



**Consolidated Financial Statements**  
**for the six-month ended and as of September 30, 2022 (in English)**

On November 11, 2022, the Japanese version of this report was filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to Japan's Financial Instruments and Exchange Act.

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

**[Cover]**

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Company name (English):	TDK CORPORATION
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## Financial Conditions

### **1. Preparation methods of condensed quarterly consolidated financial statements**

The accompanying condensed quarterly consolidated financial statements of TDK Corporation (“TDK”) have been prepared in accordance with International Accounting Standards 34, “Interim Financial Reporting” (“IAS 34”) as prescribed in Article 93 of Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Ordinance No. 64, 2007).

### **2. Audit certification**

The accompanying condensed quarterly consolidated financial statements of TDK as of September 30, 2022 and for the six months ended September 30 (from April 1 to September 30, 2022) have been reviewed by KPMG AZSA LLC as prescribed in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

1. Condensed Quarterly Consolidated Financial Statements  
(1) Condensed quarterly consolidated statements of financial position

(Millions of yen)

	Note	March 31, 2022	September 30, 2022
Assets			
Current assets			
Cash and cash equivalents		439,339	457,757
Trade receivables		524,476	626,360
Other financial assets	6	66,944	35,451
Inventories		437,004	520,053
Income taxes receivables		4,982	3,452
Other current assets		60,273	64,933
Subtotal		1,533,018	1,708,006
Assets held for sale	12	154	25,642
Total current assets		1,533,172	1,733,648
Non-current assets			
Investments accounted for using the equity method		16,635	21,105
Other financial assets	6	123,581	152,258
Property, plant and equipment	5	945,042	1,032,975
Right-of-use assets		50,169	50,891
Goodwill		137,352	158,142
Intangible assets		69,030	69,754
Long-term advances to suppliers		121,370	123,341
Deferred tax assets		40,062	42,017
Other non-current assets		5,240	5,171
Total non-current assets		1,508,481	1,655,654
Total assets		3,041,653	3,389,302

(Millions of yen)

	Note	March 31, 2022	September 30, 2022
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	6	175,924	236,670
Lease liabilities		9,432	10,091
Trade payables		460,132	456,934
Other financial liabilities	6	147,272	137,210
Income taxes payables		29,715	32,544
Provisions		13,949	10,575
Other current liabilities		225,934	266,050
<b>Total current liabilities</b>		<b>1,062,358</b>	<b>1,150,074</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	6	455,562	453,679
Lease liabilities		38,895	40,882
Other financial liabilities	6	4,573	3,727
Retirement benefit liabilities		105,089	95,038
Provisions		5,371	9,419
Deferred tax liabilities		57,454	75,128
Other non-current liabilities		8,596	9,761
<b>Total non-current liabilities</b>		<b>675,540</b>	<b>687,634</b>
<b>Total liabilities</b>		<b>1,737,898</b>	<b>1,837,708</b>
<b>Equity</b>			
<b>Equity attributable to owners of parent</b>			
Share capital		32,641	32,641
Capital surplus		-	-
Retained earnings		974,767	1,052,697
Other components of equity		309,607	478,617
Treasury shares		(16,698)	(16,328)
<b>Total equity attributable to owners of parent</b>		<b>1,300,317</b>	<b>1,547,627</b>
Non-controlling interests		3,438	3,967
<b>Total equity</b>		<b>1,303,755</b>	<b>1,551,594</b>
<b>Total liabilities and equity</b>		<b>3,041,653</b>	<b>3,389,302</b>

(2) Condensed quarterly consolidated statements of profit or loss and comprehensive income  
Six months ended September 30, 2022  
Condensed quarterly consolidated statements of profit or loss

(Millions of yen)

	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	4,8	894,185	1,121,993
Cost of sales		(626,077)	(781,750)
Gross profit		268,108	340,243
Selling, general and administrative expenses		(194,551)	(226,730)
Other operating income	9	8,292	6,935
Other operating expenses	9	(241)	(139)
Operating profit		81,608	120,309
Finance income		6,223	6,809
Finance costs		(3,848)	(7,124)
Share of profit (loss) of investments accounted for using the equity method		862	(119)
Profit before tax		84,845	119,875
Income tax expense		(15,902)	(32,320)
Net profit for the period		68,943	87,555
Net profit attributable to:			
Owners of parent		68,866	86,951
Non-controlling interests		77	604
Net profit for the period		68,943	87,555

