



**Consolidated Financial Statements**  
**for the nine-month ended and as of December 31, 2021 (in English)**

On February 10, 2022, 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.]

**[Cover]**

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# 1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	March 31, 2021	December 31, 2021
<b>Current assets:</b>		
Cash and cash equivalents	¥ 380,387	¥ 407,821
Short-term investments	65,886	48,835
Marketable securities (Note 2, 7, and 8)	56	58
Net trade receivables	429,454	505,916
Inventories (Note 3)	288,854	412,127
Other current assets (Note 6 and 8)	68,748	78,577
<b>Total current assets</b>	<b>1,233,385</b>	<b>1,453,334</b>
<b>Investments in affiliates (Note 2)</b>	<b>12,764</b>	<b>13,988</b>
<b>Other investments in securities (Note 2, 7, and 8)</b>	<b>31,523</b>	<b>42,442</b>
<b>Net property, plant and equipment (Note 9)</b>	<b>784,371</b>	<b>901,594</b>
<b>Right-of-use assets of operating leases</b>	<b>42,325</b>	<b>43,068</b>
<b>Goodwill (Note 10)</b>	<b>165,096</b>	<b>170,690</b>
<b>Intangible assets (Note 10)</b>	<b>73,280</b>	<b>68,690</b>
<b>Long-term advances to vendors</b>	<b>-</b>	<b>57,510</b>
<b>Other assets (Note 7 and 8)</b>	<b>58,689</b>	<b>61,161</b>
<b>Total assets</b>	<b>¥ 2,401,433</b>	<b>¥ 2,812,477</b>

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
<b>LIABILITIES AND EQUITY</b>	<b>March 31, 2021</b>	<b>December 31, 2021</b>
<b>Current liabilities:</b>		
Short-term debt	¥ 192,938	¥ 204,458
Current installments of long-term debt (Note 7 and 9)	135,125	794
Current portion of operating lease obligations	8,444	8,439
Trade payables	324,373	397,356
Accrued expenses	324,753	323,357
Other current liabilities (Note 6 and 8)	25,843	38,036
<b>Total current liabilities</b>	<b>¥ 1,011,476</b>	<b>¥ 972,440</b>
<b>Long-term debt, excluding current installments (Note 7 and 9)</b>	<b>155,273</b>	<b>430,552</b>
<b>Long-term operating lease obligations, excluding current installments</b>	<b>29,833</b>	<b>30,431</b>
<b>Retirement and severance benefits</b>	<b>116,745</b>	<b>113,190</b>
<b>Other noncurrent liabilities</b>	<b>81,809</b>	<b>90,527</b>
<b>Total noncurrent liabilities</b>	<b>383,660</b>	<b>664,700</b>
<b>Total liabilities</b>	<b>1,395,136</b>	<b>1,637,140</b>
<b>TDK stockholders' equity:</b>		
Common stock		
Authorized 1,440,000,000 shares;		
issued 388,771,977 shares at March 31, 2021 and December 31, 2021		
outstanding 378,968,559 shares at March 31, 2021 and		
378,994,719 shares at December 31, 2021	32,641	32,641
Additional paid-in capital	-	-
Legal reserve	46,403	57,057
Retained earnings	1,024,019	1,106,542
Accumulated other comprehensive income (loss) (Note 8, 11, and 12)	(82,733)	(7,401)
Treasury stock at cost;		
9,803,418 shares at March 31, 2021 and 9,777,258 shares		
at December 31, 2021	(16,792)	(16,750)
<b>Total TDK stockholders' equity</b>	<b>1,003,538</b>	<b>1,172,089</b>
<b>Noncontrolling interests (Note 11 and 12)</b>	<b>2,759</b>	<b>3,248</b>
<b>Total equity</b>	<b>1,006,297</b>	<b>1,175,337</b>
<b>Total liabilities and equity</b>	<b>¥ 2,401,433</b>	<b>¥ 2,812,477</b>

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 Nine-month ended December 31, 2020 and 2021

#### Consolidated statements of income

	Yen (Millions)	
	Nine-month ended December 31, 2020	Nine-month ended December 31, 2021
Net sales (Note 14 and 17)	¥ 1,086,797	¥ 1,393,855
Cost of sales (Note 4)	754,115	970,135
Gross profit	332,682	423,720
Selling, general and administrative expenses (Note 4)	227,468	284,485
Other operating expense (income) (Note 15 and 16)	(2,270)	-
Operating income	107,484	139,235
Other income (deductions):		
Interest and dividend income	6,698	6,813
Interest expense	(2,512)	(2,765)
Foreign exchange gain (loss) (Note 6)	(1,818)	1,769
Other - net (Note 4)	(494)	1,569
Total other income (deductions)	1,874	7,386
Income before income taxes	109,358	146,621
Income taxes	36,135	28,908
Net income	73,223	117,713
Less: Net income attributable to noncontrolling interests	147	407
Net income attributable to TDK	¥ 73,076	¥ 117,306

#### Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	¥ 192.83	¥ 309.53
Diluted	192.43	308.81
Cash dividends paid during the period	¥ 180.00	¥ 190.00

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. The amount listed for cash dividends paid during the period is the amount before the stock split.

