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Provision to base upon:	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
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Fiscal year:	127th term (from April 1, 2022 to March 31, 2023)
Company name (Japanese):	TDK *Kabushiki-Kaisha*
Company name (English):	TDK CORPORATION
Title and name of representative:	Noboru Saito, Representative Director, President and CEO
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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	127th term
Accounting period	April 1, 2020	From April 1, 2020 to March 31, 2021	From April 1, 2021 to March 31, 2022	From April 1, 2022 to March 31, 2023
Net sales (Millions of yen)	-	1,479,008	1,902,124	2,180,817
Profit from continuing operations before tax (Millions of yen)	-	117,263	172,490	167,219
Net profit attributable to owners of parent (Millions of yen)	-	74,681	131,298	114,187
Comprehensive income (loss) attributable to owners of parent (Millions of yen)	-	186,008	365,418	194,903
Equity attributable to owners of parent (Millions of yen)	800,069	958,929	1,300,317	1,458,446
Net assets (Millions of yen)	804,659	961,687	1,303,755	1,462,867
Total assets (Millions of yen)	1,900,928	2,359,663	3,041,653	3,147,027
Equity attributable to owners of parent per share (Yen)	2,111.24	2,530.37	3,430.69	3,845.28
Net profit attributable to owners of parent per share (Yen)	-	197.06	346.44	301.19
Diluted net profit attributable to owners of parent per share (Yen)	-	196.66	345.65	300.64
Ratio of equity attributable to owners of parent (%)	42.1	40.6	42.8	46.3
Return on equity attributable to owners of parent (%)	-	8.5	11.6	8.3
Price earnings ratio (PER) (Times)	-	26.0	12.9	15.7
Net cash provided by operating activities (Millions of yen)	-	230,855	178,987	262,772
Net cash used in investing activities (Millions of yen)	-	(231,418)	(281,546)	(234,402)
Net cash provided by (used in) financing activities (Millions of yen)	-	21,082	113,743	14,947
Cash and cash equivalents at end of term (Millions of yen)	332,717	380,387	439,339	506,185
Number of employees (Person)	107,138	129,284	116,808	102,908

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			
	123rd term	124th term	125th term	126th term
Accounting period	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)	1,381,806	1,363,037	1,479,008	1,902,124
Income from continuing operations before income taxes (Millions of yen)	115,554	95,876	121,904	234,185
Net income attributable to TDK (Millions of yen)	82,205	57,780	79,340	183,632
Comprehensive income (loss) attributable to TDK (Millions of yen)	80,335	(7,821)	186,729	367,182
TDK stockholders' equity (Millions of yen)	877,290	843,957	1,003,538	1,346,683
Net assets (Millions of yen)	883,756	848,564	1,006,297	1,350,130
Total assets (Millions of yen)	1,992,480	1,943,379	2,401,433	3,086,924
TDK stockholders' equity per share (Yen)	2,315.57	2,227.05	2,648.08	3,553.02
Net income attributable to TDK per share (Yen)	217.01	152.49	209.36	484.53
Diluted net income attributable to TDK per share (Yen)	216.48	152.15	208.93	483.42
Stockholders' equity ratio (%)	44.0	43.4	41.8	43.6
Return on stockholders' equity (%)	9.7	6.7	8.6	15.6
Price earnings ratio (PER) (Times)	13.3	18.3	24.4	9.2
Net cash provided by operating activities (Millions of yen)	140,274	222,390	222,814	169,620
Net cash used in investing activities (Millions of yen)	(140,179)	(41,964)	(231,488)	(281,194)
Net cash provided by (used in) financing activities (Millions of yen)	9,435	(121,769)	29,193	122,758
Cash and cash equivalents at end of term (Millions of yen)	289,175	332,717	380,387	439,339
Number of employees (Person)	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 123nd term.

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

Term	123rd term	124th term	125th term	126th term	127th term
Accounting period	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	From April 1, 2022 to March 31, 2023
Net sales (Millions of yen)	309,326	303,810	329,300	420,379	504,931
Current income (loss) (Millions of yen)	(15,269)	(10,624)	1,378	106,315	137,952
Net income (loss) (Millions of yen)	(36,063)	(35,618)	119,224	105,525	134,654
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	388,772	388,772
Net assets (Millions of yen)	273,157	219,309	316,879	398,212	496,326
Total assets (Millions of yen)	935,939	874,708	1,081,338	1,239,402	1,424,028
Net assets per share (Yen)	716.89	574.87	831.81	1,046.53	1,304.71
Cash dividends per share (Yen)	160.00	180.00	180.00	145.00	106.00
[Interim dividends per share] (Yen)	[80.00]	[90.00]	[90.00]	[100.00]	[53.00]
Net income (loss) per share (Yen)	(95.20)	(94.00)	314.60	278.44	355.18
Diluted net income per share (Yen)	—	—	313.95	277.80	354.53
Equity ratio [%]	29.0	24.9	29.2	32.0	34.8
Return on equity [ROE] [%]	(12.1)	(14.6)	44.7	29.7	30.2
Price earnings ratio [PER] [Times]	—	—	16.2	16.0	13.3
Dividend payout ratio [%]	—	—	19.1	28.1	29.9
Number of employees [Person]	5,330	5,521	5,689	5,719	5,902
Total shareholder return (%) (Benchmark: TOPIX index)	92.1 (95.0)	90.9 (85.9)	165.3 (122.1)	147.4 (124.6)	159.0 (131.8)
Highest(Yen)	12,940	12,880	18,240	4,880 (17,270)	5,300
Lowest(Yen)	7,070	6,740	7,280	3,560 (11,220)	3,765

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) have been implemented from the beginning of 126th term. For major management benchmarks from 126th term, these accounting standards are implemented.

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 123nd 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 Tokyo Stock Exchange Prime Marked from April 4, 2022 and before then 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, 2023, the TDK Group is comprised of TDK Corporation (the “Company”), 140 consolidated subsidiaries and 6 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. 59 other companies (Domestic: 1, Overseas: 58) (Total: 64 companies)
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors	The Company InvenSense, Inc. TDK-Micronas GmbH 14 other companies (Domestic: 2, Overseas: 12) (Total: 17 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. TDK Ganzhou Rare Earth New Materials 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 (Malaysia) Sdn. Bhd. 27 other companies (Domestic: 2, Overseas: 25) (Total: 33 companies)
Other	Mechatronics (production equipment), Camera Module Micro Actuators for smartphones, other	The Company TDK Corporation of America 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	Ningde, China	RMB 839,909,052	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
Amperex Technology Ltd.*1 , *2	Hong Kong, China	US$ 267,588,100	Energy Application Products	100 (57.6)	Manufacturing and sales of TDK products Loans to TDK Loans from TDK Interlocking directorate: Yes
Navitasys Technology Ltd. *1	Hong Kong, China	US$ 10,000,000	Energy Application Products	100 (57.6)	Manufacturing and sales of TDK products Interlocking directorate: No
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
SAE Magnetics (H.K.) Ltd.	Hong Kong, China	HK$ 50,000	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: Yes
TDK HONG KONG COMPANY LIMITED	Hong Kong, China	HK$ 25,500,000	Passive Components	100	Manufacturing and sales of TDK products Loans to 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 770,098,932	Passive Components	100 (36.5)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK (Shanghai) Electronics Ltd.	Shanghai, China	RMB 13,081,180	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
TDK (Zhuhai) Co., Ltd.	Zhuhai, China	RMB 161,627,185	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK (Suzhou) Co., Ltd.	Suzhou, China	RMB 93,324,615	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK-Lambda (China) Electronics Co., Ltd.	Wuxi,China	RMB 41,503,000	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK China Co., Ltd. *1	Shanghai, China	RMB 1,264,924,598	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 Hungary Components Kft.	Szombathely, Hungary	EUR 9,670,320	Passive Components	100 (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-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-Lambda Germany GmbH	Achern, Germany	EUR 200,000	Energy Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
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 *1	Illinois, U.S.A	US$ 3,800,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
InvenSense,Inc.	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
Navitasys India Private Limited *1	Bawal, India	US$ 58,029,540	Energy Application Products	100 (0.1)	Manufacturing and sales of TDK products Interlocking directorate: No
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
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	Products classified in “Other”	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: No
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 Electronics Factories Corporation	Yurihonjo City, Akita Prefecture	200	Passive Components	100	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: Yes
106 other companies					
(Equity-method affiliates – Overseas) Xiamen Ampcore Technology Limited	Xiamen, China	RMB 1,900,000,000	Development, manufacture and sale of rechargeable battery cells	30 (30)	——— Interlocking directorate: No
(Equity-method affiliates – Domestic) TODA KOGYO CORP.,	Hiroshima City, Hiroshima Prefecture	(Millions of yen) 7,477	Manufacturing and sales of a magnetic material	25.4	——— 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 Amperex Technology Ltd. exceeded 10% of net sales of TDK.
   The major items of income are as follows:
   i. Net sales ¥508,229 million
   ii. Income before income taxes ¥102,619 million
   iii. Net income ¥97,079 million
   iv. Net assets ¥ 185,505 million
   v. Total assets ¥348,259 million
6. In April 2022, TDK Akita Corporation merged with TDK Shonai Corporation and TDK Kofu Corporation in an absorption-type merger, with TDK Akita Corporation as the surviving company. The company name changed from TDK Akita Corporation to TDK Electronics Factories

Corporation .

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, 2023)

Name of business segment	Number of employees (Person)
Passive Components	34,522
Sensor Application Products	7,274
Magnetic Application Products	11,683
Energy Application Products	41,945
Other	4,804
Corporate (Common)	2,680
Total	102,908

(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)
5,902	43.0	17.9	7,895,364

Name of business segment	Number of employees (Person)
Passive Components	1,652
Sensor Application Products	475
Magnetic Application Products	626
Energy Application Products	279
Other	366
Corporate (Common)	2,504
Total	5,902

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.

(4) Percentage of female workers in managerial positions, percentage of male workers taking childcare leave, wage differences between male workers and female workers

Fiscal year ended March 31, 2023					
Name	Percentage of female workers in managerial positions (%) (Note 1,3)	Percentage of male workers taking childcare leave (%) (Note 2)	Wage differences between male and female workers (Note 1)		
			All workers (%)	Regularly employed workers (%)	Non- regularly employed workers (%)
TDK Corporation	4.3	23.1	65.4	62.3	65.7
TDK Electronics Factories Corporation	1.1	11.5	74.8	76.6	79.4
TDK-Lambda Corporation	6.0	54.6	58.0	71.1	58.1
TDK Service Corporation	21.4	-	-	-	-

Notes: 1. Calculated based on the provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).

2. Percentage of employees who take childcare leave, etc. prescribed in Article 71-4, item (i) of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labor No. 25 of 1991) in Article 71-4, item (i) is calculated based on the provision of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members”(Act No. 76 of 1991).
3. Calculated as of April 2023.
4. Seconded employees are aggregated and calculated as employees of seconding company.
5. Wage differences between male workers and female workers among fixed-term and contract workers are widening in TDK-Lambda Corporation. This is due to high level of wages among male fixed-term and contract workers who are rehired employees after retirement.
6. TDK Service Corporation voluntarily selects one item due to number of regularly employed employees under a category of 101 to 300.

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, 2023.

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.

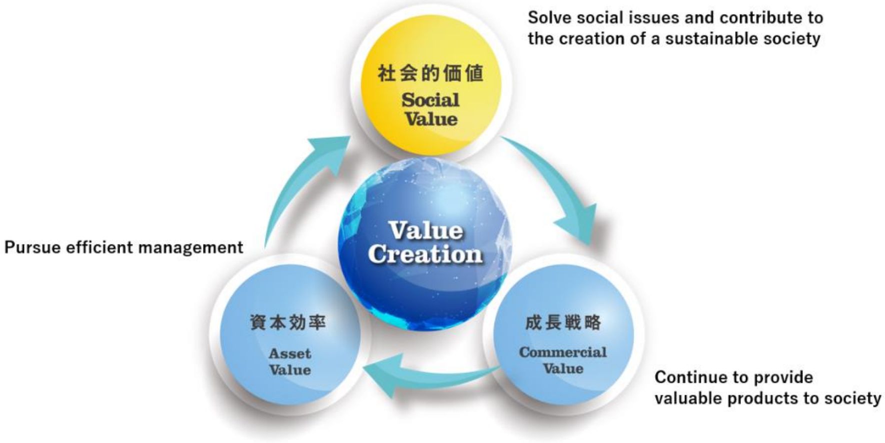
The TDK Group regards such changes in the social environment as opportunities for new social contributions and business growth, and has formulated and been implementing its Medium-Term Plan, "Value Creation 2023," that will cover the three years from fiscal 2022 through fiscal 2024. Under "Value Creation 2023," the pursuit of "Social Value," which aims at contributing to the realization of a sustainable society by solving social issues, is set as a starting point 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. Then 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

Energy demand has recovered rapidly as socio-economic and production activities resume following the COVID-19 pandemic. However, the global energy situation become increasingly uncertain due to a sharp rise in energy prices, led by a combination of factors such as a lack of investment in fossil fuels, and Russia's invasion of Ukraine. In addition, political tensions between the United States and China have led to an economic decoupling between the two countries in such ways as the United States restricting exports of semiconductor manufacturing equipment and relevant technologies to China.

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 by trends that include the widespread adoption of renewable energy and electric vehicles in EX, and the growing use of fifth-generation mobile communication system(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 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 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 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 around 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. Views and initiatives regarding sustainability

The forward looking statements in this report are based on judgment current as of March 31, 2023.

Response to sustainability
Various issues exist in the society surrounding the TDK Group, including environmental problems, such as climate change, energy, and the exhaustion of resources, and social problems, such as aging and the digital divide. TDK will contribute to the solution of these problems and the building of a sustainable society for future generations.
As well as aiming to solve social problems through our business on the basis of our corporate philosophy, which is our fundamental stance, we have formulated a new TDK Group’s Sustainability Vision. This vision proclaims that by fully utilizing TDK’s proprietary core technologies and solutions, we will “advance the development of a sustainable society and champion well-being for all people.” In the formulation of this vision, we again assorted the social environment surrounding us from a long-term perspective and studied the potential of the TDK Group’s strengths and resources. In the process, we heard the opinions of not only management but also external experts. We will continue to share this vision throughout the Group, put it into practice in our business, and consider and implement specific measures toward the realization of a happy society.

TDK Group's
Sustainability Vision

“Technology for the well-being of all people”

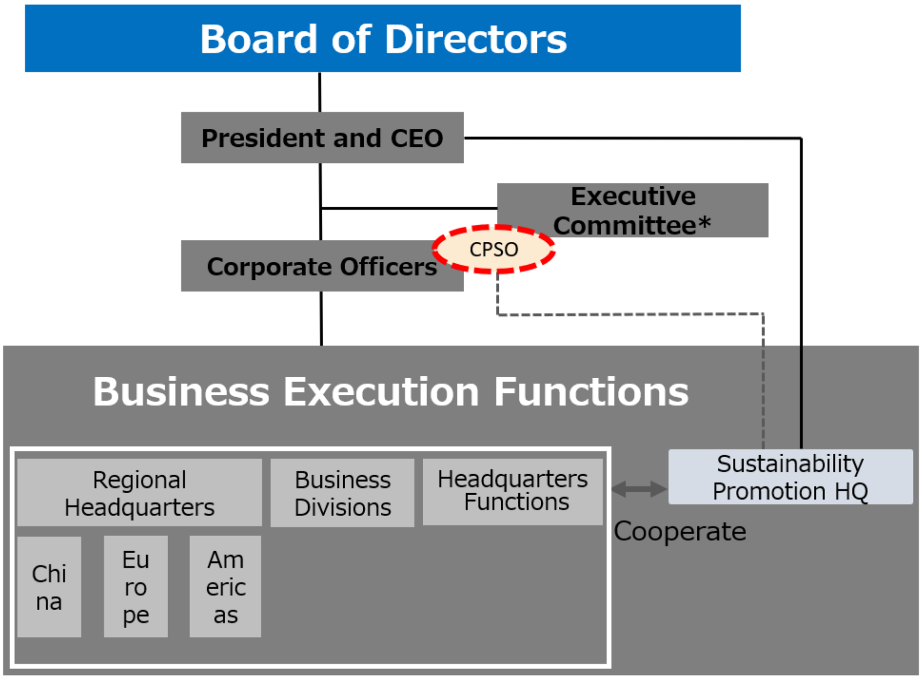
TDK Group strives to restore and protect the global environment while promoting respect for human rights. Through its innovative core technologies and solutions, TDK Group advances the development of a sustainable society and champions well-being for all people.

