



Consolidated Financial Statements
for the three-month ended and as of June 30, 2021 (in English)

On August 6, 2021, the Japanese version of this report was filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to Japan's Financial Instruments and Exchange Act.

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

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1) Consolidated balance sheets (Unaudited)

	Yen (Millions)	
ASSETS	March 31, 2021	June 30, 2021
Current assets:		
Cash and cash equivalents	¥ 380,387	¥ 368,700
Short-term investments	65,886	33,767
Marketable securities (Note 2 and 7)	56	56
Net trade receivables	429,454	454,593
Inventories (Note 3)	288,854	334,258
Other current assets (Note 6)	68,748	105,430
Total current assets	1,233,385	1,296,804
Investments in affiliates (Note 2)	12,764	12,828
Other investments in securities (Note 2 and 7)	31,523	31,853
Net property, plant and equipment (Note 9)	784,371	828,038
Right-of-use assets of operating leases	42,325	42,446
Goodwill (Note 10)	165,096	165,276
Intangible assets (Note 10)	73,280	71,142
Other assets (Note 7)	58,689	59,794
Total assets	¥ 2,401,433	¥ 2,508,181

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
	March 31, 2021	June 30, 2021
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term debt	¥ 192,938	¥ 214,455
Current installments of long-term debt (Note 7 and 9)	135,125	134,833
Current portion of operating lease obligations	8,444	8,386
Trade payables	324,373	376,253
Accrued expenses	324,753	324,793
Other current liabilities (Note 6)	25,843	30,876
Total current liabilities	¥ 1,011,476	¥ 1,089,596
Long-term debt, excluding current installments (Note 7 and 9)	155,273	155,369
Long-term operating lease obligations, excluding current installments	29,833	29,975
Retirement and severance benefits	116,745	115,834
Other noncurrent liabilities	81,809	80,969
Total noncurrent liabilities	383,660	382,147
Total liabilities	1,395,136	1,471,743
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares;		
issued 129,590,659 shares at March 31, 2021 and June 30, 2021		
outstanding 126,322,853 shares at March 31, 2021 and		
126,325,105 shares at June 30, 2021	32,641	32,641
Additional paid-in capital	-	17
Legal reserve	46,403	46,716
Retained earnings	1,024,019	1,039,003
Accumulated other comprehensive income (loss) (Note 11 and 12)	(82,733)	(67,839)
Treasury stock at cost;		
3,267,806 shares at March 31, 2021 and 3,265,554 shares		
at June 30, 2021	(16,792)	(16,780)
Total TDK stockholders' equity	1,003,538	1,033,758
Noncontrolling interests (Note 11 and 12)	2,759	2,680
Total equity	1,006,297	1,036,438
Total liabilities and equity	¥ 2,401,433	¥ 2,508,181

2) Consolidated statements of income

and Consolidated statements of comprehensive income (Unaudited)

For the Three-month ended June 30, 2020 and 2021

Consolidated statements of income

	Yen (Millions)	
	Three-month ended June 30, 2020	Three-month ended June 30, 2021
Net sales (Note 14)	¥ 309,393	¥ 420,058
Cost of sales (Note 4)	219,823	301,612
Gross profit	89,570	118,446
Selling, general and administrative expenses (Note 4)	70,986	87,613
Other operating expense (income) (Note 15)	144	-
Operating income	18,440	30,833
Other income (deductions):		
Interest and dividend income	2,480	2,411
Interest expense	(819)	(1,238)
Foreign exchange gain (loss) (Note 6)	(326)	296
Other - net (Note 4)	936	(64)
Total other income (deductions)	2,271	1,405
Income before income taxes	20,711	32,238
Income taxes	7,456	5,562
Net income	13,255	26,676
Less: Net income attributable to noncontrolling interests	63	10
Net income attributable to TDK	¥ 13,192	¥ 26,666

Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	¥ 104.43	¥ 211.09
Diluted	104.22	210.57
Cash dividends paid during the period	¥ 90.00	¥ 90.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three-month ended June 30, 2020	Three-month ended June 30, 2021
Net income	¥ 13,255	¥ 26,676
Other comprehensive income (loss), net of taxes		
Foreign currencies translation adjustments	(5,328)	13,860
Pension liability adjustments	1,680	1,102
Net unrealized gains (losses) on securities	40	(35)
Total other comprehensive income (loss) (Note 12):	(3,608)	14,927
Comprehensive income (Note 11)	9,647	41,603
Comprehensive income attributable to noncontrolling interests	46	43
Comprehensive income attributable to TDK	¥ 9,601	¥ 41,560