#### Consolidated statements of comprehensive income

	Yen (Millions)	
	Nine-month ended December 31, 2020	Nine-month ended December 31, 2021
Net income	¥ 73,223	¥ 117,713
Other comprehensive income (loss), net of taxes		
Foreign currencies translation adjustments	5,465	72,175
Pension liability adjustments	4,978	3,278
Net unrealized gains (losses) on securities	112	57
Total other comprehensive income (loss) (Note 12):	10,555	75,510
Comprehensive income (Note 11)	83,778	193,223
Comprehensive income attributable to noncontrolling interests	181	585
Comprehensive income attributable to TDK	¥ 83,597	¥ 192,638

See accompanying notes to consolidated financial statements.

For the Three-month ended December 31, 2020 and 2021  
Consolidated statements of income

	Yen (Millions)	
	Three-month ended December 31, 2020	Three-month ended December 31, 2021
Net sales (Note 14 and 17)	¥ 395,686	¥ 499,670
Cost of sales (Note 4)	271,388	342,681
Gross profit	124,298	156,989
Selling, general and administrative expenses (Note 4)	81,634	97,787
Other operating expense (income) (Note 15 and 16)	(2,414)	-
Operating income	45,078	59,202
Other income (deductions):		
Interest and dividend income	2,189	1,927
Interest expense	(896)	(442)
Foreign exchange gain (loss) (Note 6)	(278)	878
Other - net (Note 4)	102	600
Total other income (deductions)	1,117	2,963
Income before income taxes	46,195	62,165
Income taxes	15,330	12,762
Net income	30,865	49,403
Less: Net income attributable to noncontrolling interests	14	325
Net income attributable to TDK	¥ 30,851	¥ 49,078

Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	¥ 81.41	¥ 129.50
Diluted	81.24	129.20
Cash dividends paid during the period	¥ 90.00	¥ 100.00

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. The amount listed for cash dividends paid during the period is the amount before the stock split.

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three-month ended December 31, 2020	Three-month ended December 31, 2021
Net income	¥ 30,865	¥ 49,403
Other comprehensive income (loss), net of taxes		
Foreign currencies translation adjustments	6,638	48,152
Pension liability adjustments	1,610	1,090
Net unrealized gains (losses) on securities	53	59
Total other comprehensive income (loss) (Note 12):	8,301	49,301
Comprehensive income (Note 11)	39,166	98,704
Comprehensive income attributable to noncontrolling interests	53	439
Comprehensive income attributable to TDK	¥ 39,113	¥ 98,265

See accompanying notes to consolidated financial statements.

### 3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Nine-month ended December 31, 2020	Nine-month ended December 31, 2021
<b>Cash flows from operating activities:</b>		
Net income	¥ 73,223	¥ 117,713
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	100,960	123,308
Gain on sale of business	(2,433)	-
Loss (gain) on securities, net	(2,035)	(279)
Deferred income taxes	11,463	2,381
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(84,983)	(55,060)
Decrease (increase) in inventories	(18,710)	(106,827)
Decrease (increase) in long-term advances to vendors	-	(55,762)
Increase (decrease) in trade payables	62,907	53,612
Increase (decrease) in accrued expenses	13,850	(6,294)
Decrease (increase) in other assets and liabilities, net	664	(4,776)
Other - net	7,967	9,536
Net cash provided by operating activities	162,873	77,552
<b>Cash flows from investing activities:</b>		
Capital expenditures	(154,433)	(210,802)
Proceeds from sales of tangible and intangible assets	2,040	1,843
Proceeds from sale and maturity of short-term investments	70,624	76,048
Payment for purchase of short-term investments	(91,789)	(58,106)
Proceeds from sale and maturity of securities	766	1,379
Payment for purchase of securities	(1,779)	(9,092)
Proceeds from sale of business, net of cash transferred	7,017	-
Proceeds from sale of investments in affiliates	2,502	-
Other - net	165	408
Net cash used in investing activities	164,887	(198,322)
<b>Cash flows from financing activities:</b>		
Proceeds from debt with maturities longer than three months	164,510	286,812
Repayment of debt with maturities longer than three months	(79,361)	(146,441)
Net increase (decrease) in debt with maturities of three months or less	(5,493)	11,015
Dividends paid	(22,714)	(23,964)
Acquisition of noncontrolling interests	(5,955)	(113)
Other - net	(782)	(518)
Net cash provided by financing activities	50,205	126,791
Effect of exchange rate changes on cash and cash equivalents	2,347	21,413
Net increase in cash and cash equivalents	50,538	27,434
Cash and cash equivalents at beginning of period	332,717	380,387
Cash and cash equivalents at end of period	¥ 383,255	¥ 407,821

