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Fiscal year:	126th term (from April 1, 2021 to March 31, 2022)
Company name (Japanese):	TDK *Kabushiki-Kaisha*
Company name (English):	TDK CORPORATION
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Place where the document to be filed is available for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)

A. COMPANY INFORMATION

I. Overview of the Company

1. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	International Financial Reporting Standards		
	Date of Transition	125th term	126th term
Accounting period	April 1, 2020	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022
Net sales (Millions of yen)	-	1,479,008	1,902,124
Profit from continuing operations before tax (Millions of yen)	-	117,263	172,490
Net profit attributable to owners of parent (Millions of yen)	-	74,681	131,298
Comprehensive income (loss) attributable to owners of parent (Millions of yen)	-	186,008	365,418
Equity attributable to owners of parent (Millions of yen)	800,069	958,929	1,300,317
Net assets (Millions of yen)	804,659	961,687	1,303,755
Total assets (Millions of yen)	1,900,928	2,359,663	3,041,653
Equity attributable to owners of parent per share (Yen)	2,111.24	2,530.37	3,430.69
Net profit attributable to owners of parent per share (Yen)	-	197.06	346.44
Diluted net profit attributable to owners of parent per share (Yen)	-	196.66	345.65
Ratio of equity attributable to owners of parent (%)	42.1	40.6	42.8
Return on equity attributable to owners of parent (%)	-	8.5	11.6
Price earnings ratio (PER) (Times)	-	26.0	12.9
Net cash provided by operating activities (Millions of yen)	-	230,855	178,987
Net cash used in investing activities (Millions of yen)	-	(231,418)	(281,546)
Net cash provided by (used in) financing activities (Millions of yen)	-	21,082	113,743
Cash and cash equivalents at end of term (Millions of yen)	332,717	380,387	439,339
Number of employees (Person)	107,138	129,284	116,808

Notes: 1. From the 126th term, TDK Corporation prepared the consolidated financial statements based on International Financial Reporting Standards (“IFRS”).

2. TDK Corporation split one share of its common stock into three shares, the effective date of which was October 1, 2021. “Equity attributable to owners of parent per share”, “Net profit attributable to owners of parent per share”, and “Diluted net profit attributable to owners of parent per share” is calculated based on the assumption that the share split was conducted in April, 2020.

Term	U.S. GAAP				
	122nd term	123rd term	124th term	125th term	126th term
Accounting period	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022
Net sales (Millions of yen)	1,271,747	1,381,806	1,363,037	1,479,008	1,902,124
Income from continuing operations before income taxes (Millions of yen)	89,811	115,554	95,876	121,904	234,185
Net income attributable to TDK (Millions of yen)	63,463	82,205	57,780	79,340	183,632
Comprehensive income (loss) attributable to TDK (Millions of yen)	52,473	80,335	(7,821)	186,729	367,182
TDK stockholders’ equity (Millions of yen)	824,634	877,290	843,957	1,003,538	1,346,683
Net assets (Millions of yen)	831,232	883,756	848,564	1,006,297	1,350,130
Total assets (Millions of yen)	1,905,209	1,992,480	1,943,379	2,401,433	3,086,924
TDK stockholders’ equity per share (Yen)	2,177.34	2,315.57	2,227.05	2,648.08	3,553.02
Net income attributable to TDK per share (Yen)	167.60	217.01	152.49	209.36	484.53
Diluted net income attributable to TDK per share (Yen)	167.16	216.48	152.15	208.93	483.42
Stockholders’ equity ratio (%)	43.3	44.0	43.4	41.8	43.6
Return on stockholders’ equity (%)	7.8	9.7	6.7	8.6	15.6
Price earnings ratio (PER) (Times)	19.1	13.3	18.3	24.4	9.2
Net cash provided by operating activities (Millions of yen)	91,310	140,274	222,390	222,814	169,620
Net cash used in investing activities (Millions of yen)	(246,099)	(140,179)	(41,964)	(231,488)	(281,194)
Net cash provided by (used in) financing activities (Millions of yen)	110,088	9,435	(121,769)	29,193	122,758
Cash and cash equivalents at end of term (Millions of yen)	279,624	289,175	332,717	380,387	439,339
Number of employees (Person)	102,883	104,781	107,138	129,284	116,808

Notes: 1. The consolidated financial statements prepared under U.S. GAAP for the 126th term has not been audited under the Financial Instruments and Exchange Act article 193 2-1.

2. TDK Corporation split one share of its common stock into three shares on effective date of October 1, 2021. “Equity attributable to owners of parent per share”, “Net profit attributable to owners of parent per share”, and “Diluted net profit attributable to owners of parent per share” is calculated based on the assumption that the share split was conducted at the beginning of 122nd term.

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

Term	122nd term	123rd term	124th term	125th term	126th term
Accounting period	From April 1, 2017 to March 31, 2018	From April 1, 2018 to March 31, 2019	From April 1, 2019 to March 31, 2020	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022
Net sales (Millions of yen)	292,146	309,326	303,810	329,300	420,379
Current income (loss) (Millions of yen)	3,454	(15,269)	(10,624)	1,378	106,315
Net income (loss) (Millions of yen)	3,685	(36,063)	(35,618)	119,224	105,525
Capital stock (Millions of yen)	32,641	32,641	32,641	32,641	32,641
Total number of issued shares (Thousands of shares)	129,591	129,591	129,591	129,591	388,772
Net assets (Millions of yen)	327,866	273,157	219,309	316,879	398,212
Total assets (Millions of yen)	942,543	935,939	874,708	1,081,338	1,239,402
Net assets per share (Yen)	861.73	716.89	574.87	831.81	1,046.53
Cash dividends per share (Yen)	130.00	160.00	180.00	180.00	145.00
[Interim dividends per share] (Yen)	[60.00]	[80.00]	[90.00]	[90.00]	[100.00]
Net income (loss) per share (Yen)	9.73	(95.20)	(94.00)	314.60	278.44
Diluted net income per share (Yen)	9.71	—	—	313.95	277.80
Equity ratio [%]	34.6	29.0	24.9	29.2	32.0
Return on equity [ROE] [%]	1.1	(12.1)	(14.6)	44.7	29.7
Price earnings ratio [PER] [Times]	328.4	—	—	16.2	16.0
Dividend payout ratio [%]	445.2	—	—	19.1	28.1
Number of employees [Person]	5,055	5,330	5,521	5,689	5,719
Total shareholder return (%) (Benchmark: TOPIX index)	137.9 (115.9)	127.1 (110.0)	125.5 (99.6)	226.7 (141.5)	202.3 (144.3)
Highest(Yen)	10,860	12,940	12,880	18,240	4,880 (17,270)
Lowest(Yen)	6,380	7,070	6,740	7,280	3,560 (11,220)

Notes:

1. "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Statement No.29 March 31,2020) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No.30) has been implemented from the beginning of 126th term, and the accumulated impact has been added to the earned surplus carried forward at the beginning of the term.
2. Diluted net income per share in the 123rd and 124th terms are not presented because, although there were potentially dilutive shares, net losses per share were reported.
3. TDK Corporation split one share of its common stock into three shares on effective date of October 1, 2021. "Net assets per share", "Net income (loss) per share", and "Diluted net income per share" is calculated based on the assumption that the share split was conducted at the beginning of 122nd term.
4. The cash dividends per share, 145.00 yen, for the 126th term is comprised of an interim dividend (before the share split) of 100.00 yen and a year-end dividend (after the share split) of 45.00 yen.

5. Highest and lowest share prices were those recorded on the first section of the Tokyo Stock Exchange. The highest and lowest share prices for the 126th term are based on the numbers after the share split, and the highest and lowest share prices before the share split are listed in brackets.

2. Description of business operations

TDK Corporation prepares its consolidated financial statements according to IFRS. It discloses information based on these consolidated financial statements pertaining to its subsidiaries and affiliates based on the definitions of IFRS. The same applies to “II. Review of operations” and “III. Facilities.”

As of March 31, 2022, the TDK Group is comprised of TDK Corporation (the “Company”), 137 consolidated subsidiaries and 5 equity-method affiliates. Segment categories are manufacturing and sales of “Passive Components,” “Sensor Application Products,” “Magnetic Application Products,” “Energy Application Products” and “Other” (not included in the other four segments).

The following table presents a description of business operations and the respective placement of the Company and subsidiaries and affiliates with respect to these business operations.

Category	Main products	Major companies
Passive Components	Ceramic capacitors, Aluminum electrolytic capacitors, Film capacitors, Inductive devices (Coils/Ferrite cores/Transformers), High-frequency components, Piezoelectric material products and Circuit protection components	The Company TDK Europe GmbH TDK Electronics AG TDK HONG KONG COMPANY LIMITED TDK(Shanghai)International Trading Co., Ltd. 61 other companies (Domestic: 3, Overseas: 58) (Total: 66 companies)
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors	The Company InvenSense, Inc. TDK-Micronas GmbH 15 other companies (Domestic: 2, Overseas: 13) (Total: 18 companies)
Magnetic Application Products	HDD Heads, HDD suspension assemblies, Magnets	The Company SAE Magnetics (H.K.) Ltd. Magnecomp Precision Technology Public Co., Ltd. Headway Technologies, Inc. Hutchinson Technology Operations (Thailand), Co., Ltd. 12 other companies (Domestic: 0, Overseas: 12) (Total: 17 companies)
Energy Application Products	Energy devices (Rechargeable batteries), Power supplies	The Company Amperex Technology Ltd. Navitasys Technology Limited Poweramp Technology Limited Navitasys India Private Limited TDK-Lambda Corporation 20 other companies (Domestic: 1, Overseas: 19) (Total: 26 companies)
Other	Mechatronics (production equipment), Camera Module Micro Actuators for smartphones, other	The Company TDK Taiwan Corporation 18 other companies (Domestic: 8, Overseas: 10) (Total: 20 companies)

3. Status of subsidiaries and affiliates

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
(Consolidated subsidiaries – Overseas) Ningde Amperex Technology Ltd. *1 , *2	Ningde, China	RMB 839,909,052	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
Amperex Technology Ltd.*1 , *3	Hong Kong, China	US$ 277,588,100	Energy Application Products	100 (57.6)	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes
Navitasys Technology Ltd. *1	Hong Kong, China	US$ 10,000,000	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
SAE Magnetics (H.K.) Ltd. *1	Hong Kong, China	HK$ 50,000	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: Yes
Dongguan Amperex Technology Ltd. *1	Dongguan, China	RMB 485,509,727	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
Poweramp Technology Limited *1	Hong Kong, China	US$ 126,000,000	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK HONG KONG COMPANY LIMITED *1	Hong Kong, China	HK$ 25,500,000	Passive Components	100	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: No
TDK (Shanghai) International Trading Co., Ltd.	Shanghai, China	RMB 1,659,160	Passive Components	100	Sales of TDK products Interlocking directorate: Yes
TDK (Zhuhai FTZ) Co., Ltd.	Zhuhai, China	RMB 29,390,675	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Electronics Hong Kong Limited	Hong Kong, China	HK$ 2,000,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
TDK Xiamen Co., Ltd. *1	Xiamen, China	RMB 681,074,000	Passive Components	100 (41.5)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK (Zhuhai) Co., Ltd.	Zhuhai, China	RMB 161,627,185	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK (Shanghai) Electronics Ltd.	Shanghai, China	RMB 13,081,180	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
TDK (Suzhou) Co., Ltd.	Suzhou, China	RMB 93,324,615	Passive Components	100 (10)	Manufacturing and sales of TDK products Interlocking directorate: No
SAE Magnetics (Dongguan) Limited *1	Dongguan, China	RMB 341,480,000	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK China Co., Ltd. *1	Shanghai, China	RMB 260,973,200	Investment in and financing to subsidiaries and affiliates and their management	100	――― Loans from TDK Interlocking directorate: Yes
TDK Europe GmbH *1	Munich, Germany	EUR 46,545,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: No
TDK Electronics AG *1	Munich, Germany	EUR 66,682,270	Passive Components	100	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Electronics GmbH & Co OG	Deutschlandsberg, Austria	EUR 14,500,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Hungary Components Kft.	Szombathely, Hungary	EUR 9,670,320	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK-Micronas GmbH	Freiburg, Germany	EUR 500,000	Sensor Application Products	100	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
TDK Foil Italy S.p.A	Milano, Italy	EUR 15,300,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Europe S.A. *1	Windhof, Luxembourg	EUR 20,974,825	Investment in and financing to subsidiaries and affiliates and their management	100	——— Loans to TDK Interlocking directorate: No
TDK Corporation of America	Illinois, U.S.A	US$ 3,800,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
InvenSense,Inc. *1	California, U.S.A.	US$ 79,923	Sensor Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
Headway Technologies, Inc. *1	California, U.S.A.	US$ 163,161,945	Magnetic Application Products	100	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes
TDK U.S.A. Corporation *1	New York, U.S.A.	US$ 850	Investment in and financing to subsidiaries and affiliates and their management	100	——— Loans from TDK Interlocking directorate: Yes
Magnecomp Precision Technology Public Co., Ltd. *1	Ayutthaya, Thailand	US$ 96,333,296	Magnetic Application Products	99.9	Manufacturing and sales of TDK products Interlocking directorate: Yes
Navitasys India Private Limited *1	Bawal, India	US$ 44,040,782	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Electronics Korea Corporation	Seoul, Republic of Korea	KRW 10,000,000,000	Passive Components	100	Sales of TDK products Interlocking directorate: No
TDK Taiwan Corporation	Taipei, Taiwan	NT$ 424,125,200	Passive Components	95.4	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes
(Consolidated subsidiaries – Domestic) TDK-Lambda Corporation	Chuo-ku, Tokyo	(Millions of yen) 2,976	Energy Application Products	100	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes
TDK Service Corporation	Ichikawa, Chiba	34	Insurance and real estate agency	100	Consignment of insurance agency and property management for TDK Interlocking directorate: No
TDK Akita Corporation	Yurihonjo City, Akita Prefecture	200	Passive Components	100	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: No
TDK Shonai Corporation	Tsuruoka City, Yamagata	110	Passive Components	100	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: No
102 other companies					
(Equity-method affiliates) TODA KOGYO CORP.,	Hiroshima City, Hiroshima Prefecture	(Millions of yen) 7,477	Manufacturing and sales of a magnetic material	25.5	——— Interlocking directorate: Yes
Semiconductor Energy Laboratory Co., Ltd.	Atsugi City, Kanagawa Prefecture	4,348	Research and development of semiconductor products	31.7	——— Interlocking directorate: No
3 other companies					

Notes:
1. Descriptions in the “Principal business” column are names of business segments or other specific business activities.
2. Figures in parentheses in the “Holding rate of voting rights” column indicate indirect holding rates included in the figures outside the parentheses.
3. Descriptions of “Interlocking directorate” include corporate officers of the Company.
4. *1: Applies to specific subsidiaries.
5. *2: Net sales of Ningde Amperex Technology Ltd. exceeded 10% of net sales of TDK.

   The major items of income are as follows:

   i. Net sales ¥694,524 million
   ii. Income before income taxes ¥94,390 million
   iii. Net income ¥83,975 million
   iv. Net assets ¥ 474,956 million
   v. Total assets ¥1,010,623 million

6. *3: Net sales of Amperex Technology Ltd. exceeded 10% of net sales of TDK.

The major items of income are as follows:

i.	Net sales	¥417,881 million
ii.	Income before income taxes	¥86,730 million
iii.	Net income	¥81,982 million
iv.	Net assets	¥ 189,017 million
v.	Total assets	¥336,721 million

7. TDK Akita Corporation and TDK Shonai Corporation merged with TDK Kofu Corporation in an absorption-type merger, with TDK Akita Corporation as the surviving company. The effective date of the merger was April 1, 2022 and the company name changed from TDK Akita Corporation to TDK Electronics Factories Corporation on the same date.

8. Status of subsidiaries and affiliates listed is a part of the IFRS requirement, and “Part V. Financial Information, 1. Consolidated Financial Statements and Notes to the Consolidated Financial Statements Footnote 30 Subsidiaries ” is referring to the above.

4. Status of employees

(1) Status of consolidated companies

(As of March 31, 2022)

Name of business segment	Number of employees (Person)
Passive Components	34,218
Sensor Application Products	7,783
Magnetic Application Products	13,580
Energy Application Products	54,288
Other	4,469
Corporate (Common)	2,470
Total	116,808

(2) Status of filing company (the Company)

(As of March 31, 2022)

Number of employees (Person)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
5,719	43.4	18.3	7,820,119

Name of business segment	Number of employees (Person)
Passive Components	1,714
Sensor Application Products	123
Magnetic Application Products	582
Energy Application Products	259
Other	701
Corporate (Common)	2,340
Total	5,719

Notes:
1. The number of employees indicates the number of working employees.
2. Average annual salary includes bonuses and surplus wages.
3. The number of employees shown as Corporate (Common) is the number of employees who belong to the administrative departments.

(3) Status of labor union

The filing company and some of its subsidiaries have labor unions.

II. Review of operations

1. Management policies, Management environment and Pressing issues

The forward looking statements in this report are based on judgment current as of March 31, 2022.

① Fundamental Management Policy

TDK was founded as a venture enterprise in 1935 for the purpose of industrializing a magnetic material called ferrite, which was invented at the Tokyo Institute of Technology. TDK’s corporate motto is “Contribute to culture and industry through creativity,” a message that embodies the company’s founding spirit. Guided by this spirit, in the ensuing years TDK has sought to refine its materials and process technologies, as it develops new products that satisfy market needs. Concurrently, TDK has advanced globalization and diversification of its business operations while actively pursuing M&As, collaboration with external partners and other initiatives. As a result, TDK today is engaged in four main businesses: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products.

Looking ahead, TDK would like to remain a dynamic company that continues to deliver even higher value to all stakeholders, including shareholders, customers, suppliers, employees and local communities, by bringing together the entire TDK Group’s strengths while taking full advantage of the strengths of each TDK Group company, and constantly drawing on innovative thinking and a willingness to tackle new challenges.

② Medium- and Long-Term Management Strategy

The business environment surrounding electronics is now on the threshold of a period of major upheaval. Transformation has begun in earnest, with an energy transformation (EX) driven by the shift from fossil fuels to renewable energy and a digital transformation (DX) driven by the permeation of digital technologies, such as the Internet of Things (IoT) and Artificial Intelligence (AI), to every aspect of society.

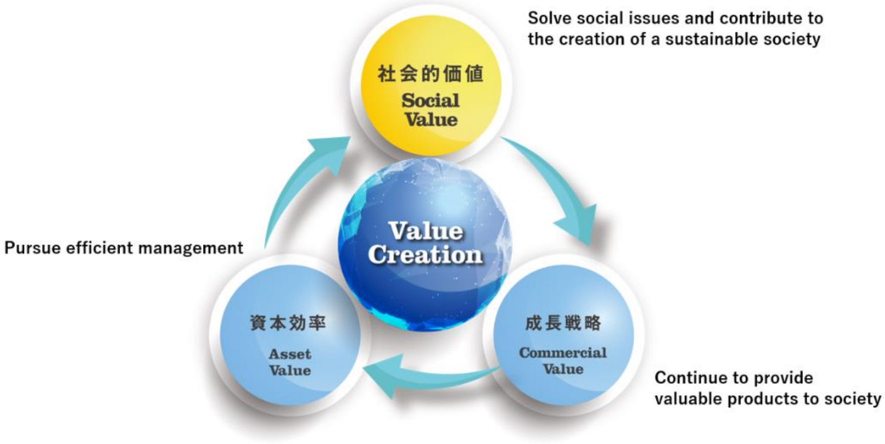
The TDK Group regards such changes in the social environment as opportunities for new social contributions and business growth, and has formulated and been implementing its Medium-Term Plan, “Value Creation 2023,” that will cover the three years from fiscal 2022 through fiscal 2024. Under “Value Creation 2023,” the pursuit of “Social Value,” which aims at contributing to the realization of a sustainable society by solving social issues, is set as an objective of all business activities. As a result, we will implement a cycle of increasing “Commercial Value” and “Asset Value” and further creating “Social Value.”

Specifically, in order to realize 2CX (Customer Experience and Consumer Experience) by providing solutions that satisfy customers and consumers and providing experiences that exceed expectations, we aim to become an invaluable presence by contributing to addressing two major social issues, namely, DX and EX. For example, in DX, the TDK Group will contribute to the transformation of society through digital technologies by supplying products for high-speed communication networks, sensors, autonomous driving, and robots. In EX, the TDK Group will contribute to the promotion of a decarbonized society by supplying products related to the energy storage, conversion, and control necessary for the creation of a highly energy-efficient society, as well as products related to electric vehicles and renewable energy.

Thus, we will endeavor to capture business opportunities by providing valuable products to society and at the same time establish management systems with a focus on speed. It is our aim to make even greater contributions to society by ensuring corporate transparency and becoming a trusted presence in society.

In order to achieve the Medium-Term Plan, the TDK Group has identified the “TDK Group’s Materiality (Key Issues)” as priority management issues for the TDK Group in light of macro trends such as the SDGs (International development targets included in the “2030 Agenda for Sustainable Development” adopted by the United Nations Summit held in September 2015), politics and economics, technologies and markets. The “TDK Group’s Materiality (Key Issues)” has specified EX and DX as business areas for the TDK Group to focus on toward the creation of social value and growth, and identified “Quality Management,” “HR Management,” “Supply Chain Management,” “Opportunity & Risk Management,” “Pursuing Both Delegation of Authority and Internal Controls,” and “Asset Efficiency Improvement” as materiality that should be addressed as the basis of value creation.

<Value Creation Cycle and Materiality for TDK Group>



EX

Contribution to energy and environmental solutions by minimizing waste heat and noise with electronic devices

- Effective use of energy and expanding use of renewable energy toward the realization of net zero CO_2 emissions in 2050
- Provide products and solutions for creating clean energy to realize a zero-carbon society
- Provide products and solutions for realizing an efficient energy society by storing, converting, and controlling energy

DX

Promotion of the digitization of society by adding software technology to material science and process technology

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

Quality Management	•Pursue zero-defect product quality •Reduce quality costs •Maximize customer satisfaction with product and service quality
HR Management	•Develop human resources to lead the TDK Group •Foster greater diversity and inclusion •Improve employee engagement and job satisfaction to attract and retain talented employees
Supply Chain Management	•Enhance global procurement capabilities and mechanisms •Ensure responsible procurement •Ensure societal and environmental consideration in the supply chain
Opportunity & Risk Management	•Identify and capture business opportunities effectively by strengthening marketing capability with full use of digital technology •Strengthen the Group's risk management capabilities
Pursuing Both Delegation of Authority and Internal Controls	•Ensure speed and transparency in operations, based on the clearly defined roles, authorities and responsibilities of each organization •Make management systems of each group company more effective and efficient, aligned with the Group's unified policy •Implement appropriate post-merger integration (PMI) for acquired companies
Asset Efficiency Improvement	•Rebuild business portfolio •Optimize facilities and manufacturing sites

③ Pressing Issues of TDK

Despite the progress in the global rollout of COVID-19 vaccine programs and the development of COVID-19 drugs, it is still unclear when the spread of the virus will be contained, and there remain concerns over the prolonged effects of the pandemic. In addition, heightened geopolitical risks and soaring energy and raw material prices have been affecting economic activities significantly. These effects can dramatically reshape not only economic trends but also the social and industrial landscape. The business environment surrounding the TDK Group could also be altered drastically.

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

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

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

TDK also recognizes that addressing the following issues that are identified as materiality is a pressing issue for achieving growth: “Quality Management,” “HR Management,” “Supply Chain Management,” “Opportunity & Risk Management,” “Pursuing Both Delegation of Authority and Internal Controls,” and “Asset Efficiency Improvement.”
For example, in “Supply Chain Management,” the TDK Group has been implementing various measures including the steady procurement of raw materials and efforts to tackle human rights issues in supply chains. Furthermore, as part of “Asset Efficiency Improvement,” the TDK Group has been reviewing and restructuring its business portfolio. In addition, human resources are the basis of growth. With non-Japanese employees accounting for more than 90% of the TDK Group’s workforce, TDK believes that diverse and abundant human resources are a key source of its competitiveness. TDK has continuously engaged in a wide range of initiatives of “HR Management” to attract and retain talented human resources.

2. Business Risks

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

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

(* ERM: Enterprise Risk Management)

Listed below are items that, among those relating to “Review of operations” and “Consolidated Financial Statements and Notes to Consolidated Financial Statements” stated in the Annual Securities Report, may significantly influence investor decisions. The following risks include forward-looking statements based on judgments current as of the filing date of the Annual Securities Report on June 24, 2022. However, it is difficult to reasonably predict when each risk will materialize if at all.

(1) Risks concerning changes in economic trends

The electronics industry, TDK’s field of operations, is highly susceptible to social and economic trends in the U.S., Europe, Asia, and particularly China and Japan, which are the main markets for end products. In addition, markets in these countries and regions are constantly exposed to various risk factors such as political issues, international issues, and economic fluctuations. Although TDK monitors such world risk trends and takes timely measures in response to them, there is no guarantee that adequate and timely measures can always be taken. And, if changes beyond our expectations occur in such business environments, such changes could significantly affect business results.

(Major Countermeasures)

In order to minimize the negative impact on TDK's business performance caused by economic trend changes, we view improvement in capital efficiency as one of the priority issues in the medium-term and are conducting several measures (optimization of manufacturing sites, examination of capital investment plan, improvement of business efficiency in headquarters, etc.) for that.

(2) Risks concerning fluctuations in currency exchange

TDK conducts business activities globally. Indeed, more than 90% of net consolidated sales are accounted for by overseas sales, and many transactions are conducted in currencies other than the yen, such as the U.S. dollar or euro. A sudden appreciation of the yen against these currencies could affect earnings such as by reducing net sales and operating income. In order to mitigate these risks, TDK is working to purchase more raw materials in foreign currencies and increase the local procurement of supplies consumed overseas. Foreign currency fluctuations also give rise to conversion differences with respect to our investments in overseas assets and liabilities, which are converted into yen in our consolidated financial statements. We estimate that appreciation of one yen against the U.S. dollar and euro would push down TDK group’s annual operating profit by about 1.2 billion yen and 200 million yen respectively. Measures are taken against fluctuations in foreign currency exchange rates, including procuring foreign currency-denominated funds and executing forward foreign exchange contracts; however, sudden or significant fluctuations in exchange rates could have a significant adverse effect on TDK's financial position and business results.

(Major Countermeasures)

Transactions between overseas subsidiaries and the headquarters (Japan) are carried out in the local currency as much as possible to reduce the risk of foreign currency exchange fluctuations of overseas subsidiaries. The risk is consolidated at the headquarters and comprehensive exchange contracts are made from Japan to reduce the risk of overall currency exchange fluctuations. Overseas subsidiaries also use foreign exchange contracts, etc., as necessary to mitigate that risk. In order to reduce the impact of foreign currency fluctuations at the operating income stage, we are promoting U.S. dollar-based purchasing and Japanese yen-based sales or Chinese yuan-based sales.

(3) Risks concerning interest rate fluctuation

TDK, as necessary, has financial assets, such as cash deposits and government bonds, and financial liabilities such as loans from banks, corporate bonds, and lease liabilities. Fluctuations in interest rates over such assets and debts could affect the interest income, and interest expense, and the value of financial assets and liabilities, which could have a significant effect on TDK's financial position and business results.

(Major Countermeasures)

Regarding the risk of rising interest rates, we are working to reduce the risk of interest rate fluctuations by raising low-interest and fixed-rate funds through corporate bonds and bank loans. With regard to the risk of declining interest rates, we focus on guaranteeing principal and invest mainly in time deposits. While watching interest rate trends, we control the risk by investing for a relatively short period of time when interest rates are rising and a relatively long period of time when interest rates are falling.

(4) Risks concerning natural disasters, electricity supply and pandemics

TDK has many production factories and research and development facilities in Japan and overseas. These facilities and plants have taken disaster-protection and infection-control measures and purchased their own power generation facilities to cope with electricity shortages in preparation for unexpected natural disasters and infection outbreaks. However, significant damage could be incurred at these facilities and plants due to an event beyond BCP (Business Continuity Planning) assumptions, such as a large earthquake, tsunami, typhoon, flood, or volcanic eruption; or a large-scale blackout or electricity shortages caused by them. In the event of interruption to manufacturing, disruption of transportation routes, damage to or disconnection of information and communications infrastructure, impairment of central functions, or significant damage to our customers themselves due to the impact of such occurrences, orders and supply could be affected for a long period of time. This situation could have a significant effect on business results.

Furthermore, if the economy deteriorates, our offices are closed, or the supply chain is disrupted due to continuing or further spread of the COVID-19 infection, it may have a significant impact on our business performance.

(Major Countermeasures)

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

In terms of securing the supply chain in the event of a disaster, even if business cannot be continued due to a large-scale disaster that exceeds assumptions, in accordance with the procedure stipulated by the BCP, TDK is preparing to continue priority operations at affected locations such as payment to suppliers and continuation of material supplies from alternative sites.

To cope with the COVID-19 pandemic, TDK has been working on measures to reduce the risk of its employees being infected since the spread of global infection from the beginning of 2020. Examples of such measures include education for employees about hygiene management such as thorough hand washing and proper wearing of masks, ensuring social distance in factories, and promotion of work from home. While implementing these measures, we are working closely with local governments to continue production activities while ensuring the health and safety of employees. Furthermore, each office or plant has been thoroughly implementing infection prevention measures for their employees and visitors such as from vendor companies.

(5) Risks in international business activities

TDK conducts operations globally, and its overseas sales accounts for more than 90% of total sales on a consolidated basis.

In many of our target markets and emerging countries that are expected to see economic development going forward, TDK may be exposed to international political risks such as war, terrorism or other events, domestic political and economic risks such as fluctuations in currency exchange, tariff raising, import/export restrictions, and social risks including labor problems stemming from differences in cultures and customs, and diseases. There may be unknown risks in building relationships with trading partners due to differences in commercial and business customs. If these risks materialize, they could reduce or halt manufacturing activities, force the stagnation of sales activities and in turn have a significant adverse effect on business results.

In particular, our group's sales to China exceed 50% of total sales on a consolidated basis. In order to establish a system for supplying both local customers and foreign-owned companies that have been setting up operations in China, we have many factories in China. As a result, our tangible fixed assets in China are 506.3 billion yen, and the amount of production at our Chinese factories exceeds 60% of the total amount of production of entire TDK Group. If problematic events occur in China due to above-mentioned political factors (such as changes in laws and regulations), economic factors (such as the continuity of high growth and status of infrastructure development such as electric power supply) or social environment factors, there could be a significant effect on business results.

(Major Countermeasures)

To deal with risks in international business activities, the government relations function established in the headquarters and the regional headquarters in the Americas, Europe, and China are used to grasp and analyze risk-related information in each region and changes in laws and regulations in each country. In particular, we recognize that global geopolitical risks, such as the recent tensions between the United States and China, are critical risks, and are working on taking appropriate measures. Furthermore, while most production is in the areas of demand, we are appropriately reviewing the location of factories, considering country risks and other factors.

In response to Russia's invasion of Ukraine, business activities in Russia and Belarus have been suspended since the incident. We will keep an eye on global developments when making decisions regarding the resumption of business activities in the future.

(6) Risks concerning corporate social responsibility

TDK has, for the sustainable development of society and SDGs as an indicator, recognized corporate social responsibility, such as care for the global environment, improvement of the working environment, and respect for human rights, as important management issues. Also, TDK has been working to understand and continuously improve issues through self-assessment, auditing, training, and dialogue according to the action standards of RBA (Responsible Business Alliance) in all business operations including supply chain management. However, in case there are problems related to environmental pollution, industrial health and safety such as industrial accident, child labor, forced labor, or human rights such as discrimination to foreign workers, despite of our efforts, decline of social trust in TDK, suspension of business transactions, or withdrawal of partial business may have a significant effect on our business results.

In case related laws, regulations, or international initiatives' standards, etc., are materially tightened, expenses to adapt to such tightening may become unexpectedly high, or a part of business may be withdrawn. This could have a significant effect on our business results.

(Major Countermeasures)

We remain committed to respecting human rights in the TDK Code of Conduct, and explicitly prohibit any form of forced labor. In addition, the TDK Group Human Rights Policy clarifies our approach to respecting human rights, conducting various surveys and audits in the supply chain and communication with stakeholders in accordance with this policy. In the process, if we determine that there is an act that deviates from the Code of Conduct, we will take necessary measures to correct it.

We have listed "Supply Chain Management" as one of "TDK Group Materiality (Critical Issues)," set "responsible material procurement" and "social and environmental consideration in the supply chain" as the themes, and are developing these themes globally. For our own manufacturing sites, CSR Group takes the lead in conducting CSR self-checks, labor and business ethics risk assessments on an annual basis and conducts internal CSR audits and CSR audits by third-party auditing firms periodically for each production site. Especially as efforts to prevent child labor, in addition to the above, we conduct additional self-assessments with respect to our own manufacturing sites and contract manufacturing sites located in a high-risk areas. Furthermore, Human Resources HQ promotes the management of working hours on a global basis to prevent forced labor.

Regarding changes and tightening of laws and regulations, we closely monitor each country's laws, environmental regulations, social conditions, and customer trends, etc., and are trying to reduce the risk by quickly responding to these changes.

(7) Risks concerning climate change

The emission of greenhouse gases that are contributing to global warming has been increasing. As represented by the "Paris Agreement" adopted in COP 21 in Dec 2015, a sense of crisis for climate change has been increasing. Since climate change is an important issue for TDK, based on the recommendations of TCFD (Climate-related Financial Information Disclosure Task Force) which was announced in May 2019, we promote information disclosure and conducting analysis and countermeasures led by the Corporate Officer in charge of the environment. Risks related to climate change include the following transition risks and physical risks, and if these risks become reality the financial condition of the TDK Group may be adversely affected.

【Transition Risk】(indirect loss risks due to changes in policy and regulation, technology development, market trends, market evaluations, etc.)

- Increased cost due to the introduction of carbon tax around the world and the tightening of other environment-related laws and regulations

【Physical Risk】(direct loss risks caused by climate change)

- Outbreak of recovery costs for facilities and production due to unexpected floods caused by huger typhoon or sudden heavy rainfall

On the other hand, since TDK manufactures and sells many products that contribute to the creation of renewable energy and to the energy savings in the final customer product, we consider that increasing social interests in the Climate Change Risk could be good opportunities to expand the demand for our products. Accordingly, we have listed "Contribution to energy and environmental solutions by minimizing waste heat and noise with electronic devices" as one of the "TDK Group Materiality (Critical Issues)" and position EX (Energy Transformation) as a business area to focus on.

(Major Countermeasures)

Regarding the Transition Risk, we set "effective use of energy and expansion of renewable energy usage to realize net zero CO2 in 2050" as one of the activity themes. We are trying to improve energy efficiency by improving the productivity at manufacturing sites and to expand the use of renewable energy. As an interim goal, we are working on concrete measures with the company-wide goal of increasing the global renewable energy introduction rate to 50% by 2025.

As for Physical Risk, since natural disasters beyond assumptions are becoming more likely, the possibility and impact of those risks are further analyzed, and those specified risks would be dealt as part of the BCP (Business Continuity Plan).

(8) Risks of taxation

TDK has manufacturing locations and sales entities throughout the world, and we conduct a significant number of international transactions between group companies. We pay close attention to make transaction prices appropriate from the perspective of transfer pricing taxation and customs laws in each applicable country. However, due to differences of opinions with tax authorities or customs authorities, we may incur additional tax burden as a result of indication that the transaction prices are inappropriate. And, due to the enforcement, introduction, amendment or abolition of tax laws or their interpretations and operations around the world, we may incur an increase of tax burden.

With respect to deferred tax assets, we have periodically evaluated their collectability according to the prospect of future taxable income and the profit plan to be realizable by tax. When the future profit plan cannot be realized, or when the evaluation of collectability is reviewed due to the enforcement, introduction, amendment or abolition of tax laws or their interpretations and operations, corporate income tax costs may increase by reducing the portion that is no longer likely to be collected.

When such events occur, that could have a significant effect on business results.

(Major Countermeasures)

For risks in international transactions among TDK Group companies, we conduct transfer price monitoring within TDK Group and take measures to reduce the risk if it is judged to be high. In addition, taxation risk analysis is conducted at the time of changing business flow or starting new transactions, and measures are taken as needed.

About the risk concerning effect, enforcement, or introduction of tax law or its interpretation, we exchange information between the headquarters and each regional headquarters and try to grasp the information on tax revisions of each country in advance and identify the impact on the TDK Group.

(9) Risks concerning technological innovation and new product development

In TDK, the launch of new products imbuing value on a timely basis helps boost our profitability. We also believe ongoing new product development is key to our survival. We believe that our ability to increase sales by developing appealing, innovative products has an important role to play in our growth. We are therefore engaged in new product development as an important element of our management strategies. However, it is extremely difficult to precisely predict future demand in the rapidly changing electronics industry. TDK may fail to continue to develop and supply, in a timely manner, attractive and new products with innovative technologies for this industry and our markets. Research and development divisions in TDK continuously reshape the framework based on analysis of market trends, along with conducting development management to promote the prioritization of development themes. Nevertheless, there is a risk that a loss of sales opportunities could result in the loss of future markets, as well as existing markets.

In addition, TDK develops, produces, and sells a wide variety of products in countries and regions around the world, and the data obtained through these business activities can be regarded as our assets. However, if these data could not be properly accumulated and utilized in the development and sales of attractive products in collaboration with the development, sales and marketing departments, it may have a significant adverse effect on business results and growth prospects.

(Major Countermeasures)

In new product development, all relevant functions are involved in reviewing and evaluating each development theme from start to end, judging marketability of new products and promoting productization by utilizing accumulated data. Also, we organized the corporate marketing function starting from April 2021 to grasp accurate market trends and make quick feedback to new product development through the company-wide cross-functional system. It helps to respond to changes in the market in a timely manner.

Furthermore, by collaboration with venture companies that were invested in through TDK Ventures established in July 2019, we can quickly detect new technology trends, reinforce technology roadmaps, and are working on entering a new market.

(10) Risks concerning price competition

TDK supplies electronic components in a broad range of fields in an electronics industry where competition is intensifying. These fields include ICT represented by smartphones, the automobiles field, where use of onboard electronics is increasing, and energy related fields such as solar and wind power generation. Price is one of the main competitive factors differentiating us from other companies in the industry in which leading Japanese companies and international companies in South Korea, Taiwan and China have fueled intense price competition.

TDK is working to promote ongoing cost-cutting initiatives and increase profitability to counter this market competition. However, such price trends could have a significant effect on business results.

(Major Countermeasures)

In each business of TDK, we strive to avoid price competition by creating high value-added products, and continuously promote cost reduction measures. Also, we are working to improve capital efficiency and profitability company-wide and strive to minimize the negative impact of lowering price on our business performance.

(11) Risks concerning raw material procurement

TDK's manufacturing system is premised on securing raw materials and other supplies in adequate quality and quantity in a timely manner from multiple external suppliers. However, for major raw materials, we may rely on a limited number of difficult-to-replace suppliers. Because of this, there may be cases where supplies of raw materials and other products to us are interrupted by a disaster, an accident or some other event at a supplier, supply is suspended due to quality or other issues, or there is a shortage of supply due to an increase in demand for finished products. Moreover, there may be cases where local procurement necessitated by increased overseas production is negatively affected by overseas circumstances. If any of these situations becomes protracted, it could have a significant, adverse effect on production and prevent us from fulfilling our responsibilities to supply products to our customers. If the supply-demand balance in the market is disrupted, it may considerably increase costs of manufacturing through run-ups in the prices we pay for raw materials and rises in fuel prices, including oil. When such cases occur, there could be a significant effect on business results.

(Major Countermeasures)

The procurement risk of raw materials (suspension, stop, or shortage of supply) is monitored continuously and shared with the related business division, while working on risk avoidance by multi-sourcing and long-term supply agreements.

As for materials, devices, and parts which are being procured from local sources, the possibilities of alternative procurement from other countries are being investigated for risk avoidance while understanding the material supply situation in other countries using a network of trading companies that could be known in the process of material source survey.

For conflict minerals, we investigate smelters according to the framework of the "Responsible Mineral Initiative." In addition, we have properly identified the CSR compliance status on the supplier side, such as working environment.

