



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

On November 12, 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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Company name (Japanese):	<i>TDK Kabushiki-Kaisha</i>
Company name (English):	TDK CORPORATION
Title and name of representative:	Shigenao Ishiguro, President & Representative Director
Location of head office:	2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan
Telephone number:	+81-3-6778-1055
Contact person:	Kazushige Atsumi, Corporate Communications Group General Manager
Place of contact:	2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan
Telephone number:	+81-3-6778-1055
Contact person:	Kazushige Atsumi, Corporate Communications Group General Manager
Place where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)

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1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	March 31, 2021	September 30, 2021
Current assets:		
Cash and cash equivalents	¥ 380,387	¥ 358,347
Short-term investments	65,886	16,664
Marketable securities (Note 2, 7, and 8)	56	57
Net trade receivables	429,454	499,211
Inventories (Note 3)	288,854	351,950
Other current assets (Note 6 and 8)	68,748	93,283
Total current assets	1,233,385	1,319,512
Investments in affiliates (Note 2)	12,764	13,664
Other investments in securities (Note 2, 7, and 8)	31,523	37,028
Net property, plant and equipment (Note 9)	784,371	853,415
Right-of-use assets of operating leases	42,325	43,323
Goodwill (Note 10)	165,096	166,655
Intangible assets (Note 10)	73,280	69,597
Other assets (Note 7 and 8)	58,689	94,620
Total assets	¥ 2,401,433	¥ 2,597,814

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
LIABILITIES AND EQUITY	March 31, 2021	September 30, 2021
Current liabilities:		
Short-term debt	¥ 192,938	¥ 253,017
Current installments of long-term debt (Note 7 and 9)	135,125	34,825
Current portion of operating lease obligations	8,444	8,325
Trade payables	324,373	376,533
Accrued expenses	324,753	321,935
Other current liabilities (Note 6 and 8)	25,843	26,639
Total current liabilities	¥ 1,011,476	¥ 1,021,274
Long-term debt, excluding current installments (Note 7 and 9)	155,273	255,930
Long-term operating lease obligations, excluding current installments	29,833	30,895
Retirement and severance benefits	116,745	114,078
Other noncurrent liabilities	81,809	86,339
Total noncurrent liabilities	383,660	487,242
Total liabilities	1,395,136	1,508,516
TDK stockholders' equity:		
Common stock		
Authorized 1,440,000,000 shares;		
issued 388,771,977 shares at March 31, 2021 and September 30, 2021		
outstanding 378,968,559 shares at March 31, 2021 and		
378,995,451 shares at September 30, 2021	32,641	32,641
Additional paid-in capital	-	6
Legal reserve	46,403	47,094
Retained earnings	1,024,019	1,080,187
Accumulated other comprehensive income (loss) (Note 8, 11, and 12)	(82,733)	(56,588)
Treasury stock at cost;		
9,803,418 shares at March 31, 2021 and 9,776,526 shares		
at September 30, 2021	(16,792)	(16,747)
Total TDK stockholders' equity	1,003,538	1,086,593
Noncontrolling interests (Note 11 and 12)	2,759	2,705
Total equity	1,006,297	1,089,298
Total liabilities and equity	¥ 2,401,433	¥ 2,597,814

TDK split one share of its common stock into three shares on effective date of October 1, 2021. Authorized, issued, and outstanding common shares as well as the treasury shares are calculated based on the assumption that the stock split was conducted on April 1, 2020.

2) Consolidated statements of income and Consolidated statements of comprehensive income (Unaudited)

For the Six-month ended September 30, 2020 and 2021

Consolidated statements of income

	Yen (Millions)	
	Six-month ended September 30, 2020	Six-month ended September 30, 2021
Net sales (Note 14 and 16)	¥ 691,111	¥ 894,185
Cost of sales (Note 4)	482,727	627,454
Gross profit	208,384	266,731
Selling, general and administrative expenses (Note 4)	145,834	186,698
Other operating expense (income) (Note 15)	144	-
Operating income	62,406	80,033
Other income (deductions):		
Interest and dividend income	4,509	4,886
Interest expense	(1,616)	(2,323)
Foreign exchange gain (loss) (Note 6)	(1,540)	891
Other - net (Note 4)	(596)	969
Total other income (deductions)	757	4,423
Income before income taxes	63,163	84,456
Income taxes	20,805	16,146
Net income	42,358	68,310
Less: Net income attributable to noncontrolling interests	133	82
Net income attributable to TDK	¥ 42,225	¥ 68,228

Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	¥ 111.42	¥ 180.03
Diluted	111.19	179.60
Cash dividends paid during the period	¥ 90.00	¥ 90.00

TDK split one share of its common stock into three shares on effective date of October 1, 2021. Net income attributable to TDK per share: basic and net income attributable to TDK per share: diluted are calculated based on the assumption that the stock split was conducted on April 1, 2020.