(Yen)

	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Earnings per share	10		
Basic earnings per share		181.71	229.39
Diluted earnings per share		181.28	228.92

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Net profit for the period		68,943	87,555
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		40	1,628
Remeasurements of defined benefit plans		13	8,140
Total		53	9,768
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		23,559	167,422
Total		23,559	167,422
Total other comprehensive income, net of tax		23,612	177,190
Comprehensive income for the period		92,555	264,745
Comprehensive income attributable to:			
Owners of parent		92,417	264,101
Non-controlling interests		138	644
Comprehensive income for the period		92,555	264,745



Three months ended September 30, 2022  
Condensed quarterly consolidated statements of profit or loss

(Millions of yen)

	Note	Three months ended September 30, 2021	Three months ended September 30, 2022
Net sales	4,8	474,127	611,489
Cost of sales		(324,834)	(423,308)
Gross profit		149,293	188,181
Selling, general and administrative expenses		(103,197)	(117,040)
Other operating income	9	4,408	4,611
Other operating expenses	9	(213)	(46)
Operating profit		50,291	75,706
Finance income		3,147	3,846
Finance costs		(1,829)	(3,244)
Share of profit (loss) of investments accounted for using the equity method		802	(305)
Profit before tax		52,411	76,003
Income tax expense		(10,429)	(20,208)
Net profit for the period		41,982	55,795
Net profit attributable to:			
Owners of parent		41,913	55,538
Non-controlling interests		69	257
Net profit for the period		41,982	55,795

(Yen)

	Note	Three months ended September 30, 2021	Three months ended September 30, 2022
Earnings per share	10		
Basic earnings per share		110.59	146.51
Diluted earnings per share		110.34	146.23

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	Note	Three months ended September 30, 2021	Three months ended September 30, 2022
Net profit for the period		41,982	55,795
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		37	1,823
Remeasurements of defined benefit plans		—	3,691
Total		37	5,514
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		9,663	37,777
Total		9,663	37,777
Total other comprehensive income, net of tax		9,700	43,291
Comprehensive income for the period		51,682	99,086
Comprehensive income attributable to:			
Owners of parent		51,582	98,872
Non-controlling interests		100	214
Comprehensive income for the period		51,682	99,086

## (3) Condensed quarterly consolidated statements of changes in equity

(Millions of yen)

Six months ended September 30, 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, 2021		32,641	-	853,620	89,460	(16,792)	958,929	2,758	961,687
Comprehensive income for the period									
Net profit for the period		-	-	68,866	-	-	68,866	77	68,943
Other comprehensive income, net of tax		-	-	-	23,551	-	23,551	61	23,612
Total comprehensive income for the period		-	-	68,866	23,551	-	92,417	138	92,555
Transactions with owners									
Equity transactions with non- controlling interests		-	38	-	-	-	38	(122)	(84)
Dividends paid	7	-	-	(11,369)	-	-	(11,369)	(78)	(11,447)
Purchase of treasury shares		-	-	-	-	(2)	(2)	-	(2)
Share-based payment transactions		-	15	-	-	-	15	-	15
Exercise of share options		-	(47)	-	-	47	-	-	-
Total transactions with owners		-	6	(11,369)	-	45	(11,318)	(200)	(11,518)
Transfer from other components of equity to retained earnings		-	-	395	(395)	-	-	-	-
Balance as of September 30, 2021		32,641	6	911,512	112,616	(16,747)	1,040,028	2,696	1,042,724

(Millions of yen)

Six months ended September 30, 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, 2022		32,641	-	974,767	309,607	(16,698)	1,300,317	3,438	1,303,755
Comprehensive income for the period									
Net profit for the period		-	-	86,951	-	-	86,951	604	87,555
Other comprehensive income, net of tax		-	-	-	177,150	-	177,150	40	177,190
Total comprehensive income for the period		-	-	86,951	177,150	-	264,101	644	264,745
Transactions with owners									
Equity transactions with non- controlling interests		-	140	-	-	-	140	(140)	(0)
Dividends paid	7	-	-	(17,056)	-	-	(17,056)	(115)	(17,171)
Transfer from retained earnings to capital surplus		-	105	(105)	-	-	-	-	-
Purchase of treasury shares		-	-	-	-	(0)	(0)	-	(0)
Share-based payment transactions		-	125	-	-	-	125	140	265
Exercise of share acquisition rights		-	(370)	-	-	370	0	-	0
Total transactions with owners		-	-	(17,161)	-	370	(16,791)	(115)	(16,906)
Transfer from other components of equity to retained earnings		-	-	8,140	(8,140)	-	-	-	-
Balance as of September 30, 2022		32,641	-	1,052,697	478,617	(16,328)	1,547,627	3,967	1,551,594