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Three-month ended June 30, 2020	Three-month ended June 30, 2021
Cash flows from operating activities:		
Net income	¥ 13,255	¥ 26,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	31,740	40,583
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(9,479)	(21,830)
Decrease (increase) in inventories	(21,842)	(42,315)
Increase (decrease) in trade payables	8,380	48,887
Increase (decrease) in accrued expenses	(10,125)	(17,842)
Decrease (increase) in other assets and liabilities, net	(2,785)	(35,017)
Other - net	654	2,029
Net cash provided by operating activities	9,798	1,171
Cash flows from investing activities:		
Capital expenditures	(46,368)	(61,205)
Proceeds from sales of tangible and intangible assets	1,004	311
Proceeds from sale and maturity of short-term investments	27,661	41,195
Payment for purchase of short-term investments	(30,172)	(8,696)
Proceeds from sale and maturity of securities	3	913
Payment for purchase of securities	(530)	(1,160)
Proceeds from sale of business, net of cash transferred	3,717	-
Proceeds from sale of investments in affiliates	2,502	-
Other - net	90	169
Net cash used in investing activities	(42,093)	(28,473)
Cash flows from financing activities:		
Proceeds from debt with maturities longer than three months	51,187	928
Repayment of debt with maturities longer than three months	(23,195)	(1,233)
Net increase (decrease) in debt with maturities of three months or less	9,463	21,516
Dividends paid	(11,206)	(11,251)
Other - net	(125)	(131)
Net cash provided by financing activities	26,124	9,829
Effect of exchange rate changes on cash and cash equivalents	(1,396)	5,786
Net increase in cash and cash equivalents	(7,567)	(11,687)
Cash and cash equivalents at beginning of period	332,717	380,387
Cash and cash equivalents at end of period	¥ 325,150	¥ 368,700

See accompanying notes to consolidated financial statements.

4) Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

TDK Corporation and most of its domestic subsidiaries maintain their books of account in conformity with the generally accepted accounting principles in Japan, and its foreign subsidiaries' books of accounts are mainly 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").

(b) 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 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 using the equity method of accounting. All significant intercompany profits from transactions with these affiliates have been eliminated.

(c) Use of Estimates

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.

(d) Subsequent Events

TDK has evaluated the subsequent events through August 5, 2021, the date on which the consolidated financial statements are available to be issued.

(e) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation used for the three-month ended June 30, 2021.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities as of March 31, 2021 and June 30, 2021, are as follows:

	Yen (Millions)	
	March 31, 2021	June 30, 2021
Marketable securities		
Debt securities	¥ 56	¥ 56
Total Marketable securities	56	56
Investments in affiliates	12,764	12,828
Other investments in securities:		
Debt securities	46	45
Equity securities with readily determinable fair values	6,803	5,926
Equity securities without readily determinable fair values	24,674	25,882
Total other investments in securities	31,523	31,853
Total	¥ 44,343	¥ 44,737

Debt securities include available-for-sale securities. Information with respect to such securities as of March 31, 2021 and June 30, 2021, is as follows:

As of March 31, 2021	Yen (Millions)			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
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

As of June 30, 2021	Yen (Millions)			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	¥ 56	¥ 0	¥ -	¥ 56
Investments (Debt securities):				
Commercial papers	0	45	-	45
Public-utility bonds	0	-	-	0
Total	¥ 56	¥ 45	¥ -	¥ 101

The proceeds from sale and maturity of debt securities classified as available-for-sale securities were both ¥3 million for the three-month ended June 30, 2020 and June 30, 2021. The gross realized gains on the sale of debt securities classified as available-for-sale securities were determined on average cost basis and were reflected in income (loss).

As of June 30, 2021, there were no debt securities classified as available-for-sale securities with unrealized losses.

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 ¥5,154 million as of June 30, 2021. TDK did not record impairment or other adjustments for the three-month ended June 30, 2021.

