprehensive income (loss) on derivatives and other	Gains (losses) reclassified from other comprehensive income (loss) into income (loss) Other income (deductions), Other - net
Forward foreign exchange contracts	¥ (227)	¥ (2,563)
Borrowings in local currency	1,831	-
Total	¥ 1,604	¥ (2,563)

The effect of hedges of net investment in foreign operations and other hedging instruments for the year ended March 31, 2021 is nil.

(2) Derivatives not designated as hedging instruments

		Yen (Millions)		U.S. Dollars (Thousands)
	Account	2020	2021	2021
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (485)	¥ 5,016	\$ 46,018
Nondeliverable forward contracts (NDF)	Foreign exchange gain (loss)	99	-	-
Currency swap contracts	Foreign exchange gain (loss)	(241)	(932)	(8,550)
Interest rate swap contracts	Other income (deductions):	(124)	-	-
	Other-net			
Currency option contracts	Foreign exchange gain (loss)	(300)	88	807
Commodity forward contracts	Cost of sales	34	-	-
	Total	¥ (1,017)	¥ 4,172	\$ 38,275

Notional amounts and fair value of derivative financial instruments and other as of March 31, 2020 and 2021 are as follows:

Yen (Millions)					
2020					
Derivatives not designated as hedging instruments:					
	Notional amounts	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 118,414	¥ 124	Prepaid expenses and other current assets	¥ 1,359	Other current liabilities
Currency swap contracts	13,051	1,102	Prepaid expenses and other current assets	-	-

Yen (Millions)					
2021					
Derivatives not designated as hedging instruments:					
	Notional amounts	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 336,943	¥ 2,100	Prepaid expenses and other current assets	¥ 1,326	Other current liabilities

U.S. Dollars (Thousands)					
2021					
Derivatives not designated as hedging instruments:					
	Notional amounts	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	\$ 3,035,523	\$ 18,919	Prepaid expenses and other current assets	\$ 11,946	Other current liabilities

16. Fair Value of Financial Instruments

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

(a) Cash and cash equivalents, Short-term investments, Trade receivables, Income tax receivables, Prepaid expenses and other current assets, Short-term debt, Trade payables, Accrued salaries and wages, Accrued expenses, Income taxes payable and Other current liabilities

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

(b) Marketable securities, Investments in securities and Other assets

The fair values of marketable securities and investments in securities are primarily estimated based on quoted market prices for these instruments. The fair value of TDK's long-term loans included in other assets are estimated based on the amount of future cash flows associated with the instrument discounted using borrower's current borrowing rate for similar borrowing of comparable maturity, or based on the quoted market prices for the same or similar issues. The long-term loans are classified as Level 2, one of the three levels of fair value hierarchy that is discussed in Note 17 of the Notes to Consolidated Financial Statements.

(c) 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 similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues. The long-term debt is classified as Level 2, one of the three levels of fair value hierarchy that is discussed in Note 17 of the Notes to Consolidated Financial Statements.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2020 and 2021 are summarized as follows:

<u>2020</u>	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 56	¥ 56
Other investments in securities and other assets	32,771	32,771
Liabilities:		
Long-term debt, including current portion (Excluding finance lease obligation)	(202,207)	(202,389)
<u>2021</u>	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 56	¥ 56
Other investments in securities and other assets	42,287	42,287
Liabilities:		
Long-term debt, including current portion (Excluding finance lease obligation)	(284,728)	(285,104)
<u>2021</u>	U.S. Dollars (Thousands)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	\$ 504	\$ 505
Other investments in securities and other assets	380,964	380,964
Liabilities:		
Long-term debt, including current portion (Excluding finance lease obligation)	(2,565,117)	(2,568,505)

Derivative financial instruments are presented in Note 15 of the Notes to Consolidated Financial Statements.
Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

17. Fair Value Measurements

ASC 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. ASC 820 establishes a three-level fair value hierarchy for material inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that TDK has the ability to access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Assets and liabilities that are measured at fair value on a recurring basis

Assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2020 and 2021 are as follows:

<u>2020</u>	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 56	¥ -	¥ -	¥ 56
Derivative contracts:				
Forward foreign exchange contracts	-	124	-	124
Currency swap contracts	-	1,102	-	1,102
Investments (Debt securities):				
Commercial papers	-	42	-	42
Public utility bonds	0	-	-	0
Investments (Equity securities):				
Stock	3,743		12,282	16,025
Investments (Mutual funds)	1,002			1,002
Rabbi trust investments	5,799			5,799
Total	¥ 10,600	¥ 1,268	¥ 12,282	¥24,150
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,359	¥ -	¥1,359
Total	¥ -	¥1,359	¥ -	¥1,359