(1) Governance

The Sustainability Promotion HQ, which was established under the direct authority of the President and CEO, cooperates and coordinates with each ＆headquarters functions to propose action policies and measures on sustainability. In April 2023, TDK appointed a Chief People and Sustainability Officer (CPSO) as the officer (and member of the Executive Committee) responsible for human resources and sustainability. The CPSO works with the Sustainability Promotion HQ to promote TDK sustainability strategies that will lead to increased corporate value.

(Functions and Roles of the Sustainability Promotion HQ)
・Cooperate with regional headquarters in China, Europe, and the Americas to promote global action by business divisions, Group companies, and manufacturing sites.
・Monitor the status of action, disclose sustainability-related information, engage in dialogue with stakeholders, and take other action. Encourage improvement by providing feedback on identified issues to relevant parties within the company based on opinions obtained through dialogues with stakeholders and from promoting action.
・Report monthly on the progress of action to the President and CEO.

(Deliberation and Decisions on Sustainability)
・Following deliberation on company-wide issues and topics relating to sustainability, a report is made to the Board of Directors. Based on the report, the Board deliberates or adopts a resolution and performs supervision to ensure that appropriate action is taken.



*The Executive Committee is an advisory function made up of corporate officers and division heads appointed by the President and CEO. The committee deliberates on policy and measures relating to the execution of business by the Group including development, manufacturing, sales, and financial status, and the President and CEO makes final decisions.

(2) Risk management

In aiming for sustainable growth, the TDK Group promotes company-wide measures against factors (risks) that hinder the achievement of organizational goals and implements company-wide risk management (ERM) activities to appropriately manage them and ERM Committee is established in which the chair person is appointed by President and CEO from directors. In ERM Committee, we promote company-wide risk in a way we analyze and evaluate company-wide risk, identify risks which require countermeasures and decide a responsible function to be in charge of risks. As for each risk, the responsible function takes the lead in countermeasures and the progress is monitored in ERM Committee. We discuss the risk analysis evaluations and countermeasure situations at the Executive Committee and report them to the Board of Directors.
Risks concerning sustainability, such as risks concerning corporate social responsibility, climate change, securing personnel and training personnel are also allocated to risk owner departments and director is assigned for it.

(3) Strategy・Metrics and Targets

TDK Group declares fundamental policy “Accelerate EX and DX in order to realize 2CX and create value for a sustainable society” in Medium-Term Plan, “Value Creation 2023,” since fiscal 2022. In order to both achieve the goals of the Medium-Term Plan and balance sustainable society with sustainable corporate growth, we identified materiality by defining key issues as those which should be addressed by giving them top priority in investment of the organization’s management resources. On the premise of long-term value creation for all stakeholders, including customers, suppliers, and employees, TDK Group focuses on long-term investors and shareholders that are the beneficiaries of residual profit.
Regarding the 22 themes linked to the identified materiality, we conducted hearings with related headquarters functions. After that, we carried out a qualitative assessment of the relationship of each theme to corporate value, centering on the two axes of financial results and non-financial results, and selected rigorous KPIs linked to the 6 of materiality from the perspectives of the effectiveness of KPIs and the impacts on corporate value.

The materiality identification process

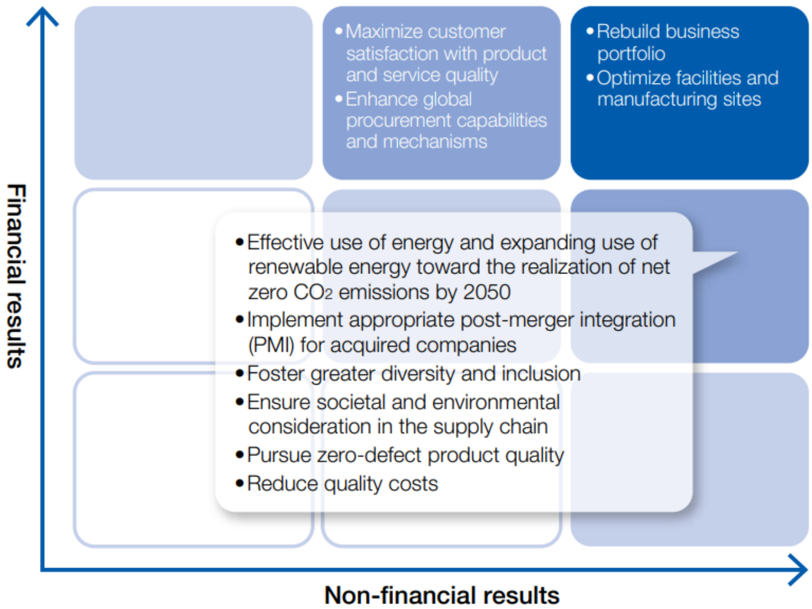
Understanding and organizing the issues
An internal draft was prepared based on the SDGs, GRI, Responsible Business Alliance (RBA), and survey items of leading ESG rating agencies; issues raised in the Group’s long-term strategy review materials; risks reported in the annual securities report; and our key CSR issues and other information.

Gathering outside opinion
We gathered opinions on our draft materiality through dialogues and written opinions.

Opinions from external experts are posted on our website.
Dialogue
https://www.tdk.com/en/sustainability2022/tdk_sustainability/tdk-materiality/dialogue
Written opinion regarding materiality (initial internal draft)
https://www.tdk.com/en/sustainability2022/tdk_sustainability/tdk-materiality/opinion

Internal discussion
We prepared another internal draft based on the outside opinions. The completed draft was discussed again by the Executive Committee, and once approved was submitted to the Board of Directors. To achieve the goals of our current Medium-Term Plan, we decided to take a full-scale approach to engaging in these key issues, which should be addressed by giving them top priority in investment of the organization’s management resources.

Internal development
We began by assigning a division to take responsibility for each materiality theme. Under the leadership of those divisions, we then developed a vision for three years hence, items to be implemented to achieve that vision, divisions responsible for implementing those items, KPIs, and target numbers. These were finalized through discussions with management. Each division reports to management monthly on its progress and works to continually improve their efforts through implementation of a PDCA cycle.



① **Energy Transformation (EX)**

Themes	Responsible department	Goals in three years	Action items	KPIs	Medium-term target (fiscal 2022–2024)	Progress of fiscal 2022
Effective use of energy and expanded use of renewable energy toward the realization of net zero CO2 emissions by 2050	Safety & Environment Group	CO2 emission intensity from energy use (Scope 1, 2) is reduced by 12% compared with base year (fiscal 2015)	Aim at halving CO2 emission intensity, as advocated in the TDK Environmental Vision 2035, through the following two activities: ･Strengthen energy efficiency by improving productivity at manufacturing sites ･Expand the use of renewable energy	CO2 emission intensity from energy use	Reduce by 12% compared with fiscal 2015	Reduced 32%

*Progress of fiscal 2023 will be disclosed in our Sustainability Website after third-party verification.
*Calculation is consolidated basis.

Anthropogenic greenhouse gas emissions, which contribute to global warming, are on the rise, and the sense of crisis about climate change is increasing, as represented by the Paris Agreement adopted at the COP21 in December 2015. Above all, carbon dioxide (CO2) is a major emission source that makes up 76% (from the IPCC 5th Assessment Report) of greenhouse gases, so it is necessary to implement reliable CO2 reduction measures in business activities.

In the TDK Group, the environmental officer serves as the manager of the Group's environmental activities, including climate change issues, and the Safety and Environment Group of the Sustainability Promotion HQ leads the promotion of and support for the Group's environmental activities. We make decisions on important matters for management of the Group's environmental activities based on deliberation by the Executive Committee and, if necessary, the Board of Directors. The TDK Environmental Vision 2035 was established as the goals of specific activities, and we strive to reduce the environmental load from a life-cycle perspective, from the use of raw materials to the use and disposal of products.

TDK joined the RE100* in November 2022. TDK plans to convert electricity use at all of its business facilities around the world to 50% renewable energy by 2025 and 100% renewable energy by 2050. Furthermore, TDK will switch to electricity derived from 100% renewable energy sources at all manufacturing sites in the Niigata-Tohoku area from April 1, 2023. In addition, TDK is also pursuing to complete the switch to 100% of electricity from renewable energy sources at all of its major manufacturing sites in Japan within 2023.

*International initiative operated by Climate Group, an international environmental NGO, in partnership with CDP. It consists of companies committed to converting electricity use in business activities to 100% renewable energy.

(CO2 Emissions by Category and Scope)

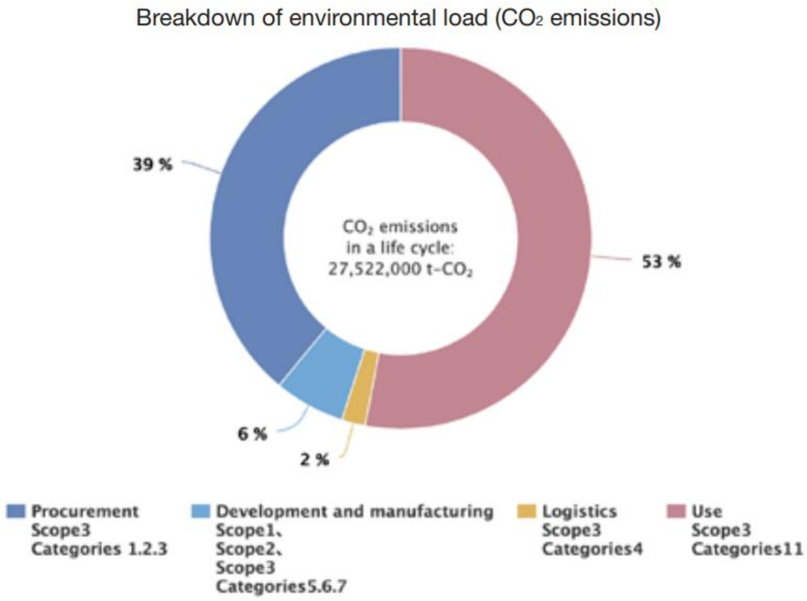
Fiscal 2022

Scope	Outline	CO2 emission (t-CO2)
Scope 1	Production	146,774
Scope 2	Production	1,554,703

*Results of fiscal 2023 will be disclosed in our Sustainability Website after third-party verification.
*Calculation is consolidated basis.

Fiscal 2022 Goals and Achievements / Evaluations and Future Activities

Fiscal 2022 Goals	Achievements
Reduction of CO2 emissions at manufacturing sites Improve CO2 emission intensity from energy use by 1.8% compared with the previous fiscal year	Improved by 25.2% compared with the previous fiscal year
Reduction of CO2 emissions from logistics activities Improve CO2 emission intensity in logistics by 1.0% compared with the previous fiscal year (Japan)	Worsened by 6.7% compared with the previous fiscal year
Expansion of contributions to reduction of CO2 emissions by products Improve the intensity of contribution to CO2 reduction by products by 2.7% compared with the previous fiscal year	Worsened by 12.3% compared with the previous fiscal year



*Results of fiscal 2023 will be disclosed in our Sustainability Website after third-party verification.
*Calculation is consolidated basis.

As 2030, the target year for achieving the Sustainable Development Goals (SDGs), approaches, here we introduce what TDK is aiming for and how it is contributing toward each goal, together with our image of a society in which TDK products play an active role.

TDK's aims

1 To constantly supply safe and secure energy to culture and industry

TDK's products and technologies with the potential to contribute

- Products responsive to large electric currents and large voltage

SDG target 7.1

2 To increase the share of renewable energy in the world's energy mix

TDK's products and technologies with the potential to contribute

- Reasonably priced energy storage systems enabling the safe storage of energy

SDG target 7.2

3 To promote distributed energy systems (systems supplying electricity produced by relatively small generating equipment just to meet the demand for electricity from people in the vicinity)

TDK's products and technologies with the potential to contribute

- Power transmission technology capable of realizing a safe and highly efficient energy cycle

SDG target 7.2

4 To improve the energy efficiency of smart energy networks by boosting the diffusion of e-mobility

TDK's products and technologies with the potential to contribute

- Compact, large-capacity, and reasonably priced batteries for motorcycles

SDG target 7.3

5 To double the rate of improvement of the whole world's energy efficiency

TDK's products and technologies with the potential to contribute

- Cutting-edge technology to realize lower power consumption

SDG target 7.3

[Ref: Strategy formulation based on scenario analysis]
In the Medium-Term Plan "Value Creation 2023" that started in fiscal 2022, TDK advocates the basic policy of accelerating digital transformation (DX) and energy transformation (EX) in order to enhance customer experience and consumer experience (2CX) and to create value for a sustainable society. As well as setting the TDK Group's materiality as management issues that should be tackled to realize the Medium-Term Plan, we have positioned EX (contributing to energy and environmental solutions by minimizing waste heat and noise with electronic devices) as a business domain on which TDK focuses for both social value creation and corporate growth, and we are addressing it as one aspect of our business strategy.
Specifically, we are promoting the effective use of energy and the expanded use of renewable energy toward the realization of net-zero CO2 emissions in 2050. Furthermore, we are striving to provide products and solutions for creating clean energy to realize a zero-carbon society and to supply products and solutions for bringing about an efficient energy society through the storage, conversion, and control of energy.
In these circumstances, TDK conducted scenario analysis with the aim of analyzing business risks and opportunities in problems related to climate change and reflecting the results in strategy.

-Results of scenario analysis-
In accordance with the Practical guide for Scenario Analysis in line with the TCFD recommendations issued by the Ministry of the Environment, TDK implemented scenario analysis based on the following preconditions:

<Preconditions>

Assumed period	: Fiscal 2031
Applicable scope	: Entire TDK Group
Adopted scenarios	: 2°C scenario (Sustainable Development Scenario [SDS] and New Policies Scenario [NPS] of the International Energy Agency [IEA]), 4°C scenario (the IEA's Current Policies Scenario [CPS], Stated Policies Scenario [STEPS], and Representative Concentration Pathway [RCP] 6.0 scenario)

The following are the main risks and opportunities identified based on the scenario analysis. Under the 2°C scenario, in which countries' regulations through decarbonization policies become stricter, we understood the possibility of transitional risks occurring with the introduction of carbon pricing and higher cost of renewable energy. The analysis estimated the financial impact of these risks in 2030 to be 5.9 billion yen in the case of carbon pricing and 17.6 billion yen for renewable energy. In the automotive market, which is one of TDK's key markets, since the shift to electric vehicles will progress, we also recognized the possibility of expanded sales opportunities for EV-related products and battery-related risks and opportunities.
Under the 4°C scenario, the analysis also showed the possibility of increased risks of flooding due to the frequent outbreak of abnormal weather.

Classification		Risks and opportunities	Main countermeasures
Transition risks	Carbon pricing / carbon-emission targets of each country	Risk	・Promotion of the effective use of energy, expanded use of renewable energy, etc. at manufacturing sites toward the realization of net-zero CO_2 emissions in 2050
	Increase of energy costs due to rise in renewable energy ratio	Risk and opportunity	・Promotion of the effective use of energy at manufacturing sites toward the realization of net-zero CO_2 emissions in 2050 ・Promotion of the development of products for renewable energy, etc.
	Increase in price of cobalt and lithium	Risk	・Monitoring of raw material price trends and implementation of risk hedging at time of procurement ・Implementation of long-term supply contracts ・Reduction of amount of cobalt and lithium used in products, etc.
	Increase of new business chances due to expansion of EV market	Opportunity	・Promotion of product development with an eye on EV market expansion
	Development of next generation battery materials	Risk and opportunity	・Promotion of the development of all-solid-state batteries
	Increase of customer demands regarding RE100	Risk and opportunity	・Analysis of customer initiatives to respond to climate change ・Compilation of plan to introduce renewable energy, etc.
Physical risks	Increase of business risks due to rise in flooding	Risk	・Implementation at sites of measures to counter flooding risks ・Promotion of BCP response, building of BCM framework, etc.

② **HR Management**

Themes	Responsible department	Goals in three years	Action items	KPIs	Medium-term target (fiscal 2022–2024)	Progress of fiscal 2022	Progress of fiscal 2023
Foster greater diversity and inclusion	Human Resources HQ	Employees' understanding of the significance and purpose of activities to promote diversity and inclusion are deepened, and a foundation and talent pool are created that will continuously produce female candidates for managerial positions	･Penetrate the significance and purpose of activities to promote diversity and inclusion ･Foster female candidates for managerial positions ･Share TDK (Japan) activities globally and vice versa	Attendance ratio of workshop for managers	70% /year	98% /year	97% /year
				% of female candidates for promoting to manager position	4% /year	10.3% /year	8.9% /year
				Female managers ratio	3%	3.7% (as of April 2022)	4.3% (as of April 2023)

*Calculation is TDK/Japan basis.