Net gains and losses and unrealized gains and losses recognized on equity securities for the three-month ended June 30, 2020 and June 30, 2021 are as follows:

	Yen (Millions)	
	June 30, 2020	June 30, 2021
Unrealized gains and losses recognized during the period on equity securities held as of June 30	¥ 626	¥ (46)
Net gains and losses recognized on equity securities sold during the period	-	63
Net gains and losses recognized during the period on equity securities	¥ 626	¥ 17

Note: () of amount means net losses.

3. Inventories

Inventories as of March 31, 2021 and June 30, 2021, are summarized as follows:

	Yen (Millions)	
	March 31, 2021	June 30, 2021
Finished goods	¥ 101,517	¥ 116,400
Work in process	66,060	70,007
Raw materials	121,277	147,851
Total	¥ 288,854	¥ 334,258

4. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended June 30, 2020 and June 30, 2021 consist of the following components:

	Yen (Millions)	
	Three-month ended June 30, 2020	Three-month ended June 30, 2021
Service cost-benefits earned during the period	¥ 2,203	¥ 2,301
Interest cost on projected benefit obligation	923	822
Expected return on plan assets	(1,274)	(1,745)
Amortization of actuarial loss	1,737	1,081
Amortization of prior service cost (benefit)	31	89
Net periodic benefit cost	¥ 3,620	¥ 2,548

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. Other elements except service cost are included in other - net of other income (deductions).

5. Contingent Liabilities

TDK provides guarantees to third parties on bank loans of its employees. The guarantees on behalf of the employees are made for their housing loans. 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, 2021 and June 30, 2021, are as follows:

	Yen (Millions)	
	March 31, 2021	June 30, 2021
Guarantees to third parties on bank loans of employees	¥ 354	¥ 324

As of June 30, 2021, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangement 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.

6. 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 risk 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 risk of those financial instruments is reflected 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.

TDK uses forward foreign exchange contracts, 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. 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 on the consolidated statements of income for the three-month ended June 30, 2020 and June 30, 2021 are as follows:

		Yen (Millions)	
		Three-month ended June 30, 2020	Three-month ended June 30, 2020
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 1,819	¥ 48
Currency swap contracts	Foreign exchange gain (loss)	(932)	-
Currency option contracts	Foreign exchange gain (loss)	17	26
Total		¥ 904	¥ 74

Notional amounts and fair value of derivative financial instruments as of March 31, 2021 and June 30, 2021 are as follows:

Yen (Millions)					
March 31, 2021					
	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	Other current assets	¥ 1,326	Other current liabilities

Yen (Millions)					
June 30, 2021					
	Notional amounts	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 293,409	¥ 373	Other current assets	¥ 912	Other current liabilities

7. 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, Other current assets, Short-term debt, Trade payables 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, Other investments in securities and Other assets

The fair values of marketable securities and other investments in securities are primarily estimated based on quoted market prices for these instruments. The fair value of TDK's long-term loans receivable included in other assets are estimated based on the amount of future cash flows associated with the instrument discounted using the borrower's current borrowing rate in the market for similar borrowing of comparable maturity, or based on the quoted market prices for the same or similar issues. The long-term loans receivable are categorized within Level 2, one of the three levels of fair value hierarchy that is discussed in Note 8 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 current borrowing rate in the market for similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues. The long-term debt is categorized within Level 2, one of the three levels of fair value hierarchy that is discussed in Note 8 of the Notes to Consolidated Financial Statements.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2021 and June 30, 2021, are summarized as follows:

As of March 31, 2021	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 56	¥ 56
Other investments in securities and other assets	42,287	42,287
Liability:		
Long-term debt, including current portion (excluding finance lease obligation)	(284,728)	(285,104)
<hr/>		
As of June 30, 2021	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 56	¥ 56
Other investments in securities and other assets	40,941	40,941
Liability:		
Long-term debt, including current portion (excluding finance lease obligation)	(284,438)	(285,280)
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Derivative financial instruments are presented in Note 6 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.

8. Fair Value Measurements

FASB Accounting Standards Codification ("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. FASB 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, 2021 and June 30, 2021 are as follows:

As of March 31, 2021	Yen (Millions)			Total
	Level 1	Level 2	Level 3	
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
As of June 30, 2021	Yen (Millions)			Total
	Level 1	Level 2	Level 3	
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 56	¥ -	¥ -	¥ 56
Derivative contracts:				
Forward foreign exchange contracts	-	373	-	373
Investments (Debt securities):				
Commercial papers	-	45	-	45
Public-utility bonds	0	-	-	0
Investments (Equity securities):				
Stock	4,608	-	20,728	25,336
Mutual funds	1,318	-	-	1,318
Rabbi trust investments	8,286	-	-	8,286
Total	¥ 14,268	¥ 418	¥ 20,728	¥ 35,414
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 912	¥ -	¥ 912
Total	¥ -	¥ 912	¥ -	¥ 912

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 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 method.