2021	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 56	¥ -	¥ -	¥ 56
Derivative contracts:				
Forward foreign exchange contracts	-	2,100	-	2,100
Investments (Debt securities):				
Commercial papers	-	46	-	46
Public utility bonds	0	-	-	0
Investments (Equity securities):				
Stock	5,564	-	20,690	26,254
Mutual funds	1,239	-	-	1,239
Rabbi trust investments	7,667	-	-	7,667
Total	¥14,526	¥2,146	¥ 20,690	¥ 37,362
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,326	¥ -	¥1,326
Total	¥ -	¥ 1,326	¥ -	¥ 1,326

2021	U.S. Dollars (Thousands)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	\$ 505	\$ -	\$ -	\$ 505
Derivative contracts:				
Forward foreign exchange contracts	-	18,919	-	18,919
Investments (Debt securities):				
Commercial papers	-	414	-	414
Public utility bonds	0	-	-	0
Investments (Equity securities):				
Stock	50,126	-	186,396	236,522
Mutual funds	11,162	-	-	11,162
Rabbi trust investments	69,072	-	-	69,072
Total	\$ 130,865	\$19,333	\$ 186,396	\$ 336,594
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	\$ -	\$ 11,946	\$ -	\$ 11,946
Total	\$ -	\$ 11,946	\$ -	\$ 11,946

Level 1 marketable securities and investments are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Rabbi trusts investments included in other assets in which a part of the employees' salary is deposited and valued using unadjusted quoted prices in active markets.

Level 2 derivative contracts include forward foreign exchange contracts, currency swap contracts that are valued based on quotes obtained from counterparties and are verified using observable market inputs, such as foreign currency exchange rates and raw material prices. Investments consist of commercial papers and the fair values thereof are based on third-party assessments using observable market data.

Fair value of Level 3 investments are mainly based on comparable multiple valuation.

With respect to the recurring fair value measurements categorized within Level 3, the significant unobservable input used in the fair value measurement of the equity securities in assets, is mainly PER (price earnings ratio). The weighted average of PER as of March 31, 2020 and March 31, 2021 are both 8.9 times.

The changes in the carrying amount of assets measured at fair value on a recurring basis that was classified as Level 3 for the year ended March 31, 2020 and 2021 are as follows:

	Yen (Millions)	
	2020	2021
Opening Balance	¥ 8,716	12,282
Purchase	1,435	716
Net income (loss)	2,131	7,692
(Realized or unrealized):		
Included in Earnings	2,641	6,675
Included in Other Comprehensive Income(loss)	(510)	1,017
Ending Balance	¥12,282	¥20,690

* Certain investments (equity securities without readily determinable fair values) were measured at fair value on a recurring basis and categorized within Level 3. As of March 31, 2020 and March 31, 2021, there are no unrealized gains (losses) on securities included in other comprehensive income (loss).

Assets and liabilities that are measured at fair value on a nonrecurring basis

Assets and liabilities that are measured at fair value on a nonrecurring basis for the year ended March 31, 2020 and 2021 are as follows.

<u>2020</u>	Yen (Millions)			
	Total gains (losses) for 2020	Level 1	Level 2	Level 3
Assets:				
Investment in affiliate	(1,305)	1,531	-	-
Long-lived assets (Property, plant and equipment)	(17,134)	-	-	6,011
Long-lived assets (Intangible assets)	(1,062)	-	-	-
Long-lived assets (Intangible assets)	(396)	-	-	-
<u>2021</u>	Yen (Millions)			
	Total gains (losses) for 2021	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	(254)	-	-	-
Investment in affiliate	(122)	-	-	32
Long-lived assets (Property, plant and equipment)	(7,317)	-	-	5,594
Long-lived assets (Right-of-use assets of operating leases)	(581)	-	-	-
Long-lived assets (Intangible assets)	(16)	-	-	-

2021	U.S. Dollars (Thousands)			
	Total gains (losses) for 2020	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	(2,288)			
Investment in affiliate	(1,099)	-	-	288
Long-lived assets				
(Property, plant and equipment)	(65,919)	-	-	50,396
Long-lived assets (Right-of-use assets of operating leases)	(5,234)	-	-	-
Long-lived assets (Intangible assets)	(144)	-	-	-