(12) Risks concerning customer performance and management policy changes

TDK is developing business-to-business transactions on a global scale, whereby we supply electronic components to customers in the electronics and automotive markets.

We work to reduce risk by conducting transactions with a variety of customers and take measures such as setting transaction terms and conditions based on our evaluation of a customer's credit risk.

However, our business may be significantly affected by various factors that are beyond our control, such as changes in each customer's business results and management strategies. In addition, a decline in purchasing demand due to customers' poor business performance, strong discounting requests from customers due to changes in their purchasing policies and practices, the unexpected termination of contracts or other occurrences could result in excess inventory or a reduction in profit margins.

In the event that our customers go through reorganizations caused by mergers and acquisitions effected by enterprises of different business types or by competitors domestically or abroad, this situation could have a significant effect on TDK's business results, including a marked decline in orders or the cancellation of all business transactions.

There was one customer group that accounted for more than 10 percent of the consolidated net sales for the year ended March 31, 2022. The sales to the customer group were approximately 277 billion yen (15% of the consolidated net sales). These sales were mainly booked in the Energy Application Products segment.

(Major Countermeasures)

When investing in the equipment dedicated to a specific customer, we try to reduce the risk of investment by concluding a contract that impose on the customer a certain amount of guaranteed product purchase.

We always try to collect information about the movement of industry reorganization with high sensitivity. When an important customer is involved in an industry reorganization, we assume multiple scenarios and try to reduce or avoid risks.

(13) Risks concerning compliance

TDK is subject to and required to comply with various regulations in Japan and other countries where we conduct business. These regulations are related to business and investments, the safety of electric and electronic products, national security between nations, export/import, commercial, antitrust, patents, product liability, the environment and taxation.

TDK has appointed a Global Chief Compliance Officer and Regional Chief Compliance Officers for Japan and four other regions to oversee compliance-related initiatives including risk assessment and mitigation, education, and training in order to minimize the risk of non-compliance throughout the TDK Group including its corporate officers and employees. And, we have established a Corporate Code of Ethics and have been striving to foster a sincere, fair, and transparent corporate culture. However, despite the above measures, conflict with these regulations and wrongdoing by corporate officers or employees may not be avoidable.

In the event of such, the social credibility of the TDK Group may decline, and customers may cease business with TDK. This could have a significant adverse effect on business results.

In the event that laws and regulations become more stringent in the future, a large charge related to such regulations or a partial withdrawal from the particular business when compliance with the regulation is difficult could have a significant adverse effect on business results.

(Major Countermeasures)

TDK is implementing the following activities to reduce compliance risks and foster a compliance culture in TDK Group:

- internal investigation utilizing outside experts;
- announcement of thorough compliance from the TDK president and the head of each group company;
- employee education and enlightenment of compliance through lecture and e-learning; and
- formulation and enforcement of internal rules based on the standards required by the US Department of Justice.

(14) Risks concerning product quality

TDK conducts quality management of various products at domestic and overseas manufacturing locations in accordance with International Quality Management Standards (valid version of ISO 9001, IATF16949, and/or other applicable standards) and the standards required by customers in the technologically innovative electronics industry. Furthermore, TDK utilizes proprietary quality technologies and past data concerning quality issues to create a quality assurance system for building in quality from the earliest development stage so as to ensure reliability and safety. This is achieved through design inspections, internal quality audits, supplier surveys and guidance, process management and in other ways at each product stage including planning, design, prototyping and manufacturing. We are also promoting the active use of digital technology at each production site.

However, TDK cannot be fully certain that faults in quality (including cases where products contain substances that may be prohibited by applicable regulations) and recalls due to those faults will not occur. Should a recall or a product liability claim against us occur, it could result in recall costs or damage claims and lower sales. Furthermore, it is assumed that a defect in quality in one of TDK's name-bearing products would have a negative impact on our reputation and brand and endanger the continued existence of the Company. In such a way, a major quality problem could have a significant effect on business results.

(Major Countermeasures)

TDK is implementing various measures from the perspectives of design, materials, processes, and management in order to reduce the risk of quality defects (including the inclusion of regulated substances). In particular, as the number of products incorporating ICs and software is increasing, we are also working to strengthen IC analysis technology and software vulnerability countermeasures.

(15) Risks concerning intellectual property

TDK is working hard to strengthen and utilize its patent portfolio by managing and acquiring the portfolio, licenses and other intellectual property rights covering TDK's products' functions, designs and so forth (hereinafter "intellectual property rights"), as a strategic intellectual property activity that contributes to business earnings.

However, there are cases where our intellectual property rights cannot be fully protected in a particular region for reasons unique to that region. We may suffer damages resulting from the manufacture by a third party of similar products to our own with the unauthorized use of our intellectual property rights.

There may be cases where it is alleged that our products or processes infringe on the intellectual property rights of third parties that may sue for damages as a result of such alleged infringement. This would require either legal processes or settlement negotiations and expenses as a part of that activity. If our defenses against such claims are not accepted in such disputes, we may have to pay damages and royalties and suffer losses such as the loss of markets.

Such disputes over intellectual property rights could have a significant effect on business development and business results.

(Major Countermeasures)

In cases where a third party uses TDK's intellectual property without permission, we have established and enforced a system to monitor the unauthorized use of our brand and the sale of counterfeit products on a commercial transaction website.

On the other hand, TDK established a corporate policy to respect for the intellectual property rights owned by others and is working on reducing the risk of infringing intellectual property rights by taking investigation, prevention measures, and solutions in advance of product development.

(16) Risks concerning information security

As part of its business operations, TDK holds confidential information and personal information relating to customers and trading partners as well as confidential information of the TDK Group and personal information. We have constructed a group-wide control system to prevent this information from being leaked to outside parties, falsified, otherwise manipulated, or destroyed. Moreover, we execute measures to ensure thorough management and IT security, improved facility security and employee training. However, there are still risks that such information could be leaked, destroyed, or falsified or that information systems are shut down through hacking, internal negligence, theft or other causes.

In such an event, TDK could suffer a lowering of credibility, be liable for costs relating to the compensation payments to the parties suffering damage and suspend its operations. That could also have an effect on business results.

(Major Countermeasures)

TDK implements a vulnerability diagnosis on the information system by information security specialists and improves it if any problem is recognized. As for information security management, we are working on strengthening information security systems across TDK group companies based on the framework of NIST (National Institute of Standards and Technology, USA).

As measures to prevent information leakage from the TDK group companies, TDK restricts access to sensitive data by employing folder access controls, restricts usage of devices with high risk of information leakage such as a USB memory, SD card, etc., and thoroughly implements information security education for employees. In case TDK suffers damage related to information security, we have globally enhanced the system to recover quickly. Furthermore, we have procured cyber-attack insurance for the entire TDK group.

(17) Risks concerning securing personnel and training personnel

TDK pursues business operations in more than 30 countries and regions around the world, and more than 90% of TDK employees are based outside of Japan. In order to continuously develop business in the fast-changing electronics industry, we believe that we must continuously promote efforts to acquire and develop various personnel who possess advanced technical skills and personnel with excellent management capabilities such as those necessary for formulating strategy and managing organizations globally.

However, competition to continuously recruit the necessary employees is intense. Moreover, in Japan, the employment environment is changing rapidly because of the falling birthrate, the aging population, and the declining workforce. A similar change is occurring at our overseas locations in China and other countries. The inability to recruit and train personnel as planned could have a significant effect on business development, business results and growth from a long-term perspective.

(Major Countermeasures)

TDK actively hires university graduates and employs experienced people throughout the year. Especially in Japan, our recruiting team was working to implement a virtual interviewing scheme to increase the contact opportunities and reach to various students and experienced persons even before the COVID-19 situation. As a result, we could smoothly transform the recruiting method to cope with the current COVID-19 related challenges.

Moreover, we are working to retain and develop personnel by putting in place frameworks for increasing their motivation. This includes enhancing fair evaluation and remuneration systems based on a target-based management system. We improve and extend various training programs to develop employees who can act independently and globally, and to pass on the “DNA” of our manufacturing as well as values and knowledge of the TDK Group. These include different management training tailored to our hierarchy levels, so we develop our future management talents as well as our existing global key personnel.

(18) Risks concerning M&A

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

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

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

(Major Countermeasures)

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

(19) Risks of impairment of property, plant and equipment, goodwill, and intangible assets

In order to secure and establish a competitive advantage in the electronics industry, where competition is intensifying, TDK has enriched its business portfolio which is based on the material and process technology obtained through the production of ferrite (which was the initial business at the time of foundation) and also carried out M&A in some cases to accelerate the growth of its business. Also, TDK has continuously invested in capital expenses such as manufacturing facilities to improve production capacity, quality, or productivity. And, if necessary, we have undertaken M&A to accelerate the growth of business. As a result of these investments, we own a large amount of assets such as “property, plant and equipment,” “goodwill” and “intangible assets.” Goodwill of 137.4 billion yen was booked on the statement of consolidated financial position as of the end of March 31, 2022, of which 76.9 billion yen related to InvenSense, Inc., acquired in May 2017.

Property, plant and equipment and identifiable intangible assets with finite useful lives are assessed for impairment at each reporting date. If any indication of impairment exists, an impairment test is performed based on the recoverable amount of that asset. An impairment test is performed for goodwill and intangible assets with indefinite useful lives at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment.

As a result of such a test, if the recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount is reduced to the recoverable amount. That reduction is recognized as an impairment loss. When we recognize a large amount of impairment, it could have a significant effect on business results.

(Major Countermeasures)

TDK introduced a business portfolio management system which considers business profitability and growth potential. With this management system, we make investment decisions by “selection and concentration” and try to avoid future impairment risk.

In addition, for a business with higher risk of impairment, we monitor its performance and progress against an improvement plan from the beginning of the fiscal year. Business division and headquarters functions work together to consider the possibility to recover business profitability.

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

(1) Overview of operating results, etc.

Overview of financial position, operating results and cash flow position of TDK for the year ended March 31, 2022 is provided below.

① Financial position and operating results

In fiscal 2022, while the global economy was affected by the resurgence of the COVID-19 pandemic and concerns over political conflicts such as the tensions between the U.S. and China, corporate capital expenditure remained brisk as social and economic activities were gradually normalized and production activities continued to rebound. Since the beginning of the fourth quarter, however, geopolitical risks rapidly increased as a result of Russia’s invasion of Ukraine, causing heightened concerns over the supply of materials and energy and soaring prices. As a result, the outlook of the global economy remained unclear.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, production volume in the automotive market remained flat from the previous fiscal year due to the supply chain constraints in components procurement. However, automotive-related demand remained strong on the back of an increase in the number of components installed per vehicle and stockpiling by customers. In the Information and Communications Technology (ICT) market, demand for notebook PCs and tablets remained strong. On the other hand, smartphone production volume for fiscal 2022 fell below that of the previous fiscal year as the resurgence of COVID-19 and other factors negatively affected components procurement and demand. Production of Hard Disk Drives (HDDs) for servers remained strong, reflecting a recovery in demand related to data centers. In the industrial equipment market, thanks to strong capital expenditure, demand remained robust.

a. Financial position

Total assets increased ¥681,990 million from ¥2,359,663 million, as of March 31, 2021, to ¥3,041,653 million, as of March 31, 2022.

Total liabilities increased ¥339,922 million from ¥1,397,976 million, as of March 31, 2021, to ¥1,737,898 million, as of March 31, 2022.

Total equity decreased ¥342,068 million from ¥961,687 million, as of March 31, 2021, to ¥1,303,755 million, as of March 31, 2022.

b. Operating results

TDK recorded net sales of ¥1,902,124 million, up 28.6% from ¥1,479,008 million in fiscal 2021. TDK recorded operating profit of ¥166,775 million, up 49.2% from ¥111,814 million in fiscal 2021. TDK also recorded profit before tax of ¥172,490 million, up 47.1% from ¥117,263 million in fiscal 2021. Furthermore, TDK recorded net profit attributable to owners of parent of ¥131,298 million, up 75.8% from ¥74,681 million in fiscal 2021. Basic net profit attributable to owners of parent per common share was ¥346.44, compared with ¥197.06 in fiscal 2021. TDK split one share of its common stock into three shares effective October 1, 2021. Net profit attributable to owners of parent is calculated based on the assumption that the share split was conducted on April 1, 2020.

Average yen exchange rates for the U.S. dollar and the euro during fiscal 2022 were ¥112.33 and ¥130.53, respectively, as the yen depreciated 5.9% against the U.S. dollar and 5.5% against the euro. As a result of these factors and fluctuations in foreign exchange rates, net sales increased by approximately ¥125.7 billion and operating profit increased by approximately ¥6.9 billion.

TDK’s business segments are aggregated into four reportable segments, “Passive Components,” “Sensor Application Products” “Magnetic Application Products” and “Energy Application Products,” and businesses not belonging to any of these segments are classified under “Other.”

The Passive Components segment recorded net sales of ¥505,198 million, up 24.1% from ¥407,126 million in fiscal 2021 and segment profit of ¥77,251 million, up 92.7% from ¥40,080 million in fiscal 2021.

The Sensor Application Products segment recorded net sales of ¥130,769 million, up 60.8% from ¥81,345 million in fiscal 2021 and segment profit of ¥3,190 million, from segment loss of ¥24,915 million in fiscal 2021.

The Magnetic Application Products segment recorded net sales of ¥248,446 million, up 24.7% from ¥199,253 million in fiscal 2021 and segment profit of ¥4,522 million, from segment loss of ¥2,266 million in fiscal 2021.

The Energy Application Products segment recorded net sales of ¥965,345 million, up 30.4% from ¥740,227 million in fiscal 2021 and segment profit of ¥123,212 million, down 16.4% from ¥147,404 million in fiscal 2021.

The Other segment, businesses which do not belong to any of the four reportable segments recorded net sales of ¥52,366 million, up 2.6% from ¥51,057 million in fiscal 2021 and segment loss of ¥5,630 million, from ¥16,056 million in fiscal 2021.

The geographic segment information for sales is the following.

Sales for Japan were ¥149,038 million, increase of 27.2% from ¥117,205 million in fiscal 2021. Sales for Passive Components segment and Magnetic Application Products segment increased.

Sales for the Americas region were ¥129,857 million, increase of 34.3% from ¥96,666 million in fiscal 2021. Sales for Energy Application Products segment and Passive Components segment increased.

Sales for the Europe region were ¥175,580 million, increase of 18.3% from ¥148,443 million in fiscal 2021. Sales for Passive Components segment increased.

Sales for China were ¥1,059,718 million, increase of 26.1% from ¥840,129 million in fiscal 2021. Sales for Energy Application Products segment increased.

Sales for the Asia and others region were ¥387,931 million, increase of 40.3% from ¥276,565 million in fiscal 2021. Sales for Energy Application Products segment and Magnetic Application Products segment has increased.

As a result, total overseas sales were ¥1,753,086 million, increase of 28.7% from ¥1,361,803 million in fiscal 2021. The overseas sales ratio was 92.2%, a 0.1% increase from 92.1% in fiscal 2021.

② Cash flows

Cash flows from operating activities

Operating activities provided net cash of ¥178,987 million, a decrease of ¥51,868 million year on year. It mainly came from an increase in long-term advances to suppliers.

Cash flows from investing activities

Investing activities used net cash of ¥281,546 million, an increase of ¥50,128 million year on year. It mainly came from purchase of tangible and intangible assets.

Cash flows from financing activities

Financing activities provided net cash of ¥113,743 million, an increase of ¥92,661 million year on year. It mainly came from an increase in long-term borrowings.

As a result of adding in the effects of currency fluctuations, cash and cash equivalents as of March 31, 2022 was ¥439,339 million, ¥58,952 million larger than as of March 31, 2021.

③ **Results of production, orders received and sales**

a. Production results

A breakdown of production results by business segment for fiscal 2022 is given below.

Name of business segment	Production Results (Millions of yen)	YoY Increase/ Decrease (%)
Passive Components	523,273	30.2
Sensor Application Products	136,942	72.0
Magnetic Application Products	256,852	29.4
Energy Application Products	994,809	26.5
Other	54,281	7.6
Total	1,966,157	29.6

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

b. Results of orders received

A breakdown of orders received by business segment for fiscal 2022 is given below.

Name of business segment	Amount of orders received (Millions of yen)	YoY Increase/ Decrease (%)	Balance of orders received (Millions of yen)	YoY Increase/ Decrease (%)
Passive Components	638,099	28.4	343,350	87.6
Sensor Application Products	191,607	78.9	103,990	116.8
Magnetic Application Products	245,496	24.3	19,788	0.5
Energy Application Products	1,099,775	22.4	176,266	(1.8)
Other	52,870	26.5	16,755	98.6
Total	2,227,847	27.9	660,149	50.5

Note: Amounts are calculated by the sales price.

c. Sales results

A breakdown of sales results by business segment for fiscal 2022 is given below.

Name of business segment	Sales Results (Millions of yen)	YoY Increase/ Decrease (%)
Passive Components	505,198	24.1
Sensor Application Products	130,769	60.8
Magnetic Application Products	248,446	24.7
Energy Application Products	965,345	30.4
Other	52,366	2.6
Total	1,902,124	28.6

(2) Analysis and discussion regarding operating results, etc. from a management viewpoint

Analysis and discussion regarding operating results, etc. from a management viewpoint are provided below. The forward looking statements in this report are based on judgment current as of March 31, 2022.

① Accounting policies that require significant judgements and estimates

Accounting policies that require significant judgements are those that require management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

In preparing the consolidated financial statements in accordance with IFRS, TDK Group makes judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates, and these estimates and assumptions are regularly reviewed.

The following is not intended to be a comprehensive list of all of TDK’s accounting policies. TDK’s significant accounting policies and estimates are more fully described in Part V. Financial Information, 1. Consolidated Financial Statements and Notes to the Consolidated Financial Statements, (1) Consolidated financial statements, Notes to the consolidated financial statements, 2. Basis of Preparation, (4) Significant accounting estimates and judgements and 3. Significant Accounting Policies.

TDK has identified the following as accounting policies that require significant judgements.

Impairment of property, plant and equipment, goodwill and intangible assets

As of March 31, 2021 and 2022, the aggregate of TDK's property, plant and equipment, goodwill and intangible assets were ¥975,469 million and ¥1,151,424 million, which accounted for 41.3% and 37.9% of total assets, respectively. TDK believes that impairment of property, plant and equipment, goodwill and intangible assets is critical to TDK's financial statements because the recoverability of the amounts could significantly affect its results of operations.

An impairment test is performed for property, plant and equipment and identifiable intangible assets with finite useful lives based on the recoverable amount of that asset if any indication of impairment exists. An impairment test is performed for goodwill and intangible assets with indefinite useful lives at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment. As a result of such a test, if the recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount is reduced to the recoverable amount. That reduction is recognized as an impairment loss.

Management judges that the estimates of the recoverable amount are reasonable; however, changes in estimates resulting in lower recoverable amount due to unforeseen changes in business assumptions could negatively affect the valuation of those assets and significantly affect TDK's financial position and results of operations. TDK makes investments with due prudence, taking sufficiently into consideration the future profitability of products and the recoverability of investments.

Valuation of inventories

Inventories are measured at the lower of cost and net realizable value. The carrying value of inventory is reduced for estimated obsolescence as the difference between its cost and net realizable value based upon assumptions about future demand. TDK evaluates the inventory carrying value for potential excess and obsolete inventory exposures by analyzing historical and anticipated demand. In addition, known and anticipated engineering change orders are evaluated against on-hand quantities for their potential obsolescence affects. As fluctuations in net realizable value are influential to business results of TDK, we conclude it is significant. If actual demand were to be substantially lower than estimated, additional inventory adjustments for excess or obsolete inventory may be required, which could have a material adverse effect on TDK's business, financial condition and results of operations.

Regarding the appropriateness of estimates in the past, TDK reviews every quarter by comparing estimate and actual results. For example, in the operational management of product sectors with rapid development in technological innovation such as the recording devices sector, TDK revises the estimates of valuation of obsolete inventories arising from the timely response to customers' demands for high-efficiency products on a quarterly basis.

Defined benefit obligations

Employee defined benefit costs and defined benefit obligations are dependent on assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, retirement rates and mortality rates which are based upon current statistical data, as well as salary growth and other factors. Actual results that differ from the assumptions are recognized in other comprehensive income and immediately transferred to retained earnings. Therefore, it generally affects TDK's comprehensive income, retained earnings and recorded obligation. While TDK believes that its assumptions used are appropriate, differences in actual experience or changes in assumptions may affect TDK's future defined benefit costs and defined benefit obligations.

In preparing its consolidated financial statements for fiscal 2022, TDK established discount rates of 0.9% and 2.4% for domestic and overseas pension plans, respectively. The discount rate is determined by reference to market yields on high quality corporate bonds with a term similar to the estimated period of benefit.

A decrease in the discount rate leads to an increase in defined benefit obligations.

Recoverability of deferred tax assets

In recognizing deferred tax assets, TDK Group assesses whether it is probable that part or all of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards reduces future taxable profits or the amount of taxes. The ultimate recoverability of deferred tax assets is determined by the level of future taxable profits during the periods in which these temporary differences, net operating loss carryforwards and tax credit carryforwards will be deducted. TDK Group assesses the ultimate recoverability of deferred tax assets by considering the expected timing of reversal of taxable temporary differences, estimated future taxable profits and tax planning strategies. TDK Group believes it is probable that the deferred tax assets recognized are recoverable based on the consideration of taxable profits in the previous years and the estimated taxable profits of future periods in which deferred tax assets will be used. However, in the event future projections for income are not realized or are realized in lesser amounts, or in cases where TDK revises the assessment of the potential for recoverability of deferred tax assets based on other factors, it would require TDK to decrease the portion which is not probable to recover.

Recognition and measurement of provisions, and the possibility of an outflow of future economic benefits related to contingent liabilities

A provision is recognized when TDK Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, estimated future cash flows are discounted to the present value using the discount rates that reflects the time value of money and the risks specific to the liability.

TDK Group is subject to various lawsuits and claims which arise in case our products or processes infringe on the intellectual property rights of third parties or in the ordinary course of business. TDK Group consults with counsel and reviews the possibility that contingent liabilities could have a material adverse effect. Contingent liabilities are recognized when the likelihood of an adverse outcome is probable and the amount can be reasonably estimated. The amounts of liabilities accrued are based on estimates and significantly affected by further developments or the resolution of these contingencies in the future. These provisions are calculated based on the best estimate taking into consideration the uncertainty at the end of reporting period but it may be effected by arise of unexpected incidents, change of the situation, etc. In case an actual outcome differs from the estimate, the amount of liabilities to be recognized could be significantly affected.

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

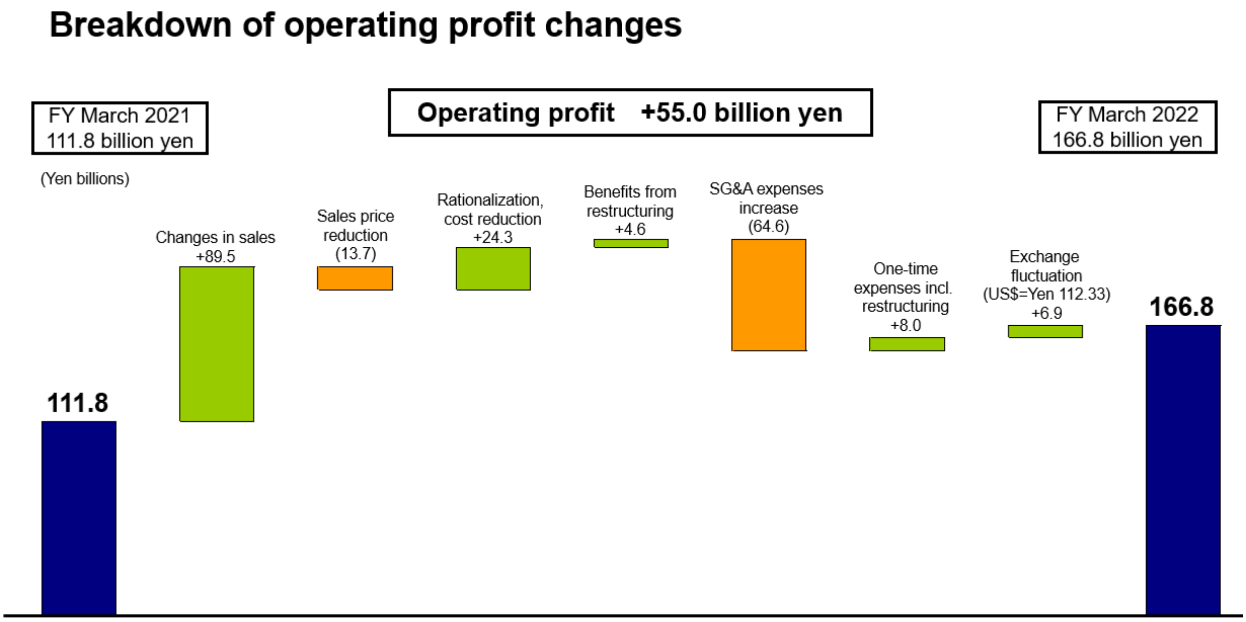
Operating results and factors significantly impact to operating results

In fiscal 2022, TDK posted consolidated net sales of ¥1,902,124 million, up 28.6% from fiscal 2021. TDK recorded operating profit of ¥166,775 million, an increase of 49.2% year on year. TDK recorded net profit attributable to owners of parent of ¥131,298 million, an increase of 75.8% compared to fiscal 2021.

During the fiscal year ended March 2022, the supply chain constrains in components procurement continued and the production volume of automobiles and smartphones remained sluggish due to the resurgence of the COVID-19 pandemic and concerns over political conflicts such as the tensions between the U.S. and China. On the other hand, as a result of the normalization of social and economic activities and the recovery of production activities, demand for electronic components remained robust. Consequently, net sales increased in all segments. Our earnings structure became more balanced and profitability increased as profit of the Passive Components business expanded and the Sensors business achieved profitability. Net sales increased 28.6% year on year and operating profit increased 49.2% year on year, with both net sales and operating profit achieving record highs.
In the automotive market, although production volume remained unchanged from the previous fiscal year due to the supply chain constraints in procurement of components, demand remained brisk on the back of an increase in the number of components installed per vehicle and stockpiling by customers, reflecting the further evolvement of xEVs and the acceleration of electrification such as ADAS. Against such backdrop, sales of Passive Components and Sensors expanded.
In the ICT market, demand for PCs and tablet devices remained brisk for the fiscal year ended March 2022. As demand related to data centers picked up and production of HDDs for servers remained strong, sales related to PCs, tablets and HDDs increased. Smartphone production volume for the fiscal year ended March 2022 fell below that of the previous fiscal year as the resurgence of COVID-19 and other factors negatively affected components procurement and smartphone demand. However, sales related to smartphones rose on the back of increased adoption of products for smartphone applications. Consequently, sales of Rechargeable Batteries, Sensors, and HDD Heads increased.
In the industrial equipment market, corporate capital expenditures remained strong. As a result, sales related to semiconductor manufacturing equipment and renewable energy increased, and sales of Passive Components and Power Supplies for Industrial Equipment also expanded. In addition, in Rechargeable Batteries, sales of medium-sized batteries grew, particularly for residential energy storage systems and other applications.

There was an increase of about 125.7 billion yen in net sales and an increase of about 6.9 billion yen in operating profit due to exchange rate fluctuations against the U.S. dollar and other currencies. Including this impact, net sales were 1,902.1 billion yen, an increase of 423.1 billion yen, or 28.6%, year on year. Operating profit was 166.8 billion yen, up 55.0 billion yen, or 49.2%, year on year. Earnings per share were 346.44 yen.
With regard to exchange rate sensitivity, we maintain our estimate that a change of 1 yen against the U.S. dollar will affect annual operating profit by about 1.2 billion yen, while a 1-yen change against the euro will have an impact of about 0.2 billion yen.

The following is the breakdown of increase in operating profit ¥55.0 billion.



First, there was an increase in profit of 89.5 billion yen attributable to an increase in sales, reflecting increased sales and profit of Passive Components, profitability achieved by Sensors, and a recovery in profit of HDDs, despite the negative effects of soaring material prices for Rechargeable Batteries and other products. While the negative impact of the reductions in sales prices remained minimal, there was an increase in profit of 28.9 billion yen in total as a result of rationalization and cost reduction as well as the benefits from restructuring during the fourth quarter of the previous fiscal year, which boosted profitability.

On the other hand, SG&A expenses increased by 64.6 billion yen. This was owing primarily to the impact of an increase in royalty fees related to Rechargeable Batteries of about 15.0 billion yen, an increase in sales expenses in line with the expansion of sales of Passive Components, an increase in global logistics costs due to COVID-19, and an increase in expenses due to the expansion of the power cell pack business in Rechargeable Batteries. One-time expenses including restructuring recorded in the fourth quarter decreased by 8.0 billion yen from 17.6 billion yen in the previous fiscal year to 9.6 billion yen, and exchange rate fluctuations had a positive impact of 6.9 billion yen due to the depreciation of the yen. As a result, the overall increase in operating profit came to 55.0 billion yen.

Capital resources and liquidity of funds

TDK's fundamental policy is to keep liquidity needed for operating business and funds resources consistently and TDK has been trying to maintain its liquidity level of liquid funds, which includes cash and deposits with banks, short-term investments and marketable securities, etc., at 2.0 months or more of monthly net sales by introducing a cash management system in Japan, U.S., Europe, China and ASEAN to improve efficient use of funds, commitment line contract and so on for liquidity. The balance of liquid funds amounted to ¥493,045 million as of March 31, 2022, which was equal to approximately 3.1 months of average monthly net sales. To prepare for the potential impact of resurgence of COVID-19 pandemic and geopolitical risks (tensions between the U.S and China and Russia's invasion of Ukraine etc.) and its impact on the world economy on the Company's cash flow, measures taken include expanding liquidity assets and considering extending terms for loans from banks, issuing corporate bonds, and increasing commitment line agreements' contract amount.

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

The procurement policy, a basis for short term operating funds are own funds and short term loans from financial institutions and for capital investment and long term funds are long term loans from financial institutions and the issuance of corporate bonds, etc. The balance of debt with interest, which includes loans from banks, corporate bonds, and lease obligations, amounted to ¥679,813 million as of March 31, 2022.

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

TDK is working to strengthen our performance management framework as a part to put growth strategy conceived by TDK into practice with organically tying not only to our finance and capital strategy, but all the way to policies on the front lines. TDK has introduced TDK Value Added (TVA), an index unique to TDK to measure TDK's value by comparing minimum required profit (cost of shareholder's equity) with earnings before interest and taxes and business assets for each business. Under the logic tree tied to this TVA, we not only evaluate the profitability of each business, the efficiency of business assets, and the ability to capture cash, but also factorize and monitor KPIs tailored to specific front-line policies and business characteristics. This not only allows as to unite as a single company in promoting our growth strategy, but, we believe, will enable us to build a financial constitution capable of achieving an ROE of 14% or more in 3 year medium-term plan (final year ending March 2024) by also tying that strategy to selection and consolidation of capital expenditures through stronger management of investment efficiency.

ROE in fiscal 2022 was 11.6%, a 3.1 point increase from fiscal 2021 of 8.5%.

To analyze the increase of ROE in comparison to fiscal 2021, ROE is divided into return on sales, asset turnover, and financial leverage. There is not much change for asset turnover and financial leverage in comparison to fiscal 2020. Increase of net sales contributed to an increase of return on sales and resulted in increase of ROE.

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

(Passive Components Segment)

This segment is made up of (1) Capacitors, (2) Inductive Devices, and (3) Other Passive Components. Sales in the Passive Components segment were ¥505,198 million, up 24.1% year on year from ¥407,126 million. Segment profit was ¥77,251 million, up 92.7% year on year from ¥40,080 million. Segment assets were ¥699,107 million, up 11.9% year on year from ¥625,016 million.

Segment sales results by business for fiscal 2022 were as follows.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Energy Capacitors. Sales in the Capacitors were ¥198,110 million, up 25.2% year on year from ¥158,182 million. Sales of Inductive Devices increased by 28.5% year on year from ¥139,990 million to ¥179,944 million. Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components increased by 16.7% year on year from ¥108,954 million to ¥127,144 million.

While automobile production volume remained flat year on year, sales to the automobile sector remained robust on the back of an increase in the number of components installed per vehicle. Demand from the industrial equipment market has also been brisk, particularly for applications related to renewable energy and production equipment. Demand from the ICT market increased only slightly reflecting a decline in smartphone production volume. Operating profit increased about 1.9 times year on year to 77.7 billion yen, and the operating margin was 15.3%, indicating a significant improvement in profitability.
By business, both net sales and operating income increased year on year in businesses with a high ratio of sales to the automotive market, except for the High-Frequency Components business. In particular, improvement in the profitability of Capacitors and Inductive Devices contributed to the expansion of earnings as a whole.

(Sensor Application Products Segment)

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 60.8% year on year from ¥81,345 million to ¥130,769 million. Segment profit was ¥3,190 million, year on year from segment loss ¥24,915 million. Segment assets were ¥263,531 million, up 38.1% year on year from ¥190,812 million.

The segment also posted 3.2 billion yen in operating profit for the full year on the back of increased sales and positive changes in the product mix, despite one-time expenses of 2.0 billion yen recorded in the fourth quarter.

As demand for Temperature and Pressure Sensors from the industrial equipment and home appliances markets, in addition to the automotive market, remained firm, net sales increased year on year. Sales of Hall Sensors to the automotive market surged, with earnings also improving greatly.

Sales and profit from TMR Sensors rose substantially, driven by their increased adoption in addition to an increase in demand from the ICT market. In MEMS Sensors, sales of Motion Sensors and MEMS Microphones surged, reflecting steady growth on the back of the expansion of the customer base and applications. As a result, earnings further improved and operating loss diminished significantly.

(Magnetic Application Products Segment)

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales increased by 24.7% year on year, from ¥199,253 million to ¥248,446 million. Segment profit was ¥4,522 million and segment loss was ¥2,266 million the previous fiscal year. Segment assets were ¥436,787 million, up 17.0% year on year from ¥373,465 million.

In terms of HDD Heads, as demand for servers for data centers continued to recover from the beginning of the fiscal year, the sales volume of Nearline HDD Heads increased 1.9 times year on year. The sales volume of HDD Heads as a whole also increased 33% year on year, resulting in increases in both sales and profit.

HDD Suspension Assemblies also saw an increase in net sales as well as an increase in operating income on an actual basis, excluding one-time expenses, as sales of Nearline HDDs remained brisk.

In Magnets, while net sales increased as sales to the automotive market remained robust, operating loss remained at the same level as in the previous fiscal year due to the effects of soaring raw material prices.

(Energy Application Products Segment)

This segment is made up of Energy Devices (Rechargeable Batteries). Segment sales increased by 30.4% from ¥740,227 million to ¥965,345 million. Segment profit was ¥123,212 million, down 16.4% year on year from ¥147,404 million. Segment assets were ¥1,661,860 million, up 35.2% year on year from ¥1,229,342 million.

In Rechargeable Batteries, sales to the ICT market increased only slightly as smartphone production volume decreased year on year, when excluding the effects of exchange rate fluctuations and an increase in sales as a result of cost pass-through measures to cope with soaring material prices. On the other hand, sales of power cell products for electric motorcycles and residential energy storage systems expanded steadily, and overall sales increased by over 10% year on year. Amid the situation where actual sales to the ICT market remained sluggish, operating income decreased on a year-on-year basis, as negative effects on profit remained due to the resurgence of steep rises in raw material prices from the third quarter of the fiscal year ended March 2022 as well as royalty fees of about 15.0 billion yen. In Power Supplies for Industrial Equipment, demand for semiconductor manufacturing equipment and other industrial equipment remained robust, resulting in increases in both sales and profit.

(Other)

The Other segment, businesses which do not belong to any of the four reportable segments, includes Mechatronics (Production Equipment), Camera Module Micro Actuators for smartphones and Others. Segment sales increased by 2.6% from ¥51,057 million to ¥52,366 million. Segment loss was ¥5,630 million, year on year from ¥16,056 million. Segment assets were ¥91,325 million, up 10.7% year on year from ¥82,529 million.

Sales of Mechatronics increased to the industrial equipment market. Sales of Camera Module Micro Actuators for smartphones decreased to the ICT market.

4. Important operational contracts, etc.

On April 28, 2021, a TDK subsidiary, Amperex Technology Limited (Hong Kong Special Administrative Region of China, hereinafter “ATL”), that engages in the business of rechargeable battery entered into establishing joint ventures with Contemporary Amperex Technology Co., Limited (Fujian, China, hereinafter “CATL”), which manufactures and sell of EV battery. On the same day, ATL entered into a definitive agreement regarding business alliance and cross-license. Details are as follows.

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

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

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

In this environment, ATL, a subsidiary of the Company, plays the leading role in strengthening the small size rechargeable battery business for ICT devices such as smartphones, tablet PC and laptop. However, believing that it is necessary to strengthen the medium size rechargeable battery business such as Residential Energy Storage System (RESS) , electric motorcycles, industrial applications and other applications to ensure continued growth in the global market, ATL entered into a definitive agreement to establish business alliance, which includes the establishment of a joint venture between ATL and CATL, the world's largest company in the EV battery industry with significant achievements that manufactures and sells highly reliable products in the global market, and cross-license. (contract term: 10 years, annual payment: 150 Million USD)

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

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

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

3. Overview of the consolidated subsidiary of the Company

(1) Name	Amperex Technology Limited
(2) Location	Hong Kong Special Administrative Region of China
(3) Representative	Fumio Sashida (Chairman)
(4) Business	Development, manufacture and sale of lithium-ion rechargeable batteries
(5) Capital	US$277,588,100
(6) Date of establishment	June 11, 1999
(7) Equity ratio	100% (as of March 31, 2022)

4. Outline of the Joint Ventures

(1) Name	Xiamen Ampcore Technology Limited
(2) Location	Xiamen, Fujian Province, China
(3) Representative	Jia Zhuocheng
(4) Business	Development, manufacture and sale of rechargeable battery cell
(5) Capital	5.0 Billion RMB
(6) Date of establishment	June 13, 2022
(7) Equity ratio	ATL: 30%, CATL: 70%

(1) Name	Xiamen Ampack Technology Limited
(2) Location	Xiamen, Fujian Province, China
(3) Representative	Jia Zhuocheng
(4) Business	Development, manufacture and sale of rechargeable battery pack
(5) Capital	1.0 Billion RMB
(6) Date of establishment	June 14, 2022
(7) Equity ratio	ATL: 70%, CATL: 30%

5. Outline of counterparty to the Business Alliance

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

5. Research and development activities

In its R&D activities, TDK is working to continuously strengthen and expand the development of new products that respond to diversification in the electronics field. Utilizing the cutting-edge technology which supports DX and EX, TDK will collaborate with the marketing function to focus on the development of products which will grow for a sustainable society. In particular, TDK is concentrating on the ICT field, the automotive field, and the industrial equipment and energy field. By product development taking full advantage of its strengths in terms of manufacturing capabilities, TDK is contributing to upgrade the functionality, drive the miniaturization, and raise the energy efficiency of electronic devices. Based on the technology strategy capturing the market change in these 3 fields, TDK sets sensors and actuators, energy units and next-generation electric components as strategic growth products, of that future demand increase is promising. TDK puts more effort into capturing business opportunities in the IoT market. For sensors and actuators, TDK is aiming to provide customers with a wide range of sensor solutions by connecting MEMS technology and software. For energy units, TDK is focusing on the development of energy units using TDK's batteries, power supplies and wireless power transfer, and also focusing on metal magnets, as the demand is increasing for motor and wind power use. For next-generation electric components, TDK promotes the development of the high-value added products that respond to diversifying market needs by the fusion of SESUB(Semiconductor Embedded SUBstrate) technology, thin-film technology, materials technology, and roll to roll technology.

In the Passive Components field, TDK is developing next-generation multilayer ceramic chip capacitors, inductors and EMC components with miniaturization and high performance. Moreover, TDK is strengthening its hand in modules, where high-frequency applications are becoming prevalent.

In the Sensor Application Product field, TDK is developing sensor elements that offer higher accuracy and package solutions with high integration and greater reliability.