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 result for the nine-month ended December 31, 2021 of this fiscal year, 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 factors such as the resurgence of COVID-19 will not cause any further significant disruptions to TDK's future production activities and supply chains, including the procurement of raw materials.

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 February 9, 2022, the date on which the consolidated financial statements are available to be issued.

### (e) Reclassification

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 nine-month and the three-month ended December 31, 2021.

### 2. Marketable Securities and Investments in Securities

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

	Yen (Millions)	
	March 31, 2021	December 31, 2021
Marketable securities		
Debt securities	¥ 56	¥ 58
Total Marketable securities	56	58
Investments in affiliates	12,764	13,988
Other investments in securities:		
Debt securities	46	5,003
Equity securities with readily determinable fair values	6,803	5,820
Equity securities without readily determinable fair values	24,674	31,619
Total other investments in securities	31,523	42,442
Total	¥ 44,343	¥ 56,488

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

Yen (Millions)				
As of March 31, 2021	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

  

Yen (Millions)				
As of December 31, 2021	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	¥ 58	¥ 0	¥ -	¥ 58
Investments (Debt securities):				
SAFE investments	2,549	96	-	2,645
Convertible bonds	2,323	-	-	2,323
Commercial papers	0	35	-	35
Public-utility bonds	0	-	-	0
Total	¥ 4,930	¥ 131	¥ -	¥ 5,061

TDK held SAFE investments (Simple Agreement for Future Equity: SAFE) and classified as debt securities as of December 31, 2021.

The proceeds from sale and maturity of debt securities classified as available-for-sale securities were ¥11 million and ¥4 million for the nine-month ended and three-month ended December 31, 2020, respectively. The proceeds from sale and maturity of debt securities classified as available-for-sale securities were ¥8 million and ¥2 million for the nine-month ended and three-month ended December 31, 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 December 31, 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 ¥5,805 million as of December 31, 2021. TDK did not record impairment or other adjustments for the nine-month ended December 31, 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 nine-month ended December 31, 2020 and December 31, 2021 are as follows:

	Yen (Millions)	
	Nine-month ended December 31, 2020	<b>Nine-month ended December 31, 2021</b>
Unrealized gains and losses recognized during the period on equity securities held as of December 31	¥ 1,863	<b>¥ 330</b>
Net gains and losses recognized on equity securities sold during the period	161	<b>(60)</b>
Net gains and losses recognized during the period on equity securities	¥ 2,024	<b>¥ 270</b>

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 December 31, 2020 and December 31, 2021 are as follows:

	Yen (Millions)	
	Three-month ended December 31, 2020	<b>Three-month ended December 31, 2021</b>
Unrealized gains and losses recognized during the period on equity securities held as of December 31	¥ 830	<b>¥ 359</b>
Net gains and losses recognized on equity securities sold during the period	161	<b>(123)</b>
Net gains and losses recognized during the period on equity securities	¥ 991	<b>¥ 236</b>

Note: ( ) of amount means net losses.

### 3. Inventories

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

	Yen (Millions)	
	March 31, 2021	December 31, 2021
Finished goods	¥ 101,517	¥ 127,164
Work in process	66,060	80,435
Raw materials	121,277	204,528
Total	¥ 288,854	¥ 412,127

### 4. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the nine-month ended December 31, 2020 and December 31, 2021 consist of the following components:

	Yen (Millions)	
	Nine-month ended December 31, 2020	Nine-month ended December 31, 2021
Service cost-benefits earned during the period	¥ 6,588	¥ 6,897
Interest cost on projected benefit obligation	2,665	2,470
Expected return on plan assets	(3,549)	(5,254)
Amortization of actuarial loss	5,209	3,238
Amortization of prior service cost (benefit)	94	266
Net periodic benefit cost	¥ 11,007	¥ 7,617

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 December 31, 2020 and December 31, 2021 consist of the following components:

	Yen (Millions)	
	Three-month ended December 31, 2020	Three-month ended December 31, 2021
Service cost-benefits earned during the period	¥ 2,186	¥ 2,308
Interest cost on projected benefit obligation	867	827
Expected return on plan assets	(1,136)	(1,761)
Amortization of actuarial loss	1,735	1,081
Amortization of prior service cost (benefit)	32	88
Net periodic benefit cost	¥ 3,684	¥ 2,543