TDK Group comprises more than 100 companies with over 250 sites in more than 30 countries around the world. TDK Group has about 100,000 employees, and more than 90% of them work outside Japan. About 80% of these employees have joined the TDK Group through M&A.
To continuously come up with innovations, grow our business through business portfolio management, create economic and social value, and achieve our Medium-Term Plan, a human resource strategy is necessary. This strategy involves building an environment in which diverse Group companies and outstanding members can fully display their abilities as members of the TDK Group and establishing a mechanism for human resource development based on common Group-wide foundations to facilitate further growth.
Under this recognition, TDK selects an executive officer of Human Resources of German subsidiary for our Senior Vice President and General Manager of the Human Resources HQ and proceeds many measures to maximize Human capital of TDK Group. Under this leadership, TDK sets Human Resources vision "Transform TDK into a more resilient company, prepare as 'trusted enabler' for the future through highly engaged team members" and mission statement "We will connect TDK Group companies and members by utilizing their unique strength of diversity."

Aiming for diverse human resources to be the right persons in the right places and to work actively, TDK is reviewing the differing personnel systems of Group companies to unify HR management and training methods and has formulated unified rules to facilitate HR transfers among Group companies. In addition, TDK operates global training for each-generation leader candidates to discuss and learn beyond companies and countries worldwide and has started engagement surveys targeting Group employees worldwide. Furthermore, TDK has enacted the TDK Health Declaration and started activities to enhance quality of both mind and body of every single employee which is core of all activities. By approaching from these both sides of human and environment, TDK will build a corporate culture in which group employees share mutual respect regardless of such factors as gender, age, and nationality and can freely exchange opinions.

(Examples of activities)
・Formulation of global mobility regulations
To promote the ideal placement of employees within the Group transcending country and company, we are formulating common regulations for Group companies on transfer not only from HQ functions (Global HQ and Regional HQs) to subsidiaries but also in the opposite direction and between Group companies.

・Implementation of two-way overseas trainee system

We are actively implementing not only the dispatch of trainees from Japan to other countries but also the acceptance of trainees from overseas to Japan.

・Active invitation of outstanding foreign employees to Japan

TDK actively invites outstanding employees in our overseas affiliates to Japan to enable them to display their abilities to the full. This scheme not only helps the person concerned to grow but also serves as a stimulus for Japanese employees.

・Implementation of training and exchange programs for next-generation leader candidates

TDK has launched four Global Management Development Programs aimed at developing future candidates for top management and director positions and building ties among them. Through the drafting of management strategy and workshops, we build an environment in which candidates can display their skills.

・Promotion of Health and Productivity Management

TDK has enacted the TDK Health Declaration and it has been decided TDK joins the Promotion of Health and Productivity Management Alliance established by Japanese corporations. We will continue initiatives and engage in health promotion activities so that employees keep working in good health of body and mind.

③ Quality Management

Themes	Responsible department	Goals in three years	Action items	KPIs	Medium-term target (fiscal 2022–2024)	Progress of fiscal 2022	Progress of fiscal 2023
Pursue zero-defect product quality	Quality Assurance HQ	Manufacturing in business divisions is moving toward upstream management in order to eliminate quality defects in the four areas of design, material, process, and management	· Strengthen the quality education in design, development, and manufacturing departments · Manage and maintain the certification at all applicable sites · Promote activities to eliminate the four quality defects (design, material, process, and management) by improving quality awareness and improvement methods and using AI	Implementation of quality education at all applicable sectors	Promote the globalization of quality education utilizing DX	Started learning with digitalized educational content	Creation and deployment of online quality education content in collaboration with the global HR function and overseas sites
				Management of certification maintenance at all applicable sites (ISO9001)	Certification maintenance ratio: 100%	100%	100%
				Consideration of the development of systems by utilizing AI	· Develop a system for detecting signs of equipment failure · Consider the development of design screening by AI search	· Considered elemental technology for indicative detection · Introduced an automated monitoring tool by deep learning	· Development of an automatic failure mode classification system as an elemental technology for indicative detection · Investigate introduction and develop prototype of AI into design review

Reduce quality costs	Quality Assurance HQ	Measures have been taken to strengthen design reviews during design phase and to improve 4M (man, machine, material, method) at manufacturing sites, and improvements are promoted autonomously in business divisions	･Promote 4M improvement in manufacturing aimed at reducing quality loss (improving yield) ･Promote small-group activities	Quality improvement activities for each cause	Implement measures for each cause	･Promoted the visualization of foreign objects through in-process activities to reduce the presence of foreign objects ･Introduced an analytical tool to counter the fragility of software implemented in products ･Implemented new quality diagnosis (processes, equipment) by headquarters functions ･Issued a manual for small-group activities and promoted them	･Implementation of improvement activities for defects caused by foreign objects ･Establishment of product security measures mechanism in IoT products (confirmed in design review) ･Deployment of new quality diagnostics (process, equipment) to China by Headquarters functions ･Horizontal deployment of best practices for small-group activities
Maximize customer satisfaction with product and service quality	Quality Assurance HQ	The speed of response to quality complaints is improved by enhancing and strengthening the semiconductor analysis functions and, in the case of especially serious complaints, a company-wide cross-functional activity is conducted to respond to the customer	･ Accelerate measures to improve customer satisfaction through cross-functional activities	“A rank” in degree of customer satisfaction *Among the total of supplier evaluations obtained from customers, “A rank” means the ratio of customers expressing satisfaction	At least 95%	96.8%	95.0%

(Significance for TDK to focus on Quality Management)
The improvement of product quality and delivery performance will raise the satisfaction of 2CX (customer experience and consumer experience) and lead to the further use of TDK products by customers for their existing products and new development projects. As a result, it will contribute to expanding usage and shares at customers and enhancing orders received, sales, and income.
At the same time, by reducing in-process defects (quality failure costs) at manufacturing sites, it will contribute to the raising of Commercial Value and Asset Value in "Value Creation 2023," the TDK Group's Medium-Term Plan.

(Significance for Society that TDK focuses on Quality Management)
TDK products are developed, produced, and supplied to the market with the aim of realizing our Corporate Motto of "Contribute to culture and industry through creativity" and our Sustainability Vision of "Technology for the wellbeing of all people." However, the occurrence of quality defects not only makes it difficult to achieve our objectives but also could lower customer satisfaction and cause damage to society.
Quality initiatives are an important factor for the realization of our Corporate Motto and Sustainability Vision. Since this effort to realize our Corporate Motto and Sustainability Vision is also connected to the solution of issues raised in the United Nations Sustainable Development Goals (SDGs), such initiatives have an important significance in supporting TDK's role in society.
We believe that stakeholders also expect TDK to lower risks relating to product quality and to continue the stable supply of high-quality products.

④ **Supply Chain Management**

Themes	Responsible department	Goals in three years	Action items	KPIs	Medium-term target (fiscal 2022–2024)	Progress of fiscal 2022	Progress of fiscal 2023
Enhance global procurement capabilities and mechanisms	Procurement & Logistics Group	· Continuous cost reduction is achieved by sharing and utilizing the latest information of common critical suppliers of the TDK Group · Procurement risks, including potential risks, are reduced through supply chain optimization · Compliance with Global Common Regulations (GCR) is achieved through regular monitoring and support for subsidiaries	· Analyze the Approved Supplier List (ASL), formulate cost reduction plans, negotiate with common suppliers, study information sharing platforms, and launch a Global Procurement Collaboration Committee (GPCC) · Analyze high-risk components and materials and consider countermeasures; restructure and optimize the supply chain through negotiations with suppliers · Consider monitoring mechanisms, collect feedback from subsidiaries, support formulation of individual regulations, and conduct regular monitoring	Visualization and utilization of supplier information and purchasing data	Build a platform to uniformly visualize the TDK Group's supplier information and purchasing data and utilize it in procurement strategy	Visualized supplier data of main subsidiaries	Consolidated procurement data of subsidiaries within the group (in progress)
				Reduction of procurement risks for high-risk parts and materials	Conduct supply chain risk analysis and implement countermeasures	Identified high-risk parts and materials	Promoted risk mitigation of high-risk parts/materials.
				Conformity with global common rules	100%	Built a monitoring mechanism and began checking the state of establishment of individual rules	Confirmed/corrected individual regulations of subsidiaries

Ensure societal and environmental consideration in the supply chain	Procurement & Logistics Group	The working environment of suppliers is regularly monitored utilizing CSR check sheets and continuously improved through feedback or guidance to suppliers	. Appropriately manage the working environment of suppliers	CSR compliant supplier rate	100%	99%	100%

The TDK Code of Conduct states that "The TDK Group will continue to respect human rights, comply with relevant laws and regulations and international rules, and discharge its social responsibility with a strong sense of ethical values for the purpose of creating a sustainable society." To this end, the TDK Code of Conduct requires respect for human rights, and we specifically prohibit any form of forced labor including human trafficking in our supply chains.

The TDK Group Policy on Human Rights was formulated in 2016. We respect and support international norms on human rights including the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the Children's Rights and Business Principles. Based on the framework of the UN Guiding Principles on Business and Human Rights, TDK promotes the correct understanding of potential human rights issues and takes steps to address them, not only within the business operations of the TDK Group itself but also throughout the value chain. We expect our business partners and suppliers to understand and support the TDK Group Policy on Human Rights, and we also include the prohibition of forced labor in the TDK Supplier Code of Conduct and require our business partners and suppliers to comply with it.

(Initiatives for Prevention and Reduction of Human Rights Risks)

In 2020, TDK joined the Responsible Business Alliance (RBA), an organization which is dedicated to improving social, environmental and ethical conditions in the global supply chains. TDK utilizes the RBA code of conduct as the standard to promote our CSR activities in manufacturing sites. For the prioritized human rights key themes described above, we conduct activities to prevent and reduce risks in alliance with the RBA's code of conduct, assessment items and audit frameworks.

(Responsible Sourcing of Minerals)

TDK started its response to the problem of conflict minerals following the enactment of the US Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. The TDK Group Policy on Conflict Minerals was formulated in April 2013, to promote initiatives in full compliance with the Due Diligence Guidance of the Organization for Economic Cooperation and Development (OECD).

Considering that the scope of discussions on responsible sourcing of minerals has recently expanded to conflictaffected and high-risk areas for serious human rights violations or environmental pollution, to avoid being complicit in these problematic activities we revised our policy, which is now entitled the "TDK Group Policy on Responsible Sourcing Minerals" in January 2019. Under this revised policy, TDK continues to promote responsible sourcing of minerals throughout the supply chain, including minerals such as tantalum, tin, tungsten, gold, cobalt and mica, which may be sourced from not only conflict areas but also areas with high risks of misconduct, including human rights abuses and environmental destruction.

In fiscal year 2023, according to the conflict mineral survey conducted by the TDK Group, no minerals involved in the funding of armed forces in the DR Congo or adjoining countries found. In addition, in fiscal year 2023, we conducted surveys to identify (a) cobalt smelters considering child labor risk in cobalt mines of DR Congo, and (b) mica processors considering child labor risk and unsafe working conditions in mica mines in India and Madagascar.

⑤ **Pursuing Both Delegation of Authority and Internal Controls**

Themes	Responsible department	Goals in three years	Action items	KPIs	Medium-term target (fiscal 2022–2024)	Progress of fiscal 2022	Progress of fiscal 2023
Implement appropriate post-merger integration (PMI) for acquired companies	Corporate Planning Group	Pre- and post-acquisition processes are established and practiced, enabling acquired companies to display synergy and to grow and enhance their value under the TDK Group's governance	· Implement pre-acquisition due diligence by each function · Compile pre- and post-acquisition plans and monitor activities to create synergy based on these plans	-	-	-	Conducted PMI activities for the U.S. subsidiary acquired in February based on a list of items to be complied with by the newly joined group companies and the grace period until compliance

(Significance for TDK to focus on Pursuing Both Delegation of Authority and Internal Controls)
The pursuit of both delegation of authority and internal controls will lead to the clarification of criteria for business decisions and the utilization of efficient and effective management systems, which in turn will speed up business and realize the acquisition of business chances ahead of market changes. At the same time, since it will also be possible to avoid inappropriate business decisions and operations, this activity can be expected to lead to the enhancement of the TDK Group's corporate value.

(Significance for Society that TDK focuses on Pursuing Both Delegation of Authority and Internal Controls)
The avoidance of inappropriate business decisions and operations can be expected to lead to the prevention of adverse impacts on society, such as environmental and human rights issues.

⑥ **Asset Efficiency Improvement**

Themes	Responsible department	Goals in three years	Action items	KPIs	Medium-term target (fiscal 2022–2024)	Progress of fiscal 2022	Progress of fiscal 2023
Rebuild business portfolio	Corporate Planning Group	Through the implementation of various measures to improve asset efficiency, for example, the following indicators have been achieved: · OP margin: 12% or more · ROE: 14% or more · Capex (three years): 750 billion yen	·Reduce operating losses by certain execution of improvement measures in priority challenging businesses based on business portfolio management · Effectively use R&D costs with optimization by setting new, continuation, and withdrawal criteria for R&D themes	OP margin	12% or more	8.8%	7.7%
				ROE	14%or more	11.6%	8.3%

Optimize facilities and manufacturing sites			· Optimize capital investment budget of each business by priority allocation based on asset profitability and business potential along with the rule in business portfolio management · Improve operation rate of manufacturing sites	Capex (three years)	750.0 billion yen (three years)	291.3 billion yen (one year)	275.7 billion yen (one year)

(Significance for TDK to focus on Asset Efficiency Improvement)
The appropriate distribution of management resources will lead to the TDK Group's growth and the continual improvement of income befitting capital costs. Furthermore, while core businesses will remain our profit base, appropriately channeling management resources into businesses that, although not yielding adequate profit at present, have the potential to grow and develop in the future can be expected to lead to the growth of new profit-generating businesses

(Significance for Society that TDK focuses on Asset Efficiency Improvement)
By distributing even more management resources in a priority manner to businesses that can contribute to society, and by implementing measures to realize optimum reconstruction strategies in not only core businesses but also challenging businesses and noncore businesses, we can supply even more value to society.

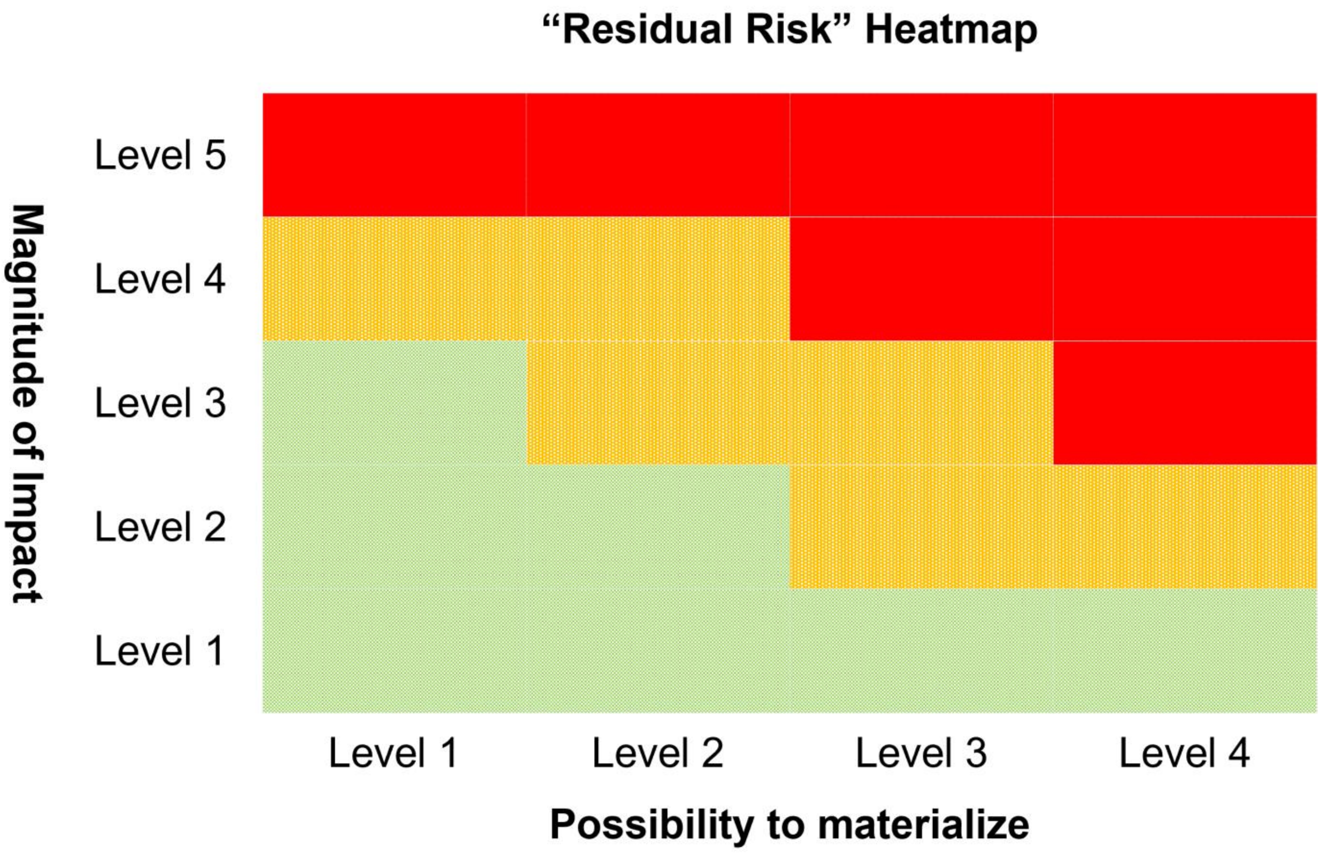
3. Business Risks

In aiming for sustainable growth, the TDK Group promotes company-wide measures against factors (risks) that hinder the achievement of organizational goals and implements company-wide risk management (ERM) activities to appropriately manage them. TDK's basic policy for risk management is to ensure that each organization within the TDK Group takes appropriate risks in order to create corporate value and prevent damage to corporate value by appropriately identifying and responding to opportunities and risks.

