



**Consolidated Financial Statements**  
**for the nine-month ended and as of December 31, 2022 (in English)**

On February 13, 2023, 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 December 31, 2022 and for the nine months ended December 31 (from April 1 to December 31, 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	December 31, 2022
Assets			
Current assets			
Cash and cash equivalents		439,339	475,234
Trade receivables		524,476	564,472
Other financial assets	6	66,944	44,602
Inventories		437,004	478,698
Income taxes receivables		4,982	2,897
Other current assets		60,427	57,266
Total current assets		1,533,172	1,623,169
Non-current assets			
Investments accounted for using the equity method		16,635	23,642
Other financial assets	6	123,581	143,906
Property, plant and equipment	5	945,042	966,549
Right-of-use assets		50,169	47,977
Goodwill		137,352	147,251
Intangible assets		69,030	63,881
Long-term advances to suppliers		121,370	112,048
Deferred tax assets		40,062	40,653
Other non-current assets		5,240	4,580
Total non-current assets		1,508,481	1,550,487
Total assets		3,041,653	3,173,656

(Millions of yen)

	Note	March 31, 2022	December 31, 2022
<b>Liabilities</b>			
<b>Current liabilities</b>			
Borrowings	6	175,924	248,855
Lease liabilities		9,432	9,733
Trade payables		460,132	386,763
Other financial liabilities	6	147,272	99,094
Income taxes payables		29,715	45,108
Provisions		13,949	9,538
Other current liabilities		225,934	242,690
<b>Total current liabilities</b>		<b>1,062,358</b>	<b>1,041,781</b>
<b>Non-current liabilities</b>			
Bonds and borrowings	6	455,562	449,248
Lease liabilities		38,895	38,213
Other financial liabilities	6	4,573	3,062
Retirement benefit liabilities		105,089	94,023
Provisions		5,371	9,475
Deferred tax liabilities		57,454	65,513
Other non-current liabilities		8,596	9,669
<b>Total non-current liabilities</b>		<b>675,540</b>	<b>669,203</b>
<b>Total liabilities</b>		<b>1,737,898</b>	<b>1,710,984</b>
<b>Equity</b>			
<b>Equity attributable to owners of parent</b>			
Share capital		32,641	32,641
Capital surplus		-	43
Retained earnings		974,767	1,082,713
Other components of equity		309,607	358,665
Treasury shares		(16,698)	(16,312)
<b>Total equity attributable to owners of parent</b>		<b>1,300,317</b>	<b>1,457,750</b>
Non-controlling interests		3,438	4,922
<b>Total equity</b>		<b>1,303,755</b>	<b>1,462,672</b>
<b>Total liabilities and equity</b>		<b>3,041,653</b>	<b>3,173,656</b>

(2) Condensed quarterly consolidated statements of profit or loss and comprehensive income  
 Nine months ended December 31, 2022  
 Condensed quarterly consolidated statements of profit or loss

(Millions of yen)

	Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	4,8	1,393,855	1,708,965
Cost of sales		(968,352)	(1,196,374)
Gross profit		425,503	512,591
Selling, general and administrative expenses		(295,337)	(337,110)
Other operating income	9	11,657	13,439
Other operating expenses	9	(512)	(243)
Operating profit		141,311	188,677
Finance income		9,444	11,524
Finance costs		(5,959)	(12,750)
Share of profit of investments accounted for using the equity method		1,328	651
Profit before tax		146,124	188,102
Income tax expense		(28,456)	(50,594)
Net profit for the period		117,668	137,508
Net profit attributable to:			
Owners of parent		117,262	136,875
Non-controlling interests		406	633
Net profit for the period		117,668	137,508

(Yen)

	Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Earnings per share	10		
Basic earnings per share		309.41	361.06
Diluted earnings per share		308.69	360.37