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 December 31, 2021, are as follows:

	Yen (Millions)	
	March 31, 2021	December 31, 2021
Guarantees to third parties on bank loans of employees	¥ 354	¥ 277

As of December 31, 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 nine-month ended December 31, 2020 and December 31, 2021 are as follows:

		Yen (Millions)	
		Nine-month ended December 31, 2020	Nine-month ended December 31, 2021
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 8,122	¥(3,593)
Nondeliverable forward contracts (NDF)	Foreign exchange gain (loss)	-	(428)
Currency swap contracts	Foreign exchange gain (loss)	(932)	-
Currency option contracts	Foreign exchange gain (loss)	113	6
Total		¥ 7,303	¥ (4,015)

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended December 31, 2020 and December 31, 2021 are as follows:

		Yen (Millions)	
		Three-month ended December 31, 2020	Three-month ended December 31, 2021
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥3,526	¥ (2,014)
Nondeliverable forward contracts (NDF)	Foreign exchange gain (loss)	-	16
Currency option contracts	Foreign exchange gain (loss)	60	(50)
Total		¥3,586	¥(2,048)

Notional amounts and fair value of derivative financial instruments as of March 31, 2021 and December 31, 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)					
December 31, 2021					
	Notional amounts	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 282,693	¥ 1,358	Other current assets	¥ 1,332	Other current liabilities
Currency option contracts	¥ 228	¥2	Other current assets	-	-

## 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 December 31, 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 December 31, 2021	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 58	¥ 58
Other investments in securities and other assets	50,752	50,752
Liability:		
Long-term debt, including current portion (excluding finance lease obligation)	(425,840)	(426,697)

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 December 31, 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 December 31, 2021	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 58	¥ -	¥ -	¥ 58
Derivative contracts:				
Forward foreign exchange contracts	-	1,358	-	1,358
Currency option	-	2	-	2
Investments (Debt securities):				
Commercial papers	-	35	-	35
Public-utility bonds	0	-	-	0
SAFE investments	-	-	2,645	2,645
Convertible bonds	-	-	2,323	2,323
Investments (Equity securities):				
Stock	4,385	-	25,814	30,199
Mutual funds	1,435	-	-	1,435
Rabbi trust investments	8,033	-	-	8,033
Total	¥ 13,911	¥ 1,395	¥ 30,782	¥ 46,088
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,332	¥ -	¥ 1,332
Total	¥ -	¥ 1,332	¥ -	¥ 1,332

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

Level 2 derivative contracts include forward foreign exchange contracts, currency option 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 December 31, 2021 are both 8.9 times.

The changes in the carrying amount of assets measured at fair value on a recurring basis that was categorized within Level 3 for the nine-month ended December 31, 2020 and December 31, 2021 are as follows:

	Yen (Millions)	
	Nine-month ended December 31, 2020	Nine-month ended December 31, 2021
Opening Balance	¥ 12,282	¥ 20,690
Purchase	185	8,902
Net income (loss)		
(Realized or unrealized):		
Other Comprehensive Income(loss)	(329)	1,190
Ending Balance	¥ 12,138	¥ 30,782

\* 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 nine-month ended December 31, 2020, there are no unrealized gains (losses) on securities included in other comprehensive income (loss). For the nine-month ended December 31, 2021, there are ¥ 96 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 December 31, 2020 and December 31, 2021 are as follows:

	Yen (Millions)	
	Three-month ended December 31, 2020	Three-month ended December 31, 2021
Opening Balance	<b>¥ 12,067</b>	<b>¥ 25,896</b>
Purchase	<b>185</b>	<b>4,060</b>
Net income (loss) (Realized or unrealized):		
Other Comprehensive Income(loss)	<b>(114)</b>	<b>826</b>
Ending Balance	<b>¥ 12,138</b>	<b>¥ 30,782</b>

For the three-month ended December 31, 2020, there are no unrealized gains (losses) on securities included in other comprehensive income (loss). For the three-month ended December 31, 2021, there are ¥ 62 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 ¥3,927 million as of December 31, 2021

Finance lease obligations are 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 ¥532 million as of December 31, 2021. Finance lease obligations included in long-term debt, excluding current installments is ¥5,125 million as of March 31, 2021, and ¥4,974 million as of December 31, 2021.