Consolidated statements of comprehensive income

	Yen (Millions)	
	Six-month ended September 30, 2020	Six-month ended September 30, 2021
Net income	¥ 42,358	¥ 68,310
Other comprehensive income (loss), net of taxes		
Foreign currencies translation adjustments	(1,173)	24,023
Pension liability adjustments	3,368	2,188
Net unrealized gains (losses) on securities	59	(2)
Total other comprehensive income (loss) (Note 12):	2,254	26,209
Comprehensive income (Note 11)	44,612	94,519
Comprehensive income attributable to noncontrolling interests	128	146
Comprehensive income attributable to TDK	¥ 44,484	¥ 94,373

See accompanying notes to consolidated financial statements.

For the Three-month ended September 30, 2020 and 2021
Consolidated statements of income

	Yen (Millions)	
	Three-month ended September 30, 2020	Three-month ended September 30, 2021
Net sales (Note 14 and 16)	¥ 381,718	¥ 474,127
Cost of sales (Note 4)	262,904	325,842
Gross profit	118,814	148,285
Selling, general and administrative expenses (Note 4)	74,848	99,085
Other operating expense (income) (Note 15)	-	-
Operating income	43,966	49,200
Other income (deductions):		
Interest and dividend income	2,029	2,475
Interest expense	(797)	(1,085)
Foreign exchange gain (loss) (Note 6)	(1,214)	595
Other - net (Note 4)	(1,532)	1,033
Total other income (deductions)	(1,514)	3,018
Income before income taxes	42,452	52,218
Income taxes	13,349	10,584
Net income	29,103	41,634
Less: Net income attributable to noncontrolling interests	70	72
Net income attributable to TDK	¥ 29,033	¥ 41,562

Amounts per share:

	Yen	
	Three-month ended September 30, 2020	Three-month ended September 30, 2021
Net income attributable to TDK per share (Note 13):		
Basic	¥ 76.61	¥ 109.66
Diluted	76.45	109.42
Cash dividends paid during the period	-	-

TDK split one share of its common stock into three shares on effective date of October 1, 2021. Net income attributable to TDK per share: basic and net income attributable to TDK per share: diluted are calculated based on the assumption that the stock split was conducted on April 1, 2020.

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three-month ended September 30, 2020	Three-month ended September 30, 2021
Net income	¥ 29,103	¥ 41,634
Other comprehensive income (loss), net of taxes		
Foreign currencies translation adjustments	4,155	10,163
Pension liability adjustments	1,688	1,086
Net unrealized gains (losses) on securities	19	33
Total other comprehensive income (loss) (Note 12):	5,862	11,282
Comprehensive income (Note 11)	34,965	52,916
Comprehensive income attributable to noncontrolling interests	82	103
Comprehensive income attributable to TDK	¥ 34,883	¥ 52,813

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Six-month ended September 30, 2020	Six-month ended September 30, 2021
Cash flows from operating activities:		
Net income	¥ 42,358	¥ 68,310
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,727	81,556
Deferred income taxes	6,336	1,932
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(69,556)	(63,287)
Decrease (increase) in inventories	(9,455)	(57,808)
Increase (decrease) in trade payables	33,349	47,602
Increase (decrease) in accrued expenses	981	(10,085)
Decrease (increase) in other assets and liabilities, net	642	(63,393)
Other - net	3,748	3,407
Net cash provided by operating activities	73,130	8,234
Cash flows from investing activities:		
Capital expenditures	(97,129)	(133,987)
Proceeds from sales of tangible and intangible assets	1,417	1,416
Proceeds from sale and maturity of short-term investments	44,864	67,663
Payment for purchase of short-term investments	(52,424)	(17,970)
Proceeds from sale and maturity of securities	7	916
Payment for purchase of securities	(1,439)	(4,413)
Proceeds from sale of business, net of cash transferred	3,717	-
Proceeds from sale of investments in affiliates	2,502	-
Other - net	50	350
Net cash used in investing activities	(98,435)	(86,025)
Cash flows from financing activities:		
Proceeds from debt with maturities longer than three months	155,494	103,158
Repayment of debt with maturities longer than three months	(24,322)	(102,416)
Net increase (decrease) in debt with maturities of three months or less	(78,239)	58,461
Dividends paid	(11,368)	(11,364)
Acquisition of noncontrolling interests	(5,678)	(113)
Other - net	(490)	(37)
Net cash provided by financing activities	35,397	47,689
Effect of exchange rate changes on cash and cash equivalents	(237)	8,062
Net increase (decrease) in cash and cash equivalents	9,855	(22,040)
Cash and cash equivalents at beginning of period	332,717	380,387
Cash and cash equivalents at end of period	¥ 342,572	¥ 358,347