In order to consider and implement measures related to ERM activities and strengthen risk management activities, we have established an ERM Committee chaired by a corporate officer appointed by the president. The ERM Committee clarifies the role of each organization in risk management activities and promotes the PDCA cycle of a series of risk management activities, from identification of risks to evaluation, consideration of countermeasures, implementation, monitoring, and improvement.

Step	Purpose of activity
Identify	Identifying risks surrounding the TDK Group
Assess	Among the identified risks, from the perspective of the magnitude of the impact on the TDK Group if they occur, narrow down and prioritize the risks that should be strengthened from the perspective of both management (top-down) and on-site (bottom-up)
Draft Measure	To prevent risks from materializing, consider measures from the perspective of avoidance, transfer, reduction, acceptance, etc.
Execute	Implement measures to prevent risks from materializing
Monitor	Monitor whether the measures are functioning properly and whether there are any signs of manifestation
Improve	Review the results of risk management activities and consider improvements

As a risk assessment, each term the residual risk (i.e., after control by the measures taken so far) is examined from the perspective of the three elements of management resources (people, goods, and money), relationships with internal and external stakeholders, reputation, and BCP. We calculate the magnitude of the impact on the TDK Group from the above and combine it with the possibility of the risk materializing to create a residual risk heat map to visualize and evaluate the priority of risk countermeasures. The results of these risk assessments and the status of countermeasures are deliberated at the Executive Committee and reported to the Board of Directors. In addition, the validity of the heat map is verified at least once during the period, and the assessment of residual risk is reviewed if necessary.



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 22, 2023. 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 2 billion yen and 600 million yen respectively. Measures are taken against fluctuations in foreign currency exchange rates, including procuring foreign currency-denominated funds and concluding 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 obligations. 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 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 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 spread of the COVID-19 or other infections, it may have a significant impact on our business performance.

(Major Countermeasures)
TDK is formulating BCP (Business Continuity Planning) for each major business and promoting BCM (Business Continuity Management) activities so that production at the manufacturing site can be resumed as soon as possible in the event of an emergency. In the same way, the sales and headquarters staff functions also have a BCP to prepare for emergencies so that the entire functions of the company will not be suspended. 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, we will follow the procedures stipulated in the BCP and establish alternative bases for priority operations in emergency such as payment to suppliers and continuation of the supply of materials. Furthermore, regarding initial response, TDK has globally introduced a system that enables rapid information sharing between our overseas subsidiaries and the headquarters to quickly grasp the damage situation in the event of an emergency.

Regarding the COVID-19 pandemic, while regulations related to the COVID-19 have already begun to be abolished or relaxed around the world, and as lives "with COVID-19" take root in the world, we maintain the usual infection control system at each TDK Group business site. In the event of a cluster outbreak, we will implement the infection prevention system established through the countermeasures against the COVID-19 pandemic.

(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, the amount of production at our Chinese factories is around 60% of the total amount of production of the entire 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 conflict 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. As we continue implementing our site optimization strategy, with regard to our dependence on China, the tangible fixed assets held by the TDK Group in China have decreased from 506.3 billion yen in the fiscal year ending March 31, 2022 to 416.4 billion yen in the fiscal year ending March 31, 2023.

In response to Russia's invasion of Ukraine, we have continued to freeze business activities in Russia and Belarus since the incident happened.

(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-assessment with respect to our own manufacturing sites and contract manufacturing sites located in a high-risk area. 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 disclosure of information related to climate change and prepare 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 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 use of renewable energy. As this 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 bases and sales entities throughout the world, and we conduct a lot 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, which was established in 2019, we can quickly detect new technology trends, reinforce technology roadmaps, and work on entering new markets.

(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 automotive 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 request 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, 2023. The sales to the customer group were approximately 392.7 billion yen (18% 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 imposes 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 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 of 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 bases 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 new patents, 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 has 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 Group, including technical information 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, intentional actions of officers and employees or other causes.

In such an event, TDK could suffer a lowering of credibility and perceived superiority of TDK products, be liable for costs relating to the compensation payments to the parties suffering damage, and potentially suspend affected 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, detects suspicious data transmission/reception using AI, restricts usage of devices with high risk of information leakage such as a USB memory, SD card, etc., implements measures to prevent employees planning to retire or otherwise leave the company from taking confidential information from TDK, 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. In addition to initiatives within the TDK Group, in order to prevent information leaks from business partners such as suppliers, we will support the improvement of information security management for business partners and efforts to improve the management level of information security throughout the supply chain.

(17) Risks concerning securing personnel and training personnel

TDK pursues business operations in more than 30 countries and regions around the world, and around 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 bases 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 at 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 at, 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 asset

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 on capital expenses such as manufacturing facilities to improve production capacity, quality, or productivity. And, if necessary, we have implemented M&A to accelerate the growth of business. As of March 31, 2023, the total amount of property, plant and equipment, goodwill and intangible assets of the TDK Group is 1,141 billion yen, of which 94.4 billion yen is property, plant and equipment of the HDD head business, 82.4 billion yen is allocated to goodwill of the MEMS sensor business, and 18 billion yen is allocated to goodwill of the HDD head business.

For property, plant and equipment and intangible assets that are identifiable and have a fixed useful life, we determine whether there is any sign of impairment at the end of each fiscal year. If there is an indication of impairment, an impairment test is conducted based on the recoverable amount of the asset. Goodwill and intangible assets with undetermined useful lives are tested for impairment at the same time each year, regardless of whether there are any signs of impairment, and if there are any signs of impairment an impairment test is conducted each time.

As a result of such a test, if the carrying amount of an asset, cash-generating unit or cash-generating unit group exceeds the recoverable amount, the carrying amount is reduced to the recoverable amount and an impairment loss is recognized. 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 at 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.

4. 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, 2023 is provided below.

① Financial position and operating results

In fiscal 2023, while socio-economic and production activities following the resurgence of COVID-19 in some areas remained on a recovery trend, the global economy slowed due to the continued inflation associated with the protraction of the Ukraine crisis, as well as policy rate hikes in the United States and Europe, among other factors. Since the beginning of the fourth quarter, financial instability triggered by the collapse of U.S. banks and concerns over the management failure of a European financial institution have further intensified uncertainty surrounding the global economy. In addition, the gap in interest rates between Japan and other countries significantly affected the foreign exchange market and the yen depreciated sharply against other currencies.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, overall production volume saw a significant decline reflecting sluggish final demand. In the Information and Communication Technology (ICT) market, while smartphone production volume was substantially below the previous fiscal year's level, demand related to some new models remained strong. In addition, demand for notebook PCs and tablets, which had been brisk amid the COVID-19 pandemic, declined considerably. The production volume of Hard Disk Drives (HDDs) was significantly lower than the previous fiscal year's level, and demand related to data centers as well as PCs dropped sharply. On the other hand, in the automotive market, production volume picked up moderately and increased from the previous fiscal year, despite lingering concerns about the shortage of some types of semiconductors. Demand for components remained firm reflecting the increasing number of components installed per vehicle as a result of the spread of xEVs (battery, hybrid, plug-in hybrid and other electric vehicles). In the industrial equipment market, demand related to renewable energy and residential energy storage systems expanded due to soaring energy prices.

a. Financial position

Total assets increased ¥105,374 million from ¥3,041,653 million, as of March 31, 2022, to ¥3,147,027 million, as of March 31, 2023.

Total liabilities decreased ¥53,738 million from ¥1,737,898 million, as of March 31, 2022, to ¥1,684,160 million, as of March 31, 2023.

Total equity increased ¥159,112 million from ¥1,303,755 million, as of March 31, 2022, to ¥1,462,867 million, as of March 31, 2023.

b. Operating results

TDK recorded net sales of ¥2,180,817 million, up 14.7% from ¥1,902,124 million in fiscal 2022. TDK recorded operating profit of ¥168,827 million, up 1.2% from ¥166,775 million in fiscal 2022. TDK also recorded profit before tax of ¥167,219 million, down 3.1% from ¥172,490 million in fiscal 2022. Furthermore, TDK recorded net profit attributable to owners of parent of ¥114,187 million, down 13.0% from ¥131,298 million in fiscal 2022. Basic net profit attributable to owners of parent per common share was ¥301.19, compared with ¥346.44 in fiscal 2022. 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, 2021.

Average yen exchange rates for the U.S. dollar and the euro during fiscal 2023 were ¥135.46 and ¥140.89, respectively, as the yen depreciated 20.6% against the U.S. dollar and 7.9% against the euro. As a result of these factors and fluctuations in foreign exchange rates, net sales increased by approximately ¥292.2 billion and operating profit increased by approximately ¥68.9 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." As a result of the reorganization in fiscal 2023, certain products of Other are reclassified into Passive Components and Sensor Application Products. The prior year's figures are also reclassified to conform to the new segmentation.

The Passive Components segment recorded net sales of ¥575,939 million, up 13.4% from ¥507,826 million in fiscal 2022 and segment profit of ¥95,519 million, up 24.4% from ¥76,804 million in fiscal 2022.

The Sensor Application Products segment recorded net sales of ¥169,543 million, up 29.7% from ¥130,769 million in fiscal 2022 and segment profit of ¥10,726 million, from segment loss of ¥281 million in fiscal 2022.

The Magnetic Application Products segment recorded net sales of ¥200,573 million, down 19.3% from ¥248,446 million in fiscal 2022 and segment loss of ¥56,392 million, from segment profit of ¥4,522 million in fiscal 2022.

The Energy Application Products segment recorded net sales of ¥1,173,355 million, up 21.5% from ¥965,345 million in fiscal 2022 and segment profit of ¥147,389 million, up 19.6% from ¥123,212 million in fiscal 2022.

The Other segment, businesses which do not belong to any of the four reportable segments recorded net sales of ¥61,407 million, up 23.5% from ¥49,738 million in fiscal 2022 and segment loss of ¥434 million, from ¥1,432 million in fiscal 2022.

The geographic segment information for sales is the following.

Sales for Japan were ¥176,436 million, increase of 18.4% from ¥149,038 million in fiscal 2022. Sales for Energy Application Products segment and Magnetic Application Products segment increased.

Sales for the Americas region were ¥172,703 million, increase of 33.0% from ¥129,857 million in fiscal 2022. Sales for Passive Components segment and Energy Application Products segment increased.

Sales for the Europe region were ¥210,321 million, increase of 19.8% from ¥175,580 million in fiscal 2022. Sales for Passive Components segment and Energy Application Products segment increased.

Sales for China were ¥1,194,013 million, increase of 12.7% from ¥1,059,718 million in fiscal 2022. Sales for Energy Application Products segment increased.

Sales for the Asia and others region were ¥427,344 million, increase of 10.2% from ¥387,931 million in fiscal 2022. Although sales for Magnetic Application Products segment decreased, Energy Application Products segment increased.

As a result, total overseas sales were ¥2,004,381 million, increase of 14.3% from ¥1,753,086 million in fiscal 2022. The overseas sales ratio was 91.9%, a 0.3% decrease from 92.2% in fiscal 2022.

② Cash flows

Cash flows from operating activities

Operating activities provided net cash of ¥262,772 million, an increase of ¥83,785 million year on year. It mainly came from an increase in long-term advances to suppliers in fiscal 2022.

Cash flows from investing activities

Investing activities used net cash of ¥234,402 million, a decrease of ¥47,144 million year on year. It mainly came from a decrease in payment into time deposits.

Cash flows from financing activities

Financing activities provided net cash of ¥14,947 million, a decrease of ¥98,796 million year on year. It mainly came from a decrease in proceeds from bonds.

As a result of adding in the effects of currency fluctuations, cash and cash equivalents as of March 31, 2023 was ¥506,185 million, ¥66,846 million larger than as of March 31, 2022.

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

a. Production results

A breakdown of production results by business segment for fiscal 2023 is given below.

Name of business segment	Production Results (Millions of yen)	YoY Increase/ Decrease (%)
Passive Components	588,144	12.4
Sensor Application Products	189,289	38.2
Magnetic Application Products	213,657	(16.8)
Energy Application Products	1,163,450	17.0
Other	58,064	7.0
Total	2,212,604	12.5

Note: Amounts are calculated by the sales price.

b. Results of orders received

A breakdown of orders received by business segment for fiscal 2023 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	500,621	(21.5)	275,107	(19.9)
Sensor Application Products	141,891	(25.9)	71,481	(31.3)
Magnetic Application Products	194,547	(20.8)	14,459	(26.9)
Energy Application Products	1,270,291	15.5	245,807	39.5
Other	54,507	3.1	15,757	(6.0)
Total	2,161,857	(3.0)	622,611	(5.7)

Note: Amounts are calculated by the sales price.

c. Sales results

A breakdown of sales results by business segment for fiscal 2023 is given below.

Name of business segment	Sales Results (Millions of yen)	YoY Increase/ Decrease (%)
Passive Components	575,939	13.4
Sensor Application Products	169,543	29.7
Magnetic Application Products	200,573	(19.3)
Energy Application Products	1,173,355	21.5
Other	61,407	23.5
Total	2,180,817	14.7

(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, 2023.

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, 2022 and 2023, the aggregate of TDK's property, plant and equipment, goodwill and intangible assets were ¥1,151,424 million and ¥1,141,045 million, which accounted for 37.9% and 36.3% 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 2023, TDK established discount rates of 1.4% and 4.2% 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. Provisions are recognized when the likelihood of an adverse outcome is probable and the amount can be reasonably estimated. The amounts of provisions 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 provisions to be recognized could be significantly affected.

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

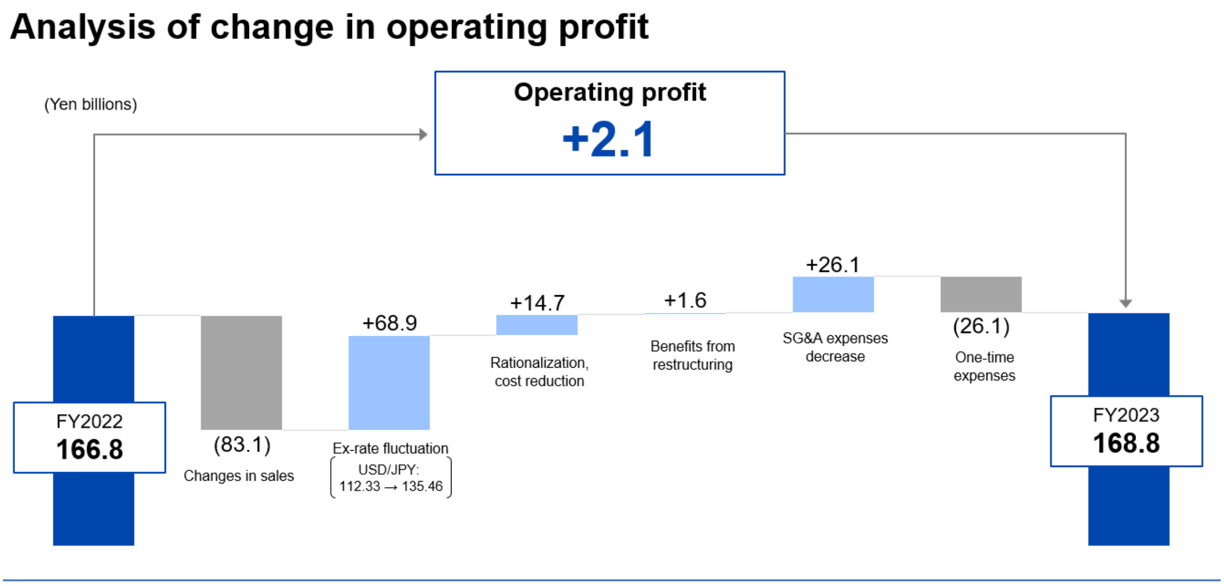
Operating results and factors significantly impact to operating results

In fiscal 2023, TDK posted consolidated net sales of ¥2,180,817 million, up 14.7% from fiscal 2022. TDK recorded operating profit of ¥168,827 million, an increase of 1.2% year on year. TDK recorded net profit attributable to owners of parent of ¥114,187 million, a decrease of 13.0% compared to fiscal 2022.