## 10. Goodwill and Other Intangible Assets

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

As of March 31, 2021	Yen (Millions)		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 26,419	¥ 13,918	¥ 12,501
Customer relationships	16,166	13,697	2,469
Software	47,285	22,436	24,849
Unpatented technologies	50,806	28,445	22,361
Other	11,673	4,215	7,458
Total	¥ 152,349	¥ 82,711	¥ 69,638
Nonamortizable intangible assets:			
Trademark	¥ 3,452		¥ 3,452
Other	190		190
Total	¥ 3,642		¥ 3,642
As of December 31, 2021	Yen (Millions)		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 27,484	¥ 16,589	¥ 10,895
Customer relationships	16,286	14,508	1,778
Software	53,993	28,808	25,185
Unpatented technologies	52,732	33,030	19,702
Other	12,267	4,779	7,488
Total	¥ 162,762	¥ 97,714	¥ 65,048
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 nine-month ended December 31, 2021 was ¥11,041 million.

There are no significant changes in the carrying amount of goodwill for the nine-month ended December 31, 2021.

## 11. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the nine-month ended December 31, 2020 and December 31, 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	(4,443)	(1,492)	(5,935)
Comprehensive income:			
Net income	73,076	147	73,223
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	5,431	34	5,465
Pension liability adjustments	4,978	0	4,978
Net unrealized gains (losses) on securities	112	-	112
Total other comprehensive income (loss)	10,521	34	10,555
Comprehensive income (loss)	83,597	181	83,778
Dividends	(22,738)	(366)	(23,104)
December 31, 2020	¥ 900,373	¥ 2,930	¥ 903,303

  

	Yen (Millions)		
	Stockholders' equity	Noncontrolling Interests	Total equity
<b>March 31, 2021</b>	<b>¥ 1,003,538</b>	<b>¥ 2,759</b>	<b>¥ 1,006,297</b>
Equity transaction of consolidated subsidiaries and other	(85)	181	96
Comprehensive income:			
Net income	117,306	407	117,713
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	71,997	178	72,175
Pension liability adjustments	3,278	0	3,278
Net unrealized gains (losses) on securities	57	-	57
Total other comprehensive income (loss)	75,332	178	75,510
Comprehensive income	192,638	585	193,223
Dividends	(24,002)	(277)	(24,279)
<b>December 31, 2021</b>	<b>¥ 1,172,089</b>	<b>¥ 3,248</b>	<b>¥ 1,175,337</b>

Net income attributable to TDK and transfers (to) from noncontrolling interests for the nine-month ended December 31, 2020 and December 31, 2021 are as follows:

	Yen (Millions)	
	Nine-month ended	
	December 31,	
	2020	2021
Net income attributable to TDK	¥ 73,076	¥ <b>117,306</b>
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)
Decrease in TDK's additional paid-in capital for purchase of Relyon Plasma GmbH's common shares from third parties	(91)	-
Increase in TDK's additional paid-in capital for reduction of the shareholding ratio of Tronics Microsystems SA	-	<b>44</b>
Decrease in TDK's additional paid-in capital for increase of the shareholding ratio of Tronics Microsystems SA	-	<b>(168)</b>
Net transfers (to) from noncontrolling interests	(4,591)	<b>(130)</b>
Changes arising from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ 68,485	¥ <b>117,176</b>

## 12. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the nine-month ended December 31, 2020 and December 31, 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	5,444	(5)	123	5,562
Amounts reclassified from accumulated other comprehensive income (loss)	21	4,983	(11)	4,993
Other comprehensive income (loss)	5,465	4,978	112	10,555
Other comprehensive income (loss) attributable to noncontrolling interests	34	0	-	34
December 31, 2020	¥ (89,005)	¥ (90,731)	¥ 135	¥ (179,601)

  

	Yen (Millions)			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
<b>March 31, 2021</b>	<b>¥ (16,016)</b>	<b>¥ (66,863)</b>	<b>¥ 146</b>	<b>¥ (82,733)</b>
Equity transaction of consolidated subsidiaries and other	-	-	-	-
Other comprehensive income (loss) before reclassifications	72,175	15	65	72,255
Amounts reclassified from accumulated other comprehensive income (loss)	-	3,263	(8)	3,255
Other comprehensive income (loss)	72,175	3,278	57	75,510
Other comprehensive income (loss) attributable to noncontrolling interests	178	0	-	178
<b>December 31, 2021</b>	<b>¥ 55,981</b>	<b>¥ (63,585)</b>	<b>¥ 203</b>	<b>¥ (7,401)</b>

The reclassifications out of accumulated other comprehensive income (loss) for the nine-month ended December 31, 2020 and December 31, 2021 are as follows:

For the nine-month ended December 31,	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
	(21)	-	Net of tax
Pension liability adjustments:			
	(5,308)	(3,500)	Other - net of other income (deductions)*2
	325	237	Tax (expense) or
	(4,983)	(3,263)	Net of tax
Net unrealized gains (losses) on securities:			
	11	8	Other - net of other income (deductions)
	-	-	Tax (expense) or
	11	8	Net of tax
Total amount reclassified, net of tax	¥ (4,993)	¥ (3,255)	