In the Magnetic Application Products field, TDK is strengthening the development of high performance rare earth magnets, next-generation ferrite magnets and high recording density next-generation heads, and devices for hybrid and electric vehicles. TDK aims to develop highly efficient power supplies appropriate to the societal trend towards low energy consumption and reduce carbon dioxide emission. TDK allocates development resources to the reduction of the amount of rare earth elements and the development of new materials for magnets. Through these efforts, TDK aims to avoid sales price rises caused by soaring prices of raw materials for rare earth elements.

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

Looking at Head Office research and development functions, TDK flexibly reshapes the research and development framework to ensure that its highly specialized engineers in their respective market sectors are able to conduct research and development based on creative ideas. For these R&D activities, based on a technology strategy of grasping market change, TDK is focusing on developing strategic growth products (Sensors and Actuators, Energy Units, and Next-Generation Electronic Components) in the core markets above, where future growth is promising, and also has built a four-base system for global R&D (Japan, America, Europe, Asia), and is developing products in collaboration with R&D organizations and leading companies around the world based on a time-to-market mindset. Sensors are viewed as an important IoT-enabling technology, and to achieve it, taking into consideration collaboration with companies that possess those technology assets, TDK will aim to provide innovative next-generation products and new platforms with sensor fusion that combines various sensor technologies and software. To achieve continuous advancement, TDK will refine material technology, process technology, product design, production technology, and evaluation, assessment, and simulation technology to accelerate the Company's research and development goals for the medium- and long-term. Guided by the vision, "Based on the 7 seas strategy, develop new materials, devices, and solutions to contribute to TDK as a whole", TDK will proceed with the selection and concentration of strategies and promote strong collaboration with Corporate Marketing & Incubation HQ, TDK Ventures, and Production Engineering HQ for the development.

It was one of TDK's achievements in fiscal 2022 that TDK has succeeded in the development and practical application of a metallic magnetic powder that brings the power inductor's DC bias characteristic with both the highest level of saturated magnetic flux density and outstanding reliability brought forth by high corrosion resistance.

Furthermore, in its R&D activities, TDK is pushing ahead to recruit and train outstanding talent and introduce cutting-edge theoretical research. Under this policy, TDK is proactively forming industry-government-academic alliances with public institutions, universities and research institutions around the world regarding source technologies that TDK does not possess. Notably, TDK concludes an organizational alliance agreement with the Tokyo Institute of Technology, advances joint research, etc. and cooperates with the WISE Program (Doctoral Program for World-leading Innovative & Smart Education).

Under this agreement, the joint research is being advanced with the aim of achieving highly original development results. R&D expenses in fiscal 2022 increased 29.7% year on year to ¥165,250 million, 8.7% of net sales.

III. Facilities

1. Outline of capital expenditures

In fiscal 2022, TDK spent ¥291,337 million on capital expenditures to accurately respond to the rapid technological innovation and the intensified sales competition in the electronics market to which TDK belongs.

Capital expenditures in the Passive Components segment totaled ¥41,564 million. These expenditures were mainly for the purpose of increasing the production capacity and rationalization of ceramic capacitors, inductive devices, and high-frequency devices.

Capital expenditures in the Sensor Application Products segment totaled ¥10,890 million. These expenditures were mainly for the purpose of increasing the production capacity of each sensor products.

Capital expenditures in the Magnetic Application Products segment totaled ¥52,466 million, mainly for the production of high-density next-generation heads for HDDs and micro actuator suspensions.

Capital expenditures in the Energy Application Products segment totaled ¥175,713 million, mainly to boost and rationalize production of rechargeable batteries.

Capital expenditures in the Other totaled ¥4,172 million.

Capital expenditures for the R&D divisions at the headquarters totaled ¥6,532 million mainly for investments in internal IT infrastructure construction and fundamental development research.

2. Main facilities

Main facilities of TDK are as follows.

(1) Passive Components

a. Filing company (the Company)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
Honjo Plant (Nikaho City, Akita Pref.) 3 other plants in the Pref. 1 other plant in Yamanashi Pref	Manufacturing passive components	31,298	54,194	2,767 (563)	512	7,498	96,270	1,440

b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
TDK Shonai Corporation (Tsuruoka City, Yamagata Pref. and other locations)	Manufacturing passive components	3,915	2,336	835 (94)	37	-	7,123	881
TDK Akita Corporation (Yurihonjo City, Akita Pref. and other locations)	Manufacturing passive components	5,468	157	769 (194)	82	-	6,476	2,956

c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
TDK Xiamen Co., Ltd. (China)	Manufacturing passive components	4,193	15,638	-	-	2,224	22,055	4,174
TDK (Zhuhai FTZ) Co., Ltd. (China)	Manufacturing passive components	1,724	10,409	-	521	2,494	15,148	3,767
TDK Hungary Components Kft. (Hungary)	Manufacturing passive components	3,415	7,487	370 (33)	79	1,218	12,569	2,231
TDK Dalian Corporation (China)	Manufacturing passive components	1,882	9,180	-	36	1,350	12,448	1,451
TDK Electronics GmbH & Co OG (Austria)	Manufacturing passive components	4,423	6,283	617 (123)	356	657	12,336	800

(2) Sensor Application Products

a. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
TDK-Micronas GmbH (Germany)	Manufacturing sensor application products	2,263	8,098	1,126 (51)	546	882	12,915	741

(3) Magnetic Application Products

a. Filing company (the Company)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
Narita Plant (Narita City, Chiba Pref.) 1 other plant in Shizuoka Pref.	Manufacturing magnetic application products	3,642	1	1,773 (218)	6	―	5,423	510

b. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
Headway Technologies, Inc. (U.S.A)	Manufacturing magnetic application products	4,048	14,051	1,512 (9)	840	41,534	61,985	811
Magnecomp Precision Technology Public Co., Ltd. (Thailand)	Manufacturing magnetic application products	1,388	16,937	650 (155)	143	9,458	28,576	4,874
SAE Magnetics (H.K.) Ltd. (China)	Manufacturing magnetic application products	623	13,884	-	2,020	1,371	17,898	413

(4) Energy Application Products

a. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
TDK-Lambda Corporation (Chuo-ku, Tokyo and other locations)	Manufacturing energy application products	916	947	363 (64)	105	108	2,439	653

b. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
Ningde Amperex Technology Ltd. (China)	Manufacturing energy application products	90,754	173,034	-	636	65,475	329,899	28,176
Dongguan NVT Technology Co., Ltd. (China)	Manufacturing energy application products	2,419	28,720	-	2,799	7,919	41,857	10,582
Poweramp Technology Limited (India)	Manufacturing energy application products	22,030	8,601	-	2,910	7,025	40,566	2,916

(5) Corporate (Common) and Other

a. Filing company (the Company)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Right-of-use asset	Construction in progress	Total	
Technical Center (Ichikawa City, Chiba Pref.)	Corporate (Common) and Other	13,005	733	1,205 (36)	264	85	15,293	536
Narita Plant (Narita City, Chiba Pref.)	Corporate (Common)	10,520	2,205	745 (47)	31	349	13,852	229
HQ and other locations (Chuo-ku, Tokyo) 5 other locations in Japan	Corporate (Common)	1,835	309	-	8,306	-	10,451	479
Asama Techno Plant (Saku City, Nagano Pref) 1 other plant in Oita Pref.	Other	4,360	10,418	1,386 (270)	17	1,987	18,168	667

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

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

TDK conducts a broad range of operations in Japan and overseas. As of March 31, 2022, plans for new constructions and expansions of facilities for these operations had not been decided for each individual project. For this reason, figures are disclosed by each business segment. Capital expenditure plans (new constructions and expansions) within the one year period following fiscal 2021 are ¥300,000 million and the breakdown by business segment is as follows.

Name of business segment	Projected amount at the end of fiscal 2022 (Millions of yen)	Main contents and objectives of facilities, etc.	Capital resource
Passive Components	85,000	Production capacity increase and rationalization of ceramic capacitors, inductive devices, and high-frequency devices.	–
Sensor Application Products	24,000	Production capacity increase of each sensor products	–
Magnetic Application Products	70,000	Developing and manufacturing facilities of high-density next-generation heads for HDD and micro actuator suspensions	–
Energy Application Products	110,000	Production capacity increase of rechargeable batteries and rationalization of facilities	–
Other	2,000	–	–
HQ/R&D divisions	9,000	Establishment of internal IT system and basic research and development	–
Total	300,000	–	Own capital and borrowing

Note: There are no plans for retirement or sale of important facilities except for the regular retirement or sale related to updating facilities.

IV. Filing company

1. Status of the Company's shares

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

Class	Total number of shares authorized by the Company (Shares)
Common stock	1,440,000,000
Total	1,440,000,000

Note: Based on the resolution adopted at the Board of Directors meeting on July 28, 2021, the Company amended a part of the articles of incorporation on the effective date of October 1, 2021 regarding the share split. As a result, the total number of shares authorized has increased by 960,000,000 shares to 1,440,000,000 shares.

b. Number of shares issued

Class	Number of issued shares (As of March 31, 2022)	Number of issued shares (As of the date of filing: June 24, 2022)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Common stock	388,771,977	388,771,977	Tokyo Stock Exchange First Section (As of March 31, 2022) Prime Market(As of the data of filing: June 24, 2022)	Share unit number 100 shares
Total	388,771,977	388,771,977	–	–

Note: 1. Based on the resolution adopted at the Board of Directors meeting on July 28, 2021, the Company split one share of its common stock into three shares on effective date of October 1, 2021. As a result, the total number of shares authorized has increased by 259,181,318 shares to 388,771,977 shares.

2. The number of shares issued by exercise of stock acquisition rights between June 1, 2022 and the date of filing of this Annual Securities Report, is not included in "Number of issued shares".

(2) Status of stock acquisition rights

Stock Acquisition Rights, Etc., Granted to the Company's Directors and Audit & Supervisory Board Members as of the End of the Fiscal Year Under Review in Consideration for the Performance of Their Duties

a. Share-Based Compensation Type Stock Acquisition Rights

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Amount to be paid for stock acquisition rights (issue price)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
2005	June 29, 2005	26	7,800 shares of common stock	Free of charge	From July 1, 2005 to June 30, 2025	–	–
2008	May 28, 2008	17	5,100 shares of common stock	¥596,700 (fair value)	From July 6, 2008 to July 5, 2028	–	–
2009	May 27, 2009	68 [54]	20,400 [16,200] shares of common stock	¥402,100 (fair value)	From July 5, 2009 to July 4, 2029	–	–
2010	May 26, 2010	77	23,100 shares of common stock	¥421,300 (fair value)	From July 4, 2010 to July 3, 2030	–	–
2011	May 25, 2011	145	43,500 shares of common stock	¥392,500 (fair value)	From July 3, 2011 to July 2, 2031	–	1 person 3 rights
2012	June 21, 2012	143 [133]	42,900 [39,900] shares of common stock	¥277,000 (fair value)	From July 8, 2012 to July 7, 2032	1 person, 10 rights	1 person 3 rights
2013	June 19, 2013	174 [154]	52,200 [46,200] shares of common stock	¥311,200 (fair value)	From July 7, 2013 to July 6, 2033	1 person, 24 rights	1 person 15 rights
2014	June 18, 2014	254 [244]	76,200 [73,200] shares of common stock	¥413,600 (fair value)	From July 6, 2014 to July 5, 2034	1 person, 24 rights	2 people 28 rights
2015	July 31, 2015	476	142,800 shares of common stock	¥680,600 (fair value)	From August 23, 2015 to August 22, 2035	2 people, 60 rights	2 people 42 rights
2016	June 17, 2016	394 [387]	118,200 [116,100] shares of common stock	¥427,300 (fair value)	From July 10, 2016 to July 9, 2036	3 people, 120 rights	2 people 25 rights
2017	June 16, 2017	244 [241]	73,200 [72,300] shares of common stock	¥658,400 (fair value)	From July 9, 2017 to July 8, 2037	3 people, 58 rights	2 people 17 rights
2018	March 23, 2018	460	138,000 shares of common stock	¥837,300 (fair value)	From April 8, 2018 to April 7, 2038	3 people, 151 rights	2 people 29 rights
2018	June 20, 2018	24	7,200 shares of common stock	¥1,041,000 (fair value)	From July 8, 2018 to July 7, 2038	1 person, 24 rights	–

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Amount to be paid for stock acquisition rights (issue price)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
2019	March 26, 2019	159 [148]	47,700 [44,400] shares of common stock	¥856,200 (fair value)	From April 7, 2019 to April 6, 2039	4 people, 50 rights	–
2019	June 19, 2019	32	9,600 shares of common stock	¥780,000 (fair value)	From July 7, 2019 to July 6, 2039	1 person, 32 rights	–
2020	March 25, 2020	2	600 shares of common stock	¥759,600 (fair value)	April 12, 2020 to April 11, 2040	–	–

Notes: 1. The exercise price is ¥1 per share.
2. Stock acquisition rights have not been granted to Outside Directors and Audit & Supervisory Board Members.
3. Stock acquisition rights held by Directors include stock acquisition rights granted when they were Corporate Officers of the Company.
4. Stock acquisition rights held by Audit & Supervisory Board Members were granted during appointment as Corporate Officers of the Company.
5. The stock acquisition rights listed are based on information as of March 31, 2022. For those which have changed from March 31, 2022 to May 31, 2022, it is stated in [ ]. Others have not changed since March 31, 2022.
6. The stock-linked compensation stock option plan was abolished, with the exception of those stock options already granted, in connection with the introduction of the post-delivery type stock remuneration plan, as approved at the 124th Ordinary General Meeting of Shareholders held on June 23, 2020.
7. The Company split one share of its common stock into three shares on the effective date of October 1, 2021. As a result, the number of shares to be issued upon the exercise of stock acquisition rights has been adjusted.

(3) Status of exercise of moving strike convertible bonds (MSCB), etc.

No items to report

(4) Details of rights plan

No items to report

(5) Trends in total number of issued shares, capital stock, etc.

Date	Fluctuation in the total number of issued shares (shares)	Balance of total number of issued shares (shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in additional paid-in capital (Millions of yen)	Balance of additional paid-in capital (Millions of yen)
October 1, 2021 (Note)	259,181,318	388,771,977	–	32,641	–	59,256

Note: Based on the resolution adopted at the Board of Directors meeting on July 28, 2021, the Company split one share of its common stock into three shares on effective date of October 1, 2021.

(6) Shareholder composition

(As of March 31, 2022)

Category	Shareholder composition (Number of shares constituting one unit: 100)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	1	131	61	408	811	89	30,951	32,452	—
Number of shares held (Share units)	30	1,898,648	164,394	32,434	1,424,545	894	365,768	3,886,713	100,677
Holding rate of shares (%)	0.00	48.85	4.23	0.83	36.65	0.02	9.41	100.00	—

Notes: 1. In the "Other corporations" column, three share units in the name of Japan Securities Depository Center, Inc. are included.

2. 9,747,048 treasury shares of which 97,470 share units are included in "Individuals, etc." and 48 shares are included in "Shares less than one unit."

(7) Status of major shareholders

(As of March 31, 2022)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd.(Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	110,147	29.06
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	45,123	11.90
Custody Bank of Japan, Ltd. (Securities investment trust account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	8,893	2.35
SSBTC CLIENT OMNIBUS ACCOUNT	Boston, USA (3-11-1, Nihonbashi Chuo-ku, Tokyo, Japan)	8,015	2.11
BBH FOR GLOBAL X LITHIUM AND BATTERY TECH ETF	New York, USA (2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)	7,736	2.04
STATE STREET BANK WEST CLIENT - TREATY 505234	Massachusetts, USA (2-15-1, Konan, Minato-ku, Tokyo, Japan)	7,101	1.87
JP MORGAN CHASE BANK 385632	London, UK (2-15-1, Konan, Minato-ku, Tokyo, Japan)	4,765	1.26
JP MORGAN CHASE BANK 385781	London, UK (2-15-1, Konan, Minato-ku, Tokyo, Japan)	4,661	1.23
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	Hong Kong, China (3-11-1, Nihonbashi Chuo-ku, Tokyo, Japan)	4,063	1.07
Goldman Sachs Japan Co., Ltd.	6-10-1, Roppongi, Minato-ku, Tokyo, Japan	3,789	1.00
Total	-	204,293	53.90

Notes:
1. Other than the above, the Company holds 9,747 thousand shares of treasury stock.
2. In a Large Shareholding Report that was disclosed to public on May 21, 2020, the share possessions by shareholders as of May 15, 2020, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2022, the details were not included in the above “Status of major shareholders.”

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
Daiwa Asset Management Co. Ltd.	1-9-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	6,502,400	5.02

3. In a Change Report that was disclosed to public on June 1, 2020 and in a Correction Report that was disclosed to the public on July 8, 2021, the share possessions by shareholders as of May 25, 2020, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2022, the details were not included in the above “Status of major shareholders.”

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	540,372	0.42
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,361,600	1.82
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1,Yurakucho, Chiyoda-ku, Tokyo, Japan	3,010,700	2.32
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	792,373	0.61
Total	–	6,705,045	5.17

4. In a Change Report that was disclosed to public on July 7, 2020, the share possessions by shareholders as of July 1, 2020, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2022, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates held (%)
NOMURA HOLDINGS, INC.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	97,654	0.08
NOMURA INTERNATIONAL PLC	London, UK	262,714	0.20
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo, Japan	15,293,900	11.80
Total	–	15,654,268	12.08

5. In a Change Report that was disclosed to public on March 22, 2021, the share possessions by shareholders as of March 15, 2021, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2022, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates held (%)
Asset Management One Co., Ltd.	1-8-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	6,952,500	5.36

6. The Company split one share of its common stock into three shares on effective date of October 1, 2021. The "Number of share certificates, etc. held" listed in Notes 2 to 5 for the Large Shareholding Report, Change Report, and Correction Report are based on the numbers before the share split.

7. In a Change Report that was disclosed to public on November 19, 2021, the share possessions by shareholders as of November 15, 2021, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2022, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo, Japan	13,885,400	3.57
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo, Japan	22,106,700	5.69
Total	–	35,992,100	9.26

(8) Status of voting rights

a. Issued shares

(As of March 31, 2022)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Content
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	(Treasury stock) Common stock 9,747,000 (Cross-Holding stock) Common stock 276,000	–	–
Shares with full voting rights (Other)	Common stock 378,648,300	3,786,483	–
Shares less than one unit	Common stock 100,677	–	–
Total number of issued shares	388,771,977	–	–
Total number of voting rights	–	3,786,483	–

Note: 1. The number of "Shares with full voting rights (Other)" includes 900 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes nine units of voting rights related to shares with full voting rights in its name.

2. The Company split one share of its common stock into three shares on effective date of October 1, 2021. As a result, the "Total number of issued shares" has increased by 259,181,318 shares to 388,771,977 shares.

b. Treasury stock, etc.

(As of March 31, 2022)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of total number of shares held in the total number of issued shares (%)
(Treasury stock) TDK Corporation	2-5-1, Nihonbashi, Chuo-ku, Tokyo, Japan	9,747,000	–	9,747,000	2.51
(Cross-Holding stock) TODA KOGYO CORP.	1-23, Kyobashi-cho, Minami-ku, Hiroshima City, Hiroshim Pref. Japan	270,000	–	270,000	0.07
(Cross-Holding stock) YURIKOGYO CO.,LTD.	2-659, Numatashinmichishita, Nishimemachi, Yurihonjo City, Akita Pref. Japan	6,000	–	6,000	0.00
Total	–	10,023,000	–	10,023,000	2.58

Note: The Company split one share of its common stock into three shares on effective date of October 1, 2021.

2. Status of acquisition, etc. of treasury stock

[Class of shares]	Acquisitions of common stock that fall under Article 155, item (VII) of the Companies Act

(1) Acquisition by resolution of the General Meeting of Shareholders

No items to report

(2) Acquisition by resolution of the Board of Directors

No items to report

(3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (Shares)	Total value (Yen)
Treasury stock acquired during the fiscal year ended March 31, 2022	1,274	5,488,859
Treasury stock acquired during the period under review	93	409,200

Note: 1. The Company split one share of its common stock into three shares on effective date of October 1, 2021. The 1,274 treasury stock acquired during the fiscal year ended March 31, 2022 is the number of shares after the share split adjustments.

2. Shares acquired by the purchase of shares less than one unit between June 1, 2022 and the date of filing of this Annual Securities Report are not included in the "Treasury stock acquired during the period under review."

(4) Status of disposal and ownership of acquired treasury stock

Category	Fiscal 2022		Period under review	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Treasury stock acquired, for which subscription was offered	–	–	–	–
Treasury stock acquired, which were disposed	–	–	–	–
Treasury stock acquired, which were transferred for merger, share exchange, share issuance or company split	–	–	–	–
Other (Note 1)	57,644	98,853,071	22,532	38,601,372
Treasury stock held	9,747,048	―	9,724,609	―

Notes: 1. "Fiscal 2022" consists of disposals due to exercises of stock acquisition rights (Number of shares: 57,600, Total disposal value: 98,670,911) and cash out for demand for sale of shares less than one unit (Number of shares: 44, Total disposal value: 182,160). "Period under review" consists of disposals due to exercises of stock acquisition rights (Number of shares: 22,500, Total disposal value: 38,546,550) and cash out for demand for sale of shares less than one unit (Number of shares: 32, Total disposal value: 54,822).

2. The Company split one share of its common stock into three shares on effective date of October 1, 2021. The 57,644 treasury stock for "Other" during the fiscal 2022 is the number of shares after the share split adjustments.

2. Shares disposed of between June 1, 2022 and the date of filing of this Annual Securities Report are not included in treasury stock disposed of during the period under review.

3. Shares acquired or disposed of between June 1, 2022 and the date of filing of this Annual Securities Report are not included in "Treasury stock held" during the period under review.

3. Dividend policy

The Company recognizes that achieving growth in corporate value over the medium-and long term ultimately translates into higher shareholder value. In line with this recognition, the Company's fundamental policy is to work to consistently increase dividends through growth in earnings per share. By actively investing for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to rapid technological innovation in the electronics industry, the Company is aiming to increase medium- and long-term corporate value. Accordingly, the Company actively reinvests its profits in business activities and determines its dividends taking into consideration comprehensive factors such as return on equity (ROE) and dividends on equity (DOE) on a consolidated basis, as well as changes in the business environment.

The Company's basic policy is to pay dividends from surplus twice a year, at end of year and midterm, with the former determined by the Ordinary General Meeting of Shareholders and the latter by the Board of Directors.

The Articles of Incorporation of the Company prescribe "By resolution of the Board of Directors, the Company may pay interim dividends on September 30 of each year as a record date."

Dividends from surplus for the fiscal year ended March 31,2022 term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution of the Board of Directors held on November 1, 2021	12,633	100
The General Meeting of Shareholders held on June 24, 2022	17,056	45

4. Status of corporate governance, etc.

(1) Overview of corporate governance

①Basic views on corporate governance

The basic views to achieve sustainable corporate growth and increase of corporate value over mid- to long-term of the corporate group of TDK (the "TDK Group") are as follows:

a. Based on the founding spirit "Contribute to culture and industry through creativity" as the Corporate Motto of TDK which was established in 1935 as an entrepreneurial venture to industrialize a magnetic material called ferrite invented at the Tokyo Institute of Technology, TDK unremittingly pursues originality and increases corporate value through supplies of products and services which have created new value.

b. TDK builds satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continues to be helpful to the society by resolving social issues, and contributes to the development of a more sustainable society.

c. TDK clearly declares as the "TDK Charter of Corporate Behavior" that TDK will continue to respect human rights; comply with relevant laws, regulations, and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting the TDK Group seek to behave in strict compliance with the "Corporate Standards of Business Conduct" prescribed by the "TDK Code of Conduct".

d. TDK aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, TDK strives to foster a sound corporate culture and sincerely conducts business activities, always aware of its place as a member of society.

e. TDK will be accountable to stakeholders through comprehensive, accurate, timely, and impartial disclosure of information.

TDK has established the "TDK Basic Policy on Corporate Governance" as its basic views and policy regarding the corporate governance of TDK, which is posted on the website of TDK.

■TDK Basic Policy on Corporate Governance

https://www.tdk.com/en/ir/tdk_management_policy/governance/basic/index.html

②Overview of current system and reason for adoption

The Company is a company with an Audit & Supervisory Board and has implemented various measures to strengthen its corporate governance. In 2002, efforts to reform governance included the introduction of an executive officer system along with a significant reduction in the number of Directors for the purpose of clearly separating management's monitoring and execution functions. In addition, to fortify the system for boosting shareholders' confidence, we shortened the term of office of Directors from 2 years to 1 year and actively invited the participation of Outside Directors.

In addition, the Company has established 3 committees acting as advisory organizations to the Board of Directors (the Nomination Advisory Committee, the Compensation Advisory Committee, the Corporate Governance Committee) to strengthen our management supervision functions .

Further, TDK established "TDK Basic Policy on Corporate Governance" in 2016 June. The policy request to elect Independent Outside Directors which account for one-third or more of the Directors and to assign an Independent Outside Director as the chair of the Board of Directors in principle. TDK complies them.

In short, the Company has always believed it can realize a system to continuously ensure sound, compliant and transparent management through the introduction of a new framework that strengthens corporate governance based on its Audit & Supervisory Board System.

a. Organization of the Board of Directors

The Company has a small number of Directors to expedite the management decision-making process. At the same time, the Company appoints disinterested, independent Outside Directors in order to enhance the supervision of the Company's management. In addition, the Company's basic policy is to elect independent Outside Directors which account for one-third or more of the Directors and from the perspective of ensuring clear separation between management oversight and business execution, an independent Outside Director serves as the Chair of the Board of Directors in principle. Furthermore, the Directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every fiscal year.

	Representative Director	Noboru Saito
	Representative Director	Tetsuji Yamanishi
	Director	Shigenao Ishiguro
	Director	Shigeki Sato
	Outside Director	Kozue Nakayama
Chair of the board	Outside Director	Mutsuo Iwai
	Outside Director	Shoei Yamana

b. Organization of the Audit & Supervisory Board

The Company has adopted the Audit & Supervisory Board Member System pursuant to the Companies Act of Japan and has appointed independent Outside Audit & Supervisory Board Members who are disinterested in the Company to strengthen the supervision of the Company's management.

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

c. Overview of advisory organizations to the Board of Directors

< The Nomination Advisory Committee >

The Nomination Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members and Corporate Officers and provides transparency in the decision-making process.

Chair of the committee	Outside Director	Kozue Nakayama
	Outside Director	Mutsuo Iwai
	Outside Director	Shoei Yamana
	Director	Shigenao Ishiguro
	Representative Director	Noboru Saito

<The Compensation Advisory Committee>

The Compensation Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers, as well as presidents and qualifying officers of the Company's principal subsidiaries. It also reviews the transparency of the remuneration decision-making process and verifies whether such remuneration is reasonable in light of corporate business performance, individual performance and general industry standards.

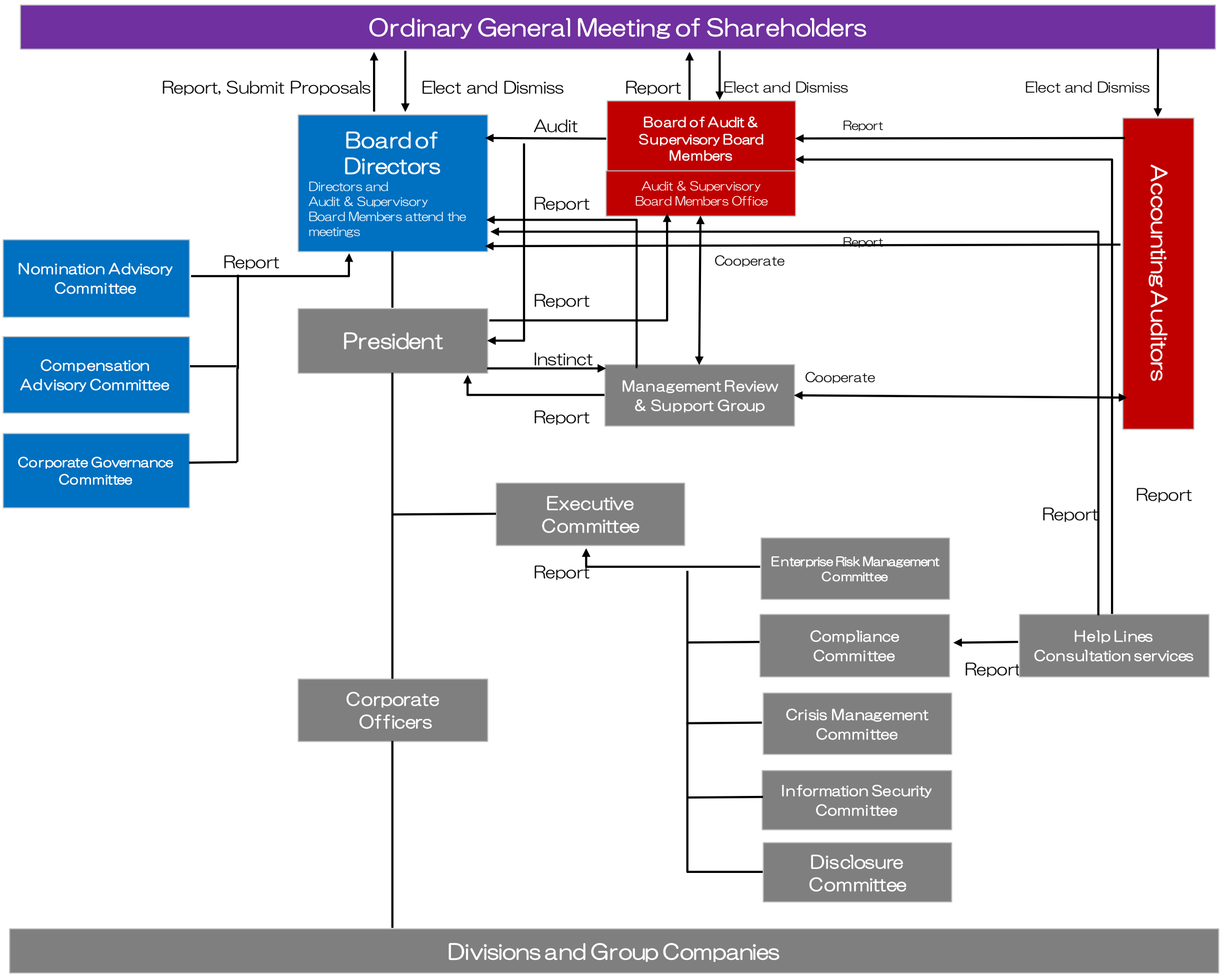
Chair of the committee	Outside Director	Shoei Yamana
	Outside Director	Kozue Nakayama
	Outside Director	Mutsuo Iwai
	Director	Shigenao Ishiguro
	Representative Director	Tetsuji Yamanishi

<The Corporate Governance Committee>

The Corporate Governance Committee conducts deliberations on matters concerning corporate governance, the internal control system and its operation, etc. and continuously strives to enhance corporate governance for the Company's sustainable growth and increase of its corporate value over the mid- to long-term.

Chair of the committee Director	Shigenao Ishiguro
Committee Members	Some of the General Managers of HQ staff functions

d. Organization Chart



③Other matters relating to corporate governance

Establishment of systems for ensuring the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems for ensuring the properness of operations of a stock company and operations of a corporate group consisting of such stock company and its subsidiaries

With respect to the statement above, the Board of Directors of the Company resolved as follows:

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[Establishment of systems for ensuring the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems for ensuring the properness of operations of a stock company and operations of a corporate group consisting of such stock company and its subsidiaries]

(Latest revision date: April 27, 2022)

(1) Systems for ensuring the execution of duties by Directors of the Company complies with laws and regulations and the Articles of Incorporation:

The Company was established in 1935 as an entrepreneurial venture to industrialize a magnetic material called ferrite invented at Tokyo Institute of Technology. In the ensuing years, the Company has unremittingly pursued originality and increased corporate value through provisions of products and services which have created new value, based on the founding spirit "Contribute to culture and industry through creativity" as its Corporate Motto. In addition, TDK will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continue to be helpful by resolving social issues and contribute to the development of a more sustainable society. TDK clearly declares as "TDK Charter of Corporate Behavior" that TDK will continue to respect human rights; comply with relevant laws, regulations and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting TDK seek to behave in strict compliance with the "Corporate Standards of Business Conduct" prescribed by the "TDK Code of Conduct".

In addition, the Company aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, the Company strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, the Company will be accountable to stakeholders through comprehensive, accurate, timely and impartial disclosure of information.

As mentioned above, the Company sincerely and devotedly seeks to achieve its management philosophy and to establish the following effective and orderly corporate governance systems to continue to ensure soundness, compliance and transparency in its business operations.

① Adoption of the Audit & Supervisory Board Member System and Strengthening of the Supervisory Function:
The Company has adopted the Audit & Supervisory Board Member System pursuant to the Companies Act of Japan and has appointed independent Outside Audit & Supervisory Board Members who are disinterested in the Company to strengthen the supervision of the Company's management.

② Strengthening the Supervisory Function of the Board of Directors:
The Company has a small number of Directors to expedite the management decision-making process. At the same time, the Company appoints disinterested, independent Outside Directors in order to enhance the supervision of the Company's management. In addition, the Company's basic policy is to elect independent Outside Directors which account for one-third or more of the Directors and from the perspective of ensuring clear separation between management oversight and business execution, an independent Outside Director serves as the Chair of the Board of Directors in principle. Furthermore, the Directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every fiscal year.

③ Adoption of a Corporate Officer System for Expeditious Business Execution:
The Company has adopted a Corporate Officer system that separates the management decision making and Director supervisory functions of the Board of Directors from the execution of business. This aims to accelerate decision-making by delegation of authority and to clarify the authority and responsibility of business execution. Corporate Officers are in charge of business execution and carrying out decisions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

④ Establishment of Advisory Bodies to the Board of Directors (Nomination Advisory Committee, Compensation Advisory Committee and Corporate Governance Committee):
The Nomination Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members and Corporate Officers and provides transparency in the decision-making process.
The Compensation Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers, as well as presidents and qualifying officers of the Company's principal subsidiaries. It also reviews the transparency of the remuneration decision-making process and verifies whether such remuneration is reasonable in light of corporate business performance, individual performance and general industry standards.
The Corporate Governance Committee conducts deliberations on matters concerning corporate governance, internal control system and its operation, etc. and continuously strives to enhance corporate governance for the Company's sustainable growth and increase of its corporate value over the mid- to long-term.

Under the foregoing corporate systems, the Audit & Supervisory Board Members in charge of supervising management, ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Audit & Supervisory Board, the Code of Audit & Supervisory Board Members' Auditing Standards and Audit Practice Standards for Internal Control Systems and by auditing whether the Directors' performance is appropriately and reasonably in compliance with relevant laws and regulations and the Articles of Incorporation.
Similarly, Directors in charge of management decision-making and supervision of business execution ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Directors' Business and the Regulations of the Board of Directors established in accordance with relevant laws and regulations and the Articles of Incorporation. In addition, Corporate Officers in charge of business execution ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business.
The Company has established the Disclosure Committee as well as the following procedures and system to ensure compliance with all applicable securities and exchange laws and other similar laws and regulations of all relevant countries, as well as the rules and regulations of the stock exchange on which the Company's shares are listed (hereinafter collectively referred to as the "Securities Regulations").
(i) Internal control and other procedures to collect, record, analyze, process, summarize and report all information required to be disclosed under the Securities Regulations and warrant timely disclosures within the deadlines stipulated by the Securities Regulations.
(ii) System to ensure that the Company has procedures designed to obtain reasonable assurance that all the transactions that the Company conducts are properly authorized, that the Company's assets are protected from unauthorized or improper use and that all trading activities are appropriately recorded and reported for the purpose of enabling the Company to prepare financial statements in accordance with the accounting standards applied by the Company.
(iii) System to ensure that the Company is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.

(2) System regarding preservation and control of information in relation to the execution of business by Directors of the Company:
The President, who is responsible for the business execution of the Company, has established the Document Control Regulations, which are applicable to TDK and provide basic rules for the preservation and control of information regarding the execution of business by Directors.

(3) Regulations and other systems for managing the risk of loss(es) of the Company and its subsidiaries:
To enhance the risk management system of TDK, the Company has established the following five committees (which is chaired by a Corporate Officer) under the direct control of the Executive Committee.

(i) ERM* Committee
Through the ERM Committee, which has been established for the purpose of the company-wide measures against factors (risks) that obstruct the achievement of the business targets and business operations of the Company, the Company further strengthens enterprise risk management. The ERM Committee clarifies the roles of each organization in risk management activities, and implements the PDCA cycle for a series of risk management activities (identification of risks ~ evaluation and consideration of countermeasures ~ implementation ~ monitoring and improvement).
*ERM (Enterprise Risk Management)

(ii) Compliance Committee
The Company has established the Compliance Committee to promote and oversee compliance-related risk management with the aim of preventing violations of laws and regulations, etc. and strengthening prevention of recurrence. The Compliance Committee approves company-wide compliance activity policies and plans, select risks that TDK will focus on with respect to compliance, assign individual risks to risk owner divisions, and provide instructions to and monitor risk owner divisions.

(iii) Crisis Management Committee
The Crisis Management Committee has been established and operates with the aim of implementing preventive measures for serious accidents, incidents, disasters, etc. that may impede the survival or development of the Company as well as reducing subsequent damage and preventing the expansion of damage. In the event of an emergency, the Company will quickly set up a Crisis Management Headquarters and, while giving first priority to ensuring the safety of its employees, it will resume business as soon as possible and fulfill its responsibility to supply its customers in accordance with the Business Continuity Plan (BCP).

(iv) Information Security Committee
The Information Security Committee properly manages important information such as information provided by customers and personal information in compliance with laws and regulations, implements measures against cyber-attacks, and monitors the security status of TDK to prevent cyber-attacks. In addition, in the event of an attack, the said Committee will promptly assess the situation, recover, and take measures.

(ⅴ) Disclosure Committee
The Disclosure Committee deliberates on and examines important corporate information and disclosure materials of the Company that are required for investment decisions by shareholders and investors, to ensure that the Company discloses appropriate information in a comprehensive, accurate, timely and impartial manner, in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchange on which the Company's shares are listed.

The Company has ensured that a structure for receiving advice in relation to enhancing the risk management system and increasing its effectiveness (including, but not limited to, identifying, evaluating and reviewing material management risks at TDK and establishing effective countermeasures) is in place through regular confirmation and audit by the Audit & Supervisory Board Members and the internal audit department of the management operations described above. In addition, the Company will seek advice from specialists, including outside legal counsel and other experts, as needed regarding risks surrounding TDK.

(4) System for ensuring Directors of the Company and Directors, etc. of the Company's subsidiaries execute their duties efficiently and system for reporting matters concerning the execution of duties of Directors, etc. of the Company's subsidiaries to the Company:

The Company has a small number of Directors and has adopted the Corporate Officer system to facilitate the Directors' ability to make quick and efficient management decisions.
At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing and financing of TDK, are decided by the President upon being deliberated at the Executive Committee, which consists of Corporate Officers and General Managers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. As to the status of the execution of their duties, the Company ensures efficient management via regular reports to the Board of Directors and regular reports from Corporate Officers to the Executive Committee.
With respect to the Company's subsidiaries, the Company ensures efficient management execution by having them execute their business based on the responsibilities and authorities stipulated in the "Global Common Regulations" for the entire TDK. Also, the Company has established a system to ensure that appropriate reports are made by stipulating matters to be reported periodically or as necessary on the management situation of the subsidiaries and the status of the execution of duties by Directors, etc. of the subsidiaries in the "Global Common Regulations".

(5) System for ensuring performance of duties by employees of the Company and Directors, etc. and employees of the Company's subsidiaries are in compliance with laws and regulations and the Articles of Incorporation:

The Company strives to ensure that all members of TDK are fully familiar with TDK's management philosophy, "TDK Code of Conduct" and "TDK Charter of Corporate Behavior" in order to ensure improved soundness, compliance and transparency of management, as well as compliance with laws, regulations and the Articles of Incorporation throughout the performance of duties by all members of TDK.
In addition, the Company has established the Compliance Committee and appoints a Global Chief Compliance Officer from among Corporate Officers upon resolution of the Board of Directors. The Global Chief Compliance Officer serves as the Chair of the Compliance Committee and appoints Regional Chief Compliance Officers for each region. The Global Chief Compliance Officer, together with the Compliance Committee and the Regional Chief Compliance Officers, promotes activities to strengthen a compliance system of TDK and reports their activities to the President and the Board of Directors.
Furthermore, the Company has established a corporate ethics management system under the Business Ethics Committee, to regularly monitor the Company's compliance with corporate ethics, including the Company's subsidiaries worldwide. The Consultations and Help Lines also enable employees to directly report all relevant information and opinions concerning corporate ethics, etc. within TDK.