In the electronics market, which has a large bearing on the consolidated performance of TDK, demand remained sluggish in the ICT market in particular, while EX demand related to xEVs and industrial equipment remained robust. As a result of steadily incorporating this demand, net sales surged 14.7% year on year and operating profit increased 1.2% year on year, both setting new record highs.
In the ICT market, while demand for PCs and tablets, which had been brisk amid the COVID-19 pandemic, fell significantly below initial forecasts, sales of rechargeable batteries and sensors for new smartphone models expanded. On the other hand, as investment in data centers slowed rapidly, sales of HDD heads and HDD suspension assemblies decreased considerably.
In the automotive market, there were signs of a moderate recovery on the whole, despite ongoing constraints in supply chains such as the shortage of semiconductors. In particular, sales of passive components and sensors expanded on the back of solid component demand reflecting the increasing number of components installed per vehicle as a result of an increase in the ratio of xEVs and the spread of ADAS.
Sales of medium capacity rechargeable batteries and power supplies for industrial equipment increased as demand related to renewable energy, energy saving equipment and residential energy storage systems (RESS) continued to expand due to concerns over global energy supply and the impact of soaring energy prices reflecting growing geopolitical risks.

There was an increase of about 292.2 billion yen in net sales and an increase of about 68.9 billion yen in operating profit due to exchange rate fluctuations against the U.S. dollar and other currencies. Including this impact, net sales were 2,180.8 billion yen, an increase of 278.7 billion yen, or 14.7%, year on year. Operating profit was 168.8 billion yen, up 2.1 billion yen, or 1.2%, year on year. Profit before tax was 167.2 billion, and net profit attributable to owners of parent was 114.2 billion. Earnings per share were 301.19 yen. Operating profit was affected by One-time expenses of 35.7 billion yen. As most of the losses pertaining to one-time expenses are not effective in reducing tax costs, net profit attributable to owners of parent decreased year on year.
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 2billion yen, while a 1-yen change against the euro will have an impact of about 0.6 billion yen.

The following is the breakdown of increase in operating profit ¥2.1billion.



Operating profit decreased sharply by 83.1 billion yen due to changes in sales, reflecting a decline in the sales volume of HDD heads, HDD suspension assemblies and rechargeable batteries which were significantly affected by a drop in demand from the ICT market. On the other hand, operating profit was boosted by about 28.2 billion yen on an actual basis from the previous fiscal year as a result of the promotion of rationalization and cost reduction efforts mainly for rechargeable batteries and passive components, as well as the benefits from restructuring during the previous fiscal year and streamlining of SG&A expenses, in addition to the positive effect of the yen's depreciation amounting to 68.9 billion yen, which offset the negative impact on profit to a certain extent.

Meanwhile, in light of the changing demand environment surrounding HDD Heads, restructuring was carried out during the fourth quarter as well as the third quarter. One-time expenses amounted to 35.7 billion yen on a full-year basis, an increase of 26.1 billion yen from the previous fiscal year.

Capital resources and liquidity 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 ¥522,413 million as of March 31, 2023, which was equal to approximately 2.9 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, considering extending terms for loans from banks, and financing by commercial paper and issuing corporate bonds.

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, short term loans from financial institutions and commercial paper, 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 ¥752,158 million as of March 31, 2023.

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. However, ROE as of March 31, 2024 is prospected as 9.8% by rapid change of demand circumstance.

ROE in fiscal 2023 was 8.3%, a 3.3 point decrease from fiscal 2022 of 11.6%.

To analyze the decrease of ROE in comparison to fiscal 2022, ROE is divided into return on sales (ROS), asset turnover, and financial leverage. There is not much change for asset turnover and financial leverage in comparison to fiscal 2022. ROS decreased due to one-time expenses including impairment, etc. and resulted in decrease of ROE.

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

As a result of the reorganization in fiscal 2023, certain products of "Other" are reclassified into other "Passive Components" and "Sensor Application Products", and certain products of other "Passive Components" are reclassified into Capacitors and Inductive devices in "Passive Components". The prior year's figures are also reclassified to conform to the new segmentation.

(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 ¥575,939 million, up 13.4% year on year from ¥507,826 million. Segment profit was ¥95,519 million, up 24.4% year on year from ¥76,804 million. Segment assets were ¥804,150 million, up 14.4% year on year from ¥702,979 million.

Segment sales results by business for fiscal 2023 were as follows.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥239,693 million, up 21.0% year on year from ¥180,239 million. Sales of Inductive Devices increased by 10.1% year on year from ¥180,239 million to ¥198,481 million. Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components increased by 6.4% year on year from ¥129,442 million to ¥137,765 million.

Sales and profit of ceramic capacitors, aluminum electrolytic capacitors and film capacitors, and inductive devices, which have a high ratio of sales to the automotive and industrial equipment markets, increased year on year.

On the other hand, as a result of a decline in demand related to smartphones, sales and profit of high-frequency components, which have a high ratio of sales for smartphone applications, decreased year on year. Restructuring costs of about 0.3 billion yen were recorded for the adjustment of production capacity in light of the future demand outlook.

While sales of piezoelectric material products and circuit protection components increased year on year, profit decreased year on year reflecting a decline in sales volume.

(Sensor Application Products Segment)

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 29.7% year on year from ¥130,769 million to ¥169,543 million. Segment profit was ¥10,726 million, year on year from segment loss ¥281 million. Segment assets were ¥325,442 million, up 16.4% year on year from ¥279,479 million.

Operating profit increased by 11.0 billion yen year on year on the back of a significant improvement in profitability reflecting increased sales, despite the recording of one-time expenses of 2.5 billion yen.

Sales of temperature and pressure sensors decreased year on year reflecting a decline in the sales volume to the automotive market and for home appliances as well as the recording of restructuring costs of 1.3 billion yen for the consolidation of business bases, among others.

In magnetic sensors, sales of Hall sensors to the automotive market and for new smartphone models expanded. Sales of TMR sensors expanded on the back of their adoption for smartphone applications on top of robust sales to the automotive market. Sales and profit of magnetic sensors on the whole increased considerably on a year-on-year basis, resulting in improved profitability.

Sales of MEMS sensors increased year on year on the back of a steady increase in sales for automobile, wearable and game machine applications, despite a drop in sales to the ICT market due to sluggish demand. The profitability of MEMS sensors on the whole has been improving, although one-time expenses of 1.2 billion yen were recorded for the disposal of inventories among other factors.

(Magnetic Application Products Segment)

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales decreased by 19.3% year on year, from ¥248,446 million to ¥200,573 million. Segment loss was ¥56,392 million and segment loss was ¥4,522 million the previous fiscal year. Segment assets were ¥436,910 million, up 0.0% year on year from ¥436,787 million.

In HDD heads and HDD suspension assemblies, HDD demand for PCs declined. In terms of demand related to nearline HDD heads, investment in data centers decreased due to the effect of economic slowdown among other factors. As a result of HDD inventory adjustment, total demand for HDDs decreased by slightly less than 40% from the previous fiscal year. Consequently, the sales volume of HDD heads and HDD suspension assemblies decreased substantially from the previous fiscal year, resulting in a significant year-on-year decline in sales and the posting of a loss. Based on the assumption that demand for HDDs will take some time to recover, one-time expenses related to impairment loss and restructuring costs of 25.7 billion yen were posted on a full-year basis, including 1.0 billion yen recorded for the third quarter, for the heads-related businesses as a whole (heads, suspension assemblies, and suspension application products).

While sales of magnets increased year on year reflecting a rise in sales related to xEVs, profit decreased year on year due to slower productivity improvement. An impairment loss of 2.2 billion yen was recorded owing to the lag in profitability enhancement.

(Energy Application Products Segment)

This segment is made up of Energy Devices (Rechargeable Batteries) and Power Supplies. Segment sales increased by 21.5% from ¥965,345 million to ¥1,173,355 million. Segment profit was ¥147,389 million, up 19.6% year on year from ¥123,212 million. Segment assets were ¥1,672,805 million, up 0.7% year on year from ¥1,661,860 million.

While the sales volume for mobile applications, such as Chinese smartphones, tablets, and notebook PCs, decreased, sales related to new smartphone models increased. In addition, expansion of sales of medium capacity batteries, mainly for residential energy storage systems, more than offset the decline in sales volume for mobile applications. Operating profit increased year on year as a result of the improvement in the product mix as well as our efforts to reduce overall costs including SG&A expenses and to increase the profitability of medium capacity batteries, despite the negative impact on profit from the decline in sales volume of small capacity batteries. Meanwhile, a loss on retirement of fixed assets of 5.2 billion yen was recorded in relation to the equipment dedicated to old smartphone models.

In power supplies for industrial equipment, demand related to industrial equipment, such as semiconductor manufacturing equipment, as well as medical equipment applications remained robust, resulting in year-on-year increases in both sales and profit. Profitability also improved considerably. While sales of EV power supplies have grown steadily, an impairment loss of 11.8 billion yen was posted due to slower cost improvement and a decline in order prospects reflecting changing demand trends.

(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 23.5% from ¥49,738 million to ¥61,407 million. Segment loss was ¥434 million, year on year from ¥1,432 million. Segment assets were ¥67,514 million, up 6.3% year on year from ¥63,483 million.

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

5. Important operational contracts, etc.

Cross-license contract

Company to a contract	Partner to a contract	Country	Detail of contract	Contract term
Amperex Technology Limited	Contemporary Amperex Technology Co., Limited	China	Technologies in the battery business of both companies (annual payment: 150 Million USD)	From April 28, 2021 to April 27, 2031

6. 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 technology. 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 next-generation heads for high recording density, 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.

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-site 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 technology, production engineering technology, evaluation and simulation technology as TDK's core technologies 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 R&D themes and promote strong collaboration with Corporate Marketing & Incubation HQ, TDK Ventures, and Production Engineering HQ for the development.

As TDK's achievements in fiscal 2023, TDK succeeded in developing the new lead-free piezoelectric material for actuators, which is expected the productization for the practical realization. This lead-free material will bring the big impact on the contribution of sustainability worldwide. TDK also succeeded in developing the new material for all solid-state battery (CeraCharge™) which was released in 2017. The new material can realize larger capacity and the work for mass production has been started at business group.

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 to acquire new technologies that TDK does not possess. Notably, TDK concludes an organizational alliance agreement with the Tokyo Institute of Technology, advances highly original joint research, etc. and cooperates with the WISE Program (Doctoral Program for World-leading Innovative & Smart Education).

R&D expenses in fiscal 2023 increased 8.6% year on year to ¥179,467 million, 8.2% of net sales.

III. Facilities

1. Outline of capital expenditures

In fiscal 2023, TDK spent ¥275,709 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 ¥79,749 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 ¥17,133million. 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 ¥53,776 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 ¥114,025 million, mainly to boost and rationalize production of rechargeable batteries.

Capital expenditures in the Other totaled ¥5,117 million.

Capital expenditures for the R&D divisions at the headquarters totaled ¥5,909 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 1 other plant in Iwate Pref	Manufacturing passive components	34,267	71,544	2,758 (563)	587	20,990	130,1489 6,270	1,4401,276

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 Electronics Factories Corporation (Yurihonjo City, Akita Pref. and other locations s)	Manufacturing passive components	9,124	2,290	1,604 (288)	1,196	-	14,214	4,536

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	4,054	17,689	-	-	3,996	25,739	4,501
TDK (Zhuhai FTZ) Co., Ltd. (China)	Manufacturing passive components	14,701	-	-	310	1,404	16,415	4,030
TDK Hungary Components Kft. (Hungary)	Manufacturing passive components	12,749	-	394 (38)	98	1,816	15,057	2,203
TDK Dalian Corporation (China)	Manufacturing passive components	1,884	8,612	-	1	3,367	13,864	1,454
TDK Electronics GmbH & Co OG (Austria)	Manufacturing passive components	9,718	-	658 (123)	311	328	11,015	737

(2) Sensor Application Products

a. Filing company (the Company)

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	
Asama Plant (Saku City, Nagano Pref.) 1 other plant in Akita Pref	Manufacturing sensor application products	1,998	17,919	268 (95)	17	4,747	24,949	389

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	
TDK-Micronas GmbH (Germany)	Manufacturing sensor application products	2,183	8,866	1,200 (51)	521	4,003	16,773	727

(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	3,471	1	1,773 (171)	7	1	5,254	467

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	3,569	11,770	1,649 (9)	752	64,066	81,806	856
Magnecomp Precision Technology Public Co., Ltd. (Thailand)	Manufacturing magnetic application products	5,879	23,300	901 (136)	44	3,999	34,123	3,994
SAE Magnetics (H.K.) Ltd. (China)	Manufacturing magnetic application products	957	15,165	-	2,681	735	19,538	346

(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	844	1,000	363 (64)	156	98	2,461	649

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	87,648	148,623	-	3,285	9,370	248,926	20,577
ATLBattery Technology (India) Private Limited (India)	Manufacturing energy application products	2,823	4,709	10,291 (774)	-	20,195	38,018	102
Poweramp Technology Limited (China)	Manufacturing energy application products	23,916	7,213	-	2,873	3,613	37,615	1,653

(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	12,767	679	1,205 (36)	279	561	15,493	534
Narita Plant (Narita City, Chiba Pref.)	Corporate (Common)	10,266	1,870	745 (47)	22	91	12,995	216
HQ and other locations (Chuo-ku, Tokyo) 5 other locations in Japan	Corporate (Common)	1,652	484	-	7,419	98	9,653	463
Asama Techno Plant (Saku City, Nagano Pref) 1 other plant in Oita Pref.	Other	2,906	2,703	1,118 (175)	18	150	6,895	320

Note: 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, 2023, 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 2022 are ¥260,000 million and the breakdown by business segment is as follows.

Name of business segment	Projected amount at the end of fiscal 2023 (Millions of yen)	Main contents and objectives of facilities, etc.	Capital resource
Passive Components	95,000	Production capacity increase and rationalization of ceramic capacitors, inductive devices, and high-frequency devices.	–
Sensor Application Products	39,000	Production capacity increase of each sensor products	–
Magnetic Application Products	36,000	Developing and manufacturing facilities of high-density next-generation heads for HDD and micro actuator suspensions	–
Energy Application Products	83,000	Production capacity increase of rechargeable batteries and rationalization of facilities	–
Other	2,000	–	–
HQ/R&D divisions	5,000	Establishment of internal IT system and basic research and development	–
Total	260,000	–	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

b. Number of shares issued

Class	Number of issued shares (As of March 31, 2023)	Number of issued shares (As of the date of filing: June 22, 2023)	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 Prime Market	Share unit number 100 shares
Total	388,771,977	388,771,977	–	–

Note:

The number of shares issued by exercise of stock acquisition rights between June 1, 2023 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
2010	May 26, 2010	24	7,200 shares of common stock	¥421,300 (fair value)	From July 4, 2010 to July 3, 2030	–	–
2011	May 25, 2011	31	9,300 shares of common stock	¥392,500 (fair value)	From July 3, 2011 to July 2, 2031	–	1 person 3 rights
2012	June 21, 2012	51	15,300 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	65	19,500shares 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	147	44,100shares 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	376 〔366〕	112,800 〔109,800〕 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	305 〔293〕	91,500 〔87,900〕 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	188 〔179〕	56,400 〔53,700〕 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	451 〔422〕	135,300 〔126,600〕 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	–
2019	March 26, 2019	136 〔128〕	40,800 〔38,400〕 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, 2023. For those which have changed from March 31, 2023 to May 31, 2023, it is stated in [ ]. Others have not changed since March 31, 2023.
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, 2023)

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)	-	113	44	335	863	77	28,013	29,445	—
Number of shares held (Share units)	-	1,859,536	158,510	25,759	1,507,451	667	334,851	3,886,774	94,577
Holding rate of shares (%)	-	47.84	4.08	0.66	38.78	0.02	8.62	100.00	—

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

2. 9,490,269 treasury shares of which 94,902 share units are included in “Individuals, etc.” and 69shares are included in “Shares less than one unit.”