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net profit for the period		117,668	137,508
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		223	1,967
Remeasurements of defined benefit plans		13	8,158
Total		236	10,125
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		70,514	47,102
Total		70,514	47,102
Total other comprehensive income, net of tax		70,750	57,227
Comprehensive income for the period		188,418	194,735
Comprehensive income attributable to:			
Owners of parent		187,838	194,262
Non-controlling interests		580	473
Comprehensive income for the period		188,418	194,735



Three months ended December 31, 2022  
Condensed quarterly consolidated statements of profit or loss

(Millions of yen)

	Note	Three months ended December 31, 2021	Three months ended December 31, 2022
Net sales	4,8	499,670	586,972
Cost of sales		(342,275)	(414,624)
Gross profit		157,395	172,348
Selling, general and administrative expenses		(100,786)	(110,380)
Other operating income	9	3,365	6,504
Other operating expenses	9	(271)	(104)
Operating profit		59,703	68,368
Finance income		3,221	4,941
Finance costs		(2,111)	(5,852)
Share of profit of investments accounted for using the equity method		466	770
Profit before tax		61,279	68,227
Income tax expense		(12,554)	(18,274)
Net profit for the period		48,725	49,953
Net profit attributable to:			
Owners of parent		48,396	49,924
Non-controlling interests		329	29
Net profit for the period		48,725	49,953

(Yen)

	Note	Three months ended December 31, 2021	Three months ended December 31, 2022
Earnings per share	10		
Basic earnings per share		127.70	131.64
Diluted earnings per share		127.41	131.42

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	Note	Three months ended December 31, 2021	Three months ended December 31, 2022
Net profit for the period		48,725	49,953
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		183	339
Remeasurements of defined benefit plans		0	18
Total		183	357
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		46,955	(120,320)
Total		46,955	(120,320)
Total other comprehensive income, net of tax		47,138	(119,963)
Comprehensive income for the period		95,863	(70,010)
Comprehensive income attributable to:			
Owners of parent		95,421	(69,839)
Non-controlling interests		442	(171)
Comprehensive income for the period		95,863	(70,010)

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

(Millions of yen)

Nine months ended December 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, 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		-	-	117,262	-	-	117,262	406	117,668
Other comprehensive income, net of tax		-	-	-	70,576	-	70,576	174	70,750
Total comprehensive income for the period		-	-	117,262	70,576	-	187,838	580	188,418
Transactions with owners									
Equity transactions with non- controlling interests		-	(123)	-	-	-	(123)	174	51
Dividends paid	7	-	-	(24,002)	-	-	(24,002)	(277)	(24,279)
Transfer from retained earnings to capital surplus		-	120	(120)	-	-	-	-	-
Purchase of treasury shares		-	-	-	-	(5)	(5)	-	(5)
Share-based payment transactions		-	50	-	-	-	50	-	50
Exercise of share options		-	(47)	-	-	47	-	-	-
Total transactions with owners		-	-	(24,122)	-	42	(24,080)	(103)	(24,183)
Transfer from other components of equity to retained earnings		-	-	560	(560)	-	-	-	-
Balance as of December 31, 2021		32,641	-	947,320	159,476	(16,750)	1,122,687	3,235	1,125,922

(Millions of yen)

Nine months ended December 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, 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		-	-	136,875	-	-	136,875	633	137,508
Other comprehensive income, net of tax		-	-	-	57,387	-	57,387	(160)	57,227
Total comprehensive income for the period		-	-	136,875	57,387	-	194,262	473	194,735
Transactions with owners									
Equity transactions with non- controlling interests		-	140	-	-	-	140	1,251	1,391
Dividends paid	7	-	-	(37,153)	-	-	(37,153)	(380)	(37,533)
Transfer from retained earnings to capital surplus		-	105	(105)	-	-	-	-	-
Purchase of treasury shares		-	-	-	-	(0)	(0)	-	(0)
Share-based payment transactions		-	184	-	-	-	184	140	324
Exercise of share acquisition rights		-	(386)	-	-	386	0	-	0
Total transactions with owners		-	43	(37,258)	-	386	(36,829)	1,011	(35,818)
Transfer from other components of equity to retained earnings		-	-	8,329	(8,329)	-	-	-	-
Balance as of December 31, 2022		32,641	43	1,082,713	358,665	(16,312)	1,457,750	4,922	1,462,672