(6) System for ensuring proper business execution by the corporate group consisting of the Company and its subsidiaries:

Each Director, Corporate Officer and manager in charge of operations of TDK strives to achieve proper business operations by making and executing business decisions in compliance with the "TDK Code of Conduct" and the "Global Common Regulations", which summarizes the responsibilities and authorities of each organization.
The Audit & Supervisory Board Members audit, on a regular basis, the condition of the business operations of each department of TDK by researching the departments, examining important documents, and attending important meetings. In addition, the internal audit department audits and supports each department of TDK in order to promote consistency in relation to business operations and management policies, efficiency of management, and compliance with relevant laws and regulations.

(7) Matters relating to employees who support the duties of Audit & Supervisory Board Members of the Company when Audit & Supervisory Board Members request such employees:

The Audit & Supervisory Board Members Office, consisting of designated full-time employees who do not perform any business execution duties, has been established and assists duties of the Audit & Supervisory Board Members.

(8) Matters regarding the independence of employees in the preceding item from Directors and the ensuring of the effectiveness of instructions of Audit & Supervisory Board Members of the Company to such employees:

The authority to instruct or order the employees who serve as members of the Audit & Supervisory Board Members Office belongs exclusively to the Audit & Supervisory Board Members. In addition, the Audit & Supervisory Board Members directly evaluate the performance of such employees and any transfer or discipline of these employees is determined pursuant to the operating rules of the Company subject to the consent of the Audit & Supervisory Board Members.

(9) System for ensuring Directors and employees of the Company report to Audit & Supervisory Board Members of the Company, and system for ensuring Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries or persons who have received reports from these persons report to Audit & Supervisory Board Members of the Company:

All members of TDK provide an appropriate report immediately, if an Audit & Supervisory Board Member requests a report regarding the execution of business. Information regarding management policies of TDK and conditions of business execution by Corporate Officers is timely provided to Audit & Supervisory Board Members who attend important meetings such as Executive Committee meetings and business plan review meetings, and minutes of such meetings are also provided to the Audit & Supervisory Board Members immediately. Furthermore, Audit & Supervisory Board Members may receive explanations directly from Corporate Officers and other personnel as necessary. Audit & Supervisory Board Members may review reports prepared by each department of the Company or company of TDK, and thereby confirm the conditions of the business operations of TDK.
In addition, all members of TDK may report any fact which may cause significant damage to TDK, such as violation of law or regulation, to the Business Ethics Subcommittee through the Consultations or Help Lines established by the said Subcommittee and covering the whole of TDK. In cases where the Business Ethics Subcommittee finds any fact which may cause significant damage to TDK, such as violation of law or regulation, it will immediately report such fact to Audit & Supervisory Board Members or the Audit & Supervisory Board.
Furthermore, information regarding the activities of the ERM Committee and other committees is provided to Audit & Supervisory Board Members from time to time, enabling the Audit & Supervisory Board Members to confirm the overall status of corporate activities.

(10) System for ensuring persons who have reported as provided in the preceding item will not be treated unfavorably on grounds of such reporting

The Company prohibits any member of TDK who has reported acts in violation of laws and regulations, etc. or the "TDK Code of Conduct" from being treated unfavorably on the grounds of such reporting, and stipulates to that effect in the "TDK Code of Conduct" and clearly informs all members of TDK of that fact.

(11) Matters concerning policies for disposal of expenses and obligations associated with the execution of duties by Audit & Supervisory Board Members

When Audit & Supervisory Board Members demand payment of expenses or obligations associated with execution of their duties from the Company pursuant to Article 388 of the Companies Act of Japan, the Company shall pay such expenses or obligations immediately after deliberation at the department in charge unless the expenses or obligations concerning such demand are proven to be unnecessary for the execution of such duties of the Audit & Supervisory Board Members.

(12) Other systems for ensuring Audit & Supervisory Board Members of the Company conduct audits effectively:

The Audit & Supervisory Board Members and the Audit & Supervisory Board meet with the President on a regular basis to confirm management policies and exchange opinions on pressing issues and risks affecting TDK and other important matters from the perspective of the Audit & Supervisory Board Members' audits. These meetings also strengthen the mutual understanding between the Audit & Supervisory Board Members and the President.
The Audit & Supervisory Board Members and the Audit & Supervisory Board ensure that the audits of Audit & Supervisory Board Members are conducted effectively by meeting regularly with the internal audit department, receiving, together with the internal audit department, regular audit reports from the Accounting Auditor, and sharing information regarding initial audit plans and results. Furthermore, the Audit & Supervisory Board has entered into an advisory contract with an attorney who is independent from the business execution department and has established a system to ensure that it receives advice with respect to matters which need to be reviewed or confirmed from the perspective of the Audit & Supervisory Board Members or the Audit & Supervisory Board.

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④ Limited liability agreements with Outside Directors and Audit & Supervisory Board Members

The Company entered into contracts with each Outside Directors and Audit & Supervisory Board Members pursuant to Article 427 paragraph 1 of the Companies Act to limit the liabilities of each such Outside Director/Audit & Supervisory Board Member to the Company under Article 423 paragraph 1 of the same Act to the amount set forth in each such contact, which amount shall be equal to or greater than the amount provided for in Article 425 paragraph 1 of the same Act.

⑤ Summary of Contents of Directors and Officers Liability Insurance Contract

The Company entered into a directors and officers liability insurance contract set forth in Article 430-3, paragraph 1 of the Companies Act of Japan with an insurance company. The insured under such insurance contract are Directors, Audit & Supervisory Board Members, and Corporate Officers and other key persons who executes business of the Company and its domestic subsidiaries, and the insurance premiums for the insured are fully borne by the Company.

Under the said insurance contract, the amount of damages and costs of litigations, etc. that an insured may incur due to claims for damages arising from acts (including omissions) committed by the insured in his/her capacity as a Director, Audit & Supervisory Board Member, Corporate Officer, etc. of the Company or its domestic subsidiaries shall be covered by the insurance.

In addition, in order to ensure that the insured's proper performance of his/her duties is not impaired, the contract does not cover damages, etc. arising from the insured's illegally obtaining personal benefits or favors.

⑥ Number of Directors

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

⑦ Resolution requirements for election and dismissal of Directors

The Company's Articles of Incorporation stipulate that resolutions of the General Meeting of Shareholders concerning the election or dismissal of Directors shall be adopted by an affirmative vote of a majority of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting.

⑧ Items for resolution by the General Meeting of Shareholders that can be approved by resolution by the Board of Directors

a. Acquisition of treasury stock

Pursuant to Article 165, paragraph 2 of the Companies Act, for the purpose of enabling the execution of flexible capital policy, the Company's Articles of Incorporation provide for the acquisition of treasury stock to be possible by resolution of the Board of Directors.

b. Interim dividend

The Company's Articles of Incorporation provide that the Company may distribute an interim dividend with a record date of September 30 each year by resolution of the Board of Directors, pursuant to the provisions of Article 454, paragraph 5 of the Companies Act, to the effect that the Company may flexibly distribute profits to shareholders.

⑨ Requirements of special resolution of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders as provided for in Article 309, paragraph 2 of the Companies Act shall be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting. This constitutes an easier quorum for special resolutions, which has been provided to facilitate the smooth conduct of the General Meeting of Shareholders.

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

①List of Directors and Audit & Supervisory Board Members

Men: 10 Women: 2 (Percentage of women among directors and audit & supervisory board members: 16.7%)

Title & Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Representative Director President and CEO, and General Manager of Humidifier Countermeasures HQ	Noboru Saito	Sep. 10, 1966	Apr. 1989:	Entered the Company	Note: 3	243
			May 2006:	President of TDK Electronics Europe GmbH		
			Jan. 2007:	General Manager of Europe Sales Division of Electronic Components Sales & Marketing Group of the Company		
			Oct. 2009:	Deputy General Manager of Europe Sales Division of Electronic Components Sales & Marketing Group of TDK-EPC Corporation		
			Jun. 2011:	Corporate Officer of the Company Deputy General Manager of Electronic Components Sales & Marketing Group of TDK-EPC Corporation		
			Oct. 2012:	Deputy General Manager of Electronic Components Sales & Marketing Group of the Company		
			Apr. 2013:	General Manager of Electronic Components Sales & Marketing Group of the Company		
			Jun. 2013:	Senior Vice President of the Company		
			Apr. 2014:	General Manager of Electronic Components Sales & Marketing Group of the Company		
			Apr. 2015:	General Manager of Corporate Strategy HQ of the Company		
			Jun. 2015:	Director of the Company (retired in Jun. 2017)		
			Apr. 2017:	CEO of Sensor Systems Business Company of the Company		
			Apr. 2022:	President & CEO of the Company (present post) General Manager of Humidifier Countermeasures HQ of the Company (present post)		
			Jun. 2022:	Representative Director of the Company (present post)		
Representative Director Executive Vice President General Manager of Finance & Accounting HQ	Tetsuji Yamanishi	May. 29, 1960	Apr. 1983:	Entered the Company	Note: 3	150
			Jan. 2005:	Senior Manager of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company		
			Jul. 2008:	Head of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company		
			Jun. 2013:	General Manager of Finance & Accounting Department of the Company		
			Apr. 2015:	General Manager of Finance & Accounting Group of the Company		
			Jun. 2015:	Corporate Officer of the Company		
			Jun. 2016:	Director of the Company		
			Apr. 2017:	General Manager of Finance & Accounting HQ of the Company (present post)		
			Jun. 2017:	Senior Vice President of the Company		
			Jun. 2018:	Representative Director of the Company (present post)		
			Apr. 2019:	Global Chief Compliance Officer of the Company		
			Apr. 2020:	Executive Vice President of the Company (present post)		

Title & Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Director Chairman	Shigenao Ishiguro	Oct. 30, 1957	Jan. 1982:	Entered the Company	Note: 3	165
			Apr. 2002:	Senior Manager of Planning Group of Europe Sales Group of Recording Media & Solutions Business Group of the Company		
			Jul. 2004:	Leader of Planning Group of Japan Operation of HDD Head Business Division of Data Storage & Thin Film Technology Components Business Group of the Company		
			Apr. 2007:	Leader of Japan Operation of HDD Head Business Division of Data Storage & Thin Film Technology Components Business Group of the Company		
			Apr. 2011:	Deputy General Manager of Data Storage & Thin Film Technology Components Business Group of the Company		
			Jun. 2012:	General Manager of Data Storage & Thin Film Technology Components Business Group of the Company		
			Jun. 2014:	Corporate Officer of the Company		
			Apr. 2015:	CEO of Magnetic Heads and Sensors Business Company of the Company		
			Jun. 2015:	Senior Vice President of the Company		
			Jun. 2016:	President & Representative Director of the Company General Manager of Humidifier Countermeasures HQ of the Company General Manager of Manufacturing HQ of the Company		
			Apr. 2022:	Chairman & Representative Director of the Company		
			Jun. 2022:	Outside Director of NTT DATA Corporation (present post)		
			Jun. 2022:	Chairman & Director of the Company (present post)		
Director Senior Vice President General Manager of Technology and Intellectual Property HQ	Shigeki Sato	Jul. 9, 1964	Apr. 1989:	Entered the Company	Note: 3	33
			Jan. 2004:	General Manager of Advanced Process Technology Center of the Company		
			Feb. 2007:	Head of Technology Division of Capacitors Business Group of the Company		
			Dec. 2011:	Senior Manager of Multilayer product Business Unit of Magnetics Business Group of the Company		
			Apr. 2016:	General Manager of Ceramic Capacitors Business Group of Electronic Components Business Company of the Company		
			Apr. 2019:	Corporate Officer of the Company CEO of Electronic Components Business Company of the Company		
			Apr. 2021:	Senior Vice President of the Company (present post) General Manager of Technology and Intellectual Property HQ of the Company (present post)		
			Jun. 2021:	Director of the Company (present post)		
Director	Kozue Nakayama	Feb. 25, 1958	Apr. 1982:	Entered Nissan Motor Co., Ltd.	Note: 3	—
			Sep. 2010:	Deputy General Manager of Global Branding Division of the said company		
			Mar. 2011:	Retired from the said company		
			Apr. 2011:	Entered Yokohama City		
			Apr. 2012:	Director General of Culture and Tourism Bureau of the said city		
			Jun. 2018:	President and Representative Director of Pacific Convention Plaza Yokohama		
			Jun. 2019:	Outside Audit & Supervisory Board Member of Imperial Hotel, Ltd. (present post)		
			Jun. 2020:	Outside Director of the Company (present post) Outside Director of Isuzu Motors Limited (present post)		

Title & Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Director	Mutsuo Iwai	Oct. 29, 1960	Apr. 1983: Jun. 2005: Jun. 2006: Jun. 2008: Jun. 2010: Jun. 2011: Jun. 2013: Jan. 2016: Mar. 2016: Jan. 2020: Mar. 2020: Jun. 2020: Jun. 2021: Mar. 2022:	Entered Japan Tobacco and Salt Public Corporation Senior Vice President and Vice President of Food Business Division of Food Business of Japan Tobacco Inc. ("JT") Member of the Board and Executive Vice President; President of Food Business of JT Executive Vice President; Chief Strategy Officer of JT Member of the Board and Senior Vice President; Chief Strategy Officer and Assistant to CEO in Food Business of JT Member of the Board of JT International S.A. Senior Executive Vice President; Chief Strategy Officer of JT Executive Vice President; President of Tobacco Business of JT Representative Director and Executive Vice President; President of Tobacco Business of JT Member of the Board of JT Member and Deputy Chairperson of the Board of JT Outside Director of Benesse Holdings, Inc. (present post) Outside Director of the Company (present post) Member and Chairperson of the Board of JT (present post)	Note: 3	—
Director	Shoei Yamana	Nov. 18, 1954	Apr. 1977: Jan. 2001: Jul. 2002: Aug. 200:3 Oct. 2003: Jun. 2006: Apr. 2011: Apr. 2013: Apr. 2014: Apr. 2022: Jun. 2022:	Entered Minolta Camera Co., Ltd. CEO of Minolta QMS Inc. Executive Officer and General Manager of Management Planning Division of Minolta Co., Ltd. Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of the said company Senior Executive Officer of Konica Minolta Holdings, Inc. (current Konica Minolta, Inc.) Executive Officer, and General Manager of MFP Operations and Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of Minolta Co., Ltd. Senior Executive Officer of Konica Minolta Holdings, Inc. Managing Director of Konica Minolta Business Technologies, Inc. Director and Senior Executive Officer of Konica Minolta Holdings, Inc. Director and Senior Executive Officer of the said company Representative Director and President of Konica Minolta Business Technologies, Inc. Director and Senior Managing Executive Officer of Konica Minolta, Inc. Director, President and CEO, and Representative Executive Officer of the said company Director, Executive Chairman and Executive Officer of the said company (present post) Outside Director of the Company (present post)		—

Title & Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Full-time Audit & Supervisory Board Member	Satoru Sueki	Jul. 1, 1958	Mar. 1984: Apr. 2005: Apr. 2006: Apr. 2009: Jun. 2010: Apr. 2013: Jun. 2014: Apr. 2017: Mar. 2019: Jun. 2019: Jun. 2019:	Entered the Company Leader, Thin Film Device Product Group, Thin Film Device Division, Data Storage & Thin Film Technology Components Business Group of the Company Project Leader, Thin Film Product Project, Technology Group of the Company Deputy General Manager, Device Development Center, Technology Group of the Company General Manager, Quality Assurance Department of the Company General Manager, Quality Assurance Group, Manufacturing HQ of the Company General Manager, Humidifier Recall Office, Humidifier Countermeasures HQ of the Company Corporate Officer of the Company General Manager, Quality Assurance Group of the Company General Manager, Quality Assurance HQ of the Company Retirement of Corporate Officer of the Company Full-time Audit & Supervisory Board Membe of the Company (present post) Full-time Audit & Supervisory Board Member of the Company (present post)	Note: 4	86
Full-time Audit & Supervisory Board Member	Takakazu Momozuka	Nov. 3, 1958	Apr. 1982: Apr. 2005: Jun. 2008: Jun. 2011: Jun. 2013: Apr. 2015: Jun. 2016: Oct. 2016: Apr. 2017: Mar. 2019: Jun. 2019:	Entered the Company Senior Manager, Finance & Accounting Department, Administration Group of the Company General Manager, Finance & Accounting Department, Administration Group of the Company Corporate Officer of the Company In charge of Finance & Accounting and BPR Project of the Company General Manager, Corporate Administration HQ of the Company In charge of Management System and BPR Project of the Company Deputy General Manager, Corporate Administration HQ of the Company General Manager, General Affairs Group, Corporate Administration HQ of the Company Chief Compliance Officer of the Company General Manager, Compliance HQ of the Company General Manager, Legal & Compliance HQ of the Company Retirement of Corporate Officer of the Company Full-time Audit & Supervisory Board Member of the Company (present post)	Note: 4	90
Audit & Supervisory Board Member	Jun Ishii	Mar.24, 1956	Apr. 1979: Apr. 2007: Apr. 2012: Jun. 2014: Apr. 2015: Jun. 2017: Apr. 2018: Jun. 2019:	Entered Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation) Executive Officer of the said company Managing Executive Officer of the said company Managing Director of the said company In charge of Human Resources, General Affairs, Social Relations, Legal Affairs, Fair Business, Corporate Governance, Risk Management, Facility Management, Corporat Sport Promotion and Executive Support Office; and Director, Risk & Governance Management Division, Of the said company Director, Managing Executive Officer, Chief Risk Management Officer (CRO), and Chief Compliance Officer (CCO); In charge of Corporate Governance; Director, Risk & Governance Management Division; and In charge of General Affairs, Social Relations, Facility Management and Executiv Support Office, Of the said company Director of the said company (Retired in Jun. 2018) Outside Audit & Supervisory Board Member of the Company (present post)	Note: 4	—

Title & Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Audit & Supervisory Board Member	Douglas K. Freeman	May. 23, 1966	Apr. 1990: Entered Goldman Sachs Japan Co., Ltd. Apr. 1996: Registered as lawyer in Japan Joined Mitsui, Yasuda, Wani & Maeda Jun. 1997: Joined Hamada Law Offices Sep. 2002: Registered as lawyer in New York, the United States of America Joined Sullivan & Cromwell LLP Sep. 2007: Principal of Law Offices of Douglas K. Freeman (present post) Feb. 2016: Outside Director of U-Shin Ltd. Apr. 2019: Professor of Keio University Law School (present post) Jun. 2019: Outside Audit & Supervisory Board Member of the Company (present post)	Note: 4	—
Audit & Supervisory Board Member	Michiko Chiba	Jun.27, 1961	Apr. 1984: Entered Tokyo Metropolitan Government Oct. 1989: Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC) Mar. 1993: Registered as certified public accountant in Japan Jul. 2010: Senior Partner, Ernst & Young ShinNihon LLC Sep. 2016: Principal of Chiba Certified Public Accountant Office (present post) Jun. 2018: Outside Audit & Supervisory Board Member of CASIO COMPUTER CO., LTD. Mar. 2019: Outside Audit & Supervisory Board Member of DIC Corporation (present post) Jun. 2019: Outside Director, Audit & Supervisory Committee Member of CASIO COMPUTER CO., LTD. (present post) Outside Audit & Supervisory Board Member of the Company (present post) Apr. 2022: Commissioner of Certified Public Accountants and Auditing Oversight Board (present post) Jun. 2022: Outside Member of the Board of Directors (Audit and Supervisory Committee Member) of NTT DOCOMO, INC. (present post)	Note: 4	—
Total					767

Notes:
1. Ms. Kozue Nakayama, Mr. Mutsuo Iwai and Mr. Shoei Yamana are Outside Directors.
2. Mr. Jun Ishii, Mr. Douglas K. Freeman and Ms. Michiko Chiba are Outside Audit & Supervisory Board Member.
3. One year from the Ordinary General Meeting of Shareholders held on June 24, 2022.
4. Four years from the Ordinary General Meeting of Shareholders held on June 27, 2019.
5. The Company, aiming to boost execution of duties and improve management efficiency, has introduced a Corporate Officer System. The Company has 17 Corporate Officers.

②Status of Outside Directors and Outside Audit & Supervisory Board Members

a. Special interests between TDK and its Outside Directors and Outside Audit & Supervisory Board Members

There are no special interests between TDK and any of its current Outside Directors and Outside Audit & Supervisory Board Members (three Outside Directors and three Outside Audit & Supervisory Board Members).

b. Business relationships between TDK and companies where Outside Directors and Outside Audit & Supervisory Board Members serve as officers

Business relationships between TDK and companies where Outside Directors serve as officers are as follows.

- Although the Company has a business relationship with Konica Minolta, Inc., where Outside Director Mr. Shoei Yamana serves as a Director, Executive Chairman and Executive Officer , the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2022, the ratio of sales of TDK to the Konica Minolta, Inc. and the ratio of sales of Konica Minolta, Inc. to TDK represented less than 1% of both companies' consolidated net sales.

- Although the Company has a business relationship with CASIO COMPUTER CO., LTD., where Outside Audit & Supervisory Board Member Ms. Michiko Chiba serves as an Outside Director and an Audit & Supervisory Committee Member, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2022, the ratio of sales of TDK to the CASIO COMPUTER Group represented less than 1% of the consolidated net sales of TDK. And although the Company has a business relationship with NTT DOCOMO, INC., where Outside Audit & Supervisory Board Member Ms. Michiko Chiba serves as an Outside Member of the Board of Directors (Audit and Supervisory Committee Member), the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2022, the ratio of sales of TDK to the NTT DOCOMO, INC. and the ratio of sales of the NTT DOCOMO, INC. to TDK represented less than 1% of both companies' consolidated net sales.

c. Function and roll of Outside Directors and Outside Audit & Supervisory Board Members

The Company is actively inviting Outside Directors to participate in our organization for the purpose of strengthening management supervision functions, and building a management conscious of our various stakeholders including shareholders and an effective and disciplined corporate governance framework. As a result, the date of filing of this Annual Securities Report, three of the seven Directors are Outside Directors and three of the five Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

The Outside Directors confirm significant issues through reports from Corporate Officers and others in the Board of Directors and express their opinions as necessary to fulfill their supervisory function. Furthermore, the Outside Audit & Supervisory Board Members confirm the effectiveness of such as the internal control system through reports from the full-time Audit & Supervisory Board Members and reports from the Accounting Auditors and discuss the details of such reports to fulfill their supervisory function.

d. Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members

In order to secure the independence of the Outside Directors and Outside Audit & Supervisory Board Members, the Company has established "items to be verified regarding independence" with reference to such criteria as Rule 436-2 of the Securities Listing Regulation regarding securing independent directors/auditors and Rule III. 5. (3)-2 of Guidelines Concerning Listed Company Compliance, etc., both of which are stipulated by Tokyo Stock Exchange, Inc. The outline of these items is as follows.

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"Items to be verified regarding independence"

(1) In cases where the relevant Outside Director/Audit & Supervisory Board Member has a relationship with TDK

An Outside Director/Audit & Supervisory Board Member shall be judged not to be independent if any of the following cases apply to such person at present or have applied to such person during the past ten years.

(i) A person who Director(except outside director) of TDK or a subsidiary of TDK .

(ii) A person who Audit & Supervisory Board Member (except outside Audit & Supervisory Board Member) of TDK or a subsidiary of TDK .

(iii) A person who Corporate Officer of TDK or a subsidiary of TDK .

(iv) A person who employee of TDK or a subsidiary of TDK

(2) In cases where the relevant Outside Director/ Audit & Supervisory Board Member has a business relationship with TDK

An Outside Director/ Audit & Supervisory Board Member shall be judged not to be independent if they are at present, or have been during the past three years, a party with a business relationship with TDK as described in (i) below, or a person who executes business for such party, or if (ii) below applies to them.

(i) Where it is recognized, objectively and reasonably, that such business relationship is necessary for, or has a substantial influence on, the continued operation of TDK or the other party to such business relationship (where there is a high degree of dependence in the relationship, where the relationship is the source of 2% or more of consolidated sales, and where the other party to the relationship receives money or other assets from TDK other than remuneration for officers)

(ii) Where it is recognized within TDK that the relevant Outside Director/ Audit & Supervisory Board Member is involved in the business relationship with the other party to such relationship

(3) In cases where the relevant Outside Director/ Audit & Supervisory Board Member is a consultant, an accounting professional or a law professional

An Outside Officer shall be judged not to be independent if any of the following cases apply to such person at present or have applied to such person during the past three years.

(i) Where it is recognized, objectively and reasonably, that the relevant Outside Director/ Audit & Supervisory Board Member (including candidates for such position; the same shall apply hereinafter) cannot perform duties as an Independent Outside Director/ Audit & Supervisory Board Member because they receive money or other assets from TDK other than remuneration for officers (where there is a high degree of dependence)

(ii) Where it is recognized, objectively and reasonably, that the relevant Outside Director/ Audit & Supervisory Board Member cannot perform duties as an Independent Outside Director/ Audit & Supervisory Board Member because the organization to which such person belongs (hereinafter the "Relevant Organization") receives money or other assets from the TDK other than remuneration for officers (where this income is equivalent to 2% or more of total annual remuneration)

(iii) Where TDK has a high degree of dependence on a professional or a Relevant Organization, such as a case where services, etc. rendered by such party are essential to the corporate management of TDK or it would be difficult to find an alternative provider of the same services, etc.

(iv) Where it is recognized within TDK that the relevant Outside Director/ Audit & Supervisory Board Member is involved with the services, etc. provided by the Relevant Organization

(4) In the case of a close relative of the relevant Outside Director/ Audit & Supervisory Board Member

An Outside Director/ Audit & Supervisory Board Member shall be judged not to be independent if either of the following cases apply to their close relative (family member within the second degree (as defined under Japanese law)) at present or have applied to them during the past three years.

(i) A person to whom (2) or (3) above applies (except persons without material significance)

(ii)A person who executes business for the Company or a subsidiary of the Company (except persons without material significance)

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A majority of the members and the Chairman of the Nomination Advisory Committee are Independent Outside Directors. In accordance with the “items to be verified regarding independence” shown above, the committee investigates and deliberates over the independence of the candidates for Outside Directors and Outside Audit & Supervisory Board Members (including cases where there is a change in an Outside Director/ Audit & Supervisory Board Member’s status of independence during their current term of office). After making a comprehensive judgment on the independence of candidates, the committee reports the results of its deliberations to the Board of Directors.

Taking into account the above, the Company has notified the Tokyo Stock Exchange of its Outside Directors, namely Ms. Kozue Nakayama, Mr. Mutsuo Iwai and Mr. Shoei Yamana and its Outside Audit & Supervisory Board Members, namely Mr. Jun Ishii, Mr. Douglas K. Freeman and Ms. Michiko Chiba, who serve as independent directors/auditors pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc

e. Activities during the fiscal year under review

Attendance at meetings of the Board of Directors, etc. during the fiscal year under review is as follows.

(Members who were Outside Directors and Outside Audit & Supervisory Board Members in the end of the fiscal business year)

Kazuhiko Ishimura (Outside Director):	Meetings of the Board of Directors: 14 of the 14 meetings Nomination Advisory Committee: 12 out of the 12 meetings Compensation Advisory Committee: 7 out of the 7 meetings
Kozue Nakayama (Outside Director):	Meetings of the Board of Directors: 14 of the 14 meetings Nomination Advisory Committee: 12 out of the 12 meetings Compensation Advisory Committee: 7 out of the 7 meetings
Mutsuo Iwai (Outside Director): (following appointment in June 2021)	Meetings of the Board of Directors: 11 of the 11 meetings Nomination Advisory Committee: 9 out of the 9 meetings Compensation Advisory Committee: 5 out of the 5 meetings
Jun Ishii (Outside Audit & Supervisory Board Member)	Meetings of the Audit & Supervisory Board: 14 of the 14 meetings Meetings of the Board of Directors: 14 of the 14 meetings
Douglas K. Freeman (Outside Audit & Supervisory Board Member)	Meetings of the Audit & Supervisory Board: 14 of the 14 meetings Meetings of the Board of Directors: 14 of the 14 meetings
Michiko Chiba (Outside Audit & Supervisory Board Member)	Meetings of the Audit & Supervisory Board: 14 of the 14 meetings Meetings of the Board of Directors: 14 of the 14 meetings

Outside Directors participate as the chair of the committee and members of the Nomination Advisory Committee and Compensation Advisory Committee, which are advisory bodies to the Board of Directors, and in doing so, contribute to the transparency of the personnel and remuneration determination process and the adequacy of appointments and remunerations.

③Cooperation among supervision by Outside Directors, audit by Outside Audit & Supervisory Board Members, internal audit, audit by Audit & Supervisory Board Members and accounting audit and relations with internal control departments

Outside directors and Outside Audit & Supervisory Board Members receive regular reports from the Corporate Governance Committee on the status of internal control systems at meetings of the Board of Directors, as well as reports from the Management Audit Group, the internal audit division, on the status of internal audits and asks questions and makes proposals from a professional perspective to exercise its management oversight function based on mutual cooperation.

The Audit & Supervisory Board Members and the Audit & Supervisory Board meet with the President on a regular basis to confirm management policies and exchange opinions on pressing issues and risks affecting TDK and other important matters from the perspective of the Audit & Supervisory Board Members’ audits. These meetings also strengthen the mutual understanding between the Audit & Supervisory Board Members and the President.

The Audit & Supervisory Board Members and the internal audit department meet regularly and receive regular audit reports from the Accounting Auditor. Audit & Supervisory Board Members conduct efficient audits by sharing information regarding initial audit plans and results. Furthermore, the Audit & Supervisory Board has entered into an advisory contract with an attorney who is independent from the business execution department and has established a system to ensure that it receives advice with respect to matters which need to be reviewed or confirmed from the perspective of the Audit & Supervisory Board Members or the Audit & Supervisory Board.

(3) Status of audit

①Status of audit by Audit & Supervisory Board Members

The Audit & Supervisory Board is comprised of 2 full-time Audit & Supervisory Board Member and 3 Outside Audit & Supervisory Board Member, and audits business execution by Corporate Officers and operations and financial status of both domestic and overseas subsidiaries. Out of these members, full-time Audit & Supervisory Board Member Mr. Takakazu Momozuka has the experience of serving for many years in the field of financing and accounting of the Company, and Outside Audit & Supervisory Board Member Ms. Michiko Chiba is a certified public accountant; thus she has considerable knowledge in the field of financing and accounting.

During the fiscal year under review, the Company has held Board of Directors meetings once a month (total of 14 times). The details of attendance for each Audit & Supervisory Board members is as follows.

Position	Name	Attendance (Attendance ratio)
Full-Time Audit & Supervisory Board Member	Takakazu Momozuka	14 of the 14 meetings (Attendance ratio: 100%)
Full-Time Audit & Supervisory Board Member	Satoru Sueki	14 of the 14 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Jun Ishii	14 of the 14 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Douglas K. Freeman	14 of the 14 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Michiko Chiba	14 of the 14 meetings (Attendance ratio: 100%)

The Audit & Supervisory Board Members timely collect information regarding management policies of TDK and conditions of business execution by Corporate Officers, etc. by attending the Board of Directors meetings as well as through regular attendance at the Executive Committee meetings, business plan review meetings and other important meetings and inspection of management reports and applications for internal decision-making by the full-time Audit & Supervisory Board Members. The Audit & Supervisory Board Members share and deliberate such information among themselves. Also, the full-time Audit & Supervisory Board Members conducted hearings from operating department managers and headquarter function managers regarding the conditions of business execution and conducted audit of the Company’s operating departments and headquarters and the subsidiaries selected according to importance based on the audit policy setting forth the priority audit items in the fiscal year under review. The full-time Audit & Supervisory Board Members share the issues identified through such hearings and audit and confirm the countermeasures therefor with the relevant operating department managers and headquarters. Furthermore, the Audit & Supervisory Board Members receive the internal audit report from the internal audit department and promote information sharing and collaboration with them through establishing regular meetings. These audit results summarize identified issues, confirmed countermeasures and internal audit status are shared among all Audit & Supervisory Board Members at the Audit & Supervisory Board meetings, and the issues are deliberated at the Audit & Supervisory Board meetings and reported to the Directors when appropriate. In addition, the Audit & Supervisory Board Members have meetings with an attorney with whom the Audit & Supervisory Board has entered into an advisory contract from time to time and receive legal advice regarding Audit & Supervisory Board Members’ duties timely, and thereby improve the effectiveness of Audit & Supervisory Board Members’ duties.

The Audit & Supervisory Board confirms the Company’s business conditions through regular meetings with the Board of Directors and Representative Director, etc., and expresses opinions and provides recommendations from time to time regarding tasks to be addressed by TDK (including matters concerning corporate governance and compliance), development and operation status of internal control, risks surrounding TDK, important issues in the Audit & Supervisory Board Members’ audit and other issues. On the other hand, the Audit & Supervisory Board promotes collaboration with the Accounting Auditor by discussing about audit plan with the Accounting Auditor, holding multiple meetings (including audit results report meeting and liaison meeting), and exchanging opinions regarding key audit matters. To support the Audit & Supervisory Board, TDK has set an Audit & Supervisory Board Members Office, separate from the operational function to support the administration of Audit & Supervisory Board and to support each member’s operation.

②Status of internal audit

The Management Review & Support Group, an internal audit department of the Company, is organized by 15 members.

In this fiscal year, The Management Review & Support Group conducted hearings from the four committees under the direct control of the Executive Committee regarding their activities and verified compliance with relevant laws and regulations, internal regulations, etc. and the efficiency and effectiveness of the operation at operating departments and principal subsidiaries. Also, the Management Review & Support Group conducted the evaluation of the "effectiveness of internal controls over financial reporting" in accordance with the Financial Instruments and Exchange Act of Japan at important locations and important subsidiaries in Japan and overseas. The Management Review & Support Group regularly reports about the results thereof to the President, the Board of Directors and the Audit & Supervisory Board Members.

The Management Review & Support Group and full-time Audit & Supervisory Board Members share information. The Management Review & Support Group submits internal audit reports to full-time Audit & Supervisory Board Members, receives results of the Audit & Supervisory Board Members' audit from full-time Audit & Supervisory Board Members and seeks to conduct effective internal audits.

The Management Review & Support Group regularly confirms the Accounting Auditor's audit activities through quarterly financial statements, etc. and regularly exchanges opinions with the Accounting Auditor regarding the status of evaluation of the "effectiveness of internal controls over financial reporting" in accordance with the Financial Instruments and Exchange Act of Japan.

③Status of accounting audit

a. Name of auditor

KPMG AZSA LLC

b. Continuing Auditing Period

19 years

c. Certified public accountants who conducted the accounting audit

Mr. Yutaka Terasawa

Mr. Michiaki Yamabe

Mr. Kohei Shingaki

d. Constitution of assistant in conducting the accounting audit

Working to assist the above accountants in conducting the accounting audit of the Company were 16 certified public accountants, 12 assistant certified public accountants, and 11 other people.

e. Select standard and reason of auditor

The Audit & Supervisory Board prescribes procedures and standards for Appointment, Dismissal, and Reappointment of Accounting Auditors in the Regulations of the Audit & Supervisory Board and Standards for Appointment, Dismissal, and Reappointment of Accounting Auditors and selects the Company's Accounting Auditor based on these procedures and standards. When judging selection, the Audit & Supervisory Board evaluates appropriateness of the quality control organization of the audit firm to be accounting auditor, rationality and validity of conducting the audit by the audit team and judges comprehensively considering the validity of the audit fee as well. In addition, the accounting auditor could be non-reappointed in a case where there is any item that does not meet the standard of Reappointment.

If all of the Audit & Supervisory Board Members acknowledge that the Company's Accounting Auditor falls under any of the conditions set forth in Article 340 paragraph 1 of the Companies Act of Japan and it is difficult for the Accounting Auditor to properly execute auditing, the Company shall dismiss the Accounting Auditor by a unanimous resolution of the Audit & Supervisory Board. In addition to cases falling under any of the statutory reasons for dismissal of accounting auditors, if any fact occurs that is recognized as casting doubt upon important factors relating to the Accounting Auditor's execution of duties, such as the Accounting Auditor's qualifications, independency and ethics, the Audit & Supervisory Board will, in accordance with the Regulations of the Audit & Supervisory Board and Standards for Appointment, Dismissal, and Reappointment of Accounting Auditors, decide as to whether the Accounting Auditor shall be dismissed or shall not be re-appointed, comprehensively taking the facts into account.

f. Evaluation of auditor by the Audit & Supervisory Board Members and the Audit & Supervisory Board

The Audit & Supervisory Board evaluated the status of audit activity of the accounting auditor for the previous fiscal year. The objects of evaluation are appropriateness of the quality control organization of the accounting auditor and rationality and validity of conducting the audit by the audit team, mentioned above. The Audit & Supervisory Board has decided to reappoint KPMG AZSA LLC as accounting auditor for FY2023 based on these results of evaluation for the fiscal year under review.

④Audit fees, etc.

a. Details of fees to auditors

Category	Fiscal 2021		Fiscal 2022	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	357	20	449	6
Consolidated subsidiaries	28	1	29	–
Total	385	21	478	6

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

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

Category	Fiscal 2021		Fiscal 2022	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	–	43	–	39
Consolidated subsidiaries	594	174	645	243
Total	594	217	645	282

In fiscal 2021 and fiscal 2022, the content of non-attest service that TDK Corporation and consolidated subsidiaries will pay to member firms of KPMG is mainly tax related.

c. Details of other material audit fees

(Fiscal 2021)

TDK Electronics AG, consolidated subsidiary of TDK Corporation, has paid ¥177 million to Ernst & Young as audit fees.

(Fiscal 2022)

TDK Electronics AG, consolidated subsidiary of TDK Corporation, has paid ¥208 million to Ernst & Young as audit fees.

d. Policy of deciding audit fees

TDK Corporation carefully considers the independence of auditors and decides the audit fees by resolution of the Board of Directors.

e. Reason of agreeing audit fees by the Audit & Supervisory Board

Audit & Supervisory Board consented to audit fees for fiscal 2022, after examining the Accounting Auditor's audit plan, the status of duties conducted in previous fiscal years, and the basis for calculation of the remuneration estimate by receiving the necessary materials and hearing reports from Directors, relevant in-house departments, and the Accounting Auditor.

(4) Remuneration for Directors and Audit & Supervisory Board Members

①Matters Concerning the Policy on Determining the Details or the amount of Remuneration for Individual Directors

(i) Policy on Determining the Details of Remuneration for Individual Directors

Regarding the Company's policy on determining the details of remuneration for individual Directors (hereinafter, "Determining Policy"), the Board of Directors passed a resolution on the Determining Policy after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee, an advisory body to the Board of Directors. Outline of the Determining Policy is as follows.

<Basic Policy>

The Company designs its remuneration system through deliberation and examination of the Compensation Advisory Committee, an advisory body to the Board of Directors, for the following purposes.

To promote as much as possible behavior on the part of Directors geared towards enhancing corporate results and stock value and sustainably increase the corporate value of the overall TDK Group by constantly pursuing the formulation of a competitive remuneration system to secure diverse and excellent human resources that focuses on linkage with short-term as well as medium to long-term results.

<Policy, Etc. Concerning Determination of Each Remuneration>

The remuneration of Directors is comprised of basic remuneration, results-linked bonus and stock-linked compensation. The policy, etc. on determining the amounts or numbers for each type of the remuneration or the method of calculation thereof is described below.

a. **Policy on determining the amount of remuneration for individual Directors (excluding results-linked compensation and non-monetary compensation; hereinafter "fixed compensation") or the method of calculation thereof (including the policy on determining the timing and conditions for compensation, and the method of determining the details; same through c. below)**

For fixed compensation, the Company pays basic remuneration on a monthly basis. Remuneration amounts for individual Directors are determined based on remuneration tables approved by the Board of Directors for each rank after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee, while referring to studies, etc. on corporate management remuneration performed by third parties and comparisons of compensation levels at other companies of similar scale, mainly in the same business category.