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

In the previous fiscal year, based on the external information that TDK had the ability to access, for the year ending March 31, 2022, TDK assumed that, although concerns over the resurgence of COVID-19 pandemic remain, social and economic activities as well as production activities were expected to continue to recover as a result of the progress in COVID-19 vaccine programs and economic stimulus measures by each country. Moreover, in the electronics market, TDK foresaw that the production volume of automobiles and smartphones would exceed the level of the year ended March 31, 2021. However, based on the first half result of this fiscal year, for the year ending March 31, 2022, TDK foresees that the production volume of automobiles will remain at a similar level as the year ended March 31, 2021 and the production volume of smartphones will be slightly lower than the year ended March 31, 2021. On the other hand, TDK foresees that orders and sales for the year ending March 31, 2022 will exceed the level of the year ended March 31, 2021 on the back of an increase in the number of components installed per vehicle and the movement to secure stock of components.

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 the assumptions, TDK has made accounting estimates relating to the valuation of goodwill and other intangible assets, long-lived assets and so on. Despite the change in the situation, it did not have a material impact on the estimates.

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 November 11, 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 and quarterly consolidated financial statements to conform to the presentation used for the six-month and the three-month ended September 30, 2021.

2. Marketable Securities and Investments in Securities

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

	Yen (Millions)	
	March 31, 2021	September 30, 2021
Marketable securities		
Debt securities	¥ 56	¥ 57
Total Marketable securities	56	57
Investments in affiliates	12,764	13,664
Other investments in securities:		
Debt securities	46	4,432
Equity securities with readily determinable fair values	6,803	6,029
Equity securities without readily determinable fair values	24,674	26,567
Total other investments in securities	31,523	37,028
Total	¥ 44,343	¥ 50,749

Debt securities include available-for-sale securities. Information with respect to such securities as of March 31, 2021 and September 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 September 30, 2021	Yen (Millions)			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	¥ 57	¥ 0	¥ -	¥ 57
Investments (Debt securities):				
SAFE investments	2,372	34	-	2,406
Convertible bonds	1,981	-	-	1,981
Commercial papers	0	45	-	45
Public-utility bonds	0	-	-	0
Total	¥ 4,410	¥ 79	¥ -	¥ 4,489

TDK held SAFE investments (Simple Agreement for Future Equity: SAFE) and classified as debt securities as of September 30, 2021.

The proceeds from sale and maturity of debt securities classified as available-for-sale securities were ¥7 million and ¥4 million for the six-month and the three-month ended September 30, 2020, respectively. The proceeds from sale and maturity of debt securities classified as available-for-sale securities were ¥6 million and ¥3 million for the six-month ended and the three-month ended September 30, 2021, respectively. 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 September 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 ¥5,058 million as of September 30, 2021. TDK did not record impairment or other adjustments for the six-month ended September 30, 2021.

Net gains and losses recognized during the period on equity securities and unrealized gains and losses recognized during the period on equity securities for the six-month ended September 30, 2020 and September 30, 2021 are as follows:

	Yen (Millions) Six-month ended September 30, 2020	Yen (Millions) Six-month ended September 30, 2021
Unrealized gains and losses recognized during the period on equity securities held as of September 30	¥ 1,034	¥ (29)
Net gains and losses recognized on equity securities sold during the period	0	63
Net gains and losses recognized during the period on equity securities	¥ 1,034	¥ 34

Note: () of amount means net losses.

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

	Yen (Millions) Three-month ended September 30, 2020	Yen (Millions) Three-month ended September 30, 2021
Unrealized gains and losses recognized during the period on equity securities held as of September 30	¥ 408	¥ 17
Net gains and losses recognized on equity securities sold during the period	0	-
Net gains and losses recognized during the period on equity securities	¥ 408	¥ 17

3. Inventories

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

	Yen (Millions)	
	March 31, 2021	September 30, 2021
Finished goods	¥ 101,517	¥ 112,910
Work in process	66,060	72,505
Raw materials	121,277	166,535
Total	¥ 288,854	¥ 351,950

4. Cost for Retirement and Severance Benefits

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

	Yen (Millions)	
	Six-month ended September 30, 2020	Six-month ended September 30, 2021
Service cost-benefits earned during the period	¥ 4,402	¥ 4,589
Interest cost on projected benefit obligation	1,798	1,643
Expected return on plan assets	(2,413)	(3,493)
Amortization of actuarial loss	3,474	2,157
Amortization of prior service cost (benefit)	62	178
Net periodic benefit cost	¥ 7,323	¥ 5,074

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).