(7) Status of major shareholders

(As of March 31, 2023)

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	107,822	28.43
Custody Bank of Japan, Ltd. (Trust account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	55,184	14.55
STATE STREET BANK WEST CLIENT - TREATY 505234	Massachusetts, U.S.A (2-15-1, Konan, Minato-ku, Tokyo, Japan)	7,453	1.96
SSBTC CLIENT OMNIBUS ACCOUNT	Boston, U.S.A (3-11-1, Nihonbashi Chuo-ku, Tokyo, Japan)	6,779	1.79
JP MORGAN CHASE BANK 385781	London, UK (2-15-1, Konan, Minato-ku, Tokyo, Japan)	4,803	1.27
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	Hong Kong, China (3-11-1, Nihonbashi Chuo-ku, Tokyo, Japan)	4,758	1.25
BBH FOR GLOBAL X LITHIUM AND BATTERY TECH ETF	New York, U.S.A (2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)	4,500	1.19
JP MORGAN CHASE BANK 385632	London, UK (2-15-1, Konan, Minato-ku, Tokyo, Japan)	4,456	1.17
JPMorgan Securities Japan Co., Ltd.	2-7-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	3,790	1.00
GOVERNMENT OF NORWAY	Oslo, Norway 6-27-30, Shinjuku, Shinjuku-ku, Tokyo, Japan	3,759	0.99
Total	-	203,303	53.60

Notes:
1. Other than the above, the Company holds 9,490 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, 2023, 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, 2023, 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.	1-9-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	792,373	0.61
Total	–	6,705,045	5.17

4. 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 3 for the Large Shareholding Report, Change Report, and Correction Report are based on the numbers before the share split.

5. 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, 2023, 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

6. In a Change Report that was disclosed to public on November 2, 2022, the share possessions by shareholders as of October 26, 2022, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2023, 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 INTERNATIONAL PLC	London, UK	463,906	0.12
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo, Japan	42,303,000	10.88
Total	–	42,766,906	11.00

7. In a Change Report that was disclosed to public on November 8, 2022, the share possessions by shareholders as of October 31, 2022, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2023, 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	16,896,200	4.35

8. In a Change Report that was disclosed to public on March 3, 2023, the share possessions by shareholders as of February 28, 2023, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2023, 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 (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	9,502,900	2.44
BlackRock Investment Management LLC	Delaware, U.S.A	632,029	0.16
BlackRock (Netherlamds) BV	Amsterdam, Netherlands	987,985	0.25
BlackRock Fund Managers Limited	London, United Kingdom	929,005	0.24
BlackRock Asset Management Ireland Limited	Dublin, Ireland	2,672,685	0.69
BlackRock Fund Advisors	San Francisco, U.S.A	7,128,200	1.83
BlackRock Institutional Trust Company, N.A.	San Francisco, U.S.A	5,167,096	1.33
BlackRock Investment Management (UK) Limited	London, United Kingdom	571,764	0.15
Total	–	27,591,664	7.10

(8) Status of voting rights

a. Issued shares

(As of March 31, 2023)

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 9,490,200 (Cross-Holding stock) Common stock 276,000	–	–
Shares with full voting rights (Other)	Common stock 378,911,200	3,789,112	–
Shares less than one unit	Common stock 94,577	–	–
Total number of issued shares	388,771,977	–	–
Total number of voting rights	–	3,789,112	–

Note: 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.

b. Treasury stock, etc.

(As of March 31, 2023)

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	9,490,200	–	9,490,200	2.44
(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	–	9,766,200	–	9,766,200	2.51

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, 2023	397	1,765,865
Treasury stock acquired during the period under review	21	110,400

Note:

Shares acquired by the purchase of shares less than one unit between June 1, 2023 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 2023		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)	257,176	440,595,440	20,400	34,950,846
Treasury stock held	9,490,269	–	9,469,890	–

Notes:
1. “Fiscal 2022” consists of disposals due to exercises of stock acquisition rights (Number of shares: 257,100, Total disposal value: 440,465,235) and cash out for demand for sale of shares less than one unit (Number of shares: 76, Total disposal value: 130,205). “Period under review” consists of disposals due to exercises of stock acquisition rights.
2. Shares disposed of between June 1, 2023 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, 2023 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 31,2023 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, 2022	20,097	53
The General Meeting of Shareholders held on June 22, 2023	20,102	53

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.

f. Board members consisting of Directors and Audit & Supervisory Board Members and executive side such as Corporate Officers, based on their respective responsibilities, endeavor toward a common purpose such as achieving sustainable corporate growth and increasing of corporate value over the mid- to long-term of the TDK Group. The philosophy and culture shared by the Board of Directors to achieve those purpose are as follows.

"TDK's Board Culture"

①Build and maintain a relationship of deep mutual trust and a sound tension.

②Achieve both "Empowerment" which is the delegation of authority to encourage prompt autonomous decision-making and "Transparency" in business execution.

③Based on the premise that discussions at the Board of Directors meeting should be essential discussions that contribute to corporate value, regardless of inside/outside, Directors/Audit & Supervisory Board Members, actively and diversely make remarks and discussions from each standpoint and from a big picture.

④The executive side takes the opinions of the Board of Directors sincerely as an opportunity to improve management and implements necessary measures. Directors and Audit & Supervisory Board Members supervise and audit from an objective standpoint. Through these efforts, aim to further improve our corporate value.

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 a corporate 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.

Organization of the Board of Directors（June 22. 2023）:

	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

Number of the Board of Directors meetings and attendance status (fiscal 2023) :

	Representative Director	Noboru Saito (10 out of the 10 meetings) (following appointment in June 2022)
	Representative Director	Tetsuji Yamanishi (14 out of the 14 meetings)
	Director	Shigenao Ishiguro (14 out of the 14 meetings)
	Director	Shigeki Sato (14 out of the 14 meetings)
	Outside Director	Kozue Nakayama (14 out of the 14 meetings)
Chair of the board	Outside Director	Mutsuo Iwai (13 out of the 14 meetings)
	Outside Director	Shoei Yamana (10 out of the 10 meetings) (following appointment in June 2022)

Main agenda items in the Board of Directors (fiscal 2023) :

Management Strategy	・State of progress/verification of the Medium-Term Plan and current-term Management plan (entire TDK Group and main business sectors) ・Financial strategy, fund plan
Governance	・Effectiveness evaluation of the Board of Directors ・Group governance, Group risk management, Compliance management ・Internal audit report ・Internal control system and state of operation
Headquarters functions	・Sustainability ・Global human resource strategy ・Technology development strategy, Production engineering strategy, Intellectual property strategy, Quality assurance ・Management system, Supply chain management

As well as the above, the Board of Directors discussed business matters, capital investment, business tie-up, etc.

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.
(The status of audit by Audit & Supervisory Board Members is as described in (3) [Status of Audit].)

Organization of the Audit & Supervisory Board（June 22. 2023）:

Chairperson Full-time Audit & Supervisory Board Member	Takakazu Momozuka
Full-time Audit & Supervisory Board Member	Masato Ishikawa

Outside Audit & Supervisory Board Member Douglas K. Freeman
Outside Audit & Supervisory Board Member Chizuko Yamamoto
Outside Audit & Supervisory Board Member Takashi Fujino

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. In addition, the said Committee confirms the positions of Outside Directors and Outside Audit & Supervisory Board Members held at other companies every term, and investigates and examines the independence of candidates of Directors and Outside Audit & Supervisory Board Members (including cases where the status of independence changes during the term of office). After deliberating and comprehensively judging the content, the said Committee report the deliberation results to the Board of Directors.

Organization of the Nomination Advisory Committee（June 22. 2023）:

Chair of the committee Outside Director Kozue Nakayama
Outside Director Mutsuo Iwai
Outside Director Shoei Yamana Chairman & Director
Shigenao Ishiguro
Representative Director, President & CEO Noboru Saito

Number of the Nomination Advisory Committee meetings and attendance status (fiscal 2023) :

Chair of the committee Outside Director Kozue Nakayama (12 out of the 12 meetings)
Outside Director Mutsuo Iwai (11 out of the 12 meetings)
Outside Director Shoei Yamana (10 out of the 10 meetings)
(following appointment in June 2022)
Chairman & Director Shigenao Ishiguro (12 out of the 12 meetings)
Representative Director, President & CEO Noboru Saito (10 out of the 10 meetings)
(following appointment in June 2022)

Main agenda items in the Nomination Advisory Committee (fiscal 2023) :

Officer structure	・Organization of Board Advisory committees for the next term ・Organization of Corporate Officers for the next term ・Selection of director candidates ・Selection of Audit & Supervisory Board Member Candidates
Governance	・Succession planning ・Skill matrix ・Retirement age of Corporate Officers

<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 contributes to the securement of the transparency of remuneration decision-making process and the reasonableness of individual remunerations in light of corporate business performance, individual performance and general industry standards by deliberating and reporting to the Board of Directors on the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers.

Organization of the Compensation Advisory Committee（June 22. 2023）:

Chair of the committee Outside Director Shoei Yamana

Outside Director Kozue Nakayama

Outside Director Mutsuo Iwai

Chairman & Director Shigenao Ishiguro

Representative Director & Executive Vice President Tetsuji Yamanishi

Number of the Compensation Advisory Committee meetings and attendance status (fiscal 2023) :

Chair of the committee Outside Director Shoei Yamana (5out of the 5meetings)
(following appointment in June 2022)

Outside Director Kozue Nakayama (7out of the 7meetings)

Outside Director Mutsuo Iwai (6out of the 7meetings)

Chairman & Director Shigenao Ishiguro(5out of the 5meetings)
(following appointment in June 2022)

Representative Director & Executive Vice President Tetsuji Yamanishi
(5out of the 5meetings)
(following appointment in June 2022)

Main agenda items in the Compensation Advisory Committee (fiscal 2023) :

Remuneration of Directors and Corporate Officers	· Corporate Officer performance-linked bonuses for the current term · Executive compensation table for the next term · Corporate Officer performance-linked bonus Target value for the next term
Executive remuneration of major subsidiaries	・Executive Remuneration of Overseas Subsidiaries

<The Corporate Governance Committee>

The Corporate Governance Committee conducts deliberations on TDK's medium- to long- term corporate governance way and system, policy for TDK's corporate governance and matters to be consulted by the Board of Directors, etc. and continuously strives to enhance corporate governance for TDK’s sustainable growth and increase of its corporate value over the mid- to long-term.

Organization of the Corporate Governance Committee（June 22. 2023）:

Chair of the committee Chairman & Director Shigenao Ishiguro

Outside Director Kozue Nakayama

Outside Director Mutsuo Iwai

Outside Director Shoei Yamana

Representative Director, President & CEO Noboru Saito

Corporate Officer, GM, Corporate Strategy HQ Shuichi Hashiyama

Number of the Corporate Governance Committee meetings and attendance status (fiscal 2023) :

Chair of the committee Chairman & Director Shigenao Ishiguro(3out of the 3meetings)

Outside Director Kozue Nakayama (3out of the 3meetings)

Outside Director	Mutsuo Iwai (3out of the 3meetings)
Outside Director	Shoei Yamana (3 out of the 3 meetings)
Representative Director, President & CEO	Noboru Saito (2 out of the 3 meetings)
Corporate Officer, GM, Corporate Strategy HQ	Shuichi Hashiyama (3 out of the 3 meetings)

Main agenda items in the Corporate Governance Committee (fiscal 2023)：

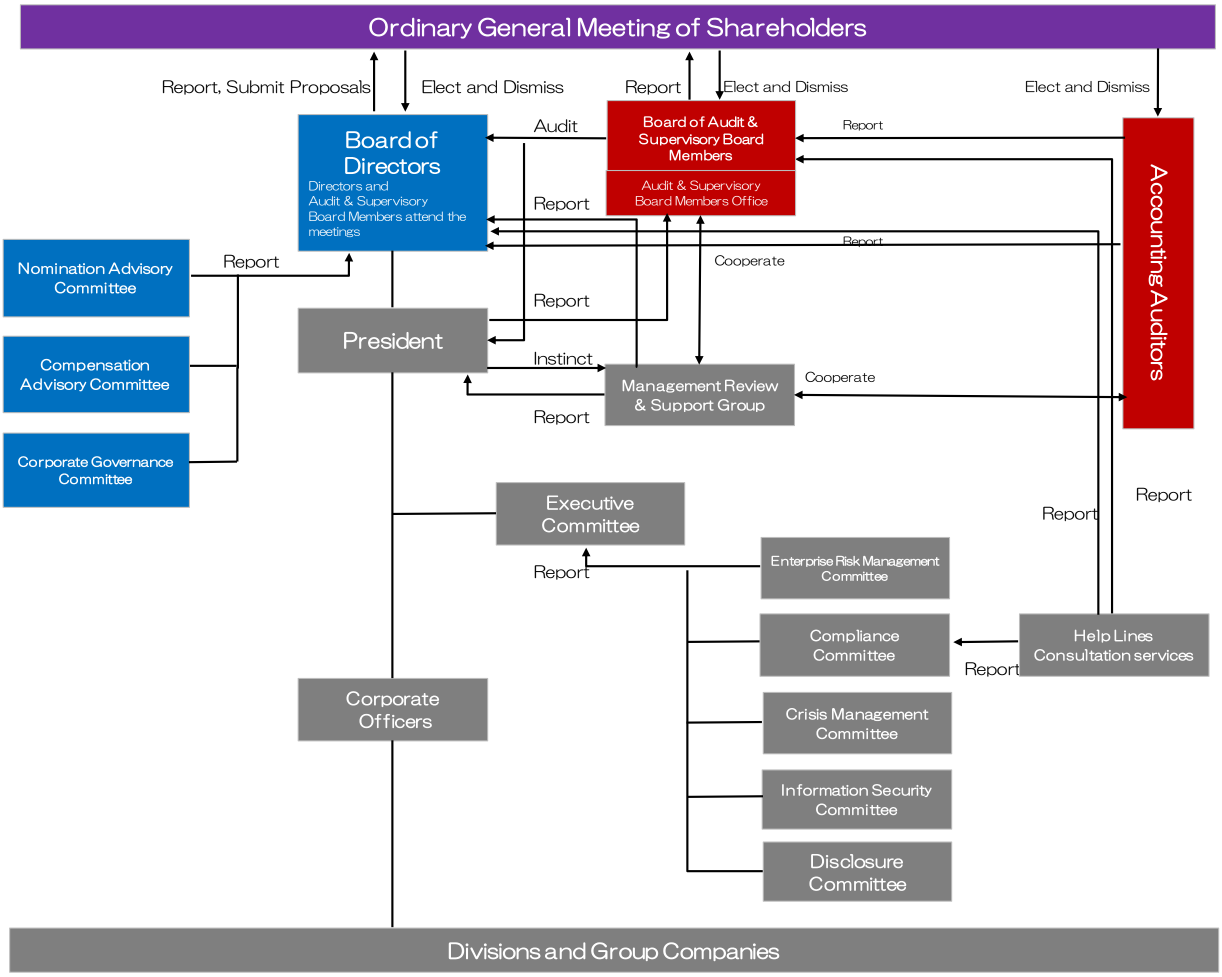
・TDK's corporate governance ideals and policies, TDK's board culture

・Evaluation of the effectiveness of the Board of Directors

・Internal control system and its operational status

・Annual agenda for the Board of Directors meetings

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, 2023)

(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 TDK's medium- to long- term corporate governance way and system, policy for TDK's corporate governance and matters to be consulted by the Board of Directors, 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 each committee (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
Through the Compliance Committee, which aims to supervise compliance-related risk management and advance initiatives, The Company promote the prevention of 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 advance measures for serious disasters, accidents and incidents (natural disasters, accidents such as fire, infectious diseases, 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 company-wide 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 internal information leakage, 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 operated 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. Through this system, the Company promotes activities to strengthen a compliance system of TDK and the Compliance Committee reports their activities to the President and the Board of Directors.
Furthermore, Through the Business Ethics Subcommittee which is an internal organization of the Compliance Committee, the Company operates TDK's internal reporting system (including the Consultations and Help Lines) and the Business Ethics Subcommittee reports its activities to the Compliance Committee and the Board of Directors.

(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, effectiveness and efficiency of operations, reliability of reports, compliance with relevant laws and regulations, and compliance with the rules of TDK.