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, 2021 and June 30, 2021 are both 8.9 times.

The changes in the carrying amount of assets measured at fair value on a recurring basis that was categorized within Level 3 as of June 30, 2020 and June 30, 2021 are as follows:

	Yen (Millions) June 30, 2020	Yen (Millions) June 30, 2021
Opening Balance	¥ 12,282	¥ 20,690
Net income (loss) (Realized or unrealized):		
Other Comprehensive Income(loss)	(106)	38
Ending Balance	<u>¥ 12,176</u>	<u>¥ 20,728</u>

* 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 June 30, 2020 and June 30, 2021, there are no unrealized gains (losses) on securities included in other comprehensive income (loss).

9. Lease

Right-of-use assets of finance leases is included in net property, plant and equipment of consolidated balance sheet and the amount is ¥3,484 million as of March 31, 2021, and ¥ 3,523 million as of June 30, 2021.

Finance lease obligations is included in current installments of long-term debt and long-term debt, excluding current installments of consolidated balance sheet. Finance lease obligations included in current installments of long-term debt is ¥ 545 million as of March 31, 2021, and ¥ 562 million as of June 30, 2021. Finance lease obligations included in long-term debt, excluding current installments is ¥ 5,125 million as of March 31, 2021, and ¥ 5,202 million as of June 30, 2021.

10. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill as of March 31, 2021 and June 30, 2021 are as follows:

As of March 31, 2021	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
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
Other	190		190
Total	¥ 3,642		¥ 3,642
As of June 30, 2021	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
Amortizable intangible assets:			
Patent	¥ 26,488	¥ 14,696	¥ 11,752
Customer relationships	16,189	13,947	2,242
Software	47,919	23,133	24,786
Unpatented technologies	50,862	29,581	21,281
Other	11,811	4,372	7,439
Total	¥ 153,229	¥ 85,729	¥ 67,500
Nonamortizable intangible assets:			
Trademark	¥ 3,452		¥ 3,452
Other	190		190
Total	¥ 3,642		¥ 3,642

Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives to their estimated residual value of zero. Aggregate amortization expense for the three-month ended June 30, 2021 was ¥3,579 million.

There are no significant changes in the carrying amount of goodwill for the three-month ended June 30, 2021.

11. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the three-month ended June 30, 2020 and June 30, 2021 are as follows:

	Yen (Millions)		
	Stockholders' equity	Noncontrolling Interests	Total equity
March 31, 2020	¥ 843,957	¥ 4,607	¥ 848,564
Equity transaction of consolidated subsidiaries and other	12	(109)	(97)
Comprehensive income:			
Net income	13,192	63	13,255
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	(5,311)	(17)	(5,328)
Pension liability adjustments	1,680	0	1,680
Net unrealized gains (losses) on securities	40	-	40
Total other comprehensive income (loss)	(3,591)	(17)	(3,608)
Comprehensive income (loss)	9,601	46	9,647
Dividends	(11,356)	(13)	(11,369)
June 30, 2020	¥ 842,214	¥ 4,531	¥ 846,745

	Yen (Millions)		
	Stockholders' equity	Noncontrolling Interests	Total equity
March 31, 2021	¥ 1,003,538	¥ 2,759	¥ 1,006,297
Equity transaction of consolidated subsidiaries and other	29	(122)	(93)
Comprehensive income:			
Net income	26,666	10	26,676
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	13,827	33	13,860
Pension liability adjustments	1,102	0	1,102
Net unrealized gains (losses) on securities	(35)	-	(35)
Total other comprehensive income (loss)	14,894	33	14,927
Comprehensive income	41,560	43	41,603
Dividends	(11,369)	-	(11,369)
June 30, 2021	¥ 1,033,758	¥ 2,680	¥ 1,036,438

Net income attributable to TDK and transfers (to) from noncontrolling interests for the three-month ended June 30, 2020 and June 30, 2021 are as follows:

	Yen (Millions)	
	Three-month ended June 30,	
	2020	2021
Net income attributable to TDK	¥ 13,192	¥ 26,666
Decrease in TDK's additional paid-in capital for purchase of SolidGear Corporation's common shares from third parties	(3)	(6)
Increase in TDK's additional paid-in capital for reduction of the shareholding ratio of Tronics Microsystems SA	-	44
Net transfers (to) from noncontrolling interests	(3)	38
Changes arising from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ 13,189	¥ 26,704

12. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the three-month ended June 30, 2020 and June 30, 2021 are as follows:

	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)
Other comprehensive income (loss) before reclassifications	(5,349)	(5)	43	(5,311)
Amounts reclassified from accumulated other comprehensive income (loss)	21	1,685	(3)	1,703
Other comprehensive income (loss)	(5,328)	1,680	40	(3,608)
Other comprehensive income (loss) attributable to noncontrolling interests	(17)	0	-	(17)
June 30, 2020	¥ (99,680)	¥ (94,029)	¥ 63	¥ (193,646)

	Yen (Millions)			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2021	¥ (16,016)	¥ (66,863)	¥ 146	¥ (82,733)
Other comprehensive income (loss) before reclassifications	13,860	13	(32)	13,841
Amounts reclassified from accumulated other comprehensive income (loss)	-	1,089	(3)	1,086
Other comprehensive income (loss)	13,860	1,102	(35)	14,927
Other comprehensive income (loss) attributable to noncontrolling interests	33	0	-	33
June 30, 2021	¥ (2,189)	¥ (65,761)	¥ 111	¥ (67,839)

The reclassifications out of accumulated other comprehensive income (loss) for the three-month ended June 30, 2020 and June 30, 2021 are as follows:

For the three-month ended June 30,	Amount reclassified from accumulated other comprehensive income (loss) *1		Affected line items in consolidated statements of income
	2020	2021	
Foreign currency translation:			
	¥ (19)	-	Other - net of other income (deductions)
	(2)	-	Tax (expense) or benefit
	(21)	-	Net of tax
Pension liability adjustments:			
	(1,768)	(1,169)	Other - net of other income (deductions) *2
	83	80	Tax (expense) or benefit
	(1,685)	(1,089)	Net of tax
Net unrealized gains (losses) on			
	3	3	Other - net of other income (deductions)
	-	-	Tax (expense) or benefit
	3	3	Net of tax
Total amount reclassified, net of tax	¥ (1,703)	¥ (1,086)	

*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 for TDK's employee retirement and severance defined benefit plans that is presented in Note 4.

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the three-month ended June 30, 2020 and June 30, 2021 are as follows:

For the three-month ended June 30, 2020	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ (5,042)	¥ (307)	¥ (5,349)
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	19	2	21
Net foreign currency translation adjustments	(5,023)	(305)	(5,328)
Pension liability adjustments:			
Amount arising during the period	(5)	-	(5)
Reclassification adjustments for amortization	1,768	(83)	1,685
Net pension liability adjustments	1,763	(83)	1,680
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	43	-	43
Reclassification adjustment	(3)	-	(3)
Net unrealized gains (losses)	40	-	40
Other comprehensive income (loss)	¥ (3,220)	¥ (388)	¥ (3,608)

For the three-month ended June 30, 2021	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 12,602	¥ 1,258	¥ 13,860
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	-	-	-
Net foreign currency translation adjustments	12,602	1,258	13,860
Pension liability adjustments:			
Amount arising during the period	13	-	13
Reclassification adjustments for amortization	1,169	(80)	1,089
Net pension liability adjustments	1,182	(80)	1,102
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(32)	-	(32)
Reclassification adjustment	(3)	-	(3)
Net unrealized gains (losses)	(35)	-	(35)
Other comprehensive income (loss)	¥ 13,749	¥ 1,178	¥ 14,927

13. 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 calculations is as follows:

	Yen (Millions)			
	Three-month ended June 30, 2020		Three-month ended June 30, 2021	
	Basic	Basic	Basic	Diluted
Net income attributable to TDK	¥ 13,192	¥ 13,192	¥ 26,666	¥ 26,666
Number of shares (Thousands)				
Weighted average common shares outstanding	126,320	126,320	126,323	126,323
Incremental shares arising from the exercise of stock option	-	263	-	314
Incremental shares arising from the share delivery based on Restricted Stock Units	-	-	-	3
Weighted average common shares outstanding – Total	126,320	126,583	126,323	126,640
Yen				
Per common share:				
Net income attributable to TDK	¥ 104.43	¥ 104.22	¥ 211.09	¥ 210.57

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 three-month ended June 30, 2020 as it was not probable that the performance condition would be achieved as of June 30, 2020. For the three-month ended June 30, 2021, certain stock options issued by subsidiaries of TDK were excluded from the diluted per share calculation of net income attributable to TDK as the effect would have been antidilutive.