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

Results-linked compensation shall be results-linked bonuses (monetary compensation). The payment amounts are linked to the degree of attainment of targets, using the consolidated results for the fiscal year and the indicators set for each division in charge, with an emphasis placed on short-term performance. Results-linked bonuses are paid out at a certain time each year, as determined by the Board of Directors after consulting the original proposal with and obtaining a report from the Compensation Advisory Committee.

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

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

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

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

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

Regarding the ratio of remuneration, by type, for Directors concurrently serving as Corporate Officers, the ratio of results-linked compensation is structured so that the higher the rank, the higher the ratio of performance-linked remuneration, based on comparisons of compensation levels at other companies of similar scale, mainly in the same business category, while referring to studies, etc. on corporate management remuneration performed by third parties, and is consulted with the Compensation Advisory Committee. While respecting the report from the Compensation Advisory Committee, the Board of Directors determines remuneration tables for each rank based on the ratio of remuneration by type indicated in the report.

The guideline for the ratio of remuneration by type is basic remuneration : results-linked bonus : stock-linked compensation = 1 : approximately 0.5-0.6 : approximately 0.6-0.8 (assuming 100% achievement of performance targets).

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

In the event that the Company's performance sharply and significantly deteriorates, or there are illegal activities or violations of laws and regulations, remuneration may be reduced or returned to the Company based on deliberations by the Compensation Advisory Committee and a resolution by the Board of Directors.

(ii) Structure and Role of Compensation Advisory Committee

A majority of the members and the Chairman of the Compensation Advisory Committee are Independent Outside Directors. The Compensation Advisory Committee deliberates the framework and levels of remuneration for Directors and Corporate Officers and reports to the Board of Directors, thereby contributing to ensuring the transparency in the remuneration decision-making process and the appropriateness of individual remuneration.

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

As the Compensation Advisory Committee had conducted a multi-faceted examination of the original proposal, including from the viewpoint of accordance with the Determining Policy, the Board of Directors basically respected the Committee's report and judged that the details of remuneration for individual Directors for the fiscal year under review are in accordance with the Determining Policy. In addition, for the fiscal year under review, stock-linked compensation stock options had been granted before the Board of Directors' resolution on the Determining Policy, but the concept which is basically the same as the Determining Policy had been adopted for stock-linked compensation stock options.

As explained in (i) above, at the Company, the Board of Directors determined the details of remuneration for individual Directors, and does not delegate this determination to a Director or other third party.

(ⅳ) Structure of Remuneration for Directors and Audit & Supervisory Board Members

Type of Remuneration		Details of Remuneration	Fixed/Fluctuating
Basic remuneration		Monetary compensation paid monthly	Fixed
Results-linked bonus		Monetary compensation which is paid at predetermined times each year with an emphasis on the linkage with short-term performance. The amount of the bonus fluctuates within a range of 0% to 200% of the standard payment amount depending on the degree of attainment of the consolidated results for the fiscal year under review (operating income, ROE) and the targets set for each division.	Fluctuating (single fiscal year)
Post-delivery type stock remuneration	Restricted Stock Unit (RSU)	RSU is a type of stock remuneration which is issued based on continuous service. In the case of RSU, subject to continuous service for a period of three years from the first day of the first year to the last day of the last year of the Medium-Term Plan (or a period of three years or more as determined by the Board of Directors of the Company, the "Target Period"), a pre-determined amount of the Company's shares and money is delivered after the end of the Target Period.	Fixed
	Performance Share Unit (PSU)	PSU is a type of stock remuneration which is issued based on performance. In the case of PSU, an amount of the Company's shares and money calculated in accordance with the degree of achievement of performance targets set by the Medium-Term Plan is delivered after the end of the Target Period. The degree of achievement of performance targets shall vary from 0% to 100% depending on the degree of achievement of consolidated performance targets (operating income, ROE) outlined in the Medium-Term Plan.	Fluctuating (medium- to long-term)

Notes: Directors and Audit & Supervisory Board Members remuneration classification for results-linked compensation, non-monetary compensation and other remuneration is as follows.

Classification	Basic Remuneration	Results-linked Bonus	RSU**	PSU***
Results-linked compensation	—	●	—	●
Non-monetary compensation	—	—	●	●
Compensation other than the above	●	—	●	—

*

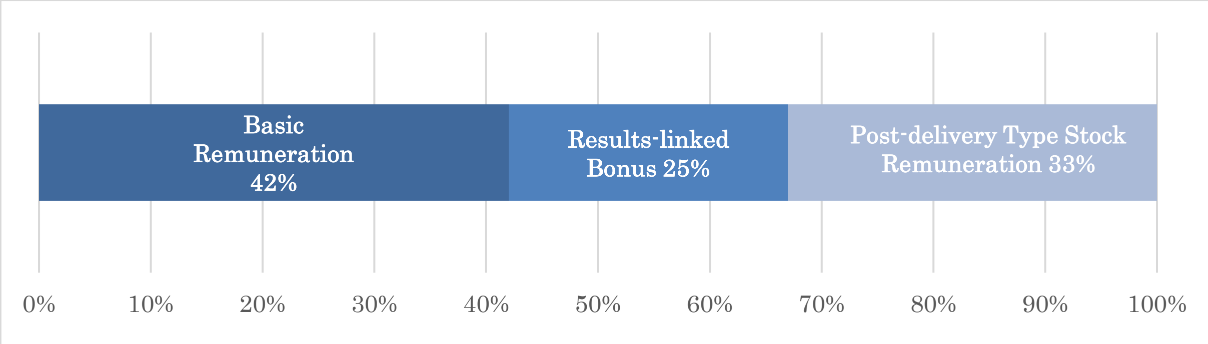
Under RSU, the stock remuneration portion is classified as "non-monetary compensation" and the monetary compensation portion is classified under "compensation other than the above."

** PSU is classified as "results-linked compensation" and the stock remuneration portion is also classified as "non-monetary compensation."

<Eligible for Payment>

Classification	Basic Remuneration	Results-linked Bonus	Post-delivery Type Stock Remuneration	
			RSU	PSU
Directors concurrently serving as Corporate Officers	●	●	●	●
Directors not concurrently serving as Corporate Officers	●	-	●	-
Outside Directors	●	-	-	-
Audit & Supervisory Board Members	●	-	-	-

<Breakdown of Remuneration for Directors Concurrently Serving as Corporate Officers (for Standard Payments)>



＜Dilution ratio of stock remuneration-type stock options and post-delivery type stock remuneration as of the end of fiscal year ＞

Classification	Type and number of shares to be issued	Percentage in total shares issued
Shares subject to stock acquisition rights as stock remuneration-type stock options	808,500 common shares	0.21%
Shares to be delivered as post-delivery type stock remuneration	Equivalent to 135,800 common shares	0.03%
Total	Equivalent to 944,300 common shares	0.24%

1. With the introduction of the post-delivery stock renumeration plan approved at the 124th Ordinary General Meeting of Shareholders held on June 23, 2020, the stock remuneration-type stock option plan was abolished, except for those already granted. As a result, there were no stock acquisition rights newly issued as stock remuneration-type stock options in the current fiscal year.
2. No shares of the Company's stock were delivered as post-delivery type stock-based remuneration in the current fiscal year. The RSUs are scheduled to be delivered in the fiscal year ending March 31, 2024 or later, and the PSUs in the fiscal year ending March 31, 2025 or later.

(v) Indicators related to performance-linked remuneration, reasons for selecting the indicators, and methods for determining the amount of performance-linked remuneration

a. In calculating results-linked bonuses, the amount is designed to fluctuate within a range of 0% to 200% of the standard payment amount depending on the degree of attainment of targets, using the consolidated results for each fiscal year (operating income, ROE) and the indicators set for each division in charge. The reason for selecting these indicators is to use the same indicators as management targets with an emphasis on the linkage with short-term performance. The targets and results for the main indicators that relate to results-linked bonuses in the fiscal year under review are as follows.

Consolidated operating income	¥155,500 million (target), ¥166,665 million (result based on US-GAAP)
Consolidated ROE	10.9% (target), 15.6% (result based on US-GAAP)

b. The amount of the stock and cash delivered through PSU are calculated based on the achievement condition under the Medium-Team Plan. The results achievement condition takes consolidated results under the Medium-Term Plan (operating income, ROE) as an indicator, and varies the number of exercisable options within a range of 0% to 100% of the number of options granted, depending on the degree of attainment of targets. The reason for selecting this indicator is to use the same indicator as management targets under the Medium-Term Plan with an emphasis on the linkage with medium- to long-term performance and corporate value. The targets and results for the indicator that relate to stock-linked compensation stock options during the Medium-Term Plan, which ended in the fiscal year ended March 31, 2024, are as follows.

Consolidated operating income (cumulative amount for three-years) ¥635,100 million (target)
Consolidated ROE (amount for the last year) 16.8% (target)

c. The Company plans to deliver its shares and cash from the fiscal year ending March 31, 2024 onward for the RSU plan and from the fiscal year ending March 31, 2025 onward for the PSU plan.

(ⅵ) Others

a. The Company has established Corporate Stock Ownership Guidelines. The Company makes an effort to ensure that eligible Directors and Corporate Officers hold at least a certain number of shares in the Company pursuant to their rank, including share-based compensation type stock options.

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

② Total amount of remuneration and other payments, total amount of remuneration and other payments by type and Number of eligible officers by officer category

Officer category	Total amount of remuneration and other payments (Millions of yen)	Total amount of remuneration and other payments by type (Millions of yen)					Number of eligible officers
		Basic remuneration (Fixed remuneration)	Results-linked bonus (Results-linked remuneration)	Stock-linked remuneration stock options	Restricted Stock Units (RSU)	Performance Share Units (PSU)	
Directors (Excluding Outside Directors)	454	245	156	△6	39	19	5
Outside Directors	48	48					4
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	62	62					2
Outside Audit & Supervisory Board Members	36	36					3

1. Although there were five Directors (Excluding Outside Directors), three Outside Directors, two Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Member as of March 31, 2022 in the table above, the total number of payees, the total amount of remuneration and the basic remuneration in the breakdown thereof regarding Directors as shown above include one (1) Outside Director who retired at the close of the 125th Ordinary General Meeting of Shareholders held on June 23, 2021, and the amount of remuneration paid to him.

2. For Result-linked bonuses, stock remuneration-type stock options, RSUs and PSUs for directors, the amounts recorded as expenses for the current fiscal year are shown. Stock remuneration-type stock options were abolished, except for those already granted, due to the introduction of a post-delivery type stock remuneration approved at the 124th Ordinary General Meeting of Shareholders held on June 23, 2020. However, the number of exercisable rights based on the rate of achievement of business results was fixed in June 2021, resulting in an adjustment to the amount of expenses recorded in prior periods.

< Directors (Numbers as of the date of filing of this Annual Securities Report:8, numbers prescribed in the Articles of Incorporation of the Company: within 10)>

(i) Basic remuneration

The amount of basic remuneration for Directors is ¥25 million or less per month, as approved by the 106th Ordinary General Meeting of Shareholders held on June 27, 2002. There were seven (7) Directors (including one (1) Outside Director) as of the close of the said Ordinary General Meeting of Shareholders.

(ii) Results-linked bonuses

The amount of results-linked bonuses for Directors concurrently serving as Corporate Officers is ¥350 million or less per year, as approved by the 119th Ordinary General Meeting of Shareholders held on June 26, 2015. There were four (4) Directors concurrently serving as Corporate Officers as of the close of the said Ordinary General Meeting of Shareholders.

(iii) Stock-linked compensation stock options

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

(iv) Post-delivery Type Stock Remuneration

The amount of compensation as post-delivery type stock remuneration (RSU and PSU) is ¥457 million or less per year (as for the number of shares, 39,000 shares or less per year), as approved by the 124th Ordinary General Meeting of Shareholders held on June 23, 2020. RSU is granted to Directors, excluding Outside Directors, and there were four (4) Directors as of the close of the said Ordinary General Meeting of Shareholders. PSU is granted to Directors concurrently serving as Corporate Officers and there were three (3) Directors as of the close of the said Ordinary General Meeting of Shareholders.

(Note) The Company conducted a 3-for-1 stock division of common shares, effective October 1, 2021. As a result, the number of shares to be issued upon exercise of stock acquisition rights as stock compensation-type stock options was adjusted to 232,500 shares per year, and the number of shares for post-delivery stock remuneration was adjusted to 117,000 shares per year.

< Audit & Supervisory Board Members (Numbers as of the date of filing of this Annual Securities Report:5, numbers prescribed in the Articles of Incorporation of the Company: within 5) >

The amount of basic remuneration for Audit & Supervisory Board Members is ¥120 million or less per year, as approved by the 124th Ordinary General Meeting of Shareholders held on June 23, 2020. There were five (5) Audit & Supervisory Board Members (including three (3) Outside Audit & Supervisory Board Members) as of the close of the said Ordinary General Meeting of Shareholders.

③ Total amount of remuneration and other payments for individuals receiving a total of ¥100 million or more, etc.

Name	Total amount of remuneration and other payments (Millions of yen)	Officer category	Company category	Total amount of remuneration and other payments by type (Millions of yen)				
				Basic remuneration (Fixed remuneration)	Results-linked bonus (Results-linked remuneration)	Share-based compensation type stock options	Restricted Stock Units (RSU)	Performance Share Units (PSU)
Shigeno Ishiguro	158	Representative Director, President and CEO	Filling company	77	65	△3	11	8

(5) Share ownership

①Standard and policy of classification of investment stocks

TDK holds investment stock whose holding purpose is for net investment to gain profit by changes in the value of stock or dividends pertaining to stock

TDK's basic policy regarding cross-shareholdings is to consistently enhance corporate value of the TDK Group through such shareholdings and TDK holds shares of other companies for the purpose of either (1) strategic shareholding for the development of its business or (2) maintenance and improvement of business relationships.

②Investment stock whose holding purpose is other than for net investment

a. Holding policy, how to verify the rationality of holding and the details of verification of propriety of holding individual stocks at Meetings of the Board of Directors

As to cross-shareholdings, TDK verifies the rationality of continuous holding of such shares and the number of such shares, etc. stock by stock every year at Meetings of the Board of Directors, etc. based on the purpose of such shareholding, situation of transactions, profitability relative to the cost of capital, financial condition, etc., and if the necessity to hold shares of a particular stock has decreased, TDK discusses and negotiates with the issuing company of the stock and promotes the reduction through sale, etc. of such shares.
In exercising voting rights as to its cross-shareholdings, TDK determines to approve or disapprove with full respect for the issuing company's management policies, etc. and considering whether the proposal is appropriate in light of the purpose of strategic shareholding for the development of TDK's business or maintenance and improvement of business relationships, whether the proposal can continuously increase the corporate value of TDK, the issuing company's social responsibilities, whether there is any act which may harm the trust of shareholders, etc. Also, TDK conducts a dialogue with the issuing company regarding the content of the proposal, etc. as appropriate.

b. Number of issues and balance sheet amounts

	Number of issues (Issues)	Balance sheet amounts (Millions of yen)
Unlisted stocks	13	341
Stocks other than unlisted stocks	3	4,006

(Issues which increased in number of shares in the fiscal year under review)

	Number of issues (Issues)	Total amounts of acquisition costs pertaining to increases in number of shares (Millions of yen)	Reason of increases in number of shares
Unlisted stocks	1	200	Strategic partnership with the goal to take advantage of energy efficiency enhancing technology
Stocks other than unlisted stocks	-	-	-

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

(Issues which decreased in number of shares in the fiscal year under review)

	Number of issues (Issues)	Total amounts of sales value pertaining to decreases in number of shares (Millions of yen)
Unlisted stocks	1	-
Stocks other than unlisted stocks	1	460

c. Information regarding number of shares, balance sheet amounts and etc. by issues of specified investment stocks and regarded as holding shares

As to specified investment stocks and regarded as holding shares shown below, it is difficult to mention quantitative holding effect. TDK verified the rationality of continuous holding of such shares and the number of such shares, etc. stock by stock at Meetings of the Board of Directors on June, 2022, etc. based on the purpose of such shareholding, situation of transactions, profitability relative to the cost of capital, financial condition, etc., Specified investment stocks

Issue	The fiscal year under review, Number of shares (Shares) Balance sheet amounts (Millions of yen)	The previous fiscal year Number of shares (Shares) Balance sheet amounts (Millions of yen)	Holding purpose, quantitative holding effect and reason of increases in shares	Whether to hold share of the company
ALPS LOGISTICS CO., LTD.	2,804,400	2,804,400	The company does business in logistics, in which TDK conducts business transactions with and continuously holds the share for maintaining and strengthening good business to business transactions.	No
	3,012	2,661		
Mabuchi Motor Co., Ltd.	240,000	360,000	The company does business in Magnets business, etc. in which TDK conducts business transactions with and continuously holds the share for maintaining and strengthening good business to business transactions.	No
	918	1,751		
SIIX Corporation	72,000	72,000	The company does business in Passive Components business, etc. in which TDK conducts business transactions with and continuously holds the share for maintaining and strengthening good business to business transactions.	No
	76	117		

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

Regarded as holding shares

Issue	The fiscal year under review, Number of shares (Shares) Balance sheet amounts (Millions of yen)	The previous fiscal year Number of shares (Shares) Balance sheet amounts (Millions of yen)	Holding purpose, quantitative holding effect and reason of increases in shares	Whether to hold share of the company
Fukuda Denshi Co., Ltd.	179,000	241,000	The company does business in Passive Components business, etc. in which TDK conducts business transactions with and contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions.	Yes
	1,397	2,026		
Shinko Shoji Co., Ltd.	698,000	698,000	The company does business in Passive Components business, etc. in which TDK conducts business transactions with and contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions.	Yes
	635	558		
TODA KOGYO CORP.	199,400	199,400	It is an affiliate of the Company and the company contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions.	Yes
	576	431		
NIKKO COMPANY	2,416,800	2,453,000	The company contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions.	No
	355	360		
Ricoh Company, Ltd.	108,000	108,000	The company does business in Passive Components business, etc. in which TDK conducts business transactions with and contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions.	Yes
	114	121		
DENKYOSHA CO., LTD.	55,500	55,500	The company contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions.	Yes
	75	75		

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

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

V. Financial Information

1. Preparation methods of consolidated financial statements

(1) The accompanying consolidated financial statements of TDK Corporation (“TDK”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as prescribed in Article 93 of Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976, “the Ordinance on Consolidated Financial Statements”).
The amounts in the consolidated financial statements are rounded to the nearest million yen.

2. Audit certification

The accompanying consolidated financial statements of TDK as of March 31, 2022 and for the fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022) have been audited by KPMG AZSA LLC as prescribed in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special efforts to ensure the fairness of the consolidated financial statements and system to properly prepare the consolidated financial statements in accordance with IFRS

TDK makes special efforts to ensure the fairness of the consolidated financial statements and has established a system to properly prepare the consolidated financial statements in accordance with IFRS. The details are as follows:

(1) In order to properly understand accounting standards and to establish a system to appropriately respond to revisions in accounting standards, TDK joins organizations such as the Financial Accounting Standards Foundation and participates in the training sessions conducted by the Foundation.

(2) In applying IFRS, TDK obtains press releases and pronouncements issued by the International Accounting Standards Board, as needed, to understand the latest standards. In addition, TDK has prepared the Group’s internal policies and manuals to prepare and present fairly the consolidated financial statements in accordance with IFRS.

1. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(1) Consolidated financial statements

I. Consolidated statements of financial position

(Millions of yen)

	Note	April 1, 2020	March 31, 2021	March 31, 2022
Assets				
Current assets				
Cash and cash equivalents	5	332,717	380,387	439,339
Trade receivables	6,19	310,077	429,371	524,476
Other financial assets	7,19	43,603	75,493	66,944
Inventories	8	236,010	288,346	437,004
Income taxes receivables		9,201	4,983	4,982
Other current assets	13	33,078	52,290	60,427
Total current assets		964,686	1,230,870	1,533,172
Non-current assets				
Investments accounted for using the equity method	9	14,888	14,069	16,635
Other financial assets	7,19	29,462	43,961	123,581
Property, plant and equipment	10	602,868	776,444	945,042
Right-of-use assets	11	43,113	45,735	50,169
Goodwill	12	122,186	125,668	137,352
Intangible assets	12	79,771	73,357	69,030
Long-term advances to suppliers	8	-	-	121,370
Deferred tax assets	14	37,206	44,017	40,062
Other non-current assets		6,748	5,542	5,240
Total non-current assets		936,242	1,128,793	1,508,481
Total assets		1,900,928	2,359,663	3,041,653

(Millions of yen)

	Note	April 1, 2020	March 31, 2021	March 31, 2022
Liabilities				
Current liabilities				
Borrowings	16,19	284,071	327,518	175,924
Lease liabilities	11	8,054	9,120	9,432
Trade payables	15,19	201,825	324,373	460,132
Other financial liabilities	17,19	85,738	161,930	147,272
Income taxes payables		17,701	20,389	29,715
Provisions	22	10,246	13,969	13,949
Other current liabilities	18	125,748	171,024	225,934
Total current liabilities		733,383	1,028,323	1,062,358
Non-current liabilities				
Bonds and borrowings	16,19	134,737	150,148	455,562
Lease liabilities	11	34,195	35,036	38,895
Other financial liabilities	17,19	2,939	2,966	4,573
Retirement benefit liabilities	20	143,030	116,813	105,089
Provisions	22	4,691	5,200	5,371
Deferred tax liabilities	14	36,145	50,939	57,454
Other non-current liabilities		7,149	8,551	8,596
Total non-current liabilities		362,886	369,653	675,540
Total liabilities		1,096,269	1,397,976	1,737,898
Equity				
Equity attributable to owners of parent				
Share capital	23	32,641	32,641	32,641
Capital surplus	23	1,783	-	-
Retained earnings	23	778,742	853,620	974,767
Other components of equity	23	3,709	89,460	309,607
Treasury shares	23	(16,806)	(16,792)	(16,698)
Total equity attributable to owners of parent		800,069	958,929	1,300,317
Non-controlling interests		4,590	2,758	3,438
Total equity		804,659	961,687	1,303,755
Total liabilities and equity		1,900,928	2,359,663	3,041,653

II. Consolidated statements of profit or loss and comprehensive income

Consolidated statements of profit or loss

(Millions of yen)

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	4,24	1,479,008	1,902,124
Cost of sales	8,10,12, 20,25	(1,052,410)	(1,338,276)
Gross profit		426,598	563,848
Selling, general and administrative expenses	10,12,20, 21,25	(328,217)	(410,568)
Other operating income	26	13,692	14,033
Other operating expenses	26	(259)	(538)
Operating profit		111,814	166,775
Finance income	19,27	11,424	11,277
Finance costs	19,27	(7,483)	(7,853)
Share of profit of investments accounted for using the equity method	9	415	2,291
Gain on sale of investments accounted for using the equity method		1,093	-
Profit before tax		117,263	172,490
Income tax expense	14	(42,702)	(40,675)
Net profit		74,561	131,815
Net profit attributable to:			
Owners of parent		74,681	131,298
Non-controlling interests		(120)	517
Net profit		74,561	131,815

(Yen)

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Earnings per share	28		
Basic earnings per share		197.06	346.44
Diluted earnings per share		196.66	345.65

Consolidated statements of comprehensive income

(Millions of yen)

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net profit		74,561	131,815
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
Net change in fair value of equity instruments measured at fair value through other comprehensive income	23	8,507	54,857
Remeasurements of defined benefit plans	23	25,226	13,555
Total		33,733	68,412
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	23	77,740	165,974
Total		77,740	165,974
Total other comprehensive income, net of tax		111,473	234,386
Comprehensive income		186,034	366,201
Comprehensive income attributable to:			
Owners of parent		186,008	365,418
Non-controlling interests		26	783
Comprehensive income		186,034	366,201

III. Consolidated statements of changes in equity

(Millions of yen)

Fiscal year ended March 31, 2021	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury shares	Total		
Balance as of April 1, 2020		32,641	1,783	778,742	3,709	(16,806)	800,069	4,590	804,659
Comprehensive income									
Net profit		-	-	74,681	-	-	74,681	(120)	74,561
Other comprehensive income, net of tax	23	-	-	-	111,327	-	111,327	146	111,473
Total comprehensive income		-	-	74,681	111,327	-	186,008	26	186,034
Transactions with owners									
Equity transactions with non-controlling interests		-	(4,591)	-	(67)	-	(4,658)	(1,492)	(6,150)
Dividends paid	23	-	-	(22,738)	-	-	(22,738)	(366)	(23,104)
Transfer from retained earnings to capital surplus		-	2,574	(2,574)	-	-	-	-	-
Purchase of treasury shares		-	-	-	-	(8)	(8)	-	(8)
Share-based payment transactions	21	-	256	-	-	-	256	-	256
Exercise of share options	21	-	(22)	-	-	22	-	-	-
Total transactions with owners		-	(1,783)	(25,312)	(67)	14	(27,148)	(1,858)	(29,006)
Transfer from other components of equity to retained earnings	23	-	-	25,509	(25,509)	-	-	-	-
Balance as of March 31, 2021		32,641	-	853,620	89,460	(16,792)	958,929	2,758	961,687

(Millions of yen)

Fiscal year ended March 31, 2022	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury shares	Total		
Balance as of April 1, 2021		32,641	-	853,620	89,460	(16,792)	958,929	2,758	961,687
Comprehensive income									
Net profit		-	-	131,298	-	-	131,298	517	131,815
Other comprehensive income, net of tax	23	-	-	-	234,120	-	234,120	266	234,386
Total comprehensive income		-	-	131,298	234,120	-	365,418	783	366,201
Transactions with owners									
Equity transactions with non-controlling interests		-	(124)	-	-	-	(124)	174	50
Dividends paid	23	-	-	(24,002)	-	-	(24,002)	(277)	(24,279)
Transfer from retained earnings to capital surplus		-	122	(122)	-	-	-	-	-
Purchase of treasury shares		-	-	-	-	(5)	(5)	-	(5)
Share-based payment transactions	21	-	101	-	-	-	101	-	101
Exercise of share options	21	-	(99)	-	-	99	-	-	-
Total transactions with owners		-	-	(24,124)	-	94	(24,030)	(103)	(24,133)
Transfer from other components of equity to retained earnings	23	-	-	13,973	(13,973)	-	-	-	-
Balance as of March 31, 2022		32,641	-	974,767	309,607	(16,698)	1,300,317	3,438	1,303,755

IV. Consolidated statements of cash flows

(Millions of yen)

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities			
Net profit		74,561	131,815
Depreciation and amortization		148,356	177,031
Impairment losses		7,914	3,300
Finance income		(11,424)	(11,277)
Finance costs		7,483	7,853
Share of profit of investments accounted for using the equity method		(415)	(2,291)
Gain on sale of investments accounted for using the equity method		(1,093)	–
Gain on sale of businesses		(2,433)	–
Income tax expense		42,702	40,675
Changes in assets and liabilities:			
Decrease (increase) in trade receivables		(96,954)	(38,452)
Decrease (increase) in inventories		(38,561)	(108,436)
Decrease (increase) in long-term advances to suppliers		-	(112,222)
Decrease (increase) in other current assets		(19,271)	(9,740)
Increase (decrease) in trade payables		99,098	86,431
Increase (decrease) in other current liabilities		38,369	34,453
Increase (decrease) in retirement benefit liabilities		(1,313)	(348)
Other		6,254	6,765
Subtotal		253,273	205,557
Interest and dividends received		9,206	9,538
Interest paid		(4,056)	(5,491)
Income taxes paid		(27,568)	(30,617)
Cash flows from operating activities		230,855	178,987

(Millions of yen)

	Note	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from investing activities			
Purchase of tangible and intangible assets		(212,196)	(291,337)
Proceeds from sale of tangible and intangible assets		3,586	3,368
Proceeds from withdrawal of time deposits		90,606	83,172
Payments into time deposits		(120,427)	(66,745)
Proceeds from sale and redemption of securities		1,080	1,523
Payment for purchase of securities		(3,994)	(11,537)
Proceeds from sale of businesses, net of cash transferred		7,017	-
Proceeds from sale of investments in associates		2,502	-
Other		408	10
Cash flows from investing activities		(231,418)	(281,546)
Cash flows from financing activities			
Proceeds from long-term borrowings	32	50,014	190,879
Repayment of long-term borrowings	32	(66,200)	(134,570)
Net increase (decrease) in short-term borrowings	32	(24,526)	(8,235)
Proceeds from bonds	32	100,000	100,000
Repayment of lease liabilities	32	(8,712)	(9,713)
Dividends paid	23	(22,738)	(23,987)
Payments for acquisition of interests in subsidiaries from non-controlling interests		(5,955)	(113)
Other		(801)	(518)
Cash flows from financing activities		21,082	113,743
Effect of exchange rate changes on cash and cash equivalents		27,151	47,768
Net increase (decrease) in cash and cash equivalents		47,670	58,952
Cash and cash equivalents at beginning of year	5	332,717	380,387
Cash and cash equivalents at end of year	5	380,387	439,339

Notes to the consolidated financial statements

1. Reporting Entity

TDK Corporation ("TDK") is a company limited by shares, domiciled in Japan. Its registered office is located in Nihonbashi, Chuo-ku, Tokyo. TDK's consolidated financial statements comprise the financial statements of TDK and its consolidated subsidiaries (collectively, "TDK Group") as well as its interests in associates, for the fiscal year ended March 31, 2022.

TDK was founded in Tokyo in 1935 to accomplish the world's first industrialization of a magnetic material called ferrite. By pursuing its core technologies, TDK has always been a multinational developer, manufacturer and distributor of unique and diverse products, including ferrite cores, inductive devices, ceramic capacitors, magnetic heads, magnets and other products.

TDK Group has four reportable segments, consisting of Passive Components, Sensor Application Products, Magnetic Application Products and Energy Application Products. Details of the reportable segments are set out in Note 4 Segment Information.

2. Basis of Preparation

(1) Compliance with IFRS and first-time adoption of IFRS

The consolidated financial statements of TDK Group satisfy the requirements for Specified Companies Complying with Designated International Accounting Standards defined in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements in Japan, and have been prepared in accordance with IFRS as prescribed in Article 93 of the Ordinance.

TDK Group's consolidated financial statements for the fiscal year ended March 31, 2022 are the first financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2020. In transitioning to IFRS, TDK Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition to IFRS on the TDK Group's financial position, results of operations and cash flows is described in Note 34 First-time Adoption of IFRS.

The consolidated financial statements were approved on June 24, 2022 by Noboru Saito, Representative Director, President & CEO and Tetsuji Yamanishi, CFO, Representative Director & Executive Vice President.

(2) Measurement basis

The consolidated financial statements of TDK Group have been prepared on a historical cost basis, except for financial instruments measured at fair value detailed in Note 3 Significant Accounting Policies.

(3) Functional and presentation currencies

Items included in the financial statements of each of the TDK's group companies are measured using the currency of the primary economic environment in which the company operates ("functional currency"). The consolidated financial statements of TDK Group are presented in Japanese yen, which is TDK's functional and presentation currency. All amounts are rounded to the nearest million yen.

(4) Significant accounting estimates and judgements

In preparing the consolidated financial statements in accordance with IFRS, TDK Group makes judgements, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities and revenues and expenses, and the disclosure of contingent assets and liabilities. Actual results may differ from these estimates, and these estimates and assumptions are regularly reviewed. The impact of changes in accounting estimates is recognized in the financial statements for the period in which the change occurs and the future periods affected by the change.

The information about the assumptions and estimates that could have a material impact on the consolidated financial statements for the fiscal year ending March 31, 2023 is as follows:

・Impairment of property, plant and equipment, goodwill and intangible assets ((10) Impairment of non-financial assets in Note 3 Significant Accounting Policies, Note 10 Property, Plant and Equipment, and Note 12 Goodwill and Intangible Assets)
・Measurement of defined benefit obligations ((11) Employee benefits in Note 3 Significant Accounting Policies and Note 20 Employee Benefits)
・Recoverability of deferred tax assets ((17) Income taxes in Note 3 Significant Accounting Policies and Note 14 Income Taxes)
・Recognition and measurement of provisions, and the possibility of an outflow of future economic benefits related to contingent liabilities ((13) Provisions in Note 3 Significant Accounting Policies, Note 22 Provisions, and Note 29 Commitments and Contingent Liabilities)

Although concerns over the resurgence of COVID-19 remain, the economy is assumed, based on available external information, to remain on a recovery trend in the fiscal year ending March 31, 2023 as the pace of economic normalization accelerates as a result of the progress in COVID-19 vaccine programs and the development of COVID-19 drugs. On the other hand, there have been growing concerns over an economic downturn against the backdrop of heightened geopolitical risks resulting from Russia's invasion of Ukraine and the lockdown measures in some regions affected by the resurgence of COVID-19. However, it is assumed these concerns will not have a significant impact on TDK's production activities and supply chains, including the procurement of raw materials. In the electronics market, TDK assumes that the production volume of automobiles will exceed the level of the fiscal year ended March 31, 2022 as constraints on the supply of components gradually ease. Conversely, TDK assumes that the production volume of notebook PCs and tablets, whose production volume has remained at a high level as a result of growing demand, will fall below the level of the fiscal year ended March 31, 2022. As for smartphones and HDDs for servers used at data centers, the production volume is assumed to remain at the same level as in the fiscal year ended March 31, 2022.

Based on these assumptions, TDK has made accounting estimates relating to impairment of property, plant and equipment, goodwill and intangible assets.

However, the impacts from the resurgence of COVID-19, etc. 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 fiscal year ending March 31, 2023 onward.

(5) Standards and interpretations issued but not yet adopted

None of the new or amended standards and interpretations that were issued up to the date of approval of the TDK Group's consolidated financial statements had a material impact on its consolidated financial statements.

3. Significant Accounting Policies

(1) Basis of consolidation

I. Subsidiary

A subsidiary is an entity that is controlled by TDK. TDK controls an entity when TDK is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. TDK includes the financial statements of a subsidiary in the consolidated financial statements from the date when it gains control until the date when it ceases to control the subsidiary.

Intercompany balances and transactions and unrealized gains and losses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership interests in a subsidiary while control is maintained are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of parent. Gains and losses arising from the loss of control of a subsidiary are recognized in profit or loss.

II. Associate

An associate is an entity over which TDK has significant influence, being the power to participate in the financial and operating policy decisions of the entity, but not control or jointly control those policies. TDK accounts for its investment in an associate using the equity method from the date when it gains the significant influence until the date when the significant influence ceases.

(2) Business combination

TDK accounts for each business combination by applying the acquisition method. Acquisition-related costs are expensed as incurred. In principle, identifiable assets acquired and the liabilities assumed in a business combination are measured at their acquisition-date fair values.

If the sum of the consideration transferred in a business combination, the amount of any non-controlling interest in the acquiree, and the fair value of equity interests of the acquiree that TDK previously held exceeds the net fair value of the acquired assets and assumed liabilities, the excess is recognized as goodwill. If below, it is recognized in profit or loss. The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred by TDK, the liabilities incurred by TDK to former owners of the acquiree and the equity interests issued by TDK, which includes the fair values of assets or liabilities arising from contingent consideration arrangements.

For each business combination, non-controlling interest is measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

(3) Foreign currency translation

I. Foreign currency transaction

Foreign currency transactions are translated into TDK Group companies' functional currency using the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at the end of the reporting period. Non-monetary items denominated in foreign currencies measured at fair value are translated into the functional currency using the exchange rate at the date of the fair value measurement, and non-monetary items denominated in foreign currencies measured at cost are translated using the exchange rate at the date of the transaction.

Exchange differences arising from translation and settlement are recognized in profit or loss. Exchange differences arising from equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

II. Financial statements of foreign operations

Assets and liabilities of a foreign operation are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expenses are translated using the average exchange rate prevailing during the period unless there is signification fluctuation in the exchange rate. Exchange differences arising on the translation of financial statements of a foreign operation are recognized in other comprehensive income and accumulated in a separate component of equity, except for the portion allocated to non-controlling interests.

When a foreign operation is disposed of and control or significant influence ceases, the cumulative amount of the exchange differences relating to the foreign operation is reclassified to profit or loss.

(4) Financial instruments

I. Non-derivative financial assets

(i) Initial recognition and measurement

Regular way purchase or sale of securities is initially recognized at the settlement date, and the rest of the financial assets are initially recognized when TDK Group becomes a contractual party to the financial instruments.

Financial assets are, at initial recognition, classified into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss. This classification is made based on whether the financial assets are debt instruments or equity instruments.

A financial asset that is a debt instrument is classified as financial assets measured at amortized cost if both of the conditions described below are met. Otherwise, it is classified as financial assets measured at fair value through profit or loss. TDK Group does not hold financial assets that are debt instruments measured at fair value through other comprehensive income.

- The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

In principle, TDK Group makes an irrevocable election for financial assets that are equity instruments to present subsequent changes in fair value in other comprehensive income, except for equity instruments held for trading. These financial assets are classified as financial assets measured at fair value through other comprehensive income.

For financial assets measured at fair value through profit or loss, transaction costs are initially recognized in profit or loss when incurred. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially measured at fair value plus the transaction costs that are directly attributable to the acquisition of the assets. Trade receivables that do not have a significant financing component are initially measured at their transaction price.

(ii) Subsequent measurement

Financial assets measured at amortized cost are measured using the effective interest method and the interest is recognized in profit or loss.

Financial assets other than those measured at amortized cost are measured at fair value. Changes in fair value of equity instruments that are classified as financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. When a financial asset is derecognized or when a decline in fair value of the financial asset below cost is significant or prolonged, cumulative gains or losses recognized in other comprehensive income are transferred to retained earnings. Dividends are recognized in profit or loss.

Changes in fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.

(iii) Impairment

A financial asset measured at amortized cost is assessed for impairment and a loss allowance is recognized based on expected credit losses at each reporting date.

At the reporting date, if credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to 12-month expected credit losses. If the credit risk has increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to lifetime expected credit losses, taking reasonable and supportable information including forecasts into consideration.

However, the loss allowance for trade receivables is recognized at an amount equal to lifetime expected credit losses regardless of whether credit risk has increased significantly since initial recognition. The amount of expected credit losses or reversal is recognized in profit or loss.

(iv) Derecognition

When contractual rights to the cash flows from a financial asset expire, or TDK Group transfers contractual rights to receive the cash flows of that financial asset and substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognized.

II. Non-derivative financial liabilities

(i) Initial recognition and measurement

Financial liabilities are initially recognized when TDK Group becomes a contractual party to the financial instruments. Financial liabilities other than contingent considerations are classified as financial liabilities measured at amortized cost upon initial recognition. All financial liabilities are initially measured at fair value. Financial liabilities measured at amortized cost are measured at fair value less transaction costs that are directly attributable to the issue of the financial liabilities.

(ii) Subsequent measurement

Financial liabilities measured at amortized cost are measured using the effective interest method. Interest calculated using the effective interest method and gains and losses from derecognition are recognized in profit or loss.

Contingent considerations are measured at fair value and changes in the fair value are recognized in profit or loss.

(iii) Derecognition

Financial liabilities are derecognized when an obligation specified in a contract is discharged or cancelled or expires.

III. Derivatives

TDK Group enters into derivative contracts, such as forward foreign exchange contracts, to hedge the risk of foreign exchange rate fluctuations. These derivatives are initially recognized at fair value at the date of contract and subsequently remeasured at fair value. Changes in fair value of derivatives are recognized in profit or loss.

TDK Group does not apply hedge accounting to any of these derivatives.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time and short-term investments that are easily redeemable and have a redemption date within three months from the date of acquisition with little risk of value fluctuations.

(6) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined based mainly on the weighted average cost formula, and includes the costs of purchase, the costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(7) Property, plant and equipment

Property, plant and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses using the cost model. The cost includes the incidental costs directly related to acquisition of the assets and the costs of site dismantlement, removal and restoration. Property, plant and equipment is depreciated using the straight-line method over its estimated useful lives.

The estimated useful lives are as follows:

Buildings: 2 to 60 years

Machinery and equipment: 2 to 25 years

Residual values, estimated useful lives and depreciation methods are reviewed at the end of each fiscal year. Changes in these items, if any, are applied prospectively as a change in accounting estimates.

(8) Goodwill and intangible assets

I. Goodwill

Goodwill acquired in a business combination is recorded at cost less any accumulated impairment losses.