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

	Yen (Millions)	
	Three-month ended September 30, 2020	Three-month ended September 30, 2021
Service cost-benefits earned during the period	¥ 2,199	¥ 2,288
Interest cost on projected benefit obligation	875	821
Expected return on plan assets	(1,139)	(1,748)
Amortization of actuarial loss	1,737	1,076
Amortization of prior service cost (benefit)	31	89
Net periodic benefit cost	¥ 3,703	¥ 2,526

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 September 30, 2021, are as follows:

	Yen (Millions)	
	March 31, 2021	September 30, 2021
Guarantees to third parties on bank loans of employees	¥ 354	¥ 306

As of September 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. It is not possible to make a reasonable estimate of impact for all of these claims 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, 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. 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 six-month ended September 30, 2020 and September 30, 2021 are as follows:

		Yen (Millions)	
		Six-month ended September 30, 2020	Six-month ended September 30, 2021
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 4,596	¥ (1,579)
Nondeliverable forward contracts (NDF)	Foreign exchange gain (loss)	-	(444)
Currency swap contracts	Foreign exchange gain (loss)	(932)	-
Currency option contracts	Foreign exchange gain (loss)	53	56
Total		¥ 3,717	¥ (1,967)

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended September 30, 2020 and September 30, 2021 are as follows:

		Yen (Millions)	
		Three-month ended September 30, 2020	Three-month ended September 30, 2021
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 2,777	¥ (1,627)
Nondeliverable forward contracts (NDF)	Foreign exchange gain (loss)	-	(444)
Currency option contracts	Foreign exchange gain (loss)	36	30
Total		¥ 2,813	¥ (2,041)

Notional amounts and fair value of derivative financial instruments as of March 31, 2021 and September 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)					
September 30, 2021					
	Notional amounts	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 292,169	¥ 1,425	Other current assets	¥ 1,046	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 classified as 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 classified as 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 September 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)
As of September 30, 2021	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 57	¥ 57
Other investments in securities and other assets	46,155	46,155
Liability:		
Long-term debt, including current portion (excluding finance lease obligation)	(284,369)	(284,858)

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 September 30, 2021 are as follows:

As of March 31, 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

As of September 30, 2021	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 57	¥ -	¥ -	¥ 57
Derivative contracts:				
Forward foreign exchange contracts	-	1,425	-	1,425
Investments (Debt securities):				
Commercial papers	-	45	-	45
Public-utility bonds	0	-	-	0
SAFE investments	-	-	2,406	2,406
Convertible bonds	-	-	1,981	1,981
Investments (Equity securities):				
Stock	4,634	-	21,509	26,143
Mutual funds	1,395	-	-	1,395
Rabbi trust investments	8,070	-	-	8,070
Total	¥ 14,156	¥ 1,470	¥ 25,896	¥ 41,522
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,046	¥ -	¥ 1,046
Total	¥ -	¥ 1,046	¥ -	¥ 1,046

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 September 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 for the six-month ended September 30, 2020 and September 30, 2021 are as follows:

	Yen (Millions)	
	Six-month ended September 30, 2020	Six-month ended September 30, 2021
Opening Balance	¥ 12,282	¥ 20,690
Purchase	-	4,843
Net income (loss) (Realized or unrealized):		
Other Comprehensive Income(loss)	(215)	363
Ending Balance	¥ 12,067	¥ 25,896

* Certain investments (equity securities without readily determinable fair values) were measured at fair value on a recurring basis and categorized within Level 3.

For the six-month ended September 30, 2020, there are no unrealized gains (losses) on securities included in other comprehensive income (loss). For the six-month ended September 30, 2021, there are ¥ 34 million unrealized gains (losses) on securities included in other comprehensive income (loss).

The changes in the carrying amount of assets measured at fair value on a recurring basis that was classified as Level 3 for the three-month ended September 30, 2020 and September 30, 2021 are as follows:

	Yen (Millions)	
	Three-month ended September 30, 2020	Three-month ended September 30, 2021
Opening Balance	¥ 12,176	¥ 20,728
Purchase	-	4,843
Net income (loss) (Realized or unrealized):		
Other Comprehensive Income(loss)	(109)	325
Ending Balance	¥ 12,067	¥ 25,896

For the three-month ended September 30, 2020, there are no unrealized gains (losses) on securities included in other comprehensive income (loss). For the three-month ended September 30, 2021, there are ¥ 34 million unrealized gains (losses) on securities included in other comprehensive income (loss).