14. Revenue

TDK disaggregates revenue by industry segment, product and geographic segment based on contracts with customers. The following table presents disaggregation of revenue. Detailed information of geographic segment is presented in Note 16.

Yen (millions)						
Three-month ended						
June 30, 2020						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 3,980	¥ 4,194	¥ 6,769	¥ 13,251	¥ 5,140	¥ 33,334
Inductive Devices	3,920	2,294	6,528	11,328	3,307	27,377
Other Passive Components	2,169	2,463	4,843	10,702	3,469	23,646
Passive Components	10,069	8,951	18,140	35,281	11,916	84,357
Sensor Application Products	2,865	1,182	3,581	5,370	1,705	14,703
Magnetic Application Products	4,260	1,407	1,352	10,240	21,019	38,278
Energy Application Products	5,503	4,301	4,203	130,184	12,664	156,855
Other	2,789	2,010	237	8,883	1,281	15,200
Net Sales Total	¥ 25,486	¥ 17,851	¥ 27,513	¥ 189,958	¥ 48,585	¥ 309,393

Yen (millions)						
Three-month ended						
June 30, 2021						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 5,661	¥ 7,204	¥ 11,200	¥ 15,406	¥ 7,652	¥ 47,123
Inductive Devices	5,527	3,943	11,524	15,559	5,475	42,028
Other Passive Components	3,225	2,927	8,224	12,621	5,035	32,032
Passive Components	14,413	14,074	30,948	43,586	18,162	121,183
Sensor Application Products	3,467	2,460	6,056	12,089	2,756	26,828
Magnetic Application Products	5,933	755	2,240	13,009	38,686	60,623
Energy Application Products	7,162	7,515	4,473	161,112	19,330	199,592
Other	4,084	1,910	502	3,020	2,316	11,832
Net Sales Total	¥ 35,059	¥ 26,714	¥ 44,219	¥ 232,816	¥ 81,250	¥ 420,058

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

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 products sales based on each contract, TDK recognizes the consideration received from customers for which the performance obligation to transfer goods or services has not been satisfied as advance receipt. Amounts of advance received as of March 31, 2021 and June 30, 2021 were ¥2,985 million and ¥3,576 million, respectively, and included in other current liabilities in the balance sheets. Out of the advance received as of March 31, 2021, ¥2,411 million was recognized as revenue in the income statements for the three-month ended June 30, 2021. The amount of revenue recognized from performance obligations for the three-month ended June 30, 2021 that had been satisfied in previous periods was not material.

There are no unsatisfied or partially unsatisfied performance obligations as of June 30, 2021. Furthermore, there is no balance of contract assets as of June 30, 2021.

15. Other operating expense (income)

Other operating expense (income) for the three-month ended June 30, 2020 and 2021 are as follows:

	Yen (Millions)	
	Three-month ended June 30, 2020	Three-month ended June 30, 2021
Impairment of long-lived assets	¥ 144	-
Other operating expense (income) total	¥ 144	-

16. 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/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 three-month ended June 30, 2020 and June 30, 2021 are as follows:

Net sales

	Yen (Millions)	
	Three-month ended June 30,	
	2020	2021
Passive Components:		
External customers	¥ 84,357	¥ 121,183
Intersegment	917	1,081
	<u>85,274</u>	<u>122,264</u>
Sensor Application Products:		
External customers	14,703	26,828
Intersegment	90	167
	<u>14,793</u>	<u>26,995</u>
Magnetic Application Products:		
External customers	38,278	60,623
Intersegment	308	12
	<u>38,586</u>	<u>60,635</u>
Energy Application Products:		
External customers	156,855	199,592
Intersegment	-	1
	<u>156,855</u>	<u>199,593</u>
Other:		
External customers	15,200	11,832
Intersegment	5,729	6,225
	<u>20,929</u>	<u>18,057</u>
Intersegment eliminations	(7,044)	(7,486)
Total	<u>¥ 309,393</u>	<u>¥ 420,058</u>