For the year ended March 31, 2020, the book value of 20.7% investment in Toda Kogyo Corp. of ¥2,836 million was written down to its fair value of ¥1,531 million due to impairment. This investment in affiliate is classified as Level 1 because fair value of the investment is determined based on quoted prices (unadjusted) in active markets for identical assets or liabilities that TDK has the ability to access at the measurement date. The book value of long-lived assets (property, plant and equipment) of ¥23,145 million was written down to its fair value of ¥6,011 million, moreover, the book value of long-lived assets (right-of-use assets of operating leases) and long-lived assets (intangible assets) of ¥1,062 million and ¥396 million respectively were fully written down due to impairment. The fair value of these long-lived assets was determined mainly based on the discounted future cash flows expected from the use of each of the assets. These fair values are classified as Level 3 because they were determined using unobservable inputs.

As a result of the above, impairment loss of ¥19,897 million caused by other-than-temporary declines in fair values during the year ended March 31, 2020 was included in the consolidated statements of income.

For the year ended March 31, 2021, the book value of certain equity security without a readily determinable fair value of ¥254 million (\$2,288 thousand) was fully written down due to impairment. The book value of certain investment in affiliate without a readily determinable fair value of ¥154 million (\$1,387 thousand) was written down to its fair value of ¥32 million (\$288 thousand). This investment in affiliate is classified as Level 3 because it is determined using unobservable inputs. The book value of long-lived assets (property, plant and equipment) of ¥12,911 million (\$116,315 thousand) was written down to its fair value of ¥5,594 million (\$50,396 thousand), moreover, the book value of long-lived assets (right-of-use assets of operating leases) and long-lived assets (intangible assets) of ¥581 million (\$5,234 thousand) and ¥16 million (\$144 thousand) respectively were fully written down due to impairment. The fair value of these long-lived assets was determined mainly based on the discounted future cash flows expected from the use of each of the assets. These fair values are classified as Level 3 because they were determined using unobservable inputs.

As a result of the above, impairment loss of ¥8,290 million (\$74,684 thousand) caused by other-than-temporary declines in fair values during the year ended March 31, 2021 was included in the consolidated statements of income.

18. Impairment of Long-Lived Assets

For the years ended March 31, 2020 and 2021, impairment losses of ¥18,592 million and ¥7,914 million (\$71,297 thousand), respectively, were recorded. These are the result of a reduction of the carrying value of the long-lived assets to the fair value because of a reduction in profitability derived from lower demand.

The impairment losses are included in other operating expense (income) in the consolidated statements of income.

For the year ended March 31, 2020, the impairment loss includes ¥2,100 million for the Passive Components segment, ¥4 million for the Sensor Application Products segment, ¥14,672 million for the Magnetic Application Products segment, ¥1,816 million for the other segment.

For the year ended March 31, 2021, the impairment loss includes ¥463 million (\$4,171 thousand) for the Passive Components segment, ¥292 million (\$2,631 thousand) for the Sensor Application Products segment and ¥2,620 million (\$23,604 thousand) for the Magnetic Application Products segment, ¥4,539 million (\$40,892 thousand) for the other segment.

19. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill as of March 31, 2020 and 2021 are as follows:

	Yen (Millions)		
	2020		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 26,259	¥ 10,858	¥ 15,401
Customer relationships	15,991	12,566	3,425
Software	41,836	17,775	24,061
Unpatented technologies	48,772	23,352	25,420
Other	10,890	3,437	7,453
Total	¥143,748	¥ 67,988	¥ 75,760
Nonamortizable intangible assets			
Trademark	¥ 3,452		¥ 3,452
In process research and development	347		347
Other	189		189
Total	¥ 3,988		¥ 3,988
	Yen (Millions)		
	2021		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥26,419	¥13,918	¥ 12,501
Customer relationships	16,166	13,697	2,469
Software	47,285	22,436	24,849
Unpatented technologies	50,806	28,445	22,361
Other	11,673	4,215	7,458
Total	¥ 152,349	¥ 82,711	¥69,638
Nonamortizable intangible assets			
Trademark	¥ 3,452		¥3,452
In process research and development	-		-
Other	190		190
Total	¥3,642		¥ 3,642

	U.S. Dollars (Thousands)		
	2021		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	\$ 238,009	\$ 125,387	\$ 112,622
Customer relationships	145,640	123,396	22,244
Software	425,991	202,126	223,865
Unpatented technologies	457,712	256,261	201,451
Other	105,162	37,973	67,189
Total	\$ 1,372,514	\$ 745,143	\$ 627,371
Nonamortizable intangible assets			
Trademark	\$ 31,099		\$ 31,099
In process research and development	-		-
Other	1,712		1,712
Total	\$32,811		\$32,811

Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives to their estimated residual value of zero. The useful lives are 3 to 19 years for Patent, 4 to 17 years for Customer relationships, 2 to 10 years for Internal use Software, 3 to 20 years for unpatented technologies and 2 to 7 years for other intangible assets.