9. Lease

Right-of-use assets of finance leases are included in net property, plant and equipment of the consolidated balance sheet and the amount is ¥3,484 million as of March 31, 2021, and ¥4,019 million as of September 30, 2021.

Finance lease obligations is included in current installments of long-term debt and long-term debt, excluding current installments of the consolidated balance sheet. Finance lease obligations included in current installments of long-term debt is ¥545 million as of March 31, 2021, and ¥575 million as of September 30, 2021. Finance lease obligations included in long-term debt, excluding current installments is ¥5,125 million as of March 31, 2021, and ¥5,811 million as of September 30, 2021.

10. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill as of March 31, 2021 and September 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			
Trademark	¥ 3,452		¥ 3,452
Other	¥ 190		¥ 190
Total	¥ 3,642		¥ 3,642
As of September 30, 2021	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
Amortizable intangible assets:			
Patent	¥ 26,709	¥ 15,596	¥ 11,113
Customer relationships	16,198	14,199	1,999
Software	52,186	27,185	25,001
Unpatented technologies	51,669	31,179	20,490
Other	11,897	4,545	7,352
Total	¥ 158,659	¥ 92,704	¥ 65,955
Nonamortizable intangible			
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 six-month ended September 30, 2021 was ¥7,261 million.

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

11. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the six-month ended September 30, 2020 and September 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	(4,415)	(1,112)	(5,527)
Comprehensive income:			
Net income	42,225	133	42,358
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	(1,168)	(5)	(1,173)
Pension liability adjustments	3,368	0	3,368
Net unrealized gains (losses) on securities	59	-	59
Total other comprehensive income (loss)	2,259	(5)	(2,254)
Comprehensive income (loss)	44,484	128	44,612
Dividends	(11,369)	(91)	(11,460)
September 30, 2020	¥ 872,657	¥ 3,532	¥ 876,189

	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	51	(122)	(71)
Comprehensive income:			
Net income	68,228	82	68,310
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	23,959	64	24,023
Pension liability adjustments	2,188	0	2,188
Net unrealized gains (losses) on securities	(2)	-	(2)
Total other comprehensive income (loss)	26,145	64	26,209
Comprehensive income	94,373	146	94,519
Dividends	(11,369)	(78)	(11,447)
September 30, 2021	¥ 1,086,593	¥ 2,705	¥ 1,089,298

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

	Yen (Millions)	
	Six-month ended	
	September 30,	
	2020	2021
Net income attributable to TDK	¥ 42,225	¥ 68,228
Decrease in TDK's additional paid-in capital for purchase of Amperex Technology Ltd.'s common shares from third parties	(4,497)	-
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	(4,500)	38
Changes arising from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ 37,725	¥ 68,266

12. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the six-month ended September 30, 2020 and September 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)
Equity transaction of consolidated subsidiaries and other	(67)	-	-	(67)
Other comprehensive income (loss) before reclassifications	(1,194)	(5)	66	(1,133)
Amounts reclassified from accumulated other comprehensive income (loss)	21	3,373	(7)	3,387
Other comprehensive income (loss)	(1,173)	3,368	59	2,254
Other comprehensive income (loss) attributable to noncontrolling interests	(5)	0	-	(5)
September 30, 2020	¥ (95,604)	¥ (92,341)	¥ 82	¥ (187,863)

	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)
Equity transaction of consolidated subsidiaries and other	-	-	-	-
Other comprehensive income (loss) before reclassifications	24,023	14	4	24,041
Amounts reclassified from accumulated other comprehensive income (loss)	-	2,174	(6)	2,168
Other comprehensive income (loss)	24,023	2,188	(2)	26,209
Other comprehensive income (loss) attributable to noncontrolling interests	64	0	-	64
September 30, 2021	¥ 7,943	¥ (64,675)	¥ 144	¥ (56,588)

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

For the six-month ended September 30,	Yen (Millions)		Affected line items in consolidated statements of income
	Amount reclassified from accumulated other comprehensive income (loss) *1		
	2020	2021	
Foreign currency translation:			
	¥ (19)	¥ -	Other - net of other income (deductions)
	(2)	-	Tax (expense) or benefit
	(21)	-	Net of tax
Pension liability adjustments:			
	(3,540)	(2,333)	Other - net of other income (deductions)*2
	167	159	Tax (expense) or benefit
	(3,373)	(2,174)	Net of tax
Net unrealized gains (losses) on securities:			
	7	6	Other - net of other income (deductions)
	-	-	Tax (expense) or benefit
	7	6	Net of tax
Total amount reclassified, net of tax	¥ (3,387)	¥ (2,168)	

*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.