## (4) Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities			
Net profit for the period		68,943	87,555
Depreciation and amortization		85,573	103,162
Impairment losses		-	509
Finance income		(6,223)	(6,809)
Finance costs		3,848	7,124
Share of loss (profit) of investments accounted for using equity method		(862)	119
Income tax expense		15,902	32,320
Changes in assets and liabilities:			
Decrease (increase) in trade receivables		(63,268)	(42,773)
Decrease (increase) in inventories		(57,620)	(43,090)
Decrease (increase) in long-term advances to suppliers		(32,994)	6,510
Decrease (increase) in other current assets		(24,862)	(4,657)
Increase (decrease) in trade payables		47,602	(33,420)
Increase (decrease) in other current liabilities		(12,128)	(8,695)
Increase (decrease) in retirement benefit liabilities		(793)	(1,535)
Net change in other financial assets and liabilities		(3,424)	(8,735)
Other		4,158	(15,836)
Subtotal		23,852	71,749
Interest and dividends received		5,858	5,190
Interest paid		(2,748)	(4,495)
Income taxes paid		(13,853)	(17,183)
Cash flows from operating activities		13,109	55,261

(Millions of yen)

	Note	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from investing activities			
Purchase of tangible and intangible assets		(133,987)	(154,156)
Proceeds from sale of tangible and intangible assets		1,416	15,584
Proceeds from withdrawal of time deposits		67,663	54,776
Payments into time deposits		(17,970)	(15,720)
Proceeds from sale and redemption of securities		916	6
Payment for purchase of securities		(4,413)	(7,206)
Purchase of investments in associates		-	(4,361)
Other		203	(1,043)
Cash flows from investing activities		(86,172)	(112,120)
Cash flows from financing activities			
Proceeds from long-term borrowings		100,012	4
Repayment of long-term borrowings		(100,319)	(1,684)
Net increase (decrease) in short-term borrowings		59,930	52,106
Repayment of lease liabilities		(5,148)	(5,146)
Dividends paid	7	(11,364)	(17,046)
Other		(150)	(28)
Cash flows from financing activities		42,961	28,206
Effect of exchange rate changes on cash and cash equivalents		8,062	47,071
Net increase (decrease) in cash and cash equivalents		(22,040)	18,418
Cash and cash equivalents at beginning of period		380,387	439,339
Cash and cash equivalents at end of period		358,347	457,757

## 5) Notes to the condensed quarterly 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 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 and its consolidated subsidiaries (collectively, “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 IAS 34

The condensed quarterly 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 Quarterly Consolidated Financial Statements in Japan, and have been prepared in accordance with IAS 34 as prescribed in Article 93 of the Ordinance.

These condensed quarterly consolidated financial statements do not contain all the disclosures required for the annual consolidated financial statements and hence should be read in conjunction with the consolidated financial statements for the fiscal year ended March 31, 2022.

The condensed quarterly consolidated financial statements were approved on November 10, 2022 by Noboru Saito, Representative Director, President & CEO and Tetsuji Yamanishi, CFO, Representative Director & Executive Vice President.

#### (2) Measurement basis

The condensed quarterly consolidated financial statements of TDK Group have been prepared on a historical cost basis, except for financial instruments measured at fair value.

#### (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 condensed quarterly consolidated financial statements of TDK Group are presented in Japanese yen, which is the TDK’s functional currency. All amounts are rounded to the nearest million yen.

#### (4) Significant accounting estimates and judgements

In preparing the condensed quarterly consolidated financial statements, 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 estimates and judgements that have a material impact on the amounts reported in the condensed quarterly consolidated financial statements are the same as those in principle in the consolidated financial statements for the fiscal year ended March 31, 2022.

There are no significant changes in assumptions relating to the impact of COVID-19 to determine accounting estimates.

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.