\*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 December 31, 2020 and December 31, 2021 are as follows:

For the three-month ended December 31,	Yen (Millions)		Affected line items in consolidated statements of income
	Amount reclassified from accumulated other comprehensive income (loss) *1		
	2020	2021	
Pension liability adjustments:			
	¥ (1,768)	¥ (1,167)	Other - net of other income (deductions)*2
	15	78	Tax (expense) or
	(1,610)	(1,089)	Net of tax
Net unrealized gains (losses) on securities:			
	4	2	Other - net of other income (deductions)
	-	-	Tax (expense) or
	4	2	Net of tax
Total amount reclassified, net of tax	¥ (1,606)	¥ (1,087)	

\*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 nine-month ended December 31, 2020 and December 31, 2021 are as follows:

For the nine-month ended December 31, 2020	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 6,031	¥ (587)	¥ 5,444
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	19	2	21
Net foreign currency translation adjustments	6,050	(585)	5,465
Pension liability adjustments:			
Amount arising during the period	(5)	-	(5)
Reclassification adjustments for amortization	5,308	(325)	4,983
Net pension liability adjustments	5,303	(325)	4,978
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	123	-	123
Reclassification adjustment	(11)	-	(11)
Net unrealized gains (losses)	112	-	112
Other comprehensive income (loss)	¥ 11,465	¥ (910)	¥ 10,555

For the nine-month ended December 31, 2021	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 72,306	¥ (131)	¥ 72,175
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	-	-	-
Net foreign currency translation adjustments	72,306	(131)	72,175
Pension liability adjustments:			
Amount arising during the period	15	-	15
Reclassification adjustments for amortization	3,500	(237)	3,263
Net pension liability adjustments	3,515	(237)	3,278
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	108	(43)	65
Reclassification adjustment	(8)	-	(8)
Net unrealized gains (losses)	100	(43)	57
Other comprehensive income (loss)	¥ 75,921	¥ (411)	¥ 75,510

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

For the three-month ended December 31, 2020	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 6,747	¥ (109)	¥ 6,638
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	-	-	-
Net foreign currency translation adjustments	6,747	(109)	6,638
Pension liability adjustments:			
Amount arising during the period	-	-	-
Reclassification adjustments for amortization	1,768	(158)	1,610
Net pension liability adjustments	1,768	(158)	1,610
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	57	-	57
Reclassification adjustment	(4)	-	(4)
Net unrealized gains (losses)	53	-	53
Other comprehensive income (loss)	¥ 8,568	¥ (267)	¥ 8,301

For the three-month ended December 31, 2021	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 49,121	¥ (969)	¥ 48,152
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	-	-	-
Net foreign currency translation adjustments	49,121	(969)	48,152
Pension liability adjustments:			
Amount arising during the period	1	-	1
Reclassification adjustments for amortization	1,167	(78)	1,089
Net pension liability adjustments	1,168	(78)	1,090
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	100	(39)	61
Reclassification adjustment	(2)	-	(2)
Net unrealized gains (losses)	98	(39)	59
Other comprehensive income (loss)	¥ 50,387	¥ (1,086)	¥ 49,301

### 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)			
	Nine-month ended December 31, 2020		Nine-month ended December 31, 2021	
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 73,076	¥ 73,076	¥ 117,306	¥ 117,306
Number of shares (Thousands)				
Weighted average common shares outstanding	378,966	378,966	378,986	378,986
Incremental shares arising from the exercise of stock option	-	783	-	872
Incremental shares arising from the share delivery based on Restricted Stock Units	-	-	-	10
Weighted average common shares outstanding – Total	378,966	379,749	378,986	379,868
Yen				
Per common share:				
Net income attributable to TDK	¥ 192.83	¥ 192.43	¥ 309.53	¥ 308.81
Yen (Millions)				
	Three-month ended December 31, 2020		Three-month ended December 31, 2021	
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 30,851	¥ 30,851	¥ 49,078	¥ 49,078
Number of shares (Thousands)				
Weighted average common shares outstanding	378,969	378,969	378,995	378,995
Incremental shares arising from the exercise of stock option	-	783	-	838
Incremental shares arising from the share delivery based on Restricted Stock Units	-	5	-	16
Weighted average common shares outstanding – Total	378,969	379,757	378,995	379,849
Yen				
Per common share:				
Net income attributable to TDK	¥81.41	¥ 81.24	¥ 129.50	¥ 129.20

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 nine-month and the three-month ended December 31, 2021, as it was not probable that the performance condition would be achieved as of December 31, 2021. For the nine-month ended December 31, 2020, 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. For the three-month ended December 31, 2020, 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. For the nine-month and the three-month ended December 31, 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.