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

For the three-month ended September 30,	Yen (Millions)		Affected line items in consolidated statements of income
	Amount reclassified from accumulated other comprehensive income (loss) *1		
	2020	2021	
Pension liability adjustments:			
	¥ (1,772)	¥ (1,164)	Other - net of other income (deductions)*2
	84	79	Tax (expense) or benefit
	(1,688)	(1,085)	Net of tax
Net unrealized gains (losses) on securities:			
	4	3	Other - net of other income (deductions)
	-	-	Tax (expense) or benefit
	4	3	Net of tax
Total amount reclassified, net of tax	¥ (1,684)	¥ (1,082)	

*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 six-month ended September 30, 2020 and September 30, 2021 are as follows:

For the six-month ended September 30, 2020	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ (716)	¥ (478)	¥ (1,194)
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	19	2	21
Net foreign currency translation adjustments	(697)	(476)	(1,173)
Pension liability adjustments:			
Amount arising during the period	(5)	-	(5)
Reclassification adjustments for amortization	3,540	(167)	3,373
Net pension liability adjustments	3,535	(167)	3,368
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	66	-	66
Reclassification adjustment	(7)	-	(7)
Net unrealized gains (losses)	59	-	59
Other comprehensive income (loss)	¥ 2,897	¥ (643)	¥ 2,254

For the six-month ended September 30, 2021	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 23,185	¥ 838	¥ 24,023
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	-	-	-
Net foreign currency translation adjustments	23,185	838	24,023
Pension liability adjustments:			
Amount arising during the period	14	-	14
Reclassification adjustments for amortization	2,333	(159)	2,174
Net pension liability adjustments	2,347	(159)	2,188
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	8	(4)	4
Reclassification adjustment	(6)	-	(6)
Net unrealized gains (losses)	2	(4)	(2)
Other comprehensive income (loss)	¥ 25,534	¥ 675	¥ 26,209

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

For the three-month ended September 30, 2020	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 4,326	¥ (171)	¥ 4,155
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	-	-	-
Net foreign currency translation adjustments	4,326	(171)	4,155
Pension liability adjustments:			
Amount arising during the period	-	-	-
Reclassification adjustments for amortization	1,772	(84)	1,688
Net pension liability adjustments	1,772	(84)	1,688
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	23	-	23
Reclassification adjustment	(4)	-	(4)
Net unrealized gains (losses)	19	-	19
Other comprehensive income (loss)	¥ 6,117	¥ (255)	¥ 5,862

For the three-month ended September 30, 2021	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 10,583	¥ (420)	¥ 10,163
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	-	-	-
Net foreign currency translation adjustments	10,583	(420)	10,163
Pension liability adjustments:			
Amount arising during the period	1	-	1
Reclassification adjustments for amortization	1,164	(79)	1,085
Net pension liability adjustments	1,165	(79)	1,086
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	40	(4)	36
Reclassification adjustment	(3)	-	(3)
Net unrealized gains (losses)	37	(4)	33
Other comprehensive income (loss)	¥ 11,785	¥ (503)	¥ 11,282

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)			
	Six-month ended September 30, 2020		Six-month ended September 30, 2021	
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 42,225	¥ 42,225	¥ 68,228	¥ 68,228
Number of shares (Thousands)				
Weighted average common shares outstanding	378,964	378,964	378,982	378,982
Incremental shares arising from the exercise of stock option	-	784	-	889
Incremental shares arising from the share delivery based on Restricted Stock Units	-	-	-	9
Weighted average common shares outstanding – Total	378,964	379,748	378,982	379,880
Yen				
Per common share:				
Net income attributable to TDK	¥ 111.42	¥ 111.19	¥ 180.03	¥ 179.60
Yen (Millions)				
	Three-month ended September 30, 2020		Three-month ended September 30, 2021	
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 29,033	¥ 29,033	¥ 41,562	¥ 41,562
Number of shares (Thousands)				
Weighted average common shares outstanding	378,970	378,970	378,994	378,994
Incremental shares arising from the exercise of stock option	-	779	-	839
Incremental shares arising from the share delivery based on Restricted Stock Units	-	-	-	9
Weighted average common shares outstanding – Total	378,970	379,749	378,994	379,842
Yen				
Per common share:				
Net income attributable to TDK	¥ 76.61	¥ 76.45	¥ 109.66	¥ 109.42

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 six-month and the three-month ended September 30, 2020 as it was not probable that the performance condition would be achieved as of September 30, 2020. The performance share units 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 six-month and the three-month ended September 30, 2021, as it was not probable that the performance condition would be achieved as of September 30, 2021. For the six-month and the three-month ended September 30, 2021, certain restricted stock units issued by TDK Corporation and 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.