#### (5) Changes in presentation method

(Condensed quarterly consolidated statements of financial position)

Assets held for sale, which had been included in Other current assets in the fiscal year ended March 31, 2022, have been presented separately starting from the three months ended June 30, 2022 due to an increase in the materiality. In order to reflect these changes in presentation method, the consolidated statements of financial position for the fiscal year ended March 31, 2022 have been reclassified. As a result, 60,427 million yen included in Other current assets have been reclassified to Assets held for sale by 154 million yen and 60,273 million yen remain in the Other current assets for the fiscal year ended March 31, 2022.

### 3. Significant Accounting Policies

The significant accounting policies adopted in the condensed quarterly consolidated financial statements are consistent with those adopted in the financial statements for the fiscal year ended March 31, 2022.

The income tax expense for the six months ended September 30, 2022 is calculated based on the estimated annual effective income tax rates.

### 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.

In accordance with the reorganization for the three months ended June 30, 2022, certain products of Other are reclassified into Passive Components segment and Sensor Application Products segment. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

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

Segment	Principal businesses and 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 condensed quarterly 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 six months ended September 30, 2021 and 2022 are as follows:

Six months ended September 30, 2021

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	249,781	59,513	125,986	435,115	23,790	-	894,185
Intersegment	1,953	15	20	1	4,116	(6,105)	-
Total	251,734	59,528	126,006	435,116	27,906	(6,105)	894,185
Segment profit (loss)	39,532	(2,243)	5,172	57,721	(1,235)	(17,339)	81,608

Six months ended September 30, 2022

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	294,301	84,929	109,812	602,422	30,529	-	1,121,993
Intersegment	3,790	26	58	0	4,678	(8,552)	-
Total	298,091	84,955	109,870	602,422	35,207	(8,552)	1,121,993
Segment profit (loss)	54,175	7,138	(2,505)	80,873	189	(19,561)	120,309

The reportable segment information for the three months ended September 30, 2021 and 2022 are as follows:

Three months ended September 30, 2021

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	128,025	32,685	65,363	235,523	12,531	-	474,127
Intersegment	922	0	8	0	2,129	(3,059)	-
Total	128,947	32,685	65,371	235,523	14,660	(3,059)	474,127
Segment profit (loss)	21,459	974	2,266	34,325	(283)	(8,450)	50,291

Three months ended September 30, 2022

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	152,670	45,913	54,682	342,330	15,894	-	611,489
Intersegment	2,241	14	36	0	2,370	(4,661)	-
Total	154,911	45,927	54,718	342,330	18,264	(4,661)	611,489
Segment profit (loss)	29,580	4,357	(1,788)	53,525	(178)	(9,790)	75,706

Segment profit represents a segment's sales less its cost of sales, selling, general and administrative expenses and other operating income and expense 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.

##### 5. Property, Plant and Equipment

The increases in carrying amounts of "property, plant and equipment" due to acquisition in the six months ended on September 30, 2021 and 2022 are 133,361 million yen and 136,640 million yen, respectively.



## 6. 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

### (1) Comparison of fair values and carrying amounts of financial instruments

Carrying amounts and fair values of financial instruments are as follows:

	(Millions of yen)			
	March 31, 2022		September 30, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	199,279	198,621	199,339	197,258
Long-term borrowings (including current portion)	259,541	256,941	260,847	255,133

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.

### (2) 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)			
	March 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial assets				
Forward foreign exchange contracts	-	1,974	-	1,974
Currency option contracts	-	8	-	8
Commercial papers	-	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
<b>Financial liabilities</b>				
Derivative financial liabilities				
Forward foreign exchange contracts	-	2,851	-	2,851
Total	-	2,851	-	2,851

(Millions of yen)

	September 30, 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	3,321	-	3,321
Currency option contracts	-	5	-	5
Commercial papers	-	38	-	38
SAFE investments	-	-	3,982	3,982
Convertible bonds	-	-	2,541	2,541
Bonds				
Shares	4,004	-	125,204	129,208
Mutual funds	1,423	-	-	1,423
Rabbi trust investments	8,304	-	-	8,304
Total	13,731	3,364	131,727	148,822
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	2,865	-	2,865
Total	-	2,865	-	2,865

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 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, 2022 and September 30, 2022, the weighted average of PER are both 7.4 times. 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 during the six months ended September 30, 2021 and 2022.