Aggregate amortization expenses for the years ended March 31, 2020 and 2021 were ¥13,942 million and ¥14,190 million (\$127,838 thousand), respectively. Estimated amortization expense for the next five years is: ¥14,233million (\$128,225 thousand) in 2022, ¥12,594 million (\$113,459 thousand) in 2023, ¥10,787million (\$97,180 thousand) in 2024, ¥9,787 million (\$88,171 thousand) in 2025 and ¥8,948 million (\$80,613 thousand) in 2026.

The changes in the carrying amount of goodwill by segment for the years ended March 31, 2020 and 2021 are as follows:

Yen (Millions)						
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products	Other	Total
March 31 , 2019						
Goodwill	¥ 17,993	¥ 108,701	¥ 26,447	¥ 17,309	¥ 2,225	¥172,675
Accumulated impairment losses	(3,117)	-	(1,811)	(2,247)	(706)	(7,881)
	14,876	108,701	24,636	15,062	1,519	164,794
Acquisitions	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Others	-	-	-	(286)	-	(286)
Translation adjustment	(551)	(2,259)	(486)	(236)	(31)	(3,563)
March 31 , 2020						
Goodwill	17,316	106,442	25,926	16,787	2,189	168,660
Accumulated impairment losses	(2,991)	-	(1,776)	(2,247)	(701)	(7,715)
	14,325	106,442	24,150	14,540	1,488	160,945
Acquisitions	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Others	-	-	-	-	-	-
Translation adjustment	1,087	2,300	422	280	62	4,151
March 31 , 2021						
Goodwill	18,660	108,742	26,379	17,067	2,261	173,109
Accumulated impairment losses	(3,248)	-	(1,807)	(2,247)	(711)	(8,013)
	¥15,412	¥ 108,742	¥24,572	¥ 14,820	¥1,550	¥ 165,096
U.S. Dollars (Thousands)						
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products	Other	Total
March 31 , 2020						
Goodwill	\$ 156,000	\$ 958,937	\$233,568	\$ 151,234	\$19,721	\$ 1,519,460
Accumulated impairment losses	(26,946)	-	(16,000)	(20,243)	(6,315)	(69,504)
	129,054	958,937	217,568	130,991	13,406	1,449,956
Acquisitions	-	-	-	-	-	-
Impairments	-	-	-	-	-	-
Others	-	-	-	-	-	-
Translation adjustment	9,793	20,721	3,801	2,523	558	37,396
March 31 , 2021						
Goodwill	168,108	979,658	237,648	153,757	20,369	1,559,540
Accumulated impairment losses	(29,261)	-	(16,279)	(20,243)	(6,405)	(72,188)
	\$ 138,847	\$979,658	\$ 221,369	\$ 133,514	\$ 13,964	\$1,487,352

20. Net Income attributable to TDK per Share

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to TDK per share computations is as follows:

	Yen (Millions)			
	2020		2021	
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 57,780	¥ 57,780	¥ 79,340	¥ 79,340
Number of shares (Thousands)				
Weighted average common shares outstanding	126,305	126,305	126,322	126,322
Incremental shares arising from the exercise of stock option	-	284	-	261
Weighted average common shares outstanding – Total	126,305	126,589	126,322	126,583
Yen				
Per common share :				
Net income attributable to TDK	457.47	456.44	628.08	626.78
U.S. Dollars (Thousands)				
2021				
	Basic	Diluted		
Net income attributable to TDK	\$ 714,775	\$ 714,775		
Number of shares (Thousands)				
Weighted average common shares outstanding	126,322	126,322		
Incremental shares arising from the exercise of stock option	-	261		
Weighted average common shares outstanding – Total	126,322	126,583		
U.S. Dollars				
Per common share :				
Net income attributable to TDK	5.66	5.65		

The stock options issued by TDK Corporation that are vested when a certain performance condition is achieved were excluded from the diluted per share calculation of net income attributable to TDK for the years ended March 31, 2020 as it was not probable that the performance condition would be achieved as of March 31, 2020. For the years ended March 31, 2021, certain stock options issued by TDK Corporation and stock options issued by its subsidiary were excluded from the diluted per share calculation of income from net income attributable to TDK as the effect would have been antidilutive.