## 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 17.

Yen (millions)						
Nine-month ended December 31, 2020						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥13,207	¥ 15,830	¥ 25,336	¥ 40,976	¥ 18,513	¥ 113,862
Inductive Devices	13,444	9,752	26,063	39,739	12,035	101,033
Other Passive Components	6,857	7,826	17,203	34,046	12,419	78,351
Passive Components	33,508	33,408	68,602	114,761	42,967	293,246
Sensor Application Products	9,307	5,279	13,194	23,000	6,711	57,491
Magnetic Application Products	14,147	3,188	6,659	31,345	89,311	144,650
Energy Application Products	18,258	21,476	12,907	445,443	54,805	552,889
Other	9,043	5,480	1,369	19,122	3,507	38,521
Net Sales Total	¥ 84,263	¥ 68,831	¥ 102,731	¥ 633,671	¥ 197,301	¥ 1,086,797
Nine-month ended December 31, 2021						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 17,003	¥ 23,060	¥ 32,479	¥ 50,482	¥ 24,668	¥ 147,692
Inductive Devices	17,145	12,862	34,149	52,135	17,910	134,201
Other Passive Components	9,908	8,724	23,896	37,784	15,802	96,114
Passive Components	44,056	44,646	90,524	140,401	58,380	378,007
Sensor Application Products	11,377	7,594	17,593	47,364	11,726	95,654
Magnetic Application Products	19,418	1,665	5,882	36,908	126,136	190,009
Energy Application Products	22,860	30,030	13,557	546,688	78,125	691,260
Other	13,248	6,839	1,530	11,651	5,657	38,925
Net Sales Total	¥ 110,959	¥ 90,774	¥ 129,086	¥ 783,012	¥ 280,024	¥ 1,393,855

Yen (millions)						
Three-month ended December 31, 2020						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 5,058	¥ 6,262	¥ 9,370	¥ 14,019	¥ 7,234	¥ 41,943
Inductive Devices	5,175	3,751	10,171	15,392	4,547	39,036
Other Passive Components	2,682	2,713	6,473	12,190	4,413	28,471
Passive Components	12,915	12,726	26,014	41,601	16,194	109,450
Sensor Application Products	3,371	2,123	4,989	9,662	2,855	23,000
Magnetic Application Products	5,289	738	2,842	11,806	35,274	55,949
Energy Application Products	6,971	8,747	3,803	159,325	16,526	195,372
Other	3,210	1,807	514	5,176	1,208	11,915
Net Sales Total	¥ 31,756	¥ 26,141	¥ 38,162	¥ 227,570	¥ 72,057	¥ 395,686
Three-month ended December 31, 2021						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 5,715	¥ 8,171	¥ 10,177	¥ 18,256	¥ 8,450	¥ 50,769
Inductive Devices	6,119	4,717	11,331	18,377	6,407	46,951
Other Passive Components	3,416	3,042	7,565	12,472	5,275	31,770
Passive Components	15,250	15,930	29,073	49,105	20,132	129,490
Sensor Application Products	3,964	2,580	5,624	19,227	4,746	36,141
Magnetic Application Products	6,942	402	2,185	10,724	43,770	64,023
Energy Application Products	8,487	12,595	4,455	200,168	30,440	256,145
Other	4,964	2,560	449	4,441	1,457	13,871
Net Sales Total	¥ 39,607	¥ 34,067	¥ 41,786	¥ 283,665	¥ 100,545	¥ 499,670

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 December 31, 2021 were ¥2,985 million and ¥8,535 million, respectively, and included in other current liabilities in the balance sheets. Out of the advance received as of March 31, 2021, ¥2,833 million was recognized as revenue in the statements for the nine-month ended December 31, 2021, and ¥192 million was recognized as revenue in the statements for the three-month ended December 31, 2021. The amounts of revenue recognized from performance obligations for the nine-month and the three-month ended December 31, 2021 that had been satisfied in previous periods were not material.

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

### 15. Other operating expense (income)

Other operating expense (income) for the nine-month ended December 31, 2020 and 2021 are as follows:

	Yen (Millions)	
	Nine-month ended December 31, 2020	<b>Nine-month ended December 31, 2021</b>
Gain on sale of business (Note 16)	¥ (2,433)	-
Impairment of long-lived assets	163	-
Other operating expense (income) total	¥ (2,270)	-

Other operating expense (income) for the three-month ended December 31, 2020 and 2021 are as follows:

	Yen (Millions)	
	Three-month ended December 31, 2020	<b>Three-month ended December 31, 2021</b>
Gain on sale of business (Note 16)	¥ (2,433)	-
Impairment of long-lived assets	19	-
Other operating expense (income) total	¥ (2,414)	-

### 16. Sale of Business

On November 2, 2020, TDK transferred a part of its HDD Suspension Assemblies business. Gain on sale of business is recognized in other operating expense (income) of consolidated statement of income for the nine-month and three-month ended December 31, 2020.