Segment profit (loss)

	Yen (Millions)	
	Three-month ended June 30,	
	2020	2021
Passive Components	¥ 7,734	¥ 18,015
Sensor Application Products	(7,265)	(2,037)
Magnetic Application Products	(3,844)	2,777
Energy Application Products	31,259	23,371
Other	(1,877)	(2,926)
Sub total	<u>26,007</u>	<u>39,200</u>
Corporate and eliminations	(7,567)	(8,367)
Operating income	<u>18,440</u>	<u>30,833</u>
Other income (deductions), net	2,271	1,405
Income before income taxes	<u>¥ 20,711</u>	<u>¥ 32,238</u>

Segment profit (loss) consists of net sales less cost of sales, 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.

Geographic Segment Information

The geographic segment information for the three-month ended June 30, 2020 and June 30, 2021 are as follows:

Net sales

	Yen (Millions)	
	Three-month ended June 30, 2020	2021
Japan	¥ 25,486	¥ 35,059
Americas	17,851	26,714
Europe	27,513	44,219
China	189,958	232,816
Asia and others	48,585	81,250
Total	¥ 309,393	¥ 420,058

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 Philippines, Thailand, Vietnam

17. Significant Subsequent Events

Stock Split and Partial Amendment to the Articles of Incorporation

TDK Corporation (“the Company”) has resolved at the meeting of the Board of Directors held on July 28, 2021, the stock split and partial amendment to the articles of incorporation.

(1) Purpose of the stock split

The stock split aims to increase the liquidity of stocks and expand the investor base by reducing the investment unit price of the Company's stocks.

(2) Outline of the stock split

① Method

The Company will split one share of its common stock owned by shareholders entered or recorded in the last shareholder registry as of September 30, 2021 into three shares.

② Number of shares to be increased by the stock split

Total number of shares issued before the stock split	129,590,659
Increase in the number of shares upon the stock split	259,181,318
Total number of shares issued after the stock split	388,771,977
Total number of shares issuable after the stock split	1,440,000,000

③ Schedule

Public notice of record date	September 10, 2021
Record date	September 30, 2021
Effective date	October 1, 2021

④ Impact on per share information

Based on the assumption that the stock split was conducted on April 1, 2020, the per share information for the three-month ended June 30, 2020 and June 30, 2021 is as follows:

	(Yen)	
	Three-month ended June 30, 2020	Three-month ended June 30, 2021
(Basic) Net income attributable to TDK	34.81	70.36
(Diluted) Net income attributable to TDK	34.74	70.19

⑤ Other

The stock split will not result in a change to the amount of stated capital.

(3) Partial amendment to the articles of incorporation

① Reasons for the amendment

In line with the stock split, pursuant to the Article 184, paragraph 2 of the Companies Act of Japan, the Company will amend as of October 1, 2021, the total number of shares issuable set by Article 6 in the Articles of Incorporation of the Company.

② Details of the amendment

Details are as follows.

(Updated contents are underlined.)

Before the amendment	After the amendment
Article 6. (Aggregate Number of Issuable Shares) The total number of shares that the Company may issue shall be <u>480,000,000 shares</u> .	Article 6. (Aggregate Number of Issuable Shares) The total number of shares that the Company may issue shall be <u>1,440,000,000 shares</u> .

③ Schedule of the amendment to the Articles of Incorporation

Date of resolution by the Board of Directors : July 28, 2021

Effective date : October 1, 2021

Termination of discussions to enter into a business collaboration and establish a joint venture with Shenzhen Desay Battery Technology Co., Ltd.

TDK Corporation (“the Company”) 's wholly-owned subsidiary Navitasys Technology Limited (Hong Kong Special Administrative Region of China, hereinafter “NVT HK”), which engages in the rechargeable battery package business, signed a letter of intent regarding the discussion of 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 rechargeable battery packages, on December 22, 2020, and NVT HK and SZ Desay have been discussing details, including the consideration to be paid for the joint venture shares toward a formal agreement.

However, as a result of discussions between NVT HK and SZ Desay, it was determined that it would be difficult to execute a formal agreement. Therefore, NVT HK and SZ Desay have decided to terminate these discussions on July 21, 2021.

The termination of discussions will have no impact on TDK’s results of operations for the year ending March 31, 2022.