(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	244
			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 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 Apr. 2022: Chairman & Representative Director of the Company Jun. 2022: Outside Director of NTT DATA Corporation (present post) Chairman & Director of the Company (present post)	Note: 3	165
Director Senior Vice President General Manager of Technology and Intellectual Property HQ	Shigeki Sato	Jul. 9, 1964	Apr. 1989: Entered the Company 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)	Note: 3	33
Director	Kozue Nakayama	Feb. 25, 1958	Apr. 1982: Entered Nissan Motor Co., Ltd. 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) Jun. 2022: Outside Director of The Nanto Bank,Ltd. (present post)	Note: 3	—

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: Jun. 2023:	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 Outside Director of the Company (present post) Senior Advisor of Konica Minolta, Inc. (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	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
Full-time Audit & Supervisory Board Member	Masato Ishikawa	Jan. 27, 1965	Apr. 1988: Apr. 2009 Sep. 2009: Apr. 2013: Apr. 2015: Jul. 2015: Jun. 2016: Apr. 2017: Apr. 2019: Apr. 2023 Jun. 2023:	Entered the Company Leader, Corporate Strategy of Head Business Group of the Company Senior Manager, Corporate Planning Group, Corporate Strategy Group of the Company Group Leader, Corporate Planning Group, Corporate Strategy HQ of the Company General Manager, Corporate Planning Group, Corporate Strategy HQ of the Company Senior Manager, Strategy Planning Group, Magnet Products Business Group of the Company General Manager, Management System Group, Corporate Administration HQ of the Company General Manager, SCM Reengineering Group, SCM & Management System HQ of the Company General Manager, SCM & Management System HQ of the Company Senior Manager, Audit & Supervisory Board Members Office of the Company Full-time Audit & Supervisory Board Member of the Company (present post)	Note: 4	—
Audit & Supervisory Board Member	Douglas K. Freeman	May. 23, 1966	Apr. 1990: Apr. 1996: Jun. 1997: Sep. 2002: Sep. 2007: Feb. 2016: Apr. 2019: Jun. 2019:	Entered Goldman Sachs Japan Co., Ltd. Registered as lawyer in Japan Joined Mitsui, Yasuda, Wani & Maeda Joined Hamada Law Offices Registered as lawyer in New York, the United States of America Joined Sullivan & Cromwell LLP Principal of Law Offices of Douglas K. Freeman (present post) Outside Director of U-Shin Ltd. Professor of Keio University Law School (present post) 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	Chizuko Yamamoto	Nov. 18, 1965	Oct. 1992: Apr. 1996: Jul. 2010: Jul. 2019: Sep. 2019: Jun. 2020: Aug. 2020: Jun. 2021: Jun. 2023:	Entered Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC) Registered as certified public accountant Partner of Deloitte Touche Tohmatsu LLC Permanent Officer of Japanese Institute of Certified Public Accountants, Tokyo Chapter Member of Regulations and Institutions Committee of Japanese Institute of Certified Public Accountants, Tokyo Chapter Principal of Chizuko Yamamoto CPA Office (present post) Outside Audit & Supervisory Board Member of Ozu Corporation (present post) Outside Director of Tokyo Rope Mfg. CO., Ltd. (present post) Outside Audit & Supervisory Board Member of the Company (present post)	Note: 4	—
Audit & Supervisory Board Member	Takashi Fujino	Feb. 12, 1956	Apr. 1979 Jan. 2009 Jan. 2010 Mar. 2010 Jan. 2015 Mar. 2015 Jun. 2021 Jun. 2023	Entered Asahi Glass Co., Ltd. (current AGC Inc.) (“AGC”) Executive Officer and General Manager of Corporate Planning Office of AGC Senior Executive Officer, CFO and General Manager of President Office of AGC Director, Senior Executive Officer, CFO and General Manager of President Office of AGC Director, Senior Executive Officer, and Assistant to President of AGC (retired in Mar. 2015 Advisor of Ise Chemicals Corporation Representative Director, President and Chief Executive Officer of Ise Chemicals Corporation (retired in Mar. 2019) Outside Director of Kyokuto Boeki Kaisya, Ltd. (present post) Outside Audit & Supervisory Board Member of the Company (present post)	Note: 4	—
Total						682

Notes: 1. Ms. Kozue Nakayama, Mr. Mutsuo Iwai and Mr. Shoei Yamana are Outside Directors.

2. Mr. Douglas K. Freeman, Ms. Chizuko Yamamoto and Mr. Takashi Fujino are Outside Audit & Supervisory Board Member.

3. One year from the Ordinary General Meeting of Shareholders held on June 22, 2023.

4. Four years from the Ordinary General Meeting of Shareholders held on June 22, 2023.

5. The Company, aiming to boost execution of duties and improve management efficiency, has introduced a Corporate Officer System. The Company has 18 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 Ms. Kozue Nakayama serves as Outside Director of Isuzu Motors Limited and TDK has a business relationship with Isuzu Group, 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, 2023, the ratio of sales of TDK to Isuzu Group represented less than 1% of the consolidated net sales of TDK and the ratio of sales of Isuzu Group to TDK represented less than 1% of the consolidated net sales of Isuzu Group

- Although Mr. Shoei Yamana serves as Senior Advisor of Konica Minolta, Inc. and TDK has a business relationship with Konica Minolta Group, 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, 2023, the ratio of sales of TDK to Konica Minolta Group represented less than 1% of the consolidated net sales of TDK and the ratio of sales of Konica Minolta Group to TDK represented less than 1% of the consolidated net sales of Isuzu Group

- Although Ms. Chizuko Yamamoto serves as Outside Audit & Supervisory Board Member of Ozu Corporation and TDK has a business relationship with Ozu Group, 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, 2023, the ratio of sales of Ozu Group to TDK represented less than 1% of the consolidated net sales of Ozu Group.

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, totally six of twelve directors and Audit & Supervisory Board Members are from outside.

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. Douglas K. Freeman, Ms. Chizuko Yamamoto and Mr. Takashi Fujino, 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)

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):	Meetings of the Board of Directors: 13 of the 14 meetings Nomination Advisory Committee: 11 out of the 12 meetings Compensation Advisory Committee: 6 out of the 7 meetings
Shoei Yamana (Outside Director): (following appointment in June 2022)	Meetings of the Board of Directors: 10 of the 10 meetings Nomination Advisory Committee: 10 out of the 10 meetings Compensation Advisory Committee: 5 out of the 5 meetings
Jun Ishii (Outside Audit & Supervisory Board Member)	Meetings of the Audit & Supervisory Board: 15 of the 15 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: 15 of the 15 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: 15 of the 15 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, Outside Audit & Supervisory Board Member Ms. Chizuko Yamamoto is a certified public accountant. Outside Audit & Supervisory Board Member Mr. Takashi Fujino has knowledge concerning accounting and finance in companies with global operations. Thus, they have 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 15 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	Satoru Sueki	15 of the 15 meetings (Attendance ratio: 100%)
Full-Time Audit & Supervisory Board Member	Takakazu Momozuka	15 of the 15 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Jun Ishii	15 of the 15 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Douglas K. Freeman	15 of the 15 meetings (Attendance ratio: 100%)
Outside Audit & Supervisory Board Member	Michiko Chiba	15 of the 15 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. The Audit & Supervisory Board Members share and deliberate such information among themselves. 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 departments and headquarters, etc. Furthermore, the full-time Audit & Supervisory Board Members regularly had meetings and shared information with the Audit & Supervisory Board Members of the company's subsidiaries and exchanged opinions with them on important issues and findings for auditing the entire TDK Group. The Outside Audit & Supervisory Board Members held regular meetings for information sharing with the Outside Directors to exchange opinions, and received briefings from relevant operating departments and headquarters, etc. to confirm the status of responses to major issues, etc.

The Audit & Supervisory Board establishes the Company's audit policy and annual audit plan, 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. Also, the Audit & Supervisory Board receives the internal audit report from the internal audit department and promote information sharing and collaboration with them through establishing regular meetings. A summary of These audit results, identified issues and risks, 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. The Audit & Supervisory Board Members have meetings from time to time with an attorney with whom it has entered into an advisory contract and receive legal advice regarding Audit & Supervisory Board Members' duties timely, and thereby improve the effectiveness of Audit & Supervisory Board Members' duties.

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 (KAM) such as the valuation of goodwill and tangible fixed assets. 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

20 years

c. Certified public accountants who conducted the accounting audit

Mr. Michitaka Shishido

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 17 certified public accountants, 11 assistant certified public accountants, and 49 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 FY2024 based on these results of evaluation for the fiscal year under review.

④Audit fees, etc.

a. Details of fees to auditors

Category	Fiscal 2022		Fiscal 2023	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	449	6	394	–
Consolidated subsidiaries	29	–	46	–
Total	478	6	440	–

In fiscal 2022, 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 2022		Fiscal 2023	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	–	39	–	66
Consolidated subsidiaries	645	243	1,025	204
Total	645	282	1,025	270

In fiscal 2022 and fiscal 2023, 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 2022)

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

(Fiscal 2023)

TDK Electronics AG, consolidated subsidiary of TDK Corporation, has paid ¥235 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 2023, 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)

Note: 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	●	—	●	—

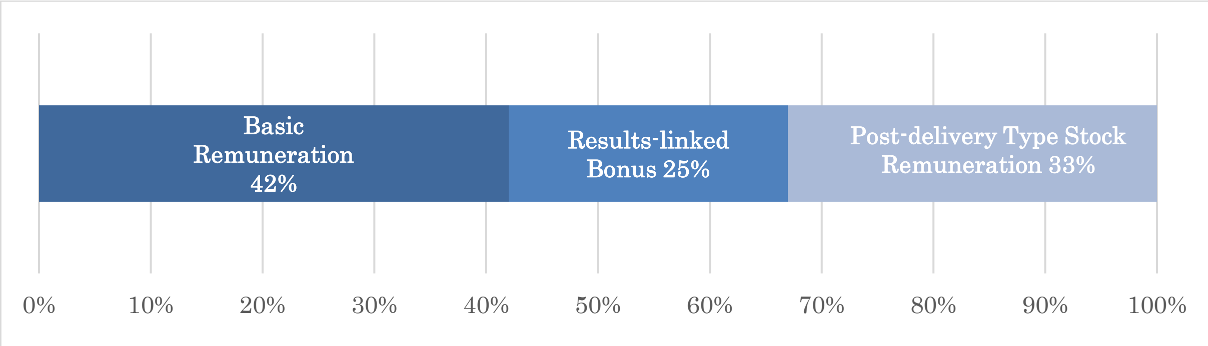
*Under RSU, the stock remuneration portion is classified as "non-monetary compensation" and the monetary compensation portion is classified under "compensation other than the above."

** 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	549,600 common shares	0.14%
Shares to be delivered as post-delivery type stock remuneration	Equivalent to 188,500 common shares	0.05%
Total	Equivalent to 738,100 common shares	0.19%

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. In addition to the above table, the details of stock acquisition rights as stock-linked compensation stock options and the status of their ownership are described in "3. Matters Concerning Stock Acquisition Rights, etc. of the Company".

3. 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	¥182,700 million (target), ¥168,827 million (result)
Consolidated ROE	12.7% (target), 8.3% (result)

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

<table>
<tr><th rowspan="2">Officer category</th><th rowspan="2">Total amount of remuneration and other payments
(Millions of yen)</th><th colspan="4">Total amount of remuneration and other payments by type
(Millions of yen)</th><th rowspan="2">Number of eligible officers</th></tr>
<tr><th>Basic remuneration
(Fixed remuneration)</th><th>Results-linked bonus
(Results-linked remuneration)</th><th>Restricted Stock Units (RSU)</th><th>Performance Share Units (PSU)</th></tr>
<tr><td>Directors
(Excluding Outside Directors)</td><td>390</td><td>237</td><td>29</td><td>67</td><td>57</td><td>6</td></tr>
<tr><td>Outside Directors</td><td>52</td><td>52</td><td colspan="3" rowspan="3"></td><td>4</td></tr>
<tr><td>Audit & Supervisory Board Members
(Excluding Outside Audit & Supervisory Board Members)</td><td>62</td><td>62</td><td>2</td></tr>
<tr><td>Outside Audit & Supervisory Board Members</td><td>42</td><td>42</td><td>3</td></tr>
</table>

1. Although there were four Directors (Excluding Outside Directors), three Outside Directors, two Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Member as of March 31, 2023 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 two (2) Directors (Excluding Outside Directors) and one (1) Outside Director who retired at the close of the 126th Ordinary General Meeting of Shareholders held on June 24, 2022, 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.

< Directors (Numbers as of the date of filing of this Annual Securities Report:7, 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) 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 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)	Restricted Stock Units (RSU)	Performance Share Units (PSU)
Shigeno Ishiguro	120	Director, Chairman	Filling company	77	-	21	22

(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	1,113
Stocks other than unlisted stocks	3	4,233

(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	2	391	Strategic partnership with the goal to take advantage of energy efficiency enhancing technology, and investment with the goal to explore new business areas
Stocks other than unlisted stocks	-	-	-

(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	0
Stocks other than unlisted stocks	1	470

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, 2023, 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, outline of partnership, 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
	3,665	3,012		
Mabuchi Motor Co., Ltd.	120,000	240,000	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
	466	918		
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
	101	76		

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, outline of partnership, quantitative holding effect and reason of increases in shares	Whether to hold share of the company
Fukuda Denshi Co., Ltd.	271,800	179,000	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. Effective November 30, 2022, Fukuda Denshi Co., Ltd. implemented a share split at a ratio of two shares per common share.	Yes
	1,159	1,397		
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
	854	635		
TODA KOGYO CORP.	199,400	199,400	It is an affiliate of the company. We are business partner with the goal to strength our material technology. The company contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions.	Yes
	506	576		
NIKKO COMPANY	2,402,900	2,416,800	The company contributes on retirement benefit trust currently. As to exercising voting rights, the Company holds the authority to give instructions.	No
	355	355		
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
	107	114		
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
	66	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, 2023 and for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023) 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	March 31, 2022	March 31, 2023
Assets			
Current assets			
Cash and cash equivalents	5	439,339	506,185
Trade receivables	6,19	524,476	546,381
Other financial assets	7,19	66,944	52,147
Inventories	8	437,004	443,001
Income taxes receivables		4,982	4,303
Other current assets	13	60,427	55,294
Total current assets		1,533,172	1,607,311
Non-current assets			
Investments accounted for using the equity method	9	16,635	24,706
Other financial assets	7,19	123,581	153,950
Property, plant and equipment	10	945,042	930,288
Right-of-use assets	11	50,169	54,683
Goodwill	12	137,352	149,516
Intangible assets	12	69,030	61,241
Long-term advances to suppliers	8	121,370	110,925
Deferred tax assets	14	40,062	44,189
Other non-current assets		5,240	10,218
Total non-current assets		1,508,481	1,539,716
Total assets		3,041,653	3,147,027

(Millions of yen)

	Note	March 31, 2022	March 31, 2023
Liabilities			
Current liabilities			
Borrowings	16,19	175,924	248,510
Lease liabilities	11	9,432	10,298
Trade payables	15,19	460,132	351,439
Other financial liabilities	17,19	147,272	92,673
Income taxes payables		29,715	30,285
Provisions	22	13,949	13,079
Other current liabilities	18	225,934	258,027
Total current liabilities		1,062,358	1,004,311
Non-current liabilities			
Bonds and borrowings	16,19	455,562	448,656
Lease liabilities	11	38,895	44,694
Other financial liabilities	17,19	4,573	3,849
Retirement benefit liabilities	20	105,089	92,313
Provisions	22	5,371	9,697
Deferred tax liabilities	14	57,454	70,386
Other non-current liabilities		8,596	10,254
Total non-current liabilities		675,540	679,849
Total liabilities		1,737,898	1,684,160
Equity			
Equity attributable to owners of parent			
Share capital	23	32,641	32,641
Capital surplus	23	-	45
Retained earnings	23	974,767	1,054,738
Other components of equity	23	309,607	387,281
Treasury shares	23	(16,698)	(16,259)
Total equity attributable to owners of parent		1,300,317	1,458,446
Non-controlling interests		3,438	4,421
Total equity		1,303,755	1,462,867
Total liabilities and equity		3,041,653	3,147,027

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, 2022	Fiscal year ended March 31, 2023
Net sales	4,24	1,902,124	2,180,817
Cost of sales	8,10,12 20,25	(1,338,276)	(1,596,295)
Gross profit		563,848	584,522
Selling, general and administrative expenses	10,12,20 21,25	(410,568)	(434,803)
Other operating income	26	14,033	19,393
Other operating expenses	26	(538)	(285)
Operating profit		166,775	168,827
Finance income	19,27	11,277	17,372
Finance costs	19,27	(7,853)	(20,772)
Share of profit of investments accounted for using the equity method	9	2,291	1,792
Profit before tax		172,490	167,219
Income tax expense	14	(40,675)	(52,918)
Net profit		131,815	114,301
Net profit attributable to:			
Owners of parent		131,298	114,187
Non-controlling interests		517	114
Net profit		131,815	114,301

(Yen)

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Earnings per share	28		
Basic earnings per share		346.44	301.19
Diluted earnings per share		345.65	300.64

Consolidated statements of comprehensive income

(Millions of yen)

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net profit		131,815	114,301
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	54,857	7,739
Remeasurements of defined benefit plans	23	13,555	2,871
Total		68,412	10,610
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	23	165,974	70,006
Total		165,974	70,006
Total other comprehensive income, net of tax		234,386	80,616
Comprehensive income		366,201	194,917
Comprehensive income attributable to:			
Owners of parent		365,418	194,903
Non-controlling interests		783	14
Comprehensive income		366,201	194,917

III. Consolidated statements of changes in equity

(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

(Millions of yen)