TDK split one share of its common stock into three shares on effective date of October 1, 2021. “Weighted average common shares outstanding”, “Incremental shares arising from the exercise of stock option”, “Incremental shares arising from the share delivery based on Restricted Stock Units” and “Net income attributable to TDK” are calculated based on the assumption that the stock split was conducted on April 1, 2020. Please refer to 17. Significant Subsequent Events for more detailed information.

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)						
Six-month ended						
September 30, 2020						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥8,149	¥ 9,568	¥ 15,966	¥ 26,957	¥ 11,279	¥ 71,919
Inductive Devices	8,269	6,001	15,892	24,347	7,488	61,997
Other Passive Components	4,175	5,113	10,730	21,856	8,006	49,880
Passive Components	20,593	20,682	42,588	73,160	26,773	183,796
Sensor Application Products	5,936	3,156	8,205	13,338	3,856	34,491
Magnetic Application Products	8,858	2,450	3,817	19,539	54,037	88,701
Energy Application Products	11,287	12,729	9,104	286,118	38,279	357,517
Other	5,833	3,673	855	13,946	2,299	26,606
Net Sales Total	¥ 52,507	¥ 42,690	¥ 64,569	¥ 406,101	¥ 125,244	¥ 691,111
Six-month ended						
September 30, 2021						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 11,288	¥ 14,889	¥ 22,302	¥ 32,226	¥ 16,218	¥96,923
Inductive Devices	11,026	8,145	22,818	33,758	11,503	87,250
Other Passive Components	6,492	5,682	16,331	25,312	10,527	64,344
Passive Components	28,806	28,716	61,451	91,296	38,248	248,517
Sensor Application Products	7,413	5,014	11,969	28,137	6,980	59,513
Magnetic Application Products	12,476	1,263	3,697	26,184	82,366	125,986
Energy Application Products	14,373	17,435	9,102	346,520	47,685	435,115
Other	8,284	4,279	1,081	7,210	4,200	25,054
Net Sales Total	¥ 71,352	¥ 56,707	¥ 87,300	¥ 499,347	¥ 179,479	¥ 894,185

Yen (millions)						
Three-month ended September 30, 2020						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 4,169	¥ 5,374	¥ 9,197	¥ 13,706	¥ 6,139	¥ 38,585
Inductive Devices	4,349	3,707	9,364	13,019	4,181	34,620
Other Passive Components	2,006	2,650	5,887	11,154	4,537	26,234
Passive Components	10,524	11,731	24,448	37,879	14,857	99,439
Sensor Application Products	3,071	1,974	4,624	7,968	2,151	19,788
Magnetic Application Products	4,598	1,043	2,465	9,299	33,018	50,423
Energy Application Products	5,784	8,428	4,901	155,934	25,615	200,662
Other	3,044	1,663	618	5,063	1,018	11,406
Net Sales Total	¥ 27,021	¥ 24,839	¥ 37,056	¥ 216,143	¥ 76,659	¥ 381,718
Three-month ended September 30, 2021						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 5,627	¥ 7,685	¥ 11,102	¥ 16,820	¥ 8,566	¥ 49,800
Inductive Devices	5,499	4,202	11,294	18,199	6,028	45,222
Other Passive Components	3,267	2,755	8,107	12,691	5,492	32,312
Passive Components	14,393	14,642	30,503	47,710	20,086	127,334
Sensor Application Products	3,946	2,554	5,913	16,048	4,224	32,685
Magnetic Application Products	6,543	508	1,457	13,175	43,680	65,363
Energy Application Products	7,211	9,920	4,629	185,408	28,355	235,523
Other	4,200	2,369	579	4,190	1,884	13,222
Net Sales Total	¥ 36,293	¥ 29,993	¥ 43,081	¥ 266,531	¥ 98,229	¥ 474,127

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 recognized 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 September 30, 2021 were ¥2,985 million and ¥3,627 million, respectively, and included in other current liabilities in the balance sheets. Out of the advance received as of March 31, 2021, ¥2,641 million was recognized as revenue in the statements for the six-month ended September 30, 2021, and ¥230 million was recognized as revenue in the statements for the three-month ended September 30, 2021. The amounts of revenue recognized from performance obligations for the six-month and the three-month ended September 30, 2021 that had been satisfied in previous periods were not material.

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

15. Other operating expense (income)

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

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

For the three-month ended September 30, 2020 and September 30, 2021, there was no other operating expense (income).