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

(Millions of yen)

	Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from operating activities			
Net profit for the period		117,668	137,508
Depreciation and amortization		129,584	155,662
Impairment losses		-	509
Finance income		(9,444)	(11,524)
Finance costs		5,959	12,750
Share of loss of investments accounted for using equity method		(1,328)	(651)
Income tax expense		28,456	50,594
Changes in assets and liabilities:			
Decrease (increase) in trade receivables		(55,034)	(19,122)
Decrease (increase) in inventories		(106,972)	(29,508)
Decrease (increase) in long-term advances to suppliers		(55,762)	9,699
Decrease (increase) in other current assets		(8,068)	(42)
Increase (decrease) in trade payables		53,612	(74,355)
Increase (decrease) in other current liabilities		(1,704)	(1,693)
Increase (decrease) in retirement benefit liabilities		(1,027)	(1,681)
Net change in other financial assets and liabilities		(4,335)	(10,975)
Other		6,007	(11,503)
Subtotal		97,612	205,668
Interest and dividends received		7,819	9,649
Interest paid		(4,210)	(6,777)
Income taxes paid		(16,695)	(24,314)
Cash flows from operating activities		84,526	184,226

(Millions of yen)

	Note	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Cash flows from investing activities			
Purchase of tangible and intangible assets		(210,802)	(220,331)
Proceeds from sale of tangible and intangible assets		1,843	18,539
Proceeds from withdrawal of time deposits		76,048	66,955
Payments into time deposits		(58,106)	(25,025)
Proceeds from sale and redemption of securities		1,379	553
Payment for purchase of securities		(9,092)	(10,314)
Purchase of investments in associates		-	(6,754)
Other		191	(1,101)
Cash flows from investing activities		(198,539)	(177,478)
Cash flows from financing activities			
Proceeds from long-term borrowings		160,811	15
Repayment of long-term borrowings		(134,399)	(3,239)
Net increase (decrease) in short-term borrowings		25,477	67,768
Proceeds from bonds		100,000	-
Repayment of lease liabilities		(7,260)	(7,685)
Dividends paid	7	(23,964)	(37,164)
Other		(631)	1,097
Cash flows from financing activities		120,034	20,792
Effect of exchange rate changes on cash and cash equivalents		21,413	8,355
Net increase in cash and cash equivalents		27,434	35,895
Cash and cash equivalents at beginning of period		380,387	439,339
Cash and cash equivalents at end of period		407,821	475,234

## 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 February 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.

### 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 nine months ended December 31, 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 nine months ended December 31, 2021 and 2022 are as follows:

Nine months ended December 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	379,801	95,654	190,009	691,260	37,131	-	1,393,855
Intersegment	3,140	15	41	1	6,373	(9,570)	-
Total	382,941	95,669	190,050	691,261	43,504	(9,570)	1,393,855
Segment profit (loss)	62,052	896	8,730	96,705	(1,292)	(25,780)	141,311

Nine months ended December 31, 2022

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	438,946	130,566	157,287	933,845	48,321	-	1,708,965
Intersegment	5,973	52	90	1	7,132	(13,248)	-
Total	444,919	130,618	157,377	933,846	55,453	(13,248)	1,708,965
Segment profit (loss)	80,178	12,694	(16,405)	140,659	1,068	(29,517)	188,677

The reportable segment information for the three months ended December 31, 2021 and 2022 are as follows:

Three months ended December 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	130,020	36,141	64,023	256,145	13,341	-	499,670
Intersegment	1,187	0	21	-	2,257	(3,465)	-
Total	131,207	36,141	64,044	256,145	15,598	(3,465)	499,670
Segment profit (loss)	22,520	3,139	3,558	38,984	(57)	(8,441)	59,703