II. Intangible assets

Intangible assets are measured using the cost model. Intangible assets with finite useful lives are recorded at cost less accumulated amortization and accumulated impairment losses, and intangible assets with indefinite useful lives are recorded at cost less accumulated impairment losses.

Intangible assets acquired separately are measured at their cost upon initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill at their acquisition-date fair values if they meet the definition of intangible assets, they are identifiable, and their fair values can be measured reliably.

All expenditure incurred in a research phase with the prospect of gaining new scientific or technical knowledge is expensed when it is incurred.

An expenditure incurred in a development phase is capitalized if the expenditure can demonstrate all the following criteria; otherwise, it is expensed as incurred.

・The technical feasibility of completing the intangible asset so that it will be available for use or sale
・The intention to complete the intangible asset and use or sell it
・The ability to use or sell the intangible asset
・How the intangible asset will generate probable future economic benefits
・The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
・The ability to measure reliably the expenditure attributable to the intangible asset during its development

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives.

The estimated useful lives of major intangible assets are as follows:

Patent: 3 to 19 years
Customer relationships: 4 to 17 years
Software: 2 to 10 years
Technologies other than patent: 3 to 20 years
Other: 2 to 7 years

Residual values, estimated useful lives and amortization methods are reviewed at the end of each fiscal year. Changes in these items, if any, are applied prospectively as a change in accounting estimates.

(9) Leases

TDK Group determines whether a contract is a lease contract, or if it contains a lease, at inception of the contract. Some of the lease contracts include lease and non-lease components, and TDK Group accounts for them separately.

At commencement date of the lease, TDK Group as a lessee recognizes a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability adjusted for initial direct costs, lease payments made at or before the commencement date and other. After initial recognition, if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the possibilities that the lessee will exercise a purchase option, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the useful life of the underlying asset. Otherwise, it is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee’s incremental borrowing rate is used based on the information available at the commencement date.

For short-term leases with a lease term of 12 months or less and leases of low-value assets, a right-of-use asset and a lease liability are not recognized. Instead, total lease payment is recognized as an expense over the lease term using the straight-line method.

(10) Impairment of non-financial assets

Non-financial assets (excluding inventories, deferred tax assets, etc.) are assessed for impairment at each reporting date. If any indication of impairment exists, an impairment test is performed based on the recoverable amount of that asset. The recoverable amount is determined for a cash-generating unit to which the individual asset belongs, unless the asset generates cash inflows that are largely independent of those from other assets or groups of assets. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment test is performed for goodwill and intangible assets with indefinite useful lives at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment. When goodwill acquired in a business combination is tested for impairment, the goodwill is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the business combination.

For investments accounted for using the equity method, the carrying amount of the entire investment is treated as a single asset to test for impairment when there is objective evidence of impairment.

The recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is the higher of its value in use and fair value less costs of disposal. In determining value in use, estimated future cash flows are discounted to their present values at pre-tax discount rates that reflect the time value of money and the risks specific to the asset.

If the recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount is reduced to the recoverable amount. That reduction is an impairment loss, which is recognized in profit or loss.

TDK Group assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If there is such indication and the recoverable amount of the asset or the cash-generating unit exceeds its carrying amount, the impairment loss recognized in prior periods is reversed. In this case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

(11) Employee benefits

I. Post-employment benefits

TDK Group sponsors defined benefit plans and defined contribution plans for its employees.

Net defined benefit asset or liability is calculated as the present value of defined benefit obligations less the fair value of any plan assets. The net defined benefit asset has the asset ceiling, which is the present value of future economic benefits available in the form of a cash refund or a reduction in future contributions.

The projected unit credit method is used to determine defined benefit obligations. The present value of the defined benefit obligations is calculated as expected future benefits discounted using the discount rate. The discount rate is determined by reference to market yields on high quality corporate bonds with a term similar to the estimated period of benefit. Service cost and net interest on the net defined benefit asset or liability are recognized in profit or loss. Actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined benefit asset or liability and any change in the effect of the asset ceiling are recognized in other comprehensive income as remeasurements of defined benefit plans in the period in which they occur and immediately transferred to retained earnings.

Past service cost is recognized in profit or loss in the period in which it occurs.

The contributions required under defined contribution plans for the services rendered by employees are recognized in profit or loss and included in employee benefit expenses.

II. Short-term employee benefits

Short-term employee benefits are recognized in profit or loss at the undiscounted amount during the period in which employees provide relevant services and included in employee benefit expenses.

The estimated amounts of bonuses and compensated absences are recognized as liabilities when there is a legal or constructive obligation to make payments and a reliable estimate of the amount can be made.

(12) Share-based payment

TDK Group has a share option plan and post-delivery type share remuneration plans.

The share option plan is an equity-settled share-based payment plan. TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in capital surplus.

The post-delivery type share remuneration plans are classified into equity-settled and cash-settled share-based payment plans. For the equity-settled plan, TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in capital surplus. For the cash-settled plan, TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in liability. Until the liability is settled, the fair value of the liability is remeasured with any changes in the fair value recognized in profit or loss.

(13) Provisions

A provision is recognized when TDK Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, estimated future cash flows are discounted to the present value using the discount rate that reflects the time value of money and the risks specific to the liability.

(14) Equity

I. Common shares

The issue price of common shares issued by TDK is recorded in share capital and capital surplus, and the issuance cost, net of tax, is deducted from capital surplus.

II. Treasury shares

Treasury shares are measured at the amount of consideration paid (including transaction costs) and recognized as a deduction from equity.

When such shares are sold, the amount received is recognized as an increase in equity.

(15) Revenue

TDK Group recognizes revenue arising from transactions within the scope of IFRS 15 Revenue from contracts with customers (“IFRS 15”) based on the following 5 steps:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

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

Transaction price that TDK Group receives in exchange for products transferred may include variable consideration such as sales discounts, customer rewards and sales rebates. 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 known as of the transaction date and is updated based on the information available at each reporting date.

(16) Government grants

Government grants are recognized at fair value if there is reasonable assurance that TDK Group will comply with the conditions attaching to them and the grants will be received.

When government grants are related to items of expense, the government grants are recognized as revenue on a systematic basis over the periods in which TDK Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to an asset are presented by deducting the grant in arriving at the carrying amount of the asset.

(17) Income taxes

Income tax expense consists of current income tax and deferred income tax and is recognized in profit or loss except to the extent that the tax arises from a business combination and a transaction or event which is recognized either in other comprehensive income or directly in equity.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for the temporary differences between the carrying amount and tax base of assets and liabilities, the net operating loss carryforwards and the tax credit carryforwards. Deferred tax assets and liabilities are not recognized for the following temporary differences:

・Temporary differences arising from initial recognition of goodwill
・Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profits
・Deductible temporary differences arising from investments in subsidiaries and associates to the extent that it is probable that the temporary difference will not reverse in the foreseeable future or taxable profit will not be available against which the temporary difference can be utilized
・Taxable temporary differences arising from investments in subsidiaries and associates to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences are expected to reverse, based on tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are included in non-current assets or non-current liabilities.

Deferred tax assets and deferred tax liabilities are offset if TDK Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized for the deductible temporary differences, net operating loss carryforwards and tax credit carryforwards to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized. Deferred tax assets are reassessed at each reporting date and reduced to the extent that it has become probable that tax benefits will not flow to TDK Group.

Uncertain tax positions are recognized as assets or liabilities at the amount reasonably estimated when it is probable that the tax positions will be sustained upon examinations by the taxation authorities.

(18) Earnings per share

Basic earnings per share attributable to owners of parent is calculated by dividing net profit attributable to owners of parent by the weighted average number of common shares outstanding adjusted for treasury shares for the reporting period.

Diluted earnings per share attributable to owners of parent is calculated by adjusting for the impact of potentially dilutive shares.

4. Segment Information

(1) Description of reportable segments

TDK Group's operating segments are components of the group 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 segments and to assess their performance.

TDK Group aggregates its operating segments into the following four reportable segments: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products, based on the similarities in the type and nature of products, the nature of production processes, markets to distribute products, economic indicators and other characteristics. Operating segments which are not classified as one of these four reportable segments are included in Other.

Principal businesses/products of each reportable segment and Other segment are as follows:

Segment	Principal businesses/Products
Passive Components	Ceramic capacitors, Aluminum Electrolytic Capacitors, Film Capacitors, Inductive Devices (Coils, Ferrite Cores and Transformers), High-Frequency Devices, Piezoelectric Material Products, Circuit Protection Components
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Magnets
Energy Application Products	Energy Devices (Rechargeable Batteries), Power Supplies
Other	Mechatronics (Production Equipment), Camera Module Micro Actuators for smartphones, etc.

Accounting policies applied to each segment are the same as those for the consolidated financial statements of TDK Group. Intersegment transactions are based on arm's length prices.

(2) Information about reportable segments

The reportable segment information for the fiscal years ended March 31, 2021 and 2022 are as follows:

April 1, 2020

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Assets	565,594	190,264	349,248	805,534	88,265	(97,977)	1,900,928

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	407,126	81,345	199,253	740,227	51,057	-	1,479,008
Intersegment	3,547	223	652	-	22,015	(26,437)	-
Total	410,673	81,568	199,905	740,227	73,072	(26,437)	1,479,008
Segment profit (loss)	40,080	(24,915)	(2,266)	147,404	(16,056)	(32,433)	111,814
Other items							
Assets	625,016	190,812	373,465	1,229,342	82,529	(141,501)	2,359,663
Depreciation and amortization	35,388	13,567	22,481	61,324	7,058	8,538	148,356
Capital expenditure	35,032	6,600	29,679	127,956	3,575	9,354	212,196
Impairment losses	463	292	2,620	-	4,539	-	7,914

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segment						
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products	Other	Adjustments	Consolidated
Net sales							
External customers	505,198	130,769	248,446	965,345	52,366	-	1,902,124
Intersegment	4,426	503	66	1	33,930	(38,926)	-
Total	509,624	131,272	248,512	965,346	86,296	(38,926)	1,902,124
Segment profit (loss)	77,251	3,190	4,522	123,212	(5,630)	(35,770)	166,775
Other items							
Assets	699,107	263,531	436,787	1,661,860	91,325	(110,957)	3,041,653
Depreciation and amortization	38,301	13,427	23,281	89,497	4,147	8,378	177,031
Capital expenditure	41,564	10,890	52,466	175,713	4,172	6,532	291,337
Impairment losses	899	404	1,255	-	-	742	3,300

Segment profit represents a segment’s sales less its cost of sales, selling, general and administrative expenses and other operating income and expenses that are not attributable to Corporate headquarters.

Segment profit is adjusted for corporate expenses for company-wide operational and administrative purposes that are not allocated to operating segments.

Segment assets are adjusted for elimination of intersegment transactions, cash and cash equivalents and property, plant and equipment that are held for general corporate purposes, and deferred tax assets and investments that are not allocated to operating segments.

(3) Geographic segment information

The geographic segment information for the fiscal years ended March 31, 2021 and 2022 are as follows:

Net sales

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Japan	117,205	149,038
Americas	96,666	129,857
Europe	148,443	175,580
China	840,129	1,059,718
Asia and others	276,565	387,931
Total	1,479,008	1,902,124

The net sales are based on the location of external customers.

There is no single country or region, except Japan and China, whose net sales are material to TDK Group.

Major countries in each geographical area are as follows:

(1) Americas.............United States of America

(2) Europe.................Germany

(3) Asia and others....Philippines, Thailand and Vietnam

Non-current assets (property, plant and equipment, right-of-use assets, goodwill, and intangible assets)

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Japan	217,413	216,208	232,237
Americas	150,427	159,611	196,045
Europe	93,037	94,270	104,417
China	299,338	454,416	558,365
Asia and others	87,723	96,699	110,529
Total	847,938	1,021,204	1,201,593

(4) Information about major customers

There is one customer group that accounts for more than 10% of the consolidated net sales for the fiscal year ended March 31, 2021. The net sales to the customer group are ¥196,812 million.

There is one customer group that accounts for more than 10% of the consolidated net sales for the fiscal year ended March 31, 2022. The net sales to the customer group are ¥277,008 million.

These net sales are mainly included in the Energy Application Products segment for both of the fiscal years ended March 31, 2021 and 2022.

5. Cash and Cash Equivalents

Cash and cash equivalents comprise the following. The balance in Cash and cash equivalents in the statements of financial position is consistent with the balance in Cash and cash equivalents in the statements of cash flows.

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Cash on hand and demand deposits	155,998	313,098	237,748
Time deposits (with a maturity of three months or less)	176,508	56,387	200,873
Money market fund and other	211	10,902	718
Total	332,717	380,387	439,339

In principle, cash and cash equivalents are classified as financial assets measured at amortized cost.

6. Trade Receivables

Trade receivables comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Accounts receivables-trade	253,783	348,010	492,409
Notes receivables	58,079	82,886	33,724
Loss allowance	(1,785)	(1,525)	(1,657)
Total	310,077	429,371	524,476

Trade receivables are classified as financial assets measured at amortized cost.

7. Other Financial Assets

Other financial assets comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Financial assets measured at amortized cost			
Time deposits (with a maturity of three months or more)	32,494	65,886	53,644
Accounts receivable-others	2,115	2,431	3,002
Other	12,921	9,417	13,725
Financial assets measured at fair value through profit or loss			
Derivative financial assets	1,226	2,100	1,982
Mutual funds	1,002	1,239	1,336
Rabbi trust investments	5,799	7,667	8,009
SAFE investments	-	-	2,937
Convertible bonds	-	-	2,475
Commercial paper	42	46	36
Financial assets measured at fair value through other comprehensive income			
Shares	17,466	30,668	103,379
Total	73,065	119,454	190,525
Current assets	43,603	75,493	66,944
Non-current assets	29,462	43,961	123,581
Total	73,065	119,454	190,525

Shares measured at fair value through other comprehensive income comprise the following:

(Millions of yen)

Name	April 1, 2020	March 31, 2021	March 31, 2022
Guangdong Brunp Recycling Technology Co., Ltd.	7,814	9,730	43,485
Group14 Technologies, Inc.	797	2,209	30,261
Sila Nanotechnologies, Inc.	3,036	7,465	7,486
ALPS LOGISTICS CO., LTD.	1,795	2,661	3,012
Agility Robotics Inc.	-	221	2,245
Other	4,024	8,382	16,890
Total	17,466	30,668	103,379

The shares listed above have been designated as financial assets measured at fair value through other comprehensive income as they are principally held for strategic investment purposes.

Financial assets measured at fair value through other comprehensive income are disposed of and derecognized in order to maximize the efficiency and effective use of assets held. The fair value of the assets and their cumulative gain or loss at the date of derecognition are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Fair value at the date of disposal	870	1,369
Cumulative gain at the date of disposal	338	593

When shares measured at fair value through other comprehensive income are derecognized or a decline in fair value below cost is significant or prolonged, the cumulative gain or loss recognized in other comprehensive income is transferred to retained earnings. The amount transferred from other components of equity to retained earnings upon derecognition is ¥289 million and ¥519 million, net of tax, for the fiscal years ended March 31, 2021 and 2022, respectively. The amount transferred from other components of equity to retained earnings as a result of the significant decline in fair value below cost is ¥(101) million, net of tax, for the fiscal year ended March 31, 2022.

Dividends from shares measured at fair value through other comprehensive income comprise the following:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Dividends from shares derecognized during the period	8	-
Dividends from shares held at the end of the reporting period	111	131

Dividend income is included in Finance income in the consolidated statements of profit or loss.

8. Inventories

Inventories comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Finished goods	87,721	101,517	123,329
Work in process	56,697	66,060	89,329
Raw materials	91,592	120,769	224,346
Total	236,010	288,346	437,004

The amount of write-down of inventories is ¥2,804 million and ¥3,264 million for the fiscal years ended March 31, 2021 and 2022, respectively, which is included in Cost of sales in the consolidated statements of profit or loss.

Long-term advances of ¥121,370 million were paid to suppliers in the fiscal year ended March 31, 2022 to ensure stable procurement of raw materials over the medium to long term.

9. Investments Accounted for Using the Equity Method

The carrying amount of investments in individually immaterial associates in aggregate and TDK's share of these associates' comprehensive income are as follows:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Carrying amount	14,888	14,069	16,635

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
TDK's share of profit	(767)	2,291
TDK's share of other comprehensive income	142	290
TDK's share of comprehensive income	(625)	2,581

In addition to the above, an impairment loss of ¥123 million for investments accounted for using the equity method and a reversal of previously recognized impairment losses of ¥1,305 million are recognized for the fiscal year ended March 31, 2021, both of which are included in Share of profit of investments accounted for using the equity method in the consolidated statements of profit or loss.

10. Property, Plant and Equipment

A reconciliation of the carrying amount at the beginning and end of the period, the cost, and the accumulated depreciation and impairment losses of property, plant and equipment are as follows:

(Millions of yen)

	Land	Buildings	Machinery and equipment	Construction in progress	Total
April 1, 2020					
Cost	19,886	355,388	1,067,964	84,353	1,527,591
Accumulated depreciation and accumulated impairment losses	(1,786)	(177,973)	(742,535)	(2,429)	(924,723)
	18,100	177,415	325,429	81,924	602,868
Additions	1,434	-	-	270,240	271,674
Depreciation expenses	-	(19,242)	(106,252)	-	(125,494)
Impairment losses	-	(434)	(6,544)	(339)	(7,317)
Sale or disposal	-	(380)	(3,923)	(96)	(4,399)
Transfers to other accounts	-	61,325	171,890	(233,215)	-
Other	-	(59)	(223)	(22)	(304)
Exchange differences on translation of foreign operations	462	10,900	21,990	6,064	39,416
March 31, 2021					
Cost	21,891	431,058	1,259,871	126,046	1,838,866
Accumulated depreciation and accumulated impairment losses	(1,895)	(201,533)	(857,504)	(1,490)	(1,062,422)
	19,996	229,525	402,367	124,556	776,444
Additions	301	-	-	249,271	249,572
Depreciation expenses	-	(26,227)	(127,212)	-	(153,439)
Impairment losses	-	(145)	(2,061)	(318)	(2,524)
Sale or disposal	(12)	(469)	(2,254)	(101)	(2,836)
Transfers to other accounts	1,025	22,808	173,805	(197,638)	-
Other	-	(77)	(205)	(1,302)	(1,584)
Exchange differences on translation of foreign operations	774	18,634	42,631	17,370	79,409
March 31, 2022					
Cost	24,022	489,128	1,534,637	192,509	2,240,296
Accumulated depreciation and accumulated impairment losses	(1,938)	(245,079)	(1,047,566)	(671)	(1,295,254)
	22,084	244,049	487,071	191,838	945,042

Depreciation expenses for property, plant and equipment are included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of profit or loss.

The amount of contractual commitments for the acquisition of property, plant and equipment is disclosed in Note 29 Commitments and Contingent Liabilities. There is no material property, plant and equipment pledged as security for liabilities.

Also, there are no material borrowing costs included in the cost of property, plant and equipment for the fiscal years ended March 31, 2021 and 2022.

The impairment loss of ¥2,620 million and ¥1,255 million recognized in the Magnetic Application Products segment for the fiscal years ended March 31, 2021 and 2022, respectively resulted mainly from reducing the carrying amount of machinery and equipment in the Magnets business to its recoverable amount, reflecting decreased profitability due to lower demand. The recoverable amount was measured at fair value less costs of disposal. The fair value was determined based on the property valuation. As unobservable inputs were used in the measurement, the amount is classified as Level 3 in the fair value hierarchy. The impairment loss of ¥4,539 million recognized in the Other segment for the fiscal year ended March 31, 2021 resulted from reducing the carrying amount of machinery and equipment in the camera module micro actuators for smartphones business to its recoverable amount, reflecting decreased profitability due to lower demand. The recoverable amount was measured at fair value less costs of disposal. The fair value was determined based on discounted cash flows at a discount rate of 10.00%. As unobservable inputs were used in the measurement, the amount is classified as Level 3 in the fair value hierarchy.

The impairment losses of property, plant and equipment are included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of profit or loss.

The levels of the fair value hierarchy are set out in (8) Fair Value Measurement of Financial Instruments in Note 19 Financial Instruments.

11. Leases

TDK Group leases land, buildings, machinery and other assets under various lease contracts expiring after March 31, 2022.

TDK Group does not have material lease contracts with variable lease payments.

Some lease contracts include an option to extend or terminate the lease to increase flexibility in TDK Group's businesses. If it is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease, TDK Group determines the lease term together with periods covered by these options.

TDK Group's lease contracts do not contain any material residual value guarantees or material financial covenants.

The carrying amounts of right-of-use assets by class of underlying asset are as follows:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Class of underlying asset			
Land and buildings	39,584	41,308	46,030
Machinery	1,838	2,027	2,008
Other	1,691	2,400	2,131
Total	43,113	45,735	50,169

The right-of-use assets increased by ¥9,748 million and ¥10,373 million for the fiscal years ended March 31, 2021 and 2022, respectively.

The amounts recognized in profit or loss for leases where TDK Group is the lessee are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Depreciation expenses for right-of-use assets		
Land and buildings	7,344	7,638
Machinery	369	372
Other	955	936
Total	8,668	8,946
Interest expenses on lease liabilities	1,413	775
Expense relating to short-term leases	816	904
Expense relating to leases of low-value assets (excluding short-term leases)	128	308

Total cash outflow for leases as a lessee is ¥11,069 million and ¥11,700 million for the fiscal years ended March 31, 2021 and 2022, respectively.

Leases recognized as of April 1, 2020, March 31, 2021 and March 31, 2022 contain extension options or termination options which were not included in the measurement of lease liabilities because it was not reasonably certain at that point that the options would be exercised or not exercised. If the possibility of exercising these options changes, it could result in potential future cash outflows.

The maturity analysis of lease liabilities is as follows:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Lease payments			
Within 1 year	8,988	9,374	10,477
1 to 2 years	7,709	8,112	9,572
2 to 3 years	5,834	7,039	8,269
3 to 4 years	5,162	6,078	5,898
4 to 5 years	4,652	4,366	4,794
More than 5 years	19,218	20,887	22,657
Total future minimum lease payments	51,563	55,856	61,667
Less: interest portion	9,314	11,700	13,340
Lease liabilities	42,249	44,156	48,327

The weighted average incremental borrowing rate for the lease liabilities is 3.58% as of April 1, 2020, 3.20% as of March 31, 2021 and 1.60% as of March 31, 2022, with the maturity from April 2022 to June 2046.

12. Goodwill and Intangible Assets

A reconciliation of the carrying amount at the beginning and end of the period, the cost, and the accumulated amortization and impairment losses of goodwill and intangible assets are as follows:

(Millions of yen)

	Goodwill	Intangible assets									
		Intangible assets with indefinite useful lives			Intangible assets with finite useful lives					Total intangible assets
		Trademarks	In process research and development	Other	Patents	Customer relationships	Software	Unpatented technologies	Other	
April 1, 2020										
Cost	165,765	4,275	347	189	38,400	14,526	44,461	40,959	10,976	154,133
Accumulated amortization and impairment losses	(43,579)	(823)	-	-	(22,999)	(11,101)	(20,400)	(15,539)	(3,500)	(74,362)
	122,186	3,452	347	189	15,401	3,425	24,061	25,420	7,476	79,771
Additions	-	-	-	-	27	-	4,969	578	-	5,574
Amortization expenses	-	-	-	-	(3,130)	(1,022)	(4,981)	(4,486)	(575)	(14,194)
Impairment losses	-	-	-	-	-	-	(17)	-	-	(17)
Sale or disposal	-	-	-	-	-	-	(13)	(15)	-	(28)
Other	-	-	(347)	1	(2)	-	672	368	20	712
Exchange differences on translation of foreign operations	3,482	-	-	-	205	66	158	513	597	1,539
March 31, 2021										
Cost	170,137	4,275	-	190	40,615	14,681	50,094	42,892	11,941	164,688
Accumulated amortization and impairment losses	(44,469)	(823)	-	-	(28,114)	(12,212)	(25,245)	(20,514)	(4,423)	(91,331)
	125,668	3,452	-	190	12,501	2,469	24,849	22,378	7,518	73,357
Additions	-	-	-	-	167	-	5,707	46	134	6,054
Amortization expenses	-	-	-	-	(2,950)	(957)	(5,635)	(4,493)	(611)	(14,646)
Impairment losses	-	-	-	-	(742)	-	(18)	-	-	(760)
Sale or disposal	-	-	-	-	-	-	(49)	(2)	(4)	(55)
Other	-	-	-	-	37	-	794	1	19	851
Exchange differences on translation of foreign operations	11,684	-	-	-	1,062	77	374	1,764	952	4,229
March 31, 2022										
Cost	186,130	4,275	-	190	42,445	14,928	56,475	46,629	13,425	178,367
Accumulated amortization and impairment losses	(48,778)	(823)	-	-	(32,370)	(13,339)	(30,453)	(26,935)	(5,417)	(109,337)
	137,352	3,452	-	190	10,075	1,589	26,022	19,694	8,008	69,030

The amortization expenses of intangible assets are included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of profit or loss. There are no significant internally generated intangible assets other than software.

The amount of research and development expenditure recognized as an expense was ¥127,409 million and ¥165,250 million for the fiscal years ended March 31, 2021 and 2022, respectively.

TDK Group determines that certain assets presented under trademarks and other intangible assets have indefinite useful lives on the grounds that continuous use of the assets is not legally restricted as long as the business continues and management plans to offer services in connection with the assets for the foreseeable future.

Goodwill acquired in a business combination is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The following table presents the amount of goodwill allocated to a cash-generating unit or a group of cash-generating units. Intangible assets with indefinite useful lives are allocated primarily to the power supplies business within the Energy Application Products segment.

Goodwill

(Millions of yen)

Cash-generating unit or group of cash-generating units	April 1, 2020	March 31, 2021	March 31, 2022
MEMS Sensors business	67,169	68,329	75,540
HDD Heads business	14,589	14,845	16,438
Other	40,428	42,494	45,374
Total	122,186	125,668	137,352

The recoverable amounts of cash-generating units or groups of cash-generating units to which a significant amount of goodwill is allocated are measured at their fair values less costs of disposal. As unobservable inputs were used in the measurement, these amounts are classified as Level 3 in the fair value hierarchy. The methods used to measure the fair value less costs of disposal, the key assumptions on which the determination of fair value less costs of disposal is based, and management’s approach to determining the values assigned to each of the key assumption are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
MEMS Sensors business		
Measurement method	Discounted cash flow method	Discounted cash flow method
Perpetual growth rate (%)	2.0	2.0
Cash flow forecast period (years)	5	5
Discount rate (%)	12.5	12.5
HDD Heads business		
Measurement method	Discounted cash flow method and comparable multiple valuation method	Discounted cash flow method and comparable multiple valuation method
Perpetual growth rate (%)	1.0	1.0
Cash flow forecast period (years)	9	10
Discount rate (%)	8.2	7.9
EBITDA multiples (x)	9.4 - 10.6	6.6 - 7.1

Under the discounted cash flow method, estimated cash flows determined based on the business plan approved by management are discounted to the present value using the after-tax discount rate for the relevant cash-generating unit or group of cash-generating units. The perpetual growth rate applied to extrapolate cash flow projections beyond the period covered by the business plan is calculated using inflation rates and other factors for the major sales regions of the business in which each cash-generating unit or group of cash-generating units operates. The cash flow forecast period is the period covered by the management-approved business plan. The discount rate is determined based on the weighted average cost of capital of the relevant cash-generating unit or group of cash-generating units.

Under the comparable multiple valuation method, the enterprise value is determined by multiplying TDK Group’s latest EBITDA by the enterprise multiple of the publicly traded peer companies.

The recoverable amount of the group of cash-generating units for the MEMS Sensor business within the Sensor Application Products segment exceeded its carrying amount by ¥33,700 million and ¥40,800 million for the fiscal years ended March 31, 2021 and 2022, respectively. Also, the recoverable amount of the group of cash-generating units for the HDD Heads business within the Magnetic Application Products segment exceeded its carrying amount by ¥54,005 million and ¥129,951 million for the fiscal years ended March 31, 2021 and 2022, respectively.

Management judges that any reasonably possible change in key assumptions used in the impairment test would unlikely cause the unit's or group of units' carrying amount to exceed its recoverable amount.

13. Other Current Assets

Other current assets comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Consumption tax receivable	14,241	28,861	25,907
Advances to suppliers	9,533	14,694	23,480
Prepaid expenses	4,784	5,245	7,371
Other	4,520	3,490	3,669
Total	33,078	52,290	60,427

14. Income Taxes

(1) Deferred tax assets and liabilities

Changes in deferred tax assets and deferred tax liabilities comprise the following:

(Millions of yen)

	Fiscal year ended March 31, 2021				
	Balance as of April 1, 2020	Recognized in profit or loss	Recognized in other comprehensive income	Other changes	Balance as of March 31, 2021
Deferred tax assets					
Inventories	4,578	(112)	-	103	4,569
Accrued expenses	10,087	2,667	-	938	13,692
Defined benefit liability	13,109	221	(30)	325	13,625
Net operating loss carryforwards	5,969	2,954	-	512	9,435
Tax credit carryforwards	2,236	547	-	(66)	2,717
Property, plant and equipment and intangible assets	1,499	(72)	-	(273)	1,154
Other	1,370	440	-	608	2,418
Total deferred tax assets	38,848	6,645	(30)	2,147	47,610
Deferred tax liabilities					
Marketable securities and other investments in securities	1,407	(103)	679	155	2,138
Undistributed earnings of foreign subsidiaries and associates	29,634	12,989	-	2,901	45,524
Tangible and intangible assets acquired in business combinations	4,210	(424)	-	(163)	3,623
Other	2,536	377	-	334	3,247
Total deferred tax liabilities	37,787	12,839	679	3,227	54,532
Net amount	1,061	(6,194)	(709)	(1,080)	(6,922)

(Millions of yen)

	Fiscal year ended March 31, 2022				
	Balance as of April 1, 2021	Recognized in profit or loss	Recognized in other comprehensive income	Other changes	Balance as of March 31, 2022
Deferred tax assets					
Inventories	4,569	714	-	203	5,486
Accrued expenses	13,692	2,714	-	403	16,809
Defined benefit liability	13,625	(2,235)	(1,349)	108	10,149
Net operating loss carryforwards	9,435	(2,729)	-	(1,358)	5,348
Tax credit carryforwards	2,717	754	-	141	3,612
Property, plant and equipment and intangible assets	1,154	2,073	-	405	3,632
Other	2,418	(548)	-	(129)	1,741
Total deferred tax assets	47,610	743	(1,349)	(227)	46,777
Deferred tax liabilities					
Marketable securities and other investments in securities	2,138	(141)	5,517	(439)	7,075
Undistributed earnings of foreign subsidiaries and associates	45,524	3,663	-	2,397	51,584
Tangible and intangible assets acquired in business combinations	3,623	(1,689)	-	3	1,937
Other	3,247	432	-	(106)	3,573
Total deferred tax liabilities	54,532	2,265	5,517	1,855	64,169
Net amount	(6,922)	(1,522)	(6,866)	(2,082)	(17,392)

In recognizing deferred tax assets, TDK Group assesses whether it is probable that part or all of deductible temporary differences, net operating loss carryforwards and tax credit carryforwards reduces future taxable profits or the amount of taxes. The ultimate recoverability of deferred tax assets is determined by the level of future taxable profits during the periods in which these temporary differences, net operating loss carryforwards and tax credit carryforwards will be deducted. TDK Group assesses the ultimate recoverability of deferred tax assets by considering the expected timing of the reversal of taxable temporary differences, estimated future taxable profits and tax planning strategies. TDK Group believes it is probable that the deferred tax assets recognized as of March 31, 2022 are recoverable based on the consideration of taxable profits in the previous years and the estimated taxable profits of future periods in which deferred tax assets will be used.

The deductible temporary differences, net operating loss carryforwards and tax credit carryforwards for which no deferred tax asset is recognized are as follows:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Deductible temporary differences	164,212	173,453	182,094
Net operating loss carryforwards	285,954	343,631	409,081
Tax credit carryforwards	8,747	9,972	12,233

The net operating loss carryforwards for which no deferred tax asset is recognized are expected to expire as follows:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Within 1 year	2,836	2,714	4,265
1 to 5 years	45,952	80,692	103,321
5 to 20 years	134,363	133,940	157,677
Indefinite periods	102,803	126,285	143,818
Total	285,954	343,631	409,081

The tax credit carryforwards for which no deferred tax asset is recognized are expected to expire as follows:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Within 20 years	1,457	4,135	5,071
Indefinite periods	7,290	5,837	7,162
Total	8,747	9,972	12,233

Deferred tax liabilities are not recognized for temporary differences arising from investments when TDK Group is able to control the timing of reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. As of March 31, 2021 and 2022, such temporary differences are ¥205,577 million and ¥191,135 million, respectively.

(2) Income tax expense

Income tax expenses comprise the following:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Current tax expense	36,508	39,153
Deferred tax expense		
Temporary differences and reversals	6,194	(1,913)
Assessment of recoverability of deferred tax assets	-	2,744
Changes in tax rates	-	691
Total	42,702	40,675

TDK's statutory effective tax rates are 31.1% and 31.1% for the fiscal years ended March 31, 2021 and 2022, respectively.

The difference between the statutory effective tax rates and the average effective tax rates for the fiscal years ended March 31, 2021 and 2022 are as follows:

(%)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Statutory effective tax rate	31.1	31.1
Difference in statutory tax rates of foreign subsidiaries	(20.5)	(12.6)
Non-deductible items	2.2	2.4
Non-taxable items	(1.7)	(0.0)
Tax rate differences related to changes in profit or loss of loss-making companies	18.4	(0.1)
Changes in unrecognized deferred tax assets	(2.4)	1.2
Investment tax credit	(5.0)	(6.7)
Foreign withholding taxes	4.7	5.8
Research and development tax credit	(1.4)	(1.0)
Prior-year tax adjustments	2.0	0.1
Undistributed earnings of associates	12.5	1.5
Tax effect of investments in foreign subsidiaries and associates	(4.4)	(0.4)
Other	0.9	2.3
Average effective tax rate	36.4	23.6

15. Trade Payables

Trade payables comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Notes payables	102,200	171,673	271,161
Accounts payables	99,625	152,700	188,971
Total	201,825	324,373	460,132

Trade payables are classified as financial liabilities measured at amortized cost.

Trade payables to be settled more than one year after the end of the fiscal year are ¥92 million, ¥164 million and ¥1,361 million as of April 1, 2020, March 31, 2021 and March 31, 2022, respectively.

16. Bonds and Borrowings

Borrowings (current liabilities) comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Short-term borrowings from banks, unsecured (weighted-average interest rate: 0.43% as of April 1, 2020, 0.53% as of March 31, 2021, and 0.37% as of March 31, 2022)	216,601	192,938	172,666
Current portion of long-term borrowings	67,470	134,580	3,258
Total	284,071	327,518	175,924

Bonds and borrowings (non-current liabilities) comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Long-term borrowings from banks, unsecured (weighted-average interest rate: 0.16% as of April 1, 2020, 0.21% as of March 31, 2021, and 0.70% as of March 31, 2022)	202,207	185,116	259,541
Unsecured bonds due 2025 - 0.18% (issued by TDK)	-	29,893	29,918
Unsecured bonds due 2027 - 0.31% (issued by TDK)	-	29,888	29,906
Unsecured bonds due 2030 - 0.43% (issued by TDK)	-	39,831	39,849
Unsecured bonds due 2026 - 0.15% (issued by TDK)	-	-	29,888
Unsecured bonds due 2028 - 0.26% (issued by TDK)	-	-	39,851
Unsecured bonds due 2031 - 0.38% (issued by TDK)	-	-	29,867
Subtotal	202,207	284,728	458,820
Less: current portion	67,470	134,580	3,258
Total	134,737	150,148	455,562

Bonds and borrowings are classified as financial liabilities measured at amortized cost.

17. Other Financial Liabilities

Other financial liabilities comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Financial liabilities measured at amortized cost			
Accounts payable-others	78,629	155,010	139,003
Other	8,025	7,774	9,746
Financial liabilities measured at fair value through profit or loss			
Derivative financial liabilities	1,359	1,326	2,851
Other	664	786	245
Total	88,677	164,896	151,845
Current liabilities	85,738	161,930	147,272
Non-current liabilities	2,939	2,966	4,573
Total	88,677	164,896	151,845

18. Other Current Liabilities

Other current liabilities comprise the following:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Accrued expenses	101,348	142,876	177,504
Advances received	1,300	3,512	13,190
Accrued compensated absences	9,497	10,895	11,449
Accrued consumption tax	2,767	1,566	6,882
Retirement benefit liabilities	2,944	4,803	5,059
Other	7,892	7,372	11,850
Total	125,748	171,024	225,934

19. Financial Instruments

(1) Financial risk management

TDK Group is exposed to various risks such as credit risk, liquidity risk and market risk (including currency risk, interest rate risk and risk of market price changes). TDK Group uses derivative financial instruments, such as forward foreign exchange contracts, to hedge market risk. Derivative transactions are executed and managed based on TDK Group’s internal policies that stipulate the level of trading authorizations. TDK Group has a policy not to conduct speculative transactions using derivative financial instruments.

(2) Credit risk

Credit risk is the risk that counterparties to financial instruments will default on their contractual obligations and results in financial losses for TDK Group. In the course of its business operations, TDK Group is exposed to the credit risks of its customers and counterparties that arise from trade receivables, other receivables and other financial assets (such as derivatives).

In order to prevent or reduce such risks, TDK Group does not hold any exposures that result in excessive concentration of credit risks.

Notes receivable and accounts receivable are trade receivables from customers, and TDK Group is exposed to the credit risks of these customers. To manage credit risks arising from receivables from customers, TDK Group manages due dates and balances of the receivables by each customer and operates under a structure to regularly monitor the credit status of major customers based on TDK Group’s internal credit management policies.

Derivative transactions are executed and managed based on management policies for derivative transactions. When using derivatives, TDK Group enters into transactions only with financial institutions with high credit ratings in order to mitigate credit risks.

TDK Group's maximum exposure to credit risk at the end of the fiscal year is the carrying amount of financial assets in the consolidated statements of financial position, net of impairment losses, and maximum amount of guarantee obligations. Obligations under guarantee arrangements are set out in Note 29 Commitments and Contingent Liabilities. There are no financial assets or non-financial assets acquired as a result of taking ownership of properties held as collateral or exercising other credit enhancements for the fiscal years ended March 31, 2021 and 2022.

Loss allowances for trade receivables are measured at an amount equal to lifetime expected credit losses. For receivables other than trade receivables, expected credit losses are determined based on the assessment of significant increases in credit risk. TDK Group determines whether there is a significant increase in credit risk based on changes in the risk of default occurring, and in making this determination, TDK Group considers past due information, deterioration in operating results, external credit ratings and other factors related to its counterparties. For receivables other than trade receivables, loss allowances are generally measured at an amount equal to 12-month expected credit losses. However, if credit risk increases significantly since initial recognition, they are measured at an amount equal to lifetime expected credit losses.

The amount of expected credit losses is determined as follows:

・Trade receivables

Determined by applying a certain rate based on historical credit loss experiences, calibrated by forward-looking information, to the outstanding balance of trade receivables.

・Receivables other than trade receivables

If the credit risks of financial assets are not determined to have increased significantly, the amount is determined as a portion of lifetime expected credit losses that represents expected credit losses resulting from events of default on the financial instrument that are possible to occur within 12 months after the reporting date. If the credit risks of financial assets are determined to have increased significantly or if assets are credit-impaired, TDK Group calculates the expected credit losses as the difference between the assets’ gross carrying amount and the expected present value of estimated future cash flows discounted at the financial assets’ original effective interest rate.

If the following events of default occur that have a detrimental impact on the estimated future cash flows of financial assets, TDK Group considers the financial assets as credit-impaired and measures expected credit losses for each asset separately such as individual receivable. In addition, carrying amounts of financial assets are directly reduced by the amounts that are clearly not recoverable in the future. Financial assets that are not individually material are assessed on a collective basis based on the characteristics of credit risk and the nature of transactions.