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 six-month ended September 30, 2020 and September 30, 2021 are as follows:

Net sales

	Yen (Millions)	
	Six-month ended September 30,	
	2020	2021
Passive Components:		
External customers	¥ 183,796	¥ 248,517
Intersegment	1,828	2,026
	<u>185,624</u>	<u>250,543</u>
Sensor Application Products:		
External customers	34,491	59,513
Intersegment	154	254
	<u>34,645</u>	<u>59,767</u>
Magnetic Application Products:		
External customers	88,701	125,986
Intersegment	405	20
	<u>89,106</u>	<u>126,006</u>
Energy Application Products:		
External customers	357,517	435,115
Intersegment	-	1
	<u>357,517</u>	<u>435,116</u>
Other:		
External customers	26,606	25,054
Intersegment	10,689	14,755
	<u>37,295</u>	<u>39,809</u>
Intersegment eliminations	(13,076)	(17,056)
Total	<u>¥ 691,111</u>	<u>¥ 894,185</u>

Segment profit (loss)

	Yen (Millions)	
	Six-month ended September 30,	
	2020	2021
Passive Components	¥ 17,386	¥ 39,366
Sensor Application Products	(12,320)	(690)
Magnetic Application Products	(2,486)	4,826
Energy Application Products	79,570	57,677
Other	(4,711)	(4,106)
Sub total	<u>77,439</u>	<u>97,073</u>
Corporate and eliminations	(15,033)	(17,040)
Operating income	<u>62,406</u>	<u>80,033</u>
Other income (deductions), net	757	4,423
Income before income taxes	<u>¥ 63,163</u>	<u>¥ 84,456</u>

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

Net sales

	Yen (Millions)	
	Three-month ended September 30, 2020	2021
Passive Components:		
External customers	¥ 99,439	¥ 127,334
Intersegment	911	945
	<u>100,350</u>	<u>128,279</u>
Sensor Application Products:		
External customers	19,788	32,685
Intersegment	64	87
	<u>19,852</u>	<u>32,772</u>
Magnetic Application Products:		
External customers	50,423	65,363
Intersegment	97	8
	<u>50,520</u>	<u>65,371</u>
Energy Application Products:		
External customers	200,662	235,523
Intersegment	-	-
	<u>200,662</u>	<u>235,523</u>
Other:		
External customers	11,406	13,222
Intersegment	4,960	8,530
	<u>16,366</u>	<u>21,752</u>
Intersegment eliminations	(6,032)	(9,570)
Total	<u>¥ 381,718</u>	<u>¥ 474,127</u>

Segment profit (loss)

	Yen (Millions)	
	Three-month ended September 30, 2020	2021
Passive Components	¥ 9,652	¥ 21,351
Sensor Application Products	(5,055)	1,347
Magnetic Application Products	1,358	2,049
Energy Application Products	48,311	34,306
Other	(2,834)	(1,180)
Sub total	<u>51,432</u>	<u>57,873</u>
Corporate and eliminations	(7,466)	(8,673)
Operating income	<u>43,966</u>	<u>49,200</u>
Other income (deductions), net	(1,514)	3,018
Income before income taxes	<u>¥ 42,452</u>	<u>¥ 52,218</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 six-month ended September 30, 2020 and September 30, 2021 are as follows:

Net sales

	Yen (Millions)	
	Six-month ended September 30,	
	2020	2021
Japan	¥ 52,507	¥ 71,352
Americas	42,690	56,707
Europe	64,569	87,300
China	406,101	499,347
Asia and others	125,244	179,479
Total	<u>¥ 691,111</u>	<u>¥ 894,185</u>

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

Net sales

	Yen (Millions)	
	Three-month ended September 30,	
	2020	2021
Japan	¥ 27,021	¥ 36,293
Americas	24,839	29,993
Europe	37,056	43,081
China	216,143	266,531
Asia and others	76,659	98,229
Total	<u>¥ 381,718</u>	<u>¥ 474,127</u>

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

Based on the resolution at the meeting of the Board of Directors held on July 28, 2021, TDK Corporation (“the Company”) conducted the stock split on effective date of October 1, 2021.

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

② Number of shares 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 Impact on per share information

Impact on per share information is described in the relevant section.

Issuance of Sustainability-Linked Bonds

TDK Corporation (“the Company”) plans to issue bonds with a total issue amount of up to 100 billion yen in as early as November 2021. Some of the bonds to be issued will be sustainability-linked bonds named TDK Sustainability-Linked Bonds, whose tenor is seven years and issue amount is to be determined (hereinafter, the “Issuance”). The Company submitted a revised corporate bond shelf registration statement to the Director-General of the Kanto Local Finance Bureau for the Issuance on October 20, 2021.