21. Related Party Transaction

Receivables and payables include the following balances with affiliated companies as of March 31, 2020 and 2021:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Due from	¥ 451	¥ 469	\$ 4,225
Due to	1,046	198	1,784

Receivables as of March 31, 2020 and 2021 include long-term loans of ¥426 million and ¥458 million (\$4,126 thousand), respectively.

Purchases, research and development expenses, patent fee, advertising costs, interest expense, other income, other expense, and sales transactions with affiliated companies for the years ended March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Gross purchase	¥ 7,734	¥ 4,650	\$ 41,892
Less raw materials sold with no mark-up	(14)	(3)	(27)
Net purchases	7,720	4,647	41,865
Research and development expenses and			
patent fee	3	-	-
Other income	3	-	-
Other expense	2	-	-
Sales	1,979	1	9

22. Sale of Business

(1) On February 3, 2017, TDK transferred its high-frequency devices business to RF360 Holdings Singapore PTE. Ltd. (“RF360”) and its subsidiaries, and subsequently sold 51% of the common shares of RF360 held by TDK Electronics AG, a wholly owned subsidiary of TDK, to Qualcomm Global Trading PTE. Ltd. (“QGT”), which is a 100% indirect ownership subsidiary of Qualcomm Incorporated (“Qualcomm”) based on the business alliance agreement involving establishment of a joint venture concluded with Qualcomm on January 13, 2016. Contingent consideration to be recognized over several years is included in the total consideration amount, and realized or realizable portion are recognized in other operating expense (income) of consolidated statement of income for the year ended March 31, 2020. An option to put and call the remaining common shares of RF360 (49%) after 30 months after the closing date was granted to TDK and QGT, respectively. TDK exercised the option on August 30, 2019 and sold 49% of the common shares on September 16, 2019. The sales price was U.S.\$1.15 billion as stated in the option and the sales did not have a material impact on the consolidated statements of income for the year ended March 31, 2020 and 2021.

(2) On November 2, 2020, TDK transferred a part of its HDD Suspension Assemblies business. Gain on sale of business is recognized in other operating expense (income) of consolidated statement of income for the year ended March 31, 2021.

23. Revenue

TDK disaggregates revenue by industry segment, product and geographic segment based on contracts with customers. The following table presents disaggregation of revenue. In accordance with the redefinition of product portfolio in this period, certain products of Inductive Devices were reclassified into Other Passive Components.

Detailed information of geographic segment is presented in Note 25.

Yen (millions)						
Year ended March 31, 2020						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 18,480	¥ 25,830	¥ 37,556	¥ 46,300	¥25,716	¥ 153,882
Inductive Devices	19,529	14,895	39,741	47,818	15,589	137,572
Other Passive Components	10,256	9,368	25,767	42,856	15,755	104,002
Passive Components	48,265	50,093	103,064	136,974	57,060	395,456
Sensor Application Products	13,932	8,209	19,259	26,522	10,016	77,938
Magnetic Application Products	18,888	6,836	7,404	43,223	143,317	219,668
Energy Application Products	18,721	26,691	15,353	458,109	78,824	597,698
Other	10,597	4,306	3,174	49,183	5,017	72,277
Net Sales Total	¥ 110,403	¥ 96,135	¥148,254	¥ 714,011	¥294,234	¥ 1,363,037
Year ended March 31, 2021						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 18,495	¥ 22,830	¥ 36,328	¥ 54,210	¥ 26,319	¥ 158,182
Inductive Devices	18,805	13,660	37,281	53,310	16,934	139,990
Other Passive Components	9,689	10,492	25,903	45,661	17,209	108,954
Passive Components	46,989	46,982	99,512	153,181	60,462	407,126
Sensor Application Products	12,656	7,738	19,060	32,860	9,031	81,345
Magnetic Application Products	18,855	4,040	9,490	42,036	124,832	199,253
Energy Application Products	26,140	30,388	18,370	588,018	77,311	740,227
Other	12,565	7,518	2,011	24,034	4,929	51,057
Net Sales Total	¥ 117,205	¥ 96,666	¥148,443	¥840,129	¥276,565	¥1,479,008