### (3) 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 the Group's internal rules. 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, a result of the fair value fluctuation analysis is 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)	
	Six months ended September 30, 2021	Six months ended September 30, 2022
Opening balance	25,104	104,581
Gains or losses		
Profit or loss	34	506
Other comprehensive income	144	1,893
Acquisition	5,713	7,025
Other	391	17,722
Ending balance	31,386	131,727

There are no transfers into and out of Level 3 during the six months ended September 30, 2021 and 2022.

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 condensed quarterly consolidated statements of comprehensive income.

## 7. 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 record date is before September 30, 2021 are based on the amount prior to the share split.

### Six months ended September 30, 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, 2021	Common shares	11,369	90	March 31, 2021	June 24, 2021

### Six months ended September 30, 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 24, 2022	Common shares	17,056	45	March 31, 2022	June 27, 2022

Dividends for which the effective date is after September 30, 2021 and 2022, which record date belongs to the six months ended September 30, 2021 and 2022, are as follows:

### Six months ended September 30, 2021

Resolution	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting on November 1, 2021	Common shares	12,633	100	September 30, 2021	December 2, 2021

### Six months ended September 30, 2022

Resolution	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting on November 1, 2022	Common shares	20,097	53	September 30, 2022	December 2, 2022

## 8. Revenue

TDK Group disaggregates revenue by industry segment, product and geographic segment based on contracts with customers. The following table presents disaggregation of revenue.

In accordance with the reorganization for the three months ended June 30, 2022, certain products of Other are reclassified into Other passive components and certain products of Other passive components are reclassified into Capacitors and Inductive devices. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

(Millions of yen)

	Six months ended September 30, 2021					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	11,295	14,889	22,302	32,226	16,218	96,930
Inductive devices	11,165	8,145	22,818	33,758	11,503	87,389
Other passive components	6,952	5,899	16,339	25,680	10,592	65,462
Passive Components	29,412	28,933	61,459	91,664	38,313	249,781
Sensor Application Products	7,413	5,014	11,969	28,137	6,980	59,513
Magnetic Application Products	12,476	1,263	3,697	26,184	82,366	125,986
Energy Application Products	14,373	17,435	9,102	346,520	47,685	435,115
Other	7,678	4,062	1,073	6,842	4,135	23,790
Net sales total	71,352	56,707	87,300	499,347	179,479	894,185
	Six months ended September 30, 2022					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	11,816	22,467	25,986	39,157	21,014	120,440
Inductive devices	12,099	10,735	25,140	39,683	14,474	102,131
Other passive components	6,787	8,985	18,870	24,206	12,882	71,730
Passive Components	30,702	42,187	69,996	103,046	48,370	294,301
Sensor Application Products	9,489	6,835	13,156	44,184	11,265	84,929
Magnetic Application Products	15,841	646	3,191	18,261	71,873	109,812
Energy Application Products	18,405	33,556	16,206	444,461	89,794	602,422
Other	10,143	5,331	1,753	8,652	4,650	30,529
Net sales total	84,580	88,555	104,302	618,604	225,952	1,121,993

(Millions of yen)

	Three months ended September 30, 2021					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	5,631	7,685	11,102	16,820	8,566	49,804
Inductive devices	5,581	4,202	11,294	18,199	6,028	45,304
Other passive components	3,365	2,834	8,113	13,051	5,554	32,917
Passive Components	14,577	14,721	30,509	48,070	20,148	128,025
Sensor Application Products	3,946	2,554	5,913	16,048	4,224	32,685
Magnetic Application Products	6,543	508	1,457	13,175	43,680	65,363
Energy Application Products	7,211	9,920	4,629	185,408	28,355	235,523
Other	4,016	2,290	573	3,830	1,822	12,531
Net sales total	36,293	29,993	43,081	266,531	98,229	474,127
	Three months ended September 30, 2022					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	5,778	11,573	13,496	21,029	10,977	62,853
Inductive devices	6,216	5,246	12,478	21,491	7,365	52,796
Other passive components	3,423	5,108	9,796	11,994	6,700	37,021
Passive Components	15,417	21,927	35,770	54,514	25,042	152,670
Sensor Application Products	4,913	3,586	6,777	24,122	6,515	45,913
Magnetic Application Products	8,359	309	1,304	8,633	36,077	54,682
Energy Application Products	9,786	15,160	7,567	260,173	49,644	342,330
Other	5,642	2,472	797	4,729	2,254	15,894
Net sales total	44,117	43,454	52,215	352,171	119,532	611,489

Net sales are primarily revenue recognized from contracts with customers. The revenue recognized from other sources is not material.