Three months ended December 31, 2022

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	144,645	45,637	47,475	331,423	17,792	-	586,972
Intersegment	2,183	26	32	1	2,454	(4,696)	-
Total	146,828	45,663	47,507	331,424	20,246	(4,696)	586,972
Segment profit (loss)	26,003	5,556	(13,900)	59,786	879	(9,956)	68,368

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 nine months ended on December 31, 2021 and 2022 are 197,056 million yen and 172,015 million yen, respectively. The decrease in their carrying amounts due to sale or disposal in the nine months ended on December 31, 2021 and 2022 are 1,144 million yen and 24,182 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		December 31, 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	199,279	198,621	199,369	194,874
Long-term borrowings (including current portion)	259,541	256,941	255,945	249,649

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)

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	2,182	-	2,182
Currency option contracts	-	3,127	-	3,127
Commercial papers	-	35	-	35
SAFE investments	-	-	3,649	3,649
Convertible bonds	-	-	2,342	2,342
Bonds				
Shares	3,796	-	118,156	121,952
Mutual funds	1,458	-	-	1,458
Rabbi trust investments	7,991	-	-	7,991
Total	13,245	5,344	124,147	142,736
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	1,271	-	1,271
Currency option contracts	-	5	-	5
Total	-	1,276	-	1,276

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 December 31, 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 nine months ended December 31, 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)	
	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Opening balance	25,104	104,581
Gains or losses		
Profit or loss	96	270
Other comprehensive income	144	2,204
Acquisition	10,182	10,096
Transfers from Level 3	-	(88)
Other	1,492	7,084
Ending balance	37,018	124,147

Transfers from Level 3 recognized during the nine months ended December 31, 2022 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 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.

### Nine months ended December 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, 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

### Nine months ended December 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 24, 2022	Common shares	17,056	45	March 31, 2022	June 27, 2022
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)

	Nine months ended December 31, 2021					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	17,023	23,060	32,479	50,482	24,668	147,712
Inductive devices	17,361	12,862	34,149	52,135	17,910	134,417
Other passive components	10,519	9,015	23,907	38,332	15,899	97,672
Passive Components	44,903	44,937	90,535	140,949	58,477	379,801
Sensor Application Products	11,377	7,594	17,593	47,364	11,726	95,654
Magnetic Application Products	19,418	1,665	5,882	36,908	126,136	190,009
Energy Application Products	22,860	30,030	13,557	546,688	78,125	691,260
Other	12,401	6,548	1,519	11,103	5,560	37,131
Net sales total	110,959	90,774	129,086	783,012	280,024	1,393,855
	Nine months ended December 31, 2022					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	17,562	34,336	39,147	59,423	31,469	181,937
Inductive devices	18,599	15,581	37,168	59,881	20,969	152,198
Other passive components	10,109	12,931	27,348	35,313	19,110	104,811
Passive Components	46,270	62,848	103,663	154,617	71,548	438,946
Sensor Application Products	14,425	10,241	20,069	67,223	18,608	130,566
Magnetic Application Products	26,003	879	4,950	26,034	99,421	157,287
Energy Application Products	29,617	50,188	23,788	701,565	128,687	933,845
Other	16,605	7,901	2,623	14,504	6,688	48,321
Net sales total	132,920	132,057	155,093	963,943	324,952	1,708,965

(Millions of yen)