U.S. Dollars (Thousands)						
Year ended March 31, 2021						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	\$ 166,622	\$ 205,676	\$ 327,279	\$ 488,378	\$ 237,108	\$ 1,425,063
Inductive Devices	169,414	123,063	335,865	480,270	152,559	1,261,171
Other Passive Components	87,288	94,524	233,360	411,360	155,036	981,568
Passive Components	423,324	423,263	896,504	1,380,008	544,703	3,667,802
Sensor Application Products	114,018	69,712	171,712	296,036	81,360	732,838
Magnetic Application Products	169,865	36,396	85,495	378,703	1,124,613	1,795,072
Energy Application Products	235,495	273,766	165,496	5,297,459	696,495	6,668,711
Other	113,199	67,728	18,117	216,524	44,405	459,973
Net Sales Total	\$ 1,055,901	\$ 870,865	\$ 1,337,324	\$ 7,568,730	\$ 2,491,576	\$ 13,324,396

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 gain control over the products and performance obligation is satisfied accordingly.

Transaction price that TDK receives in exchange for products transferred may include variable consideration such as sales discounts, customer privileges, and rebates based on sales volume. 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 which are already known as of the transaction date and is updated on a regular basis.

For a certain contract, TDK recognized the consideration received from customers for which the performance obligation to transfer goods or services has not been satisfied as advance received. Balance of advance received as of March 31, 2020 and March 31, 2021 were ¥970 million and ¥2,985 million (\$26,892 thousand), respectively, and are included in other current liabilities in the consolidated balance sheets. Out of the advance received as of March 31, 2020, ¥818 million (\$7,369 thousand) was recognized as revenue in the consolidated statements of income for the year ended March 31, 2021. The amounts of revenue recognized from performance obligations for the year ended March 31, 2021 that had been satisfied in previous periods were not material.

There are no unsatisfied or partially unsatisfied performance obligations as of March 31, 2021. Furthermore, there is no balance of contract assets as of March 31, 2021.

24. Supplementary Information

Amounts recognized in Research and development, Rent, Maintenance and repairs and Advertising costs for the year ended March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Statements of Income			
Research and development	¥ 117,489	¥ 127,046	\$ 1,144,559
Rent	10,429	10,526	94,829
Maintenance and repairs	27,983	28,797	259,432
Advertising costs	3,056	2,261	20,369

Other operating expense (income) for the year ended March 31, 2020 and 2021 consist of the following components:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Statements of Income			
Gain on sale of business (Note 22)	¥ (2,910)	¥ (2,433)	\$ (21,919)
Impairment of long-lived assets (Note 18)	18,592	7,914	71,297
Total	¥ 15,682	¥ 5,481	\$ 49,378

Cash paid during the year for interest and income taxes for the year ended March 31, 2020 and 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Statements of Cash Flows			
Cash paid during year for:			
Interest	¥ 3,810	¥ 3,404	\$ 30,667
Income taxes	42,114	29,250	263,514

Noncash activities

For the years ended March 31, 2020 and 2021, there were no material noncash investing and financing activities

25. Segment Information

Business Segment Information

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

Multiple operating segments that have similarities, including type and nature of products, production process, market and so on, are aggregated into the Passive Components segment, the Sensor Application Products segment, the Magnetic Application Products segment and the Energy Application Products segment. Operating segments which are not reportable segments are included in Other.

Principal businesses of each segment are as follows:

Segment	Principal businesses
Passive Components	Ceramic capacitors, Aluminum Electrolytic Capacitors, 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, Others

Intersegment transactions in operating segments are based on arm's-length prices.

The business segment information for the years ended March 31, 2020 and 2021 are as follows.

Net sales

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Passive Components:			
External customers	¥ 395,456	¥ 407,126	\$ 3,667,802
Intersegment	2,886	3,547	31,955
Total	398,342	410,673	3,699,757
Sensor Application Products:			
External customers	77,938	81,345	732,838
Intersegment	215	223	2,009
Total	78,153	81,568	734,847
Magnetic Application Products:			
External customers	219,668	199,253	1,795,072
Intersegment	5,730	652	5,874
Total	225,398	199,905	1,800,946
Energy Application Products:			
External customers	597,698	740,227	6,668,711
Intersegment	3	0	0
Total	597,701	740,227	6,668,711
Other:			
External customers	72,277	51,057	459,973
Intersegment	26,170	22,015	198,333
Total	98,447	73,072	658,306
Intersegment eliminations	(35,004)	(26,437)	(238,171)
Total	¥ 1,363,037	¥ 1,479,008	\$ 13,324,396

Segment profit (loss)