## 17. 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 nine-month ended December 31, 2020 and December 31, 2021 are as follows:

**Net sales**

	Yen (Millions)	
	Nine-month ended December 31,	
	2020	2021
Passive Components:		
External customers	¥ 293,246	¥ 378,007
Intersegment	2,691	3,251
	<u>295,937</u>	<u>381,258</u>
Sensor Application Products:		
External customers	57,491	95,654
Intersegment	181	377
	<u>57,672</u>	<u>96,031</u>
Magnetic Application Products:		
External customers	144,650	190,009
Intersegment	639	41
	<u>145,289</u>	<u>190,050</u>
Energy Application Products:		
External customers	552,889	691,260
Intersegment	0	1
	<u>552,889</u>	<u>691,261</u>
Other:		
External customers	38,521	38,925
Intersegment	17,012	23,480
	<u>55,533</u>	<u>62,405</u>
Intersegment eliminations	(20,523)	(27,150)
Total	<u>¥ 1,086,797</u>	<u>¥ 1,393,855</u>

**Segment profit (loss)**

	Yen (Millions)	
	Nine-month ended December 31,	
	2020	2021
Passive Components	¥ 30,740	¥ 61,971
Sensor Application Products	(16,375)	2,976
Magnetic Application Products	1,723	8,089
Energy Application Products	122,354	96,663
Other	(7,742)	(4,791)
Sub total	<u>130,700</u>	<u>164,908</u>
Corporate and eliminations	(23,216)	(25,673)
Operating income	<u>107,484</u>	<u>139,235</u>
Other income (deductions), net	1,874	7,386
Income before income taxes	<u>¥ 109,358</u>	<u>¥ 146,621</u>

The business segment information for the three-month ended December 31, 2020 and December 31, 2021 are as follows:

**Net sales**

	Yen (Millions)	
	Three-month ended December 31, 2020	2021
Passive Components:		
External customers	¥ 109,450	¥ 129,490
Intersegment	863	1,225
	<u>110,313</u>	<u>130,715</u>
Sensor Application Products:		
External customers	23,000	36,141
Intersegment	27	123
	<u>23,027</u>	<u>36,264</u>
Magnetic Application Products:		
External customers	55,949	64,023
Intersegment	234	21
	<u>56,183</u>	<u>64,044</u>
Energy Application Products:		
External customers	195,372	256,145
Intersegment	0	-
	<u>195,372</u>	<u>256,145</u>
Other:		
External customers	11,915	13,871
Intersegment	6,323	8,725
	<u>18,238</u>	<u>22,596</u>
Intersegment eliminations	(7,447)	(10,094)
Total	<u>¥ 395,686</u>	<u>¥ 499,670</u>

**Segment profit (loss)**

	Yen (Millions)	
	Three-month ended December 31, 2020	2021
Passive Components	¥ 13,354	¥ 22,605
Sensor Application Products	(4,055)	3,666
Magnetic Application Products	4,209	3,263
Energy Application Products	42,784	38,986
Other	(3,031)	(685)
Sub total	<u>53,261</u>	<u>67,835</u>
Corporate and eliminations	(8,183)	(8,633)
Operating income	<u>45,078</u>	<u>59,202</u>
Other income (deductions), net	1,117	2,963
Income before income taxes	<u>¥ 46,195</u>	<u>¥ 62,165</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 Nine-month ended December 31, 2020 and December 31, 2021 are as follows:

### **Net sales**

	Yen (Millions)	
	Nine-month ended December 31,	
	2020	2021
Japan	¥ 84,263	¥ <b>110,959</b>
Americas	68,831	<b>90,774</b>
Europe	102,731	<b>129,086</b>
China	633,671	<b>783,012</b>
Asia and others	197,301	<b>280,024</b>
Total	¥ 1,086,797	¥ <b>1,393,855</b>

The geographic segment information for the three-month ended December 31, 2020 and December 31, 2021 are as follows:

### **Net sales**

	Yen (Millions)	
	Three-month ended December 31,	
	2020	2021
Japan	¥ 31,756	¥ <b>39,607</b>
Americas	26,141	<b>34,067</b>
Europe	38,162	<b>41,786</b>
China	227,570	<b>283,665</b>
Asia and others	72,057	<b>100,545</b>
Total	¥ 395,686	¥ <b>499,670</b>

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 |