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

Major countries in each geographical area are as follows:

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

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 performance obligation is satisfied accordingly.

Transaction price that TDK Group receives in exchange for products transferred may include variable considerations 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.

The amount of considerations in exchange for transactions is received within one year from the satisfaction of performance obligation, and the considerations do not include a significant financing component.

## 9. Other Operating Income and Other Operating Expenses

Other operating income and other operating expenses comprise the following:

	(Millions of yen)	
	Six-months ended September 30, 2021	Six-months ended September 30, 2022
Other operating income		
Government grants	4,166	2,775
Compensation income	814	306
Proceeds from sale of tangible and intangible assets	287	644
Other	3,025	3,210
Other operating income	<u>8,292</u>	<u>6,935</u>
Other operating expenses		
Loss on sale of tangible and intangible assets	241	139
Other operating expense	<u>241</u>	<u>139</u>

	(Millions of yen)	
	Three months ended September 30, 2021	Three months ended September 30, 2022
Other operating income		
Government grants	1,226	1,961
Compensation income	757	221
Proceeds from sale of tangible and intangible assets	187	362
Other	2,238	2,067
Other operating income	<u>4,408</u>	<u>4,611</u>
Other operating expenses		
Loss on sale of tangible and intangible assets	213	46
Other operating expense	<u>213</u>	<u>46</u>

## 10. Earnings per Share

The basic and diluted earnings per share for the period are as follows:

	(Millions of yen)			
	Six months ended September 30, 2021		Six months ended September 30, 2022	
	Basic	Diluted	Basic	Diluted
Net profit for the period attributable to owners of parent	68,866	68,866	86,951	86,951
				Number of shares (thousands)
Weighted average number of common shares issued	378,982	378,982	379,059	379,059
Incremental shares arising from exercise of share options	-	889	-	731
Incremental shares arising from delivery under restricted share unit plan	-	9	-	32
Incremental shares arising from delivery under performance share unit plan	-	-	-	6
Weighted average number of common shares issued - Total	<u>378,982</u>	<u>379,880</u>	<u>379,059</u>	<u>379,828</u>
Earnings per share	181.71	181.28	229.39	228.92

	(Millions of yen)			
	Three months ended September 30, 2021		Three months ended September 30, 2022	
	Basic	Diluted	Basic	Diluted
Net profit for the period attributable to owners of parent	41,913	41,913	55,538	55,538
				Number of shares (thousands)
Weighted average number of common shares issued	378,994	378,994	379,076	379,076
Incremental shares arising from exercise of share options	-	839	-	674
Incremental shares arising from delivery under restricted share unit plan	-	9	-	36
Incremental shares arising from delivery under performance share unit plan	-	-	-	7
Weighted average number of common shares issued - Total	378,994	379,842	379,076	379,793
				(Yen)
Earnings per share	110.59	110.34	146.51	146.23

All of performance share units that vest upon the achievement of certain performance conditions are excluded from the calculation of diluted earnings per share for the six months and the three months ended September 30, 2021, and some of them, for the six months and the three months ended September 30, 2022, as the achievement of the conditions is not probable.

For the six months and the three months ended September 30, 2021 and 2022, certain restricted stock units issued by TDK Corporation and certain stock options issued by subsidiaries of TDK were excluded from the calculation of diluted earnings per share 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. The basic and diluted earnings per share are calculated assuming that the share split was implemented at the beginning of the six months ended on September 30, 2021.

#### 11. Subsequent Events

There are no subsequent events to report.

#### 12. Assets held for sale

Mainly, as it has become highly probable to sell a part of buildings, etc. included in property, plant and equipment, owned by a subsidiary for rechargeable batteries of Energy Application Products segment, the assets have been classified as Assets held for sale as of September 30, 2022. These assets are expected to be sold in the fiscal year ended March 31, 2023. There are no significant impacts on condensed quarterly consolidated statements of profit or loss and condensed quarterly consolidated statements of comprehensive income for the six months and the three months ended September 30, 2022.