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Passive Components	¥ 39,072	¥ 40,201	\$ 362,171
Sensor Application Products	(25,024)	(24,872)	(224,072)
Magnetic Application Products	425	(2,382)	(21,459)
Energy Application Products	124,149	147,375	1,327,703
Other	(8,590)	(16,058)	(144,667)
Sub total	130,032	144,264	1,299,676
Corporate and Eliminations	(32,162)	(32,729)	(294,856)
Operating income	97,870	111,535	1,004,820
Other income, net	(1,994)	10,369	93,414
Income before income taxes	¥ 95,876	¥ 121,904	\$ 1,098,234

Segment profit (loss) consists of net sales less cost of sales and selling, general and administrative expenses and other operating expense (income) except for those attribute to Corporate.

Corporate mainly includes expenses associated with head office functions that are not allocated to operating segments.

Assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Passive Components	¥ 566,577	¥ 626,120	\$ 5,640,721
Sensor Application Products	219,485	220,585	1,987,252
Magnetic Application Products	358,422	382,892	3,449,477
Energy Application Products	805,366	1,229,118	11,073,135
Other	88,342	82,608	744,216
Corporate and Eliminations	(94,813)	(139,890)	(1,260,269)
Total	¥ 1,943,379	¥ 2,401,433	\$ 21,634,532

Corporate mainly includes cash and cash equivalents and property, plant and equipment that are for general corporate use, and deferred tax assets and investments that are not allocated to operating segments.

Depreciation and amortization (including Intangible assets other than Goodwill)

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Passive Components	¥ 32,251	¥ 33,572	\$ 302,450
Sensor Application Products	11,718	12,501	112,622
Magnetic Application Products	19,802	19,589	176,477
Energy Application Products	48,470	60,186	542,216
Other	5,692	6,951	62,622
Corporate and Eliminations	7,051	7,486	67,442
Total	¥ 124,984	¥ 140,285	\$ 1,263,829

Capital expenditure

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Passive Components	¥ 33,355	¥ 35,123	\$ 316,424
Sensor Application Products	6,787	6,668	60,072
Magnetic Application Products	31,408	29,679	267,378
Energy Application Products	80,078	127,956	1,152,757
Other	14,572	3,575	32,207
Corporate and Eliminations	7,229	9,354	84,270
Total	¥ 173,429	¥ 212,355	\$ 1,913,108

Geographic Segment Information

The geographic segment information for the years ended March 31, 2020 and 2021 are as follows.

Net sales

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Japan	¥ 110,403	¥ 117,205	\$ 1,055,901
Americas	96,135	96,666	870,865
Europe	148,254	148,443	1,337,324
China	714,011	840,129	7,568,730
Asia and others	294,234	276,565	2,491,576
Total	¥ 1,363,037	¥ 1,479,008	\$ 13,324,396

Net sales are based on the location of the customers.

Major countries in each geographic area :

(1) Americas	United States of America
(2) Europe	Germany
(3) Asia and others	Thailand, Philippines, India, Vietnam

Property, plant and equipment

	Yen (Millions)		U.S. Dollars (Thousands)
	2020	2021	2021
Japan	¥ 179,922	¥ 181,114	\$ 1,631,658
Americas	41,914	53,067	478,081
Europe	64,176	66,051	595,054
China	268,679	417,524	3,761,477
Asia and others	56,459	66,615	600,135
Total	¥ 611,150	¥ 784,371	\$ 7,066,405

Major countries in each geographic area :

(1) Americas	United States of America
(2) Europe	Germany, Austria, Hungary
(3) Asia and others	Thailand, India

Sales to major customers

There was one customer group that accounted for more than 10 percent of net sales for the year ended March 31, 2020. The sales to the customer group were approximately ¥160.7 billion.

There was one customer group that accounted for more than 10 percent of net sales for the year ended March 31, 2021. The sales to the customer group were approximately ¥196.8 billion (\$1,773.1 million). The customer groups were included mainly in the Energy Application Products segment for the year ended March 31, 2020 and March 31, 2021.

26. Significant Subsequent Events

In the Board of Directors held on April 28, 2021, TDK Corporation (“the Company”) 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, ATL 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 company in the EV battery industry 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 |

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 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) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
Administrator of shareholder registry	(Special Account) Sumitomo Mitsui Trust Bank, Limited. 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. The electronic public notice will be notified on TDK’s website (https://www.jp.tdk.com/).
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.