・Significant financial difficulties of the issuer or the borrower

・A breach of contract, such as failure to repay or past due interest or principal payments
・It became probable that the borrower will enter bankruptcy or financial reorganization

I. Carrying amounts of financial assets subject to loss allowances are as follows (without netting loss allowance):

(i) Trade receivables

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Trade receivables and contract assets that are measured at an amount equal to lifetime expected credit losses on a recurring basis	309,250	428,106	523,972
Credit-impaired financial assets	2,612	2,790	2,161
Total	311,862	430,896	526,133

(ii) Receivables other than trade receivables

TDK Group determines that the credit risks of receivables other than trade receivables as of April 1, 2020, March 31, 2021 and March 31, 2022 have not increased significantly and the credit risks relating to the carrying amounts of these receivables are not material.

II. Reconciliation of loss allowance

A reconciliation of loss allowance at the beginning and end of the period is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021		
	Financial assets that are measured at amount equal to lifetime expected credit losses on a recurring basis	Credit-impaired financial assets	Total
Opening balance	727	1,058	1,785
Increase	100	72	172
Decrease (intended use)	(33)	(13)	(46)
Decrease (reversal)	(270)	(201)	(471)
Exchange differences on translation of foreign operations	41	44	85
Ending balance	565	960	1,525

(Millions of yen)

	Fiscal year ended March 31, 2022		
	Financial assets that are measured at amount equal to lifetime expected credit losses on a recurring basis	Credit-impaired financial assets	Total
Opening balance	565	960	1,525
Increase	162	109	271
Decrease (intended use)	(40)	-	(40)
Decrease (reversal)	(146)	(100)	(246)
Exchange differences on translation of foreign operations	59	88	147
Ending balance	600	1,057	1,657

The increases and reversals of loss allowances are recorded in Selling, general and administrative expenses in the consolidated statements of profit or loss.

There are no significant changes in the gross carrying amount of financial instruments that would affect changes in the loss allowances for the fiscal years ended March 31, 2021 and 2022.

Of the financial assets that were directly written off, there are no significant financial assets that are still subject to enforcement activity for the fiscal years ended March 31, 2021 and 2022.

(3) Liquidity risk

Liquidity risk is the risk that TDK Group will be unable to repay its financial obligations when due. TDK Group needs working capital primarily for manufacturing costs, such as procuring raw materials and components used in the manufacturing of products, as well as for selling, general and administrative costs which include research and development costs used for continuous development of new products. In addition, TDK Group needs long-term capital for capital expenditures to appropriately respond to rapid technological innovations and intensified sales competition in the electronics market, and also for mergers and acquisitions in line with its strategies for further growth.

TDK Group's basic policy is to ensure that it has sufficient liquidity and capital resources necessary for its business operations. TDK Group introduced a cash management system in Japan, the U.S., Europe, China and ASEAN regions to improve its capital efficiencies as well as to ensure liquidity through commitment line agreements. Undrawn amounts of commitment lines are ¥85,028 million, ¥204,465 million and ¥113,390 million as of April 1, 2020, March 31, 2021 and March 31, 2022, respectively.

The following table presents a maturity analysis of TDK Group's non-derivative and derivative financial liabilities. The maturity analysis of lease liabilities is set out in Note 11 Leases.

(Millions of yen)

	April 1, 2020							
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade payables	201,825	201,825	201,733	92	-	-	-	-
Short-term borrowings	216,601	216,972	216,972	-	-	-	-	-
Long-term borrowings	202,207	202,692	67,795	134,480	67	186	40	124
Other financial liabilities	87,318	87,318	84,379	2,662	231	10	2	34
Total	707,951	708,807	570,879	137,234	298	196	42	158
Derivative financial liabilities								
Forward exchange contracts and others	1,359	1,359	1,359	-	-	-	-	-
Total	1,359	1,359	1,359	-	-	-	-	-

(Millions of yen)

	March 31, 2021							
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade payables	324,373	324,373	324,209	164	-	-	-	-
Short-term borrowings	192,938	193,109	193,109	-	-	-	-	-
Long-term borrowings	185,116	185,714	134,846	221	288	50,232	127	-
Bonds	99,612	102,428	319	319	319	319	30,283	70,869
Other financial liabilities	163,570	163,570	160,604	2,919	10	2	2	33
Total	965,609	969,194	813,087	3,623	617	50,553	30,412	70,902
Derivative financial liabilities								
Forward exchange contracts and others	1,326	1,326	1,326	-	-	-	-	-
Total	1,326	1,326	1,326	-	-	-	-	-

(Millions of yen)

	March 31, 2022							
	Carrying amount	Contractual cash flows	Within 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years
Non-derivative financial liabilities								
Trade payables	460,132	460,132	458,771	1,357	1	3	-	-
Short-term borrowings	172,666	173,010	173,010	-	-	-	-	-
Long-term borrowings	259,541	264,532	5,102	9,255	149,599	35,256	45,153	20,167
Bonds	199,279	204,114	582	582	582	30,546	30,513	141,309
Other financial liabilities	148,994	148,994	144,421	2,014	1,719	4	3	833
Total	1,240,612	1,250,782	781,886	13,208	151,901	65,809	75,669	162,309
Derivative financial liabilities								
Forward exchange contracts and others	2,851	2,851	2,851	-	-	-	-	-
Total	2,851	2,851	2,851	-	-	-	-	-

For short-term and long-term borrowings from banks, securities or guarantees are given for present and future borrowings when they are requested by the banks. Additionally, the banks have the rights under general agreements to offset cash deposits against such borrowings due from TDK Group as the borrowings become due or in the events of default.

There are no debt covenants or cross-default provisions under TDK Group’s borrowing arrangements which cause significant disadvantage to TDK Group. Furthermore, there are no subsidiary-level dividend restrictions under the borrowing arrangements.

(4) Currency risk

TDK Group operates businesses globally, with overseas sales ratio exceeding 90% on a consolidated basis, and many of the currencies used in the transactions are currencies other than Japanese yen, such as the U.S. dollar (USD) and Euro. The sudden appreciation of Japanese yen against these currencies will have an impact on profit or loss, such as decreases in sales and profits. To mitigate this risk, TDK Group is pursuing a strategy to increase the purchase of raw materials denominated in foreign currencies and to promote local procurement of materials that are consumed overseas. In addition, as assets and liabilities denominated in foreign currencies are translated into Japanese yen on the financial statements, fluctuations in foreign exchange rates have an impact on the financial statements arising from the translation differences. TDK Group is taking measures to respond to these fluctuations in foreign exchange rates, such as obtaining funding in foreign currencies and entering into forward foreign exchange contracts. However, sudden or substantial fluctuations in foreign exchange rates could have a significant impact on TDK Group's financial position and results of operations.

The following table presents TDK Group’s major exposures to currency risks (net). Amounts for which the currency risks are hedged by forward foreign exchange contracts are excluded.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
USD	(4,963)	7,167
Euro	21,197	(4,079)

The following table presents the effect of 1% appreciation of Japanese yen against USD and Euro on profit in the consolidated statements of profit or loss arising from translation of foreign currency denominated financial instruments held as of March 31, 2021 and 2022. All other assumptions are held constant in this calculation.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
USD	49	(73)
Euro	(221)	19

(5) Interest rate risk

TDK Group pays interest incurred in procuring funds necessary for working capital and capital expenditures in the course of its business activities. TDK Group is exposed to interest rate risk arising from changes in future cash flows when interest on variable interest loans is affected by changes in market interest rates.

TDK Group may use interest rate swap contracts to maintain a desired level of exposures to interest rate risk and to minimize interest expense. Interest-bearing liabilities consist primarily of bonds and borrowings with fixed interest rates and borrowings with variable interest rates that are hedged against risk of interest rate fluctuations through interest rate swap contracts. Therefore, the impact of interest rate risk on TDK Group's cash flows is immaterial.

(6) Market price change risk

TDK Group is exposed to the risk of share price changes as it primarily holds shares of companies with which it has business relationships for the purpose of facilitating its business activities. TDK Group regularly monitors market prices of shares held and financial conditions of the issuers to determine valuation gains and losses. In addition, TDK Group continuously reviews its holdings of shares, taking into account the relationships with the issuers.

Shares are classified as financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. The impact of share price changes on other comprehensive income and profit or loss is not material.

(7) Derivatives and hedging activities

TDK Group operates businesses globally and is exposed to the risk of changes in foreign exchange rates and interest rates. In addition, it is exposed to the risk of changes in raw material prices related to its businesses. TDK Group assesses these risks by continuously monitoring changes in foreign exchange rates, interest rates and raw material prices and by considering hedging opportunities. Derivative financial instruments are utilized to reduce these risks.

Derivative financial instruments are not used for speculative trading purposes. Although TDK Group is exposed to credit risks arising from the event of non-performance of counterparties to these derivative contracts, TDK Group does not expect any counterparties to fail to meet their obligations considering their credit ratings. The credit risks of these financial instruments are reflected in the fair values of these contracts, which are determined based on quoted prices obtained from financial institutions. TDK Group does not hold any derivative financial instruments that contain credit-risk-related contingent features.

I. Derivatives not designated as hedging instruments

TDK Group primarily uses forward foreign exchange contracts, non-deliverable forward contracts, currency swap contracts and currency option contracts in order to reduce currency risks related to assets and liabilities denominated in foreign currencies and forecasted transactions. Although these contracts are not designated as hedging instruments, which is required to apply hedge accounting, TDK Group believes that these contracts are effective as hedges from an economic viewpoint. Changes in fair values of these undesignated contracts are immediately recognized in profit or loss.

II. Fair values and gains or losses on derivative financial instruments

The impact of derivative financial instruments on the consolidated statements of profit or loss, net of tax, for the fiscal years ended March 31, 2021 and 2022 is as follows:

Derivatives not designated as hedging instruments

(Millions of yen)

	Account	Recognized gains (losses) on derivative instruments	
		Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Forward foreign exchange contracts	Finance income and costs	5,016	(6,963)
Non-deliverable forward contracts	Finance income and costs	-	(424)
Currency swap contracts	Finance income and costs	(932)	-
Currency option contracts	Finance income and costs	88	(90)
	Total	4,172	(7,477)

Notional amounts and carrying amounts of derivatives as of April 1, 2020, March 31, 2021 and March 31, 2022 are as follows:

Derivatives not designated as hedging instruments

(Millions of yen)

	April 1, 2020		
	Notional amount	Carrying amount (fair value)	
	Gross amount	Assets	Liabilities
Forward foreign exchange contracts	118,414	124	1,359
Currency swap contracts	13,051	1,102	-

(Millions of yen)

	March 31, 2021		
	Notional amount	Carrying amount (fair value)	
	Gross amount	Assets	Liabilities
Forward foreign exchange contracts	336,943	2,100	1,326

(Millions of yen)

	March 31, 2022		
	Notional amount	Carrying amount (fair value)	
	Gross amount	Assets	Liabilities
Forward foreign exchange contracts	298,924	1,974	2,851
Currency option contracts	237	8	-

(8) Fair Value Measurement of Financial Instruments

Financial instruments measured at fair value on a recurring basis subsequent to initial recognition are classified into three levels of a fair value hierarchy based on the observability and significance of inputs used in the measurement.

In this categorization, the fair value hierarchy is defined as follows:

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

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

Level 3: Unobservable inputs for the asset or liability

I. Comparison of fair values and carrying amounts of financial instruments

Carrying amounts and fair values of financial instruments are as follows:

(Millions of yen)

	April 1, 2020		March 31, 2021		March 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	-	-	99,612	100,018	199,279	198,621
Long-term borrowings (including current portion)	202,207	202,389	185,116	185,086	259,541	256,941

Financial instruments measured at fair value or for which the carrying amount is a reasonable approximation of fair value are not included in the table above.

The fair value of TDK Group’s bonds and long-term borrowings (including current portion) above is estimated based on the amount of their respective future cash flows discounted by the borrowing rate applied to TDK Group for similar borrowings with comparable maturity as at the closing date or based on the quoted market prices for the same or similar bonds. These financial instruments are classified as Level 2.

II. Categorization by level of fair value hierarchy

Categorization of financial instruments measured at fair value on a recurring basis by level of fair value hierarchy is as follows:

(Millions of yen)

	April 1, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	124	-	124
Currency swap contracts	-	1,102	-	1,102
Commercial paper	-	42	-	42
Shares	3,743	-	13,723	17,466
Mutual funds	1,002	-	-	1,002
Rabbi trust investments	5,799	-	-	5,799
Total	10,544	1,268	13,723	25,535
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	1,359	-	1,359
Total	-	1,359	-	1,359

(Millions of yen)

	March 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	2,100	-	2,100
Commercial paper	-	46	-	46
Shares	5,564	-	25,104	30,668
Mutual funds	1,239	-	-	1,239
Rabbi trust investments	7,667	-	-	7,667
Total	14,470	2,146	25,104	41,720
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	1,326	-	1,326
Total	-	1,326	-	1,326

(Millions of yen)

	March 31, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	1,974	-	1,974
Currency option contracts	-	8	-	8
Commercial paper	-	36	-	36
SAFE investments	-	-	2,937	2,937
Convertible bonds	-	-	2,475	2,475
Shares	4,210	-	99,169	103,379
Mutual funds	1,336	-	-	1,336
Rabbi trust investments	8,009	-	-	8,009
Total	13,555	2,018	104,581	120,154
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	2,851	-	2,851
Total	-	2,851	-	2,851

Level 1 shares and mutual funds are measured at unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Rabbi trust investments represent an investment in which a portion of the employees' salaries is placed into the trust and invested in financial instruments with quoted prices (require no adjustments) in active markets.

Level 2 derivatives, including forward foreign exchange contracts, currency swap contracts, currency option contracts and others, are measured at quoted prices obtained from counterparties, which are determined using observable market inputs such as foreign currency exchange rates.

Fair values of Level 3 shares are measured mainly based on the comparable multiple valuation method or transaction cases comparison method.

For financial assets measured at fair value on a recurring basis that are classified as Level 3, significant unobservable inputs used in fair value measurement of equity instruments are primarily price earnings ratios ("PER"). As of March 31, 2021 and March 31, 2022, the weighted average of PER are 8.9 times and 7.4 times, respectively. If PER increase, fair values of shares increase. Changes in fair value resulting from changing unobservable inputs to reflect reasonably possible alternative assumptions are not material.

Transfers between levels of the fair value hierarchy are recognized as if they occurred at the end of each reporting period. There are no transfers between Level 1 and Level 2 for the fiscal years ended March 31, 2021 and 2022.

III. Fair value measurement of financial instruments classified as Level 3

(i) Valuation process

Fair values of financial instruments are calculated by TDK Group's Finance and Accounting staff members using valuation techniques and inputs that most appropriately reflect the nature, characteristics and risks of the financial instruments in accordance with TDK Group's internal policies. In addition, external experts are used in the fair value measurement of financial instruments when the amount of financial instruments is significant and the measurement requires a high degree of knowledge and expertise. In order to verify results of each period-end fair value measurement of financial instruments including results of measurement by external experts, the results of a fair value fluctuation analysis iare reviewed and approved by Finance and Accounting managers.

(ii) Reconciliation of financial instruments classified as Level 3

A reconciliation of financial instruments classified as Level 3 at the beginning and end of the period is as follows:

Financial assets (Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Opening balance	13,723	25,104
Gains or losses		
Profit or loss	-	246
Other comprehensive income	6,924	60,467
Acquisition	3,856	12,782
Sale	(311)	-
Transfers from Level 3	(105)	-
Other	1,017	5,982
Ending balance	25,104	104,581

Transfers from Level 3 recognized during the fiscal year ended March 31, 2021 were due to the listing of instruments.

Gains or losses recognized in other comprehensive income, net of tax, are included in Net change in fair value of equity instruments measured at fair value through other comprehensive income in the consolidated statements of comprehensive income.

20. Employee Benefits

(1) Defined benefits plans

I. Description of retirement benefit plans

TDK and certain of its subsidiaries sponsor retirement and severance plans to substantially all employees. These plans provide for lump-sum retirement payments or pension benefits based on years of service, employee salaries and certain other factors.

TDK and most of its subsidiaries in Japan establish fund-type corporate pension plans under the Defined Benefit Corporate Pension Act. Pools of money in the pension funds are managed by several financial institutions in accordance with applicable laws and regulations. These plan assets are invested primarily in equities, government bonds and insurance contracts.

Directors of the funds are obliged to comply with applicable laws and regulations, administrative actions taken by the Minister of Health, Labor and Welfare or by the directors of the Local Bureaus of Health and Welfare in accordance with laws and regulations, applicable rules and resolutions of the board of representatives, as well as to faithfully perform their duties on behalf of the funds. In addition, it is stipulated that the directors shall be jointly and severally liable to the funds for damages if they fail to fulfill their duties with respect to administration and management of the pooled funds.

Most overseas subsidiaries have pension plans or lump-sum retirement benefit plans for their employees. Under these plans, retirement benefit costs are recognized when contributions are made to the plans each period or when provision for retirement benefit liabilities is recorded. Benefit payments under these plans are calculated based primarily on salary upon retirement and years of service.

These retirement benefit plans are exposed to various risks including general investment, interest rate and inflation risks.

II. Defined benefit obligation and plan assets

A reconciliation of defined benefit obligation and plan assets at the beginning and end of the period is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Japan	Overseas	Japan	Overseas
Present value of defined benefit obligation:				
Opening balance	237,754	97,242	236,602	105,204
Service cost	6,109	2,770	5,927	3,394
Interest cost	1,597	1,875	1,593	1,731
Remeasurements				
Actuarial gains and losses arising from changes in demographic assumptions	1,186	(308)	58	108
Actuarial gains and losses arising from changes in financial assumptions	(49)	3,016	(6,900)	(6,942)
Actuarial gains and losses arising from experience adjustments	(1,190)	(1,674)	(2,302)	997
Benefits paid	(8,805)	(4,025)	(9,362)	(3,884)
Plan amendment	-	14	-	8
Plan curtailment/settlement	-	-	-	(190)
Exchange differences on translation of foreign operations	-	6,275	-	7,231
Other	-	19	165	27
Ending balance	236,602	105,204	225,781	107,684
Plan assets:				
Opening balance	162,511	25,171	187,619	33,378
Interest income	1,085	664	1,271	767
Remeasurements				
Return on plan assets	20,340	5,984	(218)	306
Employer contributions	11,711	3,509	6,025	3,685
Benefits paid	(8,028)	(2,625)	(8,212)	(2,857)
Exchange differences on translation of foreign operations	-	675	-	3,765
Ending balance	187,619	33,378	186,485	39,044
Deficit/(surplus)	48,983	71,826	39,296	68,640
Effect of asset ceiling	-	65	-	303
Net defined benefit liability	48,983	71,891	39,296	68,943

A portion of retirement benefit liabilities is included in Other current liabilities in the consolidated statements of financial position.

Retirement benefit asset is included in Other non-current assets in the consolidated statements of financial position.

Key actuarial assumptions used to determine the present value of defined benefit obligation are as follows:

(%)

	April 1, 2020		March 31, 2021		March 31, 2022	
	Japan	Overseas	Japan	Overseas	Japan	Overseas
Discount rate	0.7	2.1	0.7	1.8	0.9	2.4

The following table presents the effect of changes in discount rates used in actuarial calculations on the present value of defined benefit obligation at the end of the reporting period. All other assumptions are held constant in this calculation.

No significant change is assumed for the expected rate of increase in future compensation levels.

(Millions of yen)

			April 1, 2020	March 31, 2021	March 31, 2022
Discount rate	Japan	Increase by 0.5%	(17,403)	(17,257)	(15,917)
		Decrease by 0.5%	19,804	19,640	18,603
	Overseas	Increase by 0.5%	(6,894)	(7,010)	(6,701)
		Decrease by 0.5%	7,479	7,870	7,497

The contributions to the plan assets by TDK and certain of its subsidiaries are determined by considering various factors including employee salary levels and years of service, funded status of the plan assets and actuarial calculations. In addition, in accordance with provisions of the Defined Benefit Corporate Pension Act, the contributions are regularly recalculated to ensure an adequate funding level for the future. TDK and certain of its subsidiaries make adequate contributions if the amount in the pension funds falls below the minimum funding requirement.

TDK Group expects to contribute ¥3,262 million to defined benefit plans in Japan and ¥989 million to defined benefit plans overseas for the fiscal year ending March 31, 2023.

Weighted average durations of defined benefit obligations are as follows:

	April 1, 2020	March 31, 2021	March 31, 2022
Japan	18.0 years	17.9 years	17.6 years
Overseas	14.5 years	14.4 years	13.6 years

TDK Group's investment policies are designed to ensure that adequate plan assets are available to provide for future payments of pension benefits to eligible participants. TDK Group creates a model portfolio comprising of an optimal combination of equity instruments and debt instruments, taking into account the expected long-term rate of return on plan assets. Plan assets are invested in individual equity and debt instruments using a guideline for the model portfolio in order to produce total return that will match the expected return over the medium to long term.

TDK Group evaluates the gap between expected long-term return and actual return on plan assets every year to determine if the model portfolio should be revised. TDK Group revises the model portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

TDK Group's asset portfolio for benefit plans in Japan is categorized into three asset classes. As of March 31, 2022, approximately 25% consists of equity instruments, 29% of debt instruments and 46% of cash and cash equivalents and other assets. TDK Group's asset portfolio for benefit plans overseas is also categorized into three asset classes. As of March 31, 2022, approximately 52% consists of equity instruments, 35% of debt instruments and 13% of cash and cash equivalents and other assets. As of March 31, 2022, there is no significant deviation between TDK Group's target allocations and actual results.

Domestic shares included in equity instruments mainly consist of shares listed on stock exchanges, which are selected after thorough examination and analysis of business performance of investment target companies and are appropriately diversified among different sectors and companies. Domestic bonds included in debt instruments mainly consist of government bonds, public bonds and corporate bonds, which are selected after thorough examination and analysis of terms of the bond issue such as bond ratings, coupons and maturity dates and are appropriately diversified among issuers and remaining periods. Investments in foreign shares are made based on selection of target countries and currencies after thorough examination of political and economic stability and market characteristics such as clearing systems and taxation systems of the investment target companies. Other assets include life insurance company general accounts, pooled funds and real estate investment trusts, consisting of investments selected based on thorough examination and analysis of general economic conditions and investment target assets. A life insurance company general account is a product of life insurance companies in which individual insurance funds, corporate plan assets and other funds are jointly managed.

Fair values of TDK Group's plan assets by type are as follows:

(Millions of yen)

	April 1, 2020					
	Japan			Overseas		
	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	4,460	-	4,460	3,236	-	3,236
Equity instruments:						
Listed shares	5,052	-	5,052	2,172	-	2,172
Mutual funds	-	22,304	22,304	7,449	1,234	8,683
Pooled funds	-	8,012	8,012	-	204	204
Debt instruments:						
Government bonds, public bonds, corporate bonds	6,913	-	6,913	1,975	5,360	7,335
Mutual funds	-	19,776	19,776	1,124	647	1,771
Pooled funds	-	34,944	34,944	-	221	221
Other assets:						
Life insurance company general account	-	16,166	16,166	-	172	172
Mutual funds	-	18,766	18,766	-	-	-
Pooled funds	-	19,419	19,419	-	-	-
Other	-	6,699	6,699	-	1,377	1,377
Total	16,425	146,086	162,511	15,956	9,215	25,171

(Millions of yen)

	March 31, 2021					
	Japan			Overseas		
	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	4,050	-	4,050	1,591	-	1,591
Equity instruments:						
Listed shares	3,536	-	3,536	3,710	-	3,710
Mutual funds	-	34,004	34,004	12,357	1,846	14,203
Pooled funds	-	10,750	10,750	-	247	247
Debt instruments:						
Government bonds, public bonds, corporate bonds	4,445	-	4,445	3,100	5,917	9,017
Mutual funds	-	23,976	23,976	1,090	1,576	2,666
Pooled funds	-	31,724	31,724	-	222	222
Other assets:						
Life insurance company general account	-	16,296	16,296	-	194	194
Mutual funds	-	21,376	21,376	-	8	8
Pooled funds	-	30,983	30,983	-	-	-
Other	-	6,479	6,479	-	1,520	1,520
Total	12,031	175,588	187,619	21,848	11,530	33,378

(Millions of yen)

	March 31, 2022					
	Japan			Overseas		
	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total	Assets with quoted market prices in active markets	Assets without quoted market prices in active markets	Total
Cash and cash equivalents	447	-	447	2,814	-	2,814
Equity instruments:						
Listed shares	3,195	-	3,195	4,683	-	4,683
Mutual funds	-	29,856	29,856	13,331	1,990	15,321
Pooled funds	-	14,003	14,003	-	279	279
Debt instruments:						
Government bonds, public bonds, corporate bonds	4,323	-	4,323	3,576	6,539	10,115
Mutual funds	-	24,689	24,689	1,314	2,090	3,404
Pooled funds	-	24,667	24,667	-	311	311
Other assets:						
Life insurance company general account	-	23,465	23,465	-	223	223
Mutual funds	-	23,347	23,347	-	84	84
Pooled funds	-	31,702	31,702	-	-	-
Other	-	6,791	6,791	-	1,810	1,810
Total	7,965	178,520	186,485	25,718	13,326	39,044

Mutual funds and pooled funds invest mainly in marketable instruments such as listed shares, government bonds and public bonds in domestic and global markets.

Defined benefit cost for the fiscal years ended March 31, 2021 and 2022 consists of the following components:

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Japan	Overseas	Japan	Overseas
Service cost	6,109	2,770	5,927	3,394
Interest cost on defined benefit obligations	1,597	1,875	1,593	1,731
Interest income on plan assets	(1,085)	(664)	(1,271)	(767)
Past service cost	-	14	-	8
Other	-	-	165	(190)
Net defined benefit cost	6,621	3,995	6,414	4,176

The service cost, past service cost and other, which are the components of defined benefit cost, are included in Cost of sales and Selling, general and administrative expenses in the consolidated statements of profit or loss and the interest cost is included in Finance costs in the consolidated statements of profit or loss.

(2) Defined contribution plans

The amounts recognized by TDK and certain of its subsidiaries as expenses for defined contribution plans are ¥2,030 million and ¥2,277 million for the fiscal years ended March 31, 2021 and 2022, respectively.

21. Share-Based Payment

The amounts recognized by TDK Group as expenses for share-based compensation are ¥282 million and ¥185 million for the fiscal years ended March 31, 2021 and 2022, respectively.

(1) TDK's share-based payment plans

TDK has the following share-based payment plans, and the share options described in II. below contains certain performance conditions.

I. Share options, each representing a right to purchase 100 common shares of TDK, are granted to directors and corporate officers of TDK. The share options are fully vested on the grant date and have the exercise period of 20 years. The exercise price of the share options is ¥1 per share.

II. Share options, each representing a right to purchase 100 common shares of TDK, are granted to directors and corporate officers of TDK. The share options are vested depending on the degree of achievement of its Medium-Term Plan and have the exercise period of 20 years. The exercise price of the share options is ¥1 per share.

A summary of TDK's share option activities for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	992,400	1	983,100	1
Granted	3,600	1	-	-
Exercised	(12,900)	1	(57,600)	1
Forfeited	-	-	(117,000)	1
Expired	-	-	-	-
Outstanding at end of year	983,100	1	808,500	1
Exercisable at end of year	779,700	1	808,500	1

The weighted average share prices of share options exercised during the year at the date of exercise are ¥3,455 and ¥4,194 for the fiscal years ended March 31, 2021 and 2022, respectively.

Information on share options outstanding as of March 31, 2021 and 2022 is as follows:

	Fiscal year ended March 31, 2021		
Range of exercise price (Yen)	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (Yen)
1	983,100	14.5	1

	Fiscal year ended March 31, 2022		
Range of exercise price (Yen)	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (Yen)
1	808,500	13.4	1

Fair values of share options as of the grant date are determined using the Black-Scholes option pricing model with the following assumptions:

Share options

	Fiscal year ended March 31, 2021
	Granted in April and June
Grant-date fair value	2,532 yen
Expected remaining life	7.8 years
Risk-free interest rate	(0.116)%
Expected volatility	33.14%
Expected dividend yield	1.83%

The expected volatility is determined based on the actual volatility for the immediate period corresponding to the expected remaining life.

Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. Number of shares, weighted average share prices, and fair values are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2021.

(2) Share-based payment plans for subsidiaries

TDK's certain subsidiaries in China have share-based payment plans, which grant share options, each representing a right to purchase one common share of the subsidiaries, to directors and senior executives of the subsidiaries and its affiliated companies. The share options are gradually vested by April 30, 2025 and have the exercise period ending on April 30, 2025. The exercise price of the share options is 0.055 RMB per option.

When these share options are exercised, common shares of the subsidiaries held by its affiliated companies are delivered.

The fair value of these share options is determined based on valuation techniques using certain assumptions as these subsidiaries are not listed companies.

A summary of TDK's share option activities for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Number of shares	Weighted average exercise price (RMB)	Number of shares	Weighted average exercise price (RMB)
Outstanding at beginning of year	-	-	14,448,180	0.055
Granted	14,448,180	0.055	17,984,845	0.055
Exercised	-	-	-	-
Forfeited	-	-	-	-
Expired	-	-	-	-
Outstanding at end of year	14,448,180	0.055	32,433,025	0.055
Exercisable at end of year	-	-	2,889,636	0.055

Information on share options outstanding as of March 31, 2021 and 2022 is as follows:

	Fiscal year ended March 31, 2021		
Range of exercise price (RMB)	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (RMB)
0.055	14,448,180	2.1	0.055

	Fiscal year ended March 31, 2022		
Range of exercise price (RMB)	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (RMB)

0.055	32,433,025	3.1	0.055

Fair values of share options as of the grant date are determined using the Binomial model with the following assumptions:

Share options

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Granted in December	Granted in December
Grant-date fair value	0. 381 RMB	0.371 RMB
Expected remaining life	4.4 years	3.4 years
Risk-free interest rate	2.69%	2.61%
Expected volatility	48.36%	54.81%

The expected volatility is determined based on the actual volatility of a similar company for the immediate period corresponding to the expected remaining life.

(3) TDK's Post-delivery Type Share Remuneration Plan

TDK introduced the following post-delivery type share remuneration plans during the year ended March 31, 2021.

I. Restricted share units ("RSU")

Under this restricted share plan, subject to continuous service for a period of three years corresponding to the Medium-Term Plan (or a period of three years or more as determined by the Board of Directors of TDK, "Target Period"), a pre-determined amount of TDK shares and cash is delivered to directors and corporate officers of TDK as well as to senior executives of TDK Group after the end of the Target Period.

A summary of RSU activities for the fiscal years ended March 31, 2021 and 2022 is as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Number of units	Number of units
Outstanding at beginning of year	-	47,292
Granted	47,292	71,405
Delivered	-	-
Forfeited	-	-
Expired	-	-
Outstanding at end of year	47,292	118,697
Deliverable at end of year	-	-

Fair values of RSUs as of the grant date are as follows:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	
	Granted in August	Granted in August	Granted in November
Fair value as of the grant date	3,556 yen	3,632 yen	4,251 yen

The fair value of equity-settled RSUs is determined based on the grant-date fair value of TDK's common shares, and the fair value of cash-settled RSUs is determined based on the fair value of TDK's common shares at the end of the reporting period. The fair value measurements include expected dividend yields determined based on the actual dividends for the most recent period corresponding to the Target Period.

The carrying amounts of cash-settled RSUs are ¥26 million and ¥86 million as of March 31, 2021 and 2022, respectively.

Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. Number of units and fair values are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2021.

II. Performance share units (“PSU”)

Under this performance-based plan, subject to continuous service for a period of three years corresponding to the Medium-Term Plan (or a period of three years or more as determined by the Board of Directors of TDK, “Target Period”), TDK shares and cash, which are determined based on the degree of achievement of the performance targets of the Medium-Term Plan, are delivered to directors and corporate officers of TDK as well as to senior executives of TDK Group after the end of the Target Period.

A summary of PSU activities for the fiscal year ended March 31, 2022 is as follows:

	Fiscal year ended March 31, 2022
	Number of units
Outstanding at beginning of year	-
Granted	123,780
Delivered	-
Forfeited	-
Expired	-
Outstanding at end of year	123,780
Deliverable at end of year	-

Fair value of PSUs as of the grant date are as follows:

	Fiscal year ended March 31, 2022
	Granted in August
Fair value as of the grant date	3,632 yen

The fair value of equity-settled PSUs is determined based on the grant-date fair value of TDK’s common shares, and the fair value of cash-settled PSUs is determined based on the fair value of TDK’s common shares at the end of the reporting period. The fair value measurements include expected dividend yields determined based on the actual dividends for the most recent period corresponding to the Target Period.

The carrying amount of cash-settled PSUs is ¥25 million as of March 31, 2022.

Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. Number of units and fair values are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2021.

22. Provisions

Provisions comprise the following and a reconciliation of the carrying amount at the beginning and end of the period is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022			
	Asset retirement obligations	Provision for product warranties	Other	Total
Opening balance	4,155	7,627	7,387	19,169
Increase	100	3,421	9,480	13,001
Decrease (intended use)	-	(1,746)	(10,655)	(12,401)
Decrease (reversal)	(101)	(1,386)	(459)	(1,946)
Exchange differences on translation of foreign operations	10	964	513	1,487
Other	11	-	(1)	10
Ending balance	4,175	8,880	6,265	19,320

<u>Asset retirement obligations</u>

TDK Group recognizes asset retirement obligations mainly for the TDK headquarters building and certain plants in Akita, Japan. The amount of obligations is based on reasonably estimated costs required to remove facilities/equipment or restore the premises to their original conditions. TDK Group expects to pay for these costs after the period of use, which is determined by considering the useful lives of leasehold improvements made to the headquarters building or useful lives of the plants. However, factors such as business plans affect the amount of these costs.

<u>Provision for product warranties</u>

TDK Group recognizes provisions for product warranties to provide for repair costs expected to be incurred during the warranty period of certain products. The amount of provisions is based on reasonably estimated costs of product warranties determined using historical experience and estimated future warranty claims. A majority of these costs is expected to be incurred in the following year.

23. Equity and Other Components of Equity

(1) Capital management

TDK Group's basic policy for capital management is to achieve and maintain an optimal capital structure in order to maintain sustained growth in the medium to long term and maximize its corporate value. TDK group uses the following key indicators in its capital management:

Ratio of equity attributable to owners of parent (equity attributable to owners of parent divided by Total liabilities and equity)

Ratio of net profit attributable to owners of parent (Return On Equity "ROE") (Net profit attributable to owners of parent divided by the average equity attributable to owners of parent)

The ratio of equity attributable to owners of parent and the ratio of net profit attributable to owners of parent (ROE) are as follows:

(%)

	April 1, 2020	March 31, 2021	March 31, 2022
Equity attributable to owners of parent	42.1	40.6	42.8
ROE	-	8.5	11.6

These financial indicators are regularly reported to and monitored by management.

TDK Group is not subject to any externally-imposed capital requirements (other than general requirements such as the Companies Act).

(2) Number of shares authorized and number of shares issued

The number of shares authorized is as follows:

(Number of shares)

	April 1, 2020	March 31, 2021	March 31, 2022
Common shares	480,000,000	480,000,000	1,440,000,000

In accordance with the board resolution on July 28, 2021, a partial amendment was made to the Articles of Incorporation as a result of the share split, the effective date of which was October 1, 2021. This increased the number of shares authorized by 960,000,000 for the fiscal year ended March 31, 2022.

A reconciliation of the number of shares issued at the beginning and end of the period is as follows:

(Number of shares)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Opening balance	129,590,659	129,590,659
Increase	-	259,181,318
Decrease	-	-
Ending balance	129,590,659	388,771,977

The shares issued by TDK are no-par value common shares with no limited rights, and all shares issued are fully paid.

The increase in the number of common shares during the fiscal year ended March 31, 2022 was due to a three-for-one share split, the effective date of which was October 1, 2021.

The number of treasury shares included in the number of shares issued is 3,271,526 shares, 3,267,806 shares and 9,747,048 shares as of April 1, 2020, March 31, 2021 and March 31, 2022, respectively. Treasury shares increased by 6,517,684 shares during the fiscal year ended March 31, 2022 as a result of the three-for-one share split, the effective date of which was October 1, 2021.

(3) Capital surplus and retained earnings

Capital surplus comprises capital reserves and other capital surplus. Retained earnings comprises legal reserves and other retained earnings.

The Companies Act in Japan ("the Companies Act") provides that at least one-half of the amount paid-in or the contribution in kind for the shares issued shall be allocated to share capital and the remainder to capital reserves. It allows capital reserves to be allocated to share capital, subject to a resolution at a shareholders' meeting.

The Companies Act also stipulates that one-tenth of the amount to be distributed as dividends from surplus shall be appropriated as capital reserves or legal reserves. No further appropriation is required when the sum of capital reserves and legal reserves equals one-fourth of the share capital. The accumulated legal reserves can be used to offset capital deficits. It can also be used for other purposes subject to a resolution at a shareholders' meeting.

(4) Other components of equity

A reconciliation of other components of equity at the beginning and end of the period is as follows:

(Millions of yen)

	Items that will not be reclassified to profit or loss		Items that may be reclassified to profit or loss	
	Net change in fair value of equity instruments measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Exchange differences on translation of foreign operations	Total
April 1, 2020	3,709	-	-	3,709
Other comprehensive income attributable to owners of parent	8,507	25,220	77,600	111,327
Transfers to retained earnings	(289)	(25,220)	-	(25,509)
Other	-	-	(67)	(67)
March 31, 2021	11,927	-	77,533	89,460
Other comprehensive income attributable to owners of parent	54,857	13,555	165,708	234,120
Transfers to retained earnings	(418)	(13,555)	-	(13,973)
March 31, 2022	66,366	-	243,241	309,607

The amount recognized in other comprehensive income for the period, the amount reclassified to profit or loss and the related tax effects are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021				
	Recognized for the period	Reclassification adjustments	Before tax	Tax effect	After tax
Items that will not be reclassified to profit or loss					
Net change in fair value of equity instruments measured at fair value through other comprehensive income	9,186	-	9,186	(679)	8,507
Remeasurements of defined benefit plans	25,256	-	25,256	(30)	25,226
Total	34,442	-	34,442	(709)	33,733
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	77,721	19	77,740	-	77,740
Total	77,721	19	77,740	-	77,740
Total other comprehensive income	112,163	19	112,182	(709)	111,473

(Millions of yen)

Fiscal year ended March 31, 2022

	Recognized for the period	Reclassification adjustments	Before tax	Tax effect	After tax
Items that will not be reclassified to profit or loss					
Net change in fair value of equity instruments measured at fair value through other comprehensive income	60,374	-	60,374	(5,517)	54,857
Remeasurements of defined benefit plans	14,904	-	14,904	(1,349)	13,555
Total	75,278	-	75,278	(6,866)	68,412
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	165,974	-	165,974	-	165,974
Total	165,974	-	165,974	-	165,974
Total other comprehensive income	241,252	-	241,252	(6,866)	234,386

(5) Dividends

Dividends paid are as follows:

Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. Dividends per share for which the record date is before September 30, 2021 are based on the amount prior to the share split.

Fiscal year ended March 31, 2021

Resolution	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2020	Common shares	11,369	90	March 31, 2020	June 24, 2020
Board of Directors Meeting on October 30, 2020	Common shares	11,369	90	September 30, 2020	December 2, 2020

Fiscal year ended March 31, 2022

Resolution	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 23, 2021	Common shares	11,369	90	March 31, 2021	June 24, 2021
Board of Directors Meeting on November 1, 2021	Common shares	12,633	100	September 30, 2021	December 2, 2021

Dividends for which the effective date is in the fiscal year ending March 31, 2023 are as follows:

Resolution	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2022	Common shares	17,056	45	March 31, 2022	June 27, 2022

24. Revenue

(1) Disaggregation of revenue

TDK Group disaggregates revenue by industry segment, product and geographic segment based on contracts with customers. The following table presents disaggregation of revenue. The detailed information of geographic segment is set out in Note 4 Segment Information.