	Three months ended December 31, 2021					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	5,728	8,171	10,177	18,256	8,450	50,782
Inductive devices	6,196	4,717	11,331	18,377	6,407	47,028
Other passive components	3,567	3,116	7,568	12,652	5,307	32,210
Passive Components	15,491	16,004	29,076	49,285	20,164	130,020
Sensor Application Products	3,964	2,580	5,624	19,227	4,746	36,141
Magnetic Application Products	6,942	402	2,185	10,724	43,770	64,023
Energy Application Products	8,487	12,595	4,455	200,168	30,440	256,145
Other	4,723	2,486	446	4,261	1,425	13,341
Net sales total	39,607	34,067	41,786	283,665	100,545	499,670
	Three months ended December 31, 2022					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	5,746	11,869	13,161	20,266	10,455	61,497
Inductive devices	6,500	4,846	12,028	20,198	6,495	50,067
Other passive components	3,322	3,946	8,478	11,107	6,228	33,081
Passive Components	15,568	20,661	33,667	51,571	23,178	144,645
Sensor Application Products	4,936	3,406	6,913	23,039	7,343	45,637
Magnetic Application Products	10,162	233	1,759	7,773	27,548	47,475
Energy Application Products	11,212	16,632	7,582	257,104	38,893	331,423
Other	6,462	2,570	870	5,852	2,038	17,792
Net sales total	48,340	43,502	50,791	345,339	99,000	586,972

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, Vietnam, Thailand, Philippines and Korea

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)	
	Nine-months ended December 31, 2021	Nine-months ended December 31, 2022
Other operating income		
Government grants	5,322	5,184
Compensation income	1,002	562
Proceeds from sale of tangible and intangible assets	769	2,888
Other	4,564	4,805
Other operating income	<u>11,657</u>	<u>13,439</u>
Other operating expenses		
Loss on sale of tangible and intangible assets	512	243
Other operating expense	<u>512</u>	<u>243</u>

	(Millions of yen)	
	Three months ended December 31, 2021	Three months ended December 31, 2022
Other operating income		
Government grants	1,156	2,409
Compensation income	188	256
Proceeds from sale of tangible and intangible assets	482	2,244
Other	1,539	1,595
Other operating income	<u>3,365</u>	<u>6,504</u>
Other operating expenses		
Loss on sale of tangible and intangible assets	271	104
Other operating expense	<u>271</u>	<u>104</u>

## 10. Earnings per Share

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

	(Millions of yen)			
	Nine months ended December 31, 2021		Nine months ended December 31, 2022	
	Basic	Diluted	Basic	Diluted
Net profit for the period attributable to owners of parent	117,262	117,262	136,875	136,875
Weighted average number of common shares issued	378,986	378,986	379,095	379,095
Incremental shares arising from exercise of share options	-	872	-	682
Incremental shares arising from delivery under restricted share unit plan	-	10	-	35
Incremental shares arising from delivery under performance share unit plan	-	-	-	7
Weighted average number of common shares issued - Total	<u>378,986</u>	<u>379,868</u>	<u>379,095</u>	<u>379,819</u>
Earnings per share	309.41	308.69	361.06	360.37

	(Millions of yen)			
	Three months ended December 31, 2021		Three months ended December 31, 2022	
	Basic	Diluted	Basic	Diluted
Net profit for the period attributable to owners of parent	48,396	48,396	49,924	49,924
				Number of shares (thousands)
Weighted average number of common shares issued	378,995	378,995	379,247	379,247
Incremental shares arising from exercise of share options	-	838	-	584
Incremental shares arising from delivery under restricted share unit plan	-	16	-	46
Incremental shares arising from delivery under performance share unit plan	-	-	-	8
Weighted average number of common shares issued - Total	378,995	379,849	379,247	379,885
				(Yen)
Earnings per share	127.70	127.41	131.64	131.42

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 nine months and the three months ended December 31, 2021, and some of them, for the nine months and the three months ended December 31, 2022, as the achievement of the conditions is not probable.

For the nine months and the three months ended December 31, 2021 and the nine months ended December 31, 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. For the three months ended December 31, 2022, 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 nine months ended on December 31, 2021.

#### 11. Subsequent Events

TDK Corporation and certain domestic consolidated subsidiaries will partially revise the retirement benefit plans due to phased extension of the retirement age from 60 to 65 as of April 1, 2023. An internal announcement about changes of the applicable rules and regulations in accordance with the revision have been made in January 2023. As a result, retirement benefit liabilities are expected to decrease, and the amount is currently being evaluated.