2. As of April 1, 2021, the URL for the public notice has been changed to the following:

<https://www.tdk.com/ja/index.html>

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



Independent auditor's report

To the Board of Directors of TDK Corporation:

Opinion

We have audited the accompanying consolidated financial statements of TDK Corporation. ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated balance sheets as at March 31, 2021 and 2020, the consolidated statements of income, the consolidated statements of comprehensive income (loss), the consolidated statements of equity and the consolidated statements of cash flows for the years then ended, and notes to consolidated financial statements. 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, 2021 and 2020, and its consolidated financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill allocated to the Sensor Application Products segment

The key audit matter	How the matter was addressed in our audit
<p>TDK Corporation (the "Company") and its subsidiaries recognized goodwill of ¥165,096 million on the consolidated balance sheet for the current fiscal year. As discussed in Note 19. "Goodwill and Other Intangible Assets" to the consolidated financial statements, ¥108,742 million of the above amount, representing approximately 4.5% of total assets, was allocated to a reporting unit that comprises the Sensor Application Products segment.</p> <p>Goodwill is tested for impairment at least annually or whenever events or changes in circumstances indicate that the fair value of a reporting unit may be less than its carrying amount. When the fair value of a reporting unit is less than its carrying amount, an impairment loss is recognized. For the current fiscal year, the Company did not recognize any impairment loss on goodwill allocated to the Sensor Application Products segment.</p> <p>The Sensor Application Products segment, consisting of the businesses of Temperature and Pressure Sensors, Magnetic Sensors, and MEMS Sensors, was newly established in April 2017. While the segment has been expanding its business areas mainly through acquisitions, it has not yet had any profitable year since its establishment, primarily due to a delay in new product development at InvenSense, Inc., a subsidiary that operates the MEMS Sensor business in the United States. The Company measured the fair value of this reporting unit by discounting the future cash flows at a discount rate calculated based on the weighted average cost of capital. The business plan of the Sensor Application Products segment, which formed the basis for estimating the future cash flows, reflected key assumptions adopted by management, including sales increases supported by the expansion of customer base and product applications, as well as a terminal growth rate</p>	<p>The primary procedures we performed to assess whether the Company's judgment with respect to the recognition of an impairment loss on goodwill allocated to the Sensor Application Products segment was appropriate included the following:</p> <p>(1) Internal control testing We tested the design and operating effectiveness of certain of the Company's internal controls relevant to measuring the fair value used for the impairment testing on reporting units to which goodwill has been allocated.</p> <p>(2) Assessment of the reasonableness of the estimated fair value of the reporting unit In order to assess the reasonableness of the estimated fair value of the Sensor Application Products segment, we:</p> <ul style="list-style-type: none"> ● Inquired of management about the rationale for the expansion of customer base and product applications, which supported the expected sales increases incorporated in the business plan of the Sensor Application Products segment, and then assessed the reasonableness of each assumption by comparing it with the market reports relevant to the businesses that comprised the Sensor Application Products segment; ● assessed the reasonableness of the terminal growth rate for periods subsequent to the years included in the business plan of the Sensor Application Products segment with the assistance of valuation specialists within our network firms by comparing it with the long-term growth rates of major sales markets published by external organizations; ● 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 ● analysed based on our understanding of the achievement status of the past business plan and the

for 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 a discount rate based on the weighted average cost of capital, which was another key assumption adopted by management, the selection of input data required a high degree of expertise in valuation.

We, therefore, determined that our assessment of the appropriateness of the Company's judgment as to whether an impairment loss should be recognized on goodwill allocated to the Sensor Application Products segment was one of the most significant in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.

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 effect of specific uncertainties were incorporated into the business plan, terminal growth rate or discount rate calculated based on the weighted average cost of capital.

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 accounting principles generally accepted in the United States of America 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 accounting principles generally accepted in the United States of America.

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 risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 accounting standards generally accepted in the United States of America, 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, related safeguards.

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.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2021 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which are required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Yutaka Terasawa

Designated Engagement Partner

Certified Public Accountant

Hiroto Yamane

Designated Engagement Partner

Certified Public Accountant

Kohei Shingaki

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

July 15, 2021

Notes to the Reader of Independent Auditor's Report:

This is a copy of the Independent Auditor's Report and the original copies are kept separately by the Company and KPMG AZSA LLC.

Management's Annual Report on Internal Control over Financial Reporting

1. Matters relating to the basic framework for internal control over financial reporting

President & Representative Director Shigenao Ishiguro, and Chief Financial Officer and Executive Vice President & Representative Director 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, 2021, 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.