(Millions of yen)

	Fiscal year ended March 31, 2021					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	18,495	22,830	36,328	54,210	26,319	158,182
Inductive devices	18,805	13,660	37,281	53,310	16,934	139,990
Other passive components	9,689	10,492	25,903	45,661	17,209	108,954
Passive Components	46,989	46,982	99,512	153,181	60,462	407,126
Sensor Application Products	12,656	7,738	19,060	32,860	9,031	81,345
Magnetic Application Products	18,855	4,040	9,490	42,036	124,832	199,253
Energy Application Products	26,140	30,388	18,370	588,018	77,311	740,227
Other	12,565	7,518	2,011	24,034	4,929	51,057
Net sales total	117,205	96,666	148,443	840,129	276,565	1,479,008

(Millions of yen)

	Fiscal year ended March 31, 2022					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	22,815	31,068	43,634	67,567	33,026	198,110
Inductive devices	22,943	17,581	46,686	68,362	24,372	179,944
Other passive components	13,111	11,784	32,855	48,777	20,617	127,144
Passive Components	58,869	60,433	123,175	184,706	78,015	505,198
Sensor Application Products	15,424	10,355	23,961	64,870	16,159	130,769
Magnetic Application Products	26,597	2,200	7,151	45,786	166,712	248,446
Energy Application Products	30,416	47,210	19,176	748,693	119,850	965,345
Other	17,732	9,659	2,117	15,663	7,195	52,366
Net sales total	149,038	129,857	175,580	1,059,718	387,931	1,902,124

Net sales are primarily revenue recognized from contracts with customers. The revenue recognized from other sources is not material.

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

Transaction price that TDK Group receives in exchange for products transferred may include variable consideration such as sales discounts, customer rewards and sales rebates. 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 trends or other elements known as of the transaction date and is updated based on the information available at each reporting date.

The amount of consideration in exchange for transactions is received within one year from the satisfaction of the performance obligation, and the consideration does not include a significant financing component.

(2) Contract balances

The balance of contract liabilities is as follows:

	April 1, 2020	March 31, 2021	March 31, 2022
Contract liabilities	970	2,985	12,340

The contract liabilities mainly represent advances received from customers. Mainly for the sale of products based on individual contracts, TDK Group recognizes the consideration received from customers that exceeds the amount already recognized as revenue as advances received until the performance obligation is satisfied by delivery of the products, which is included in Other current liabilities in the consolidated statements of financial position. Of the contract liabilities as of April 1, 2020 and March 31, 2021, ¥818 million and ¥2,877 million are recognized as revenue for the fiscal years ended March 31, 2021 and 2022, respectively. For the fiscal year ended March 31, 2022, the amount of revenue recognized from the performance obligation that had been satisfied in the previous periods is not material.

(3) Transaction price allocated to the remaining performance obligations

TDK Group does not disclose information on the remaining performance obligations if they are part of the contracts with an original contract term not exceeding one year, applying the practical expedient. There are no significant transactions with an individual expected contract term exceeding one year.

25. Expenses by Nature

The following table presents major items of cost of sales and selling, general and administrative expenses by nature.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Employee benefit expenses	414,406	477,586
Depreciation and amortization	148,356	177,031
Impairment losses	7,914	3,300

26. Other Operating Income and Other Operating Expenses

Other operating income and other operating expenses comprise the following:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Other operating income		
Government grants	6,227	5,579
Compensation income	202	1,906
Proceeds from sale of tangible and intangible assets	794	1,092
Gain on sale of business	2,433	-
Other	4,036	5,456
Other operating income	13,692	14,033
Other operating expenses		
Loss on sale of tangible and intangible assets	259	538
Other operating expense	259	538

The gain on sale of business for the fiscal year ended March 31, 2021 is related to the sale of a part of HDD Suspension Assemblies business.

The government grants for the fiscal years ended March 31, 2021 and 2022 consist mainly of government grants for research and development activities and government grants for COVID-19 impacted employees.

27. Finance Income and Finance Costs

Finance income and finance costs comprise the following:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Finance income		
Interest income	9,589	8,409
Dividend income	139	139
Net foreign exchange gain	-	1,831
Other	1,696	898
Total finance income	11,424	11,277
Finance costs		
Interest expense	5,728	7,114
Net foreign exchange loss	1,291	-
Other	464	739
Total finance costs	7,483	7,853

The interest income is earned mainly on financial assets measured at amortized cost and the dividend income is earned mainly on financial assets measured at fair value through other comprehensive income. The interest expense includes ¥2,732 million and ¥4,778 million of interest expense arising from financial liabilities measured at amortized cost for the fiscal years ended March 31, 2021 and 2022, respectively.

Valuation gains and losses on derivatives not designated as hedging instruments are included in Net foreign exchange gain and Net foreign exchange loss.

28. Earnings per Share

The basic and diluted earnings per share are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Basic	Diluted	Basic	Diluted
Net profit attributable to owners of parent	74,681	74,681	131,298	131,298

Number of shares (thousands)

	Fiscal year ended March 31, 2021 Basic	Fiscal year ended March 31, 2021 Diluted	Fiscal year ended March 31, 2022 Basic	Fiscal year ended March 31, 2022 Diluted
Weighted average number of common shares issued	378,967	378,967	378,991	378,991
Incremental shares arising from exercise of share options	-	782	-	860
Incremental shares arising from delivery under RSU	-	1	-	11
Weighted average number of common shares issued - Total	378,967	379,750	378,991	379,862

(Yen)

	Fiscal year ended March 31, 2021 Basic	Fiscal year ended March 31, 2021 Diluted	Fiscal year ended March 31, 2022 Basic	Fiscal year ended March 31, 2022 Diluted
Earnings per share	197.06	196.66	346.44	345.65

PSUs that vest upon the achievement of certain performance conditions are excluded from the calculation of diluted earnings per share for the fiscal year ended March 31, 2022, as the achievement of the conditions is not probable.

Certain share options issued by TDK and share options issued by its consolidated subsidiaries are excluded from the calculation of diluted earnings per share for the fiscal year ended March 31, 2021, and certain RSUs granted by TDK are excluded from the calculation of diluted earnings per share for the fiscal year ended March 31, 2022, as the effect would have been antidilutive.

Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. Weighted average number of common shares issued, incremental shares arising from exercise of share options, incremental shares arising from delivery under RSU and earnings per share are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2021.

29. Commitments and Contingent Liabilities

(1) Contractual commitments for acquisition of assets

Material contractual commitments for acquisition of assets are as follows:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Purchase of property, plant and equipment	60,057	88,051	82,480

(2) Warranty obligations

TDK Group provides guarantees to third parties on employee bank loans. The guarantees cover loans to purchase a home, and in the event of default, TDK Group would be required to repay the loan on behalf of its employees.

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Guarantees to third parties on employee bank loans	469	354	255

(3) Litigation

Several claims against TDK and a part of its subsidiaries are pending. Claims include class actions filed in the United States of America and Canada for violation of antitrust law associated with HDD suspension assemblies. It is not possible to make a reasonable estimate of the impact for these claims at this time. In the opinion of management, any additional liability not currently provided for will not materially affect the consolidated financial position or results of operations of TDK Group.

30. Subsidiaries

TDK's major subsidiaries are described in Consolidated subsidiaries in 4. Status of affiliates under I. Overview of the Company.

There are no significant changes in the major subsidiaries and the ownership ratio of voting rights for the fiscal years ended March 31, 2021 and 2022.

31. Related Party Transaction

Although TDK Group's subsidiaries are related parties of TDK, transactions with the subsidiaries are not disclosed as they have been eliminated in the consolidated financial statements. Transactions between TDK and other related parties are as follows:

(1) Transactions with associates

Due from, due to, and lease liabilities owed to associates accounted for using the equity method are as follows:

(Millions of yen)

	April 1, 2020	March 31, 2021	March 31, 2022
Due from	451	469	483
Due to	1,046	198	229
Lease liabilities	-	-	1,438

Due from associates accounted for using the equity method as of April 1, 2020, March 31, 2021 and March 31, 2022 include long-term loans of ¥426 million, ¥458 million and ¥471 million, respectively.

Purchases and sales transactions with and lease payments to associates for the fiscal years ended March 31, 2021 and 2022 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Gross purchases	4,650	4,711
Less: consideration received/receivable from associates	(3)	0
Net purchases	4,647	4,711
Net sales	1	1
Lease payments	-	51

(2) Key management personnel remuneration

TDK Group's key management personnel remuneration is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Basic remuneration	366	391
Performance-based bonuses	181	156
Share options	77	(6)
RSU	17	39
PSU	-	19
Total	641	599

Key management personnel consist of TDK's directors and audit and supervisory board members.

32. Cash Flows

(1) Changes in interest-bearing liabilities arising from financing activities

Changes in interest-bearing liabilities arising from financing activities are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2021						
			Non-cash changes				
	Balance as of April 1, 2020	Changes arising from cash flows	Changes in foreign exchange rates	New leases	Transfers to other accounts	Other	Balance as of March 31, 2021
Short-term borrowings	216,601	(24,526)	863	-	-	-	192,938
Long-term borrowings	202,207	(16,186)	(905)	-	-	-	185,116
Bonds	-	99,572	-	-	-	40	99,612
Lease liabilities	42,249	(8,712)	2,222	8,633	-	(236)	44,156
Total	461,057	50,148	2,180	8,633	-	(196)	521,822

(Millions of yen)

	Fiscal year ended March 31, 2022						
			Non-cash changes				
	Balance as of April 1, 2021	Changes arising from cash flows	Changes in foreign exchange rates	New leases	Transfers to other accounts	Other	Balance as of March 31, 2022
Short-term borrowings	192,938	(8,235)	2,858	-	(14,895)	-	172,666
Long-term borrowings	185,116	56,309	3,221	-	14,895	-	259,541
Bonds	99,612	99,586	-	-	-	81	199,279
Lease liabilities	44,156	(9,713)	3,658	9,604	-	622	48,327
Total	521,822	137,947	9,737	9,604	-	703	679,813

Transfers to other accounts include changes due to repayment schedule changes.

(2) Non-cash transactions

For the fiscal years ended March 31, 2021 and 2022, there were no material non-cash activities.

33. Subsequent Events

A TDK subsidiary, Amperex Technology Limited (“ATL”, Hong Kong Special Administrative Region of China) that engages in the business of rechargeable batteries, established Xiamen Ampeak Technology Limited, on June 8, 2022, as a holding company of two joint venture companies that are planned to be established by ATL and Contemporary Amperex Technology Co. , Limited (“CATL”, Fujian, China) that engages in the business of rechargeable batteries for automobiles and other applications. The subsidiary falls into the category of specified subsidiaries as the amount of its share capital exceeds 10% of that of TDK.

Name	: Xiamen Ampeak Technology Limited
Location	: Xiamen, Fujian Province, China
Representative	: Guo Weimiao
Capital	: 2,201 million RMB (approx. ¥42.4 billion)
Description of business	: Holding company for two joint ventures of CATL and ATL
Date of establishment	: June 8, 2022
Investment ratio	: ATL 100%

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

34. First-time Adoption of IFRS

(1) Transition to IFRS

TDK Group prepares its consolidated financial statements in accordance with IFRS from the fiscal year ended March 31, 2022. The accounting policies adopted in preparing the consolidated financial statements in accordance with IFRS are set out in Note 3 Significant Accounting Policies.

The consolidated financial statements for the fiscal year ended March 31, 2021 were prepared in accordance with U.S. generally accepted accounting principles (US GAAP). The date of transition to IFRS was April 1, 2020.

Exemptions under IFRS 1

In principle, IFRS 1 requires entities to apply IFRS retrospectively. However, a first-time adopter may elect not to apply certain standards retrospectively, and TDK Group applies the exemptions for the following items:

I. Business combinations

Under IFRS 1, a first-time adopter may elect not to apply IFRS 3 Business Combinations (“IFRS 3”) retrospectively to business combinations that occurred before the date of transition to IFRS. TDK Group elected not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS. As a result, the amount of goodwill arising in business combinations that occurred before the date of transition to IFRS is its carrying amount recorded under US GAAP at the date of transition to IFRS. Goodwill was tested for impairment at the date of transition to IFRS, regardless of whether there was an indication of impairment.

II. Exchange differences on translation of foreign operations

IFRS 1 permits the cumulative amount of exchange differences on translation of foreign operations to be measured at zero at the date of transition to IFRS. TDK Group elected to measure the cumulative amount of exchange differences on translation of foreign operations at zero at the date of transition to IFRS.

III. Designation of equity instruments

IFRS 1 permits equity instruments recognized before the date of transition to IFRS to be designated as financial assets measured at fair value through other comprehensive income based on facts and circumstances existing at that date. TDK Group elected to designate equity instruments recognized before the date of transition to IFRS as financial assets measured at fair value through other comprehensive income based on facts and circumstances existing at that date.

IV. Deemed cost of property, plant and equipment

IFRS 1 permits the use of fair value of property, plant and equipment at the date of transition to IFRS as deemed cost at that date. TDK Group elected to use the fair value of certain items of property, plant and equipment at the date of transition to IFRS as their deemed cost.

V. Leases

Under IFRS 1, a lessee may measure a lease liability at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the date of transition to IFRS. In addition, a lessee is permitted to choose, on a lease-by-lease basis, to measure a right-of-use asset at either an amount equal to the lease liability or its carrying amount as if IFRS 16 Leases had been applied since the commencement date of the lease (discounted using the lessee’s incremental borrowing rate at the date of transition to IFRS). TDK Group applied this exemption to the recognition and measurement of leases.

Mandatory exceptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRS to certain aspects of estimates, derecognition of financial assets and financial liabilities, non-controlling interests and classification and measurement of financial assets. TDK Group applied IFRS for these items prospectively from the date of transition to IFRS.

(2) Reconciliation

The following table presents a reconciliation required to be disclosed in adopting IFRS for the first time. Items that do not have an impact on retained earnings and comprehensive income are included in Reclassification, and items that have an impact on retained earnings and comprehensive income are included in Difference in recognition and measurement in the reconciliation.

Adjustments to equity as of the date of transition to IFRS (April 1, 2020)

(Millions of yen)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	332,717	-	-	332,717		Cash and cash equivalents
Short-term investments	32,494	(32,494)	-	-		
Trade receivables	310,142	-	(65)	310,077		Trade receivables
Marketable securities	56	(56)	-	-		
	-	43,603	-	43,603	VI	Other financial assets
Inventories	236,453	-	(443)	236,010		Inventories
Income taxes receivables	9,201	-	-	9,201		Income taxes receivables
Prepaid expenses and other current assets	45,419	(11,053)	(1,288)	33,078		Other current assets
Total current assets	966,482	-	(1,796)	964,686		Total current assets
						Non-current assets
Investments in affiliates	14,888	-	-	14,888		Investments accounted for using the equity method
Other investments in securities	18,341	(18,341)	-	-		
	-	29,293	169	29,462	VI	Other financial assets
Property, plant and equipment						
Land	22,057	-	-	-		
Buildings	347,655	-	-	-		
Machinery and equipment	972,492	-	-	-		
Construction in progress	81,923	-	-	-		
Total	1,424,127	-	-	-		
Less accumulated depreciation	(812,977)	-	-	-		
Net property, plant and equipment	611,150	(3,790)	(4,492)	602,868	II	Property, plant and equipment
Right-of-use assets of operating lease	39,215	3,790	108	43,113		Right-of-use assets
Goodwill	160,945	-	(38,759)	122,186	I	Goodwill
Intangible assets	79,748	-	23	79,771		Intangible assets
Deferred income taxes	34,862	-	2,344	37,206		Deferred tax assets
Other assets	17,748	(10,952)	(48)	6,748		Other non-current assets
	976,897	-	(40,655)	936,242		Total non-current assets
Total assets	1,943,379	-	(42,451)	1,900,928		Total assets

(Millions of yen)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Liabilities and equity						Liabilities
Current liabilities						Current liabilities
Short-term debt	216,601	67,470	-	284,071		Borrowings
Current installments of long-term debt	68,028	(68,028)	-	-		
Current portion of operating lease obligations	7,252	558	244	8,054		Lease liabilities
Trade payables	201,825	-	-	201,825		Trade payables
	-	85,705	33	85,738	VI	Other financial liabilities
Accrued salaries and wages	87,772	(87,772)	-	-		
Accrued expenses	113,819	(113,819)	-	-		
Income taxes payables	7,341	10,360	-	17,701		Income taxes payables
	-	10,246	-	10,246	VI	Provisions
Other current liabilities	16,267	106,200	3,281	125,748		Other current liabilities
Total current liabilities	718,905	10,920	3,558	733,383		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term debt, excluding current installments	140,061	(5,324)	-	134,737		Bonds and borrowings
Long-term operating lease obligations	28,824	5,324	47	34,195		Lease liabilities
	-	2,939	-	2,939	VI	Other financial liabilities
Retirement and severance benefits	142,958	-	72	143,030		Retirement benefit liabilities
	-	4,691	-	4,691	VI	Provisions
Deferred income taxes	38,329	-	(2,184)	36,145		Deferred tax liabilities
Other noncurrent liabilities	25,738	(18,550)	(39)	7,149		Other non-current liabilities
Total noncurrent liabilities	375,910	(10,920)	(2,104)	362,886		Total non-current liabilities
Total liabilities	1,094,815	-	1,454	1,096,269		Total liabilities
TDK stockholders' equity						Equity
						Equity attributable to owners of parent
Common stock	32,641	-	-	32,641		Share capital
Additional paid-in capital	1,783	-	-	1,783		Capital surplus
Legal reserve	45,254	(45,254)	-	-		
Retained earnings	971,140	45,254	(237,652)	778,742	VII	Retained earnings
Accumulated other comprehensive income (loss)	(190,055)	-	193,764	3,709	III IV V	Other components of equity
Treasury stock at cost	(16,806)	-	-	(16,806)		Treasury shares
Total TDK stockholders' equity	843,957	-	(43,888)	800,069		Total equity attributable to owners of parent
Noncontrolling interests	4,607	-	(17)	4,590		Non-controlling interests
Total equity	848,564	-	(43,905)	804,659		Total equity
Total liabilities and equity	1,943,379	-	(42,451)	1,900,928		Total liabilities and equity

Adjustments to equity as of March 31, 2021

(Millions of yen)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	380,387	-	-	380,387		Cash and cash equivalents
Short-term investments	65,886	(65,886)	-	-		
Trade receivables	429,454	-	(83)	429,371		Trade receivables
Marketable securities	56	(56)	-	-		
	-	75,493	-	75,493	VI	Other financial assets
Inventories	288,854	-	(508)	288,346		Inventories
Income taxes receivables	4,983	-	-	4,983		Income taxes receivables
Prepaid expenses and other current assets	63,765	(9,551)	(1,924)	52,290		Other current assets
Total current assets	1,233,385	-	(2,515)	1,230,870		Total current assets
						Non-current assets
Investments in affiliates	12,764	-	1,305	14,069		Investments accounted for using the equity method
Other investments in securities	31,523	(31,523)	-	-		
	-	43,531	430	43,961	VI	Other financial assets
Property, plant and equipment						
Land	23,953	-	-	-		
Buildings	423,689	-	-	-		
Machinery and equipment	1,207,552	-	-	-		
Construction in progress	124,558	-	-	-		
Total	1,779,752	-	-	-		
Less accumulated depreciation	(995,381)	-	-	-		
Net property, plant and equipment	784,371	(3,484)	(4,443)	776,444	II	Property, plant and equipment
Right-of-use assets of operating lease	42,325	3,484	(74)	45,735		Right-of-use assets
Goodwill	165,096	-	(39,428)	125,668	I	Goodwill
Intangible assets	73,280	-	77	73,357		Intangible assets
Deferred income taxes	41,024	-	2,993	44,017		Deferred tax assets
Other assets	17,665	(12,008)	(115)	5,542		Other non-current assets
	1,168,048	-	(39,255)	1,128,793		Total non-current assets
Total assets	2,401,433	-	(41,770)	2,359,663		Total assets

(Millions of yen)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Liabilities and equity						Liabilities
Current liabilities						Current liabilities
Short-term debt	192,938	134,580	-	327,518		Borrowings
Current installments of long-term debt	135,125	(135,125)	-	-		
Current portion of operating lease obligations	8,444	545	131	9,120		Lease liabilities
Trade payables	324,373	-	-	324,373		Trade payables
	-	161,930	-	161,930	VI	Other financial liabilities
Accrued salaries and wages	118,860	(118,860)	-	-		
Accrued expenses	205,893	(205,893)	-	-		
Income taxes payables	9,232	11,157	-	20,389		Income taxes payables
	-	13,969	-	13,969	VI	Provisions
Other current liabilities	16,611	150,685	3,728	171,024		Other current liabilities
Total current liabilities	1,011,476	12,988	3,859	1,028,323		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term debt, excluding current installments	155,273	(5,125)	-	150,148		Bonds and borrowings
Long-term operating lease obligations	29,833	5,124	79	35,036		Lease liabilities
	-	2,966	-	2,966	VI	Other financial liabilities
Retirement and severance benefits	116,745	-	68	116,813		Retirement benefit liabilities
	-	5,200	-	5,200	VI	Provisions
Deferred income taxes	52,172	-	(1,233)	50,939		Deferred tax liabilities
Other noncurrent liabilities	29,637	(21,153)	67	8,551		Other non-current liabilities
Total noncurrent liabilities	383,660	(12,988)	(1,019)	369,653		Total non-current liabilities
Total liabilities	1,395,136	-	2,840	1,397,976		Total liabilities
TDK stockholders' equity						Equity
						Equity attributable to owners of parent
Common stock	32,641	-	-	32,641		Share capital
Additional paid-in capital	-	-	-	-		Capital surplus
Legal reserve	46,403	(46,403)	-	-		
Retained earnings	1,024,019	46,403	(216,802)	853,620	VII	Retained earnings
Accumulated other comprehensive income (loss)	(82,733)	-	172,193	89,460	III IV V	Other components of equity
Treasury stock at cost	(16,792)	-	-	(16,792)		Treasury shares
Total TDK stockholders' equity	1,003,538	-	(44,609)	958,929		Total equity attributable to owners of parent
Noncontrolling interests	2,759	-	(1)	2,758		Non-controlling interests
Total equity	1,006,297	-	(44,610)	961,687		Total equity
Total liabilities and equity	2,401,433	-	(41,770)	2,359,663		Total liabilities and equity

Notes to adjustments to equity

I. Impairment of goodwill

Units for impairment tests for goodwill differ between US GAAP and IFRS.

Under US GAAP, impairment tests for goodwill is performed for each reporting unit (operating segment or one level below the operating segment). Under IFRS, impairment tests for goodwill is performed for each cash-generating unit or group of cash-generating units. Therefore, the unit for impairment tests for goodwill under IFRS may be smaller than the reporting unit under US GAAP.

At the date of transition to IFRS, TDK Group reviewed the units for impairment tests for goodwill and determined that certain cash-generating units or groups of cash-generating units to which goodwill was allocated under IFRS were smaller than the reporting units under US GAAP.

As of the date of transition to IFRS, TDK Group performed impairment testsfor cash-generating units and groups of cash-generating units to which goodwill was allocated based on the conditions present at the date of transition. As a result of the tests, impairment losses were recognized in the MEMS Sensors business within the Sensor Application Products segment and HDD Suspension Assemblies business within the Magnetic Application Products segment as the recoverable amounts of groups of cash-generating units were below their carrying amounts. The impairment losses were ¥29,342 million and ¥9,418 million, respectively, and were all allocated to goodwill.

As a result of the GAAP difference above, Goodwill as of the date of transition to IFRS and as of March 31, 2021 decreased by ¥38,759 million and ¥39,428 million, respectively, and Retained earnings decreased by ¥38,759 million as of both dates.

The following table presents methods used to determine recoverable amounts of the group of cash-generating units for the MEMS Sensors and HDD Suspension Assemblies businesses, the recoverable amounts and key assumptions used to determine the recoverable amounts. As unobservable inputs were used in the measurement, these amounts are classified as Level 3 in the fair value hierarchy.

Recoverable amounts and key assumptions used to determine recoverable amounts

Group of cash-generating units	MEMS Sensors business	HDD Suspension Assemblies business
Methods to determine recoverable amounts	Fair value less costs of disposal (discounted cash flow method)	Fair value less costs of disposal (discounted cash flow method and comparable multiple valuation method)
Recoverable amounts (Millions of yen)	110,757	50,954
Perpetual growth rate (%)	2.2	1.0
Cash flow forecast period (years)	5	9
Discount rate (%)	11.8	9.0
EBITDA multiples (x)	-	5.3 - 5.8

II. Deemed cost

For certain items of property, plant and equipment, TDK Group applied an exemption to use their fair values at the date of transition to IFRS as their deemed costs at the date of transition to IFRS. The carrying amount of these property, plant and equipment recorded under US GAAP was ¥8,155 million and the fair value was ¥4,198 million as of the date of transition to IFRS.

As a result of applying this exemption, Property, plant and equipment decreased by ¥3,957 million as of both of the date of transition to IFRS and March 31, 2021, and Retained earnings also decreased by ¥3,957 million as of the same dates.

III. Post-employment benefits

Under US GAAP, a portion of past service costs and actuarial gains and losses arising from defined benefit pension plans and lump-sum retirement benefit plans, which was not recognized as a component of net periodic retirement benefit cost in the current period, is recognized in accumulated other comprehensive income, net of tax. The amount recognized in accumulated other comprehensive income is recognized in profit or loss over a certain period of time as a component of retirement benefit cost.

Under IFRS, actuarial gains and losses are recognized in other comprehensive income, net of tax, and immediately transferred from other components of equity to retained earnings. In addition, past service costs are also recognized in profit or loss in the period in which they are incurred.

As a result of the GAAP difference above, Other components of equity increased by ¥95,709 million and ¥66,604 million as of the date of transition to IFRS and as of March 31, 2021, respectively, and Retained earnings decreased by ¥95,893 million and ¥66,840 million, respectively.

IV. Exchange differences on translation of foreign operations

TDK Group applied an exemption to deem the cumulative amount of exchange differences on translation of foreign operations as zero at the date of transition to IFRS. As a result of applying this exemption, Other components of equity increased by ¥94,369 million, and Retained earnings decreased by ¥94,369 million as of both of the date of transition to IFRS and March 31, 2021.

V. Equity instruments

Unlisted equity securities are recorded at cost under US GAAP, whereas they are measured at fair value under IFRS. Under US GAAP, unrealized gains and losses, gains and losses on sales and impairment losses of equity instruments are recognized in profit or loss. Under IFRS, changes in fair value of equity instruments elected to be measured at fair value through other comprehensive income are recognized in other comprehensive income, and when the instruments are derecognized or when their fair values decline significantly, the cumulative amounts of gains or losses are transferred to retained earnings. As a result of the GAAP difference above, Other components of equity increased by ¥3,691 million and ¥11,961 million as of the date of transition to IFRS and as of March 31, 2021, respectively, and Retained earnings decreased by ¥3,657 million and ¥11,664 million, respectively.

VI. Reclassifications on the consolidated statements of financial position

Financial assets, financial liabilities and provisions are presented as separate line items in accordance with IFRS requirements.

VII. Notes to adjustments to retained earnings

(Millions of yen)

	April 1, 2020	March 31, 2021
Adjustments to impairment of goodwill	(38,759)	(38,759)
Adjustments to deemed cost	(3,957)	(3,957)
Adjustments to post-employment benefits	(95,893)	(66,840)
Reclassification of exchange differences on translation of foreign operations	(94,369)	(94,369)
Adjustments to equity instruments	(3,657)	(11,664)
Other	(1,017)	(1,213)
Total	(237,652)	(216,802)

Adjustments to profit or loss and comprehensive income for the fiscal year ended March 31, 2021

(Millions of yen)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Net sales	1,479,008	-	-	1,479,008		Net sales
Cost of sales	(1,044,690)	(7,804)	84	(1,052,410)	I III	Cost of sales
Gross profit	434,318	(7,804)	84	426,598		Gross profit
Selling, general and administrative expenses	(317,302)	(10,965)	50	(328,217)	I III	Selling, general and administrative expenses
	-	13,692	-	13,692		Other operating income
Other operating expense	(5,481)	5,222	-	(259)	III	Other operating expenses
Operating income	111,535	145	134	111,814		Operating profit
Interest and dividend income	9,727	10,938	(9,241)	11,424	II III	Finance income
Interest expense	(3,526)	(7,676)	3,719	(7,483)	I II III	Finance costs
Gain (loss) on securities, net	9,030	(9,030)	-	-		
Equity in earnings of affiliates	(890)	-	1,305	415		Share of profit of investments accounted for using the equity method
Gain (loss) on sale of investments in affiliates	1,093	-	-	1,093		Gain on sale of investments accounted for using the equity method
Foreign exchange gain (loss)	(1,302)	1,302	-	-		
Other	(3,763)	3,744	19	-		
Total other income (deductions)	10,369	-	-	-		
Income before income taxes	121,904	(577)	(4,064)	117,263		Profit before tax
Income taxes						
Current	(36,477)	-	-	-		
Deferred	(6,222)	-	-	-		
Total income taxes	(42,699)	577	(580)	(42,702)		Income tax expense
Net income	79,205	-	(4,644)	74,561		Net profit
						Profit attributable to:
Net income attributable to TDK	79,340	-	(4,659)	74,681		Owners of parent
Less: net loss attributable to noncontrolling interests	(135)	-	15	(120)		Non-controlling interests
	79,205	-	(4,644)	74,561		Net profit

(Millions of yen)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Net income	79,205	-	(4,644)	74,561		Net profit
Other comprehensive income, net of taxes						Other comprehensive income, net of tax
						Items that will not be reclassified to profit or loss
Net unrealized gains on securities	123	-	8,384	8,507	II	Net change in fair value of equity instruments measured at fair value through other comprehensive income
Pension liability adjustments	28,852	-	(3,626)	25,226	I	Remeasurements of defined benefit plans
	28,975	-	4,758	33,733		Total
						Items that may be reclassified to profit or loss
Foreign currencies translation adjustments	78,559	-	(819)	77,740		Exchange differences on translation of foreign operations
	78,559	-	(819)	77,740		Total
Total other comprehensive income	107,534	-	3,939	111,473		Total other comprehensive income, net of tax
Comprehensive income	186,739	-	(705)	186,034		Comprehensive income
						Comprehensive income attributable to:
Comprehensive income attributable to TDK	186,729	-	(721)	186,008		Owners of parent
Noncontrolling interests	10	-	16	26		Non-controlling interests
	186,739	-	(705)	186,034		Comprehensive income

Notes to adjustments to profit or loss and comprehensive income

I. Post-employment benefits

Under US GAAP, a portion of past service costs and actuarial gains and losses arising from defined benefit pension plans and lump-sum retirement benefit plans, which was not recognized as a component of net periodic retirement benefit cost in the current period, is recognized in accumulated other comprehensive income, net of tax. The amount recognized in accumulated other comprehensive income is recognized in profit or loss over a certain period of time as a component of retirement benefit cost.

Under IFRS, actuarial gains and losses are recognized in other comprehensive income, net of tax, and immediately transferred from other components of equity to retained earnings. In addition, past service costs are also recognized in profit or loss in the period in which they are incurred.

As a result of the GAAP difference above, Cost of sales and Selling, general and administrative expenses increased by ¥49 million and ¥8 million, respectively, and Finance costs decreased by ¥3,931 million, which resulted in ¥3,874 million increase in Profit before tax.

II. Equity instruments

Under US GAAP, unrealized gains and losses, gains and losses on sales and impairment losses of equity instruments are recognized in profit or loss. Under IFRS, changes in fair value of equity instruments elected to be measured at fair value through other comprehensive income are recognized in other comprehensive income, and when the instruments are derecognized or when their fair value decline significantly, the cumulative amounts of gains or losses are transferred to retained earnings.

As a result of the GAAP difference above, Finance income and Finance costs decreased by ¥9,241 million and ¥430 million, respectively, which resulted in ¥8,811 million decrease in Profit before tax.

III. Reclassifications on the consolidated statements of income

Finance income and finance costs are presented as separate line items in accordance with IFRS requirements.

In addition, impairment losses presented in Other operating expenses under US GAAP are reclassified to Cost of sales and Selling and general and administrative expenses under IFRS.

Adjustments to cash flows for the fiscal year ended March 31, 2021

For the fiscal year ended March 31, 2021, compared to the US-GAAP consolidated statements of cash flows, the IFRS-based consolidated statements of cash flows showed an increase in cash flows from operating activities by ¥8,041 million, an increase in cash flows from investing activities by ¥70 million and a decrease in cash flows from financing activities by ¥8,111 million. This was a result of the GAAP difference. Under US GAAP, lease payments related to operating leases are classified as cash flows from operating activities, whereas under IFRS, lease liabilities are required to be recognized for all leases, in principle, and lease payments on lease liabilities are classified as cash flows from financing activities.

(2) Other

Quarterly information for the fiscal year ended March 31, 2022

(Period)	Three months ended June 30, 2021	Six months ended September 30, 2021	Nine months ended December 31, 2021	Fiscal year ended March 31, 2022
Net sales (Millions of yen)	420,058	894,185	1,393,855	1,902,124
Income before income taxes (Millions of yen)	32,238	84,456	146,621	234,185
Net income attributable to TDK (Millions of yen)	26,666	68,228	117,306	183,632
Earnings per share attributable to TDK (Yen)	70.36	180.03	309.53	484.53

(Period)	Three months ended June 30, 2021	Three months ended September 30, 2021	Three months ended December 31, 2021	Three months ended March 31, 2022
Earnings per share attributable to TDK (Yen)	70.36	109.66	129.50	175.00

(Note) 1. The quarterly information for the fiscal year ended March 31, 2022 is prepared in accordance with US GAAP.
2. The information for the fiscal year ended March 31, 2022 and the fourth quarter ended March 31, 2022 is not subject to

review or audit in accordance with the Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan.
3. Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. Earnings per share attributable to TDK is calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2021.

VI. Outline of filing company's business concerning shares

Business year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Number of shares consisting one unit	100 shares
Purchase demands or additional purchase requests of shares less than one unit:	
Office for handling business	(Special Account) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
Administrator of shareholder registry	(Special Account) Sumitomo Mitsui Trust Bank, Limited. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
Forwarding office	–
Handling charge for purchase	Free of charge
Method of public notice	Electronic public notice will be made. However, if TDK is unable to make an electronic public notice due to an incident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper. The electronic public notice will be notified on TDK's website (https://www.tdk.com/ja/index.html).
Special benefits for shareholders	None

Note: 1.Pursuant to the provisions of TDK Corporation's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following: (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to request to TDK Corporation in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to TDK Corporation to sell shares less than one unit.

VII. Reference information on filing company

1. Information on filing company's parent company

TDK Corporation does not have a parent company.

B. INFORMATION ON GUARANTEE COMPANIES, ETC. OF FILING COMPANY

No items to report

Independent Auditor's Report

TDK Corporation and its subsidiaries

For the Year ended March 31,
2022

KPMG AZSA LLC
August 2022

This independent auditor's report prepared by KPMG AZSA LLC (including the one that is signed with electoronic signatures) shall not be reprinted, disclosed, quoted, summarized, translated, cited, circulated or otherwise used, in whole or in part, to any third party including posting on the web without prior written consent as specified by KPMG AZSA LLC, except for the purpose of compliance with laws, regulations and the like, or for usage in response to an order or request from an administrative or judicial body.

KPMG

Independent auditor's report

To the Board of Directors of TDK Corporation:

Opinion

We have audited the accompanying consolidated financial statements of TDK Corporation ("the Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statements of financial position as at March 31, 2022, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of the valuation of goodwill allocated to the MEMS sensor business	
The key audit matter	**How the matter was addressed in our audit**
The Group recognized goodwill of ¥137,352 million on the consolidated statements of financial position for the current fiscal year. As described in Note 12. "Goodwill and Intangible Assets" to the consolidated financial statements, ¥75,540 million of the above amount, representing approximately 2.5% of total assets, was allocated to the MEMS sensor business. An impairment test is performed for goodwill at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment. When the carrying amount of a cash-generating unit (CGU) or a group of CGUs to which goodwill is allocated is more than the recoverable amount, the carrying amount is reduced to the recoverable amount, and the difference is recognized as an impairment loss in profit or loss. The recoverable amount is the higher of a CGU's value in use and its fair value less costs of disposal. As described in Note 34. "First-time Adoption of IFRS" to the consolidated financial statements, an impairment loss on goodwill of ¥29,342 million was recognized for a group of CGUs comprising the MEMS sensor business, because its recoverable amount at the date of the transition to IFRS (April 1, 2020) was less than its carrying amount. This was primarily due to a delay in new product development at InvenSense, Inc., a core company within the MEMS sensor business. Although the MEMS sensor business has not yet had any profitable year since then, the Company recognized no additional impairment loss on goodwill allocated to the business as a result of the impairment test performed in the current fiscal year. The Company used the fair value less costs of disposal as the recoverable amount of the group of CGUs for the MEMS sensor business, and the fair value was measured using the discounted cash flow method based on unobservable inputs.	The primary procedures we performed to assess whether the Company's valuation of goodwill allocated to the MEMS sensor business was appropriate included the following: (1) **Internal control testing** We tested the design and operating effectiveness of certain of the Company's internal controls relevant to calculating the recoverable amount used in impairment test for a CGU or a group of CGUs to which goodwill is allocated. (2) **Assessment of the appropriateness of the estimated fair value less costs of disposal** In order to assess the appropriateness of key assumptions included in the future cash flows of the MEMS sensor business and the discount rate based on the weighted average cost of capital, both of which formed the basis for estimating the fair value less costs of disposal of the MEMS sensor business, we: ● inquired of management and the personnel responsible for the business about the basis for the expansion of customer base and product application, which supported the sales increase incorporated into the business plan of the MEMS sensor business, and then assessed the reasonableness of respective assumptions by comparing them with market reports related to the MEMS sensor business; ● assessed the reasonableness of the terminal growth rate for the periods subsequent to the years included in the business plan of the MEMS sensor business, with the assistance of valuation specialists within our network firms, by comparing it with the inflation rates and long-term growth rates of major sales regions or markets of the MEMS sensor business published by external organizations;

The estimated future cash flows used in the discounted cash flow method reflected key assumptions adopted by management, including the expansion of customer base and product application, which supported the sales increase incorporated into the business plan of the MEMS sensor business, as well as a terminal growth rate for the periods subsequent to the years included in the business plan. Accordingly, management's judgment thereon had a significant effect on the estimated future cash flows. In addition, in estimating the discount rate based on the weighted average cost of capital, which was another key assumption adopted by management, the selection of calculation models and input data required a high degree of expertise in valuation. We, therefore, determined that our assessment of the appropriateness of the valuation of goodwill allocated to the MEMS sensor business was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	● assessed the reasonableness of the discount rate calculated based on the weighted average cost of capital, with the assistance of the above valuation specialists, by evaluating the appropriateness of the calculation models and the selection of comparables used to determine input data, as well as by comparing the input data used by management with relevant data independently obtained by the valuation specialists from external organizations; and ● analyzed, based on our understanding of the achievement status of the past business plans of the MEMS sensor business and the results of performing the above procedures, whether there was any potential effect on the judgment as to whether an impairment loss should be recognized on goodwill (i.e., a headroom analysis) when the effects of specific uncertainties were incorporated into the business plan, the terminal growth rate or the discount rate calculated based on the weighted average cost of capital.

Other Information

The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's reports thereon. Management is responsible for the preparation and presentation of the other information. The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with IFRS, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit & Supervisory Board Members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

Yutaka Terasawa

Designated Engagement Partner

Certified Public Accountant

Michiaki Yamabe

Designated Engagement Partner

Certified Public Accountant

Kohei Shingaki

Designated Engagement Partner

Certified Public Accountant

KPMG AZSA LLC

Tokyo Office, Japan

August 31, 2022

Management's Annual Report on Internal Control over Financial Reporting

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

Representative Director, President & CEO Noboru Saito, and Chief Financial Officer and Executive Vice President & Representative Director Tetsuji Yamanishi of TDK Corporation are responsible for designing and operating effective internal control over financial reporting of TDK and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2022, which is the end of the current fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this evaluation, we selected business processes to be tested. In assessing the business processes, we analyzed these selected business processes, identified key controls that may have a material impact on the reliability of TDK's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of TDK.

We determined the scope of assessment of internal control over financial reporting, covering TDK Corporation, consolidated subsidiaries and equity-method affiliates and deemed necessary from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls covering all locations and business units except for consolidated subsidiaries and equity-method affiliates whose materiality of such impacts were deemed immaterial, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and/or business units to be tested in descending order of sales for the previous fiscal year, and the locations and/or business units whose combined sales volume reaches approximately two thirds of consolidated sales amount were selected as “significant locations and/or business units.” We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of TDK. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management’s judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of the current fiscal year, we concluded that TDK’s internal control over financial reporting was effectively maintained.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.