Fiscal year ended March 31, 2023	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									
Net profit		-	-	114,187	-	-	114,187	114	114,301
Other comprehensive income, net of tax	23	-	-	-	80,716	-	80,716	(100)	80,616
Total comprehensive income		-	-	114,187	80,716	-	194,903	14	194,917
Transactions with owners									
Equity transactions with non-controlling interests		-	170	-	-	-	170	1,209	1,379
Dividends paid	23	-	-	(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	21	-	209	-	-	-	209	140	349
Exercise of share options	21	-	(439)	-	-	439	0	-	0
Total transactions with owners		-	45	(37,258)	-	439	(36,774)	969	(35,805)
Transfer from other components of equity to retained earnings	23	-	-	3,042	(3,042)	-	-	-	-
Balance as of March 31, 2023		32,641	45	1,054,738	387,281	(16,259)	1,458,446	4,421	1,462,867

IV. Consolidated statements of cash flows

(Millions of yen)

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities			
Net profit		131,815	114,301
Depreciation and amortization		177,031	206,285
Impairment losses		3,300	35,064
Finance income		(11,277)	(17,372)
Finance costs		7,853	20,772
Share of profit of investments accounted for using the equity method		(2,291)	(1,792)
Income tax expense		40,675	52,918
Changes in assets and liabilities:			
Decrease (increase) in trade receivables		(38,452)	6,321
Decrease (increase) in inventories		(108,436)	11,961
Decrease (increase) in long-term advances to suppliers		(112,222)	12,787
Decrease (increase) in other current assets		(9,740)	3,071
Increase (decrease) in trade payables		86,431	(116,469)
Increase (decrease) in other current liabilities		34,453	10,738
Increase (decrease) in retirement benefit liabilities		(348)	(11,004)
Other		6,765	(29,407)
Subtotal		205,557	298,174
Interest and dividends received		9,538	14,746
Interest paid		(5,491)	(9,009)
Income taxes paid		(30,617)	(41,139)
Cash flows from operating activities		178,987	262,772

(Millions of yen)

	Note	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from investing activities			
Purchase of tangible and intangible assets		(291,337)	(275,709)
Proceeds from sale of tangible and intangible assets		3,368	23,795
Proceeds from withdrawal of time deposits		83,172	79,937
Payments into time deposits		(66,745)	(42,416)
Proceeds from sale and redemption of securities		1,523	788
Payment for purchase of securities		(11,537)	(11,803)
Payment for purchase of investments in associates		-	(6,754)
Other		10	(2,240)
Cash flows from investing activities		(281,546)	(234,402)
Cash flows from financing activities			
Proceeds from long-term borrowings	32	190,879	372
Repayment of long-term borrowings	32	(134,570)	(4,868)
Net increase (decrease) in short-term borrowings	32	(8,235)	65,942
Proceeds from bonds	32	100,000	-
Repayment of lease liabilities	32	(9,713)	(10,398)
Dividends paid	23	(23,987)	(37,198)
Other		(631)	1,097
Cash flows from financing activities		113,743	14,947
Effect of exchange rate changes on cash and cash equivalents		47,768	23,529
Net increase (decrease) in cash and cash equivalents		58,952	66,846
Cash and cash equivalents at beginning of year	5	380,387	439,339
Cash and cash equivalents at end of year	5	439,339	506,185

Notes to the consolidated financial statements

1. Reporting Entity

TDK Corporation ("TDK" or "the Company") 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, 2023.

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

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.

The consolidated financial statements were approved on June 22, 2023 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, 2024 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)

(Impact of COVID-19)

Based on the external information that TDK Group has the ability to access, in the fiscal year ending March 31, 2024, socioeconomic and production activities are assumed to recover from COVID-19 in some regions.

It is also assumed that the resurgence of COVID-19 will not cause significant disruptions in TDK Group's production activities and supply chains, including raw material procurement.

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

(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: 2 to 20 years
Customer relationships: 4 to 10 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.

“International Tax Reform - Pillar 2 Model Rules (Amendments to IAS 12)” (“Amendments to IAS 12”), issued on May 23, 2023, provides a temporary and mandatory exception from the requirement to recognize and disclose deferred taxes for taxes arising from tax laws related to the Pillar 2 model rules (“Pillar 2 income taxes”). As TDK Group will be subject to the Pillar 2 income taxes, the exception has been applied retrospectively in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” for the fiscal year ended March 31, 2023. Accordingly, deferred taxes have not been recognized with respect to Pillar 2 income taxes and have not been included in the notes on deferred taxes. In accordance with Amendmends to IAS 12, it is required to disclose current tax expense (or benefit) related to Pillar 2 income taxes and TDK Group’s exposure to Pillar 2 income taxes. However, TDK Group does not disclose these for the fiscal year ended March 31, 2023 as the disclosure requirement is effective for annual periods beginning on or after January 1, 2023.

(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.

In accordance with the reorganization for the fiscal year ended March 31, 2023, certain products of Other are reclassified into Passive Components and Sensor Application Products. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

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, 2022 and 2023 are as follows:

Fiscal year ended March 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	507,826	130,769	248,446	965,345	49,738	-	1,902,124
Intersegment	4,336	81	66	1	8,617	(13,101)	-
Total	512,162	130,850	248,512	965,346	58,355	(13,101)	1,902,124
Operating profit (loss)	76,804	(281)	4,522	123,212	(1,432)	(36,050)	166,775
Other items							
Assets	702,979	279,479	436,787	1,661,860	63,483	(102,935)	3,041,653
Depreciation and amortization	38,362	14,211	23,281	89,497	3,207	8,473	177,031
Capital expenditure	41,657	10,890	52,466	175,713	4,097	6,514	291,337
Impairment losses	899	404	1,255	-	-	742	3,300

Fiscal year ended March 31, 2023

(Millions of yen)

	Reportable segment						
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products	Other	Adjustments	Consolidated
Net sales							
External customers	575,939	169,543	200,573	1,173,355	61,407	-	2,180,817
Intersegment	8,005	121	118	5	9,616	(17,865)	-
Total	583,944	169,664	200,691	1,173,360	71,023	(17,865)	2,180,817
Operating profit (loss)	95,519	10,726	(56,392)	147,389	(434)	(27,981)	168,827
Other items							
Assets	804,150	325,442	436,910	1,672,805	67,514	(159,794)	3,147,027
Depreciation and amortization	42,665	16,784	28,406	106,751	2,868	8,811	206,285
Capital expenditure	79,749	17,133	53,776	114,025	5,117	5,909	275,709
Impairment losses	654	1,143	21,435	11,832	-	-	35,064

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, 2022 and 2023 are as follows:

Net sales

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Japan	149,038	176,436
Americas	129,857	172,703
Europe	175,580	210,321
China	1,059,718	1,194,013
Asia and others	387,931	427,344
Total	1,902,124	2,180,817

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.....India, Vietnam, Thailand, Philippines, South Korea

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

(Millions of yen)

	March 31, 2022	March 31, 2023
Japan	232,237	275,997
Americas	196,045	207,944
Europe	104,417	114,017
China	558,365	465,726
Asia and others	110,529	132,044
Total	1,201,593	1,195,728

(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, 2022. The net sales to the customer group are ¥277,008 million.

There is one customer group that accounts for more than 10% of the consolidated net sales for the fiscal year ended March 31, 2023. The net sales to the customer group are ¥392,712 million.

These net sales are mainly included in the Energy Application Products segment for both of the fiscal years ended March 31, 2022 and 2023.

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)

	March 31, 2022	March 31, 2023
Cash on hand and demand deposits	237,748	163,785
Time deposits (with a maturity of three months or less)	200,873	342,145
Money market fund and other	718	255
Total	439,339	506,185

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)

	March 31, 2022	March 31, 2023
Accounts receivables-trade	492,409	447,691
Notes receivables	33,724	101,004
Loss allowance	(1,657)	(2,314)
Total	524,476	546,381

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

7. Other Financial Assets

Other financial assets comprise the following:

(Millions of yen)

	March 31, 2022	March 31, 2023
Financial assets measured at amortized cost		
Time deposits (with a maturity of three months or more)	53,644	16,228
Accounts receivable-others	3,002	20,731
Other	13,725	19,338
Financial assets measured at fair value through profit or loss		
Derivative financial assets	1,982	6,344
Mutual funds	1,336	1,394
Rabbi trust investments	8,009	8,243
SAFE investments	2,937	3,739
Convertible bonds	2,475	2,370
Commercial paper	36	34
Financial assets measured at fair value through other comprehensive income		
Shares	103,379	127,676
Total	190,525	206,097
Current assets	66,944	52,147
Non-current assets	123,581	153,950
Total	190,525	206,097

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

(Millions of yen)

Name	March 31, 2022	March 31, 2023
Guangdong Brunp Recycling Technology Co., Ltd.	43,485	47,322
Group14 Technologies, Inc.	30,261	34,037
Sila Nanotechnologies, Inc.	7,486	7,705
ALPS LOGISTICS CO., LTD.	3,012	3,665
Jiangsu Ruitai New Energy Materials Co., Ltd.	-	2,471
Other	19,135	32,476
Total	103,379	127,676

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, 2022	Fiscal year ended March 31, 2023
Fair value at the date of disposal	1,369	470
Cumulative gain at the date of disposal	593	249

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 ¥519 million and ¥171 million, net of tax, for the fiscal years ended March 31, 2022 and 2023, 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, 2022	Fiscal year ended March 31, 2023
Dividends from shares derecognized during the period	-	-
Dividends from shares held at the end of the reporting period	131	123

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

8. Inventories

Inventories comprise the following:

(Millions of yen)

	March 31, 2022	March 31, 2023
Finished goods	123,329	168,432
Work in process	89,329	87,524
Raw materials	224,346	187,045
Total	437,004	443,001

The amount of write-down of inventories is ¥3,264 million and ¥8,838 million for the fiscal years ended March 31, 2022 and 2023, respectively, which is included in Cost of sales in the consolidated statements of profit or loss.

Long-term advances are paid to suppliers to ensure stable procurement of raw materials over the medium to long term. As of March 31, 2022 and 2023, long-term advances (including current portion) is ¥121,370 million and ¥124,395 million, respectively.

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)

	March 31, 2022	March 31, 2023
Carrying amount	16,635	24,706

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
TDK's share of profit	2,291	1,792
TDK's share of other comprehensive income	290	(109)
TDK's share of comprehensive income	2,581	1,683

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, 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
Additions	-	-	-	215,885	215,885
Depreciation expenses	-	(25,983)	(154,231)	-	(180,214)
Impairment losses	-	(2,054)	(26,848)	(5,067)	(33,969)
Sale or disposal	-	(338)	(15,183)	(21,478)	(36,999)
Transfers to other accounts	9,494	35,938	172,687	(218,119)	-
Other	-	7	(58)	(1,527)	(1,578)
Exchange differences on translation of foreign operations	627	2,800	11,624	7,070	22,121
March 31, 2023					
Cost	34,143	533,033	1,708,912	174,048	2,450,136
Accumulated depreciation and accumulated impairment losses	(1,938)	(278,614)	(1,233,850)	(5,446)	(1,519,848)
	32,205	254,419	475,062	168,602	930,288

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, 2022 and 2023.

The impairment loss of ¥19,023 million recognized in the Magnetic Application Products segment for the fiscal year ended March 31, 2023 resulted mainly from the recoverable amount of a cash-generating unit for machinery and equipment in the suspension application products business falling below its carrying amount, reflecting decreased profitability due to lower sales. The recoverable amount was zero, which was determined based on the value in use at a discount rate of 13.00%.

The impairment loss of ¥11,326 million recognized in the Energy Application Products segment for the fiscal year ended March 31, 2023 resulted mainly from the recoverable amount of a cash-generating unit for machinery and equipment in the EVs' power source products business falling below its carrying amount, reflecting decreased profitability due to lower sales. The recoverable amount was zero, which was determined based on the value in use at a discount rate of 9.5%.

In allocating the impairment losses recognized to an individual asset within the relevant cash-generating units, the carrying amount of the individual asset is not reduced below its fair value less costs of disposal, if measurable. 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 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, 2023.

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)

	March 31, 2022	March 31, 2023
Class of underlying asset		
Land and buildings	46,030	50,615
Machinery	2,008	1,894
Other	2,131	2,174
Total	50,169	54,683

The right-of-use assets increased by ¥10,373 million and ¥15,126 million for the fiscal years ended March 31, 2022 and 2023, 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, 2022	Fiscal year ended March 31, 2023
Depreciation expenses for right-of-use assets		
Land and buildings	7,638	9,218
Machinery	372	358
Other	936	1,013
Total	8,946	10,589
Interest expenses on lease liabilities	775	2,076
Expense relating to short-term leases	904	1,041
Expense relating to leases of low-value assets (excluding short-term leases)	308	400

Total cash outflow for leases as a lessee is ¥11,700 million and ¥13,915 million for the fiscal years ended March 31, 2022 and 2023, respectively.

Leases recognized as of March 31, 2022 and March 31, 2023 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)

	March 31, 2022	March 31, 2023
Lease payments		
Within 1 year	10,477	12,253
1 to 2 years	9,572	10,645
2 to 3 years	8,269	7,577
3 to 4 years	5,898	6,061
4 to 5 years	4,794	4,325
More than 5 years	22,657	28,969
Total future minimum lease payments	61,667	69,830
Less: interest portion	13,340	14,838
Lease liabilities	48,327	54,992

The weighted average incremental borrowing rate for the lease liabilities is 1.60% as of March 31, 2022 and 3.78% as of March 31, 2023, with the maturity from April 2023 to March 2053.

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	Other	Patents	Customer relationships	Software	Unpatented technologies	Other	
April 1, 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
Additions	767	-	-	146	-	4,978	65	93	5,282
Amortization expenses	-	-	-	(2,188)	(801)	(6,543)	(5,283)	(669)	(15,484)
Impairment losses	-	-	-	-	-	(531)	(268)	-	(799)
Sale or disposal	-	-	-	(3)	-	(3)	-	(2)	(8)
Other	-	-	-	3	-	76	8	118	205
Exchange differences on translation of foreign operations	11,397	-	-	860	79	238	1,706	132	3,015
March 31, 2023									
Cost	202,455	4,275	190	24,427	15,659	60,894	50,426	14,016	169,887
Accumulated amortization and impairment losses	(52,939)	(823)	-	(15,534)	(14,792)	(36,657)	(34,504)	(6,336)	(108,646)
	149,516	3,452	190	8,893	867	24,237	15,922	7,680	61,241

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 ¥165,250 million and ¥179,467 million for the fiscal years ended March 31, 2022 and 2023, 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	March 31, 2022	March 31, 2023
MEMS Sensors business	75,540	82,414
HDD Heads business	16,438	17,958
Other	45,374	49,144
Total	137,352	149,516

The recoverable amounts 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, 2022	Fiscal year ended March 31, 2023
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	11.5
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)	10	9
Discount rate (%)	7.9	8.9
EBITDA multiples (x)	6.6～7.1	9.3～17.1

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. Net sales included in the business plan are based on factors such as the expected growth rate of the market to which the cash-generating unit belongs and the expected sales volume to major customers.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 cash-generating unit's major sales region or the major sales regions of the business to which the cash-generating unit belongs. 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.

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 key assumptions used in determining fair values are based on historical experience and externally-obtained information.

The recoverable amount of the cash-generating unit for the MEMS Sensor business within the Sensor Application Products segment exceeded its carrying amount by ¥40,800 million and ¥67,600 million for the fiscal years ended March 31, 2022 and 2023, respectively. Also, the recoverable amount of the cash-generating unit for the HDD Heads business within the Magnetic Application Products segment exceeded its carrying amount by ¥129,951 million and ¥67,304 million for the fiscal years ended March 31, 2022 and 2023, respectively. The cash-generating unit for the HDD Heads business mainly comprises property, plant and equipment, and its carrying amount was ¥72,636 million and ¥94,368 million as of March 31, 2022 and 2023, 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)

	March 31, 2022	March 31, 2023
Consumption tax receivable	25,907	24,693
Advances to suppliers	23,480	16,970
Prepaid expenses	7,371	9,518
Other	3,669	4,113
Total	60,427	55,294

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, 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)

(Millions of yen)

	Fiscal year ended March 31, 2023				
	Balance as of April 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Other changes	Balance as of March 31, 2023
Deferred tax assets					
Inventories	5,486	(267)	-	25	5,244
Accrued expenses	16,809	4,259	-	394	21,462
Defined benefit liability	10,149	(2,393)	(2,709)	201	5,248
Net operating loss carryforwards	5,348	2,270	-	877	8,495
Tax credit carryforwards	3,612	(3,801)	-	189	-
Property, plant and equipment and intangible assets	3,632	7,301	-	577	11,510
Other	1,741	(1,785)	0	141	97
Total deferred tax assets	46,777	5,584	(2,709)	2,404	52,056
Deferred tax liabilities					
Marketable securities and other investments in securities	7,075	(670)	1,066	(110)	7,361
Undistributed earnings of foreign subsidiaries and associates	51,584	16,142	-	(889)	66,837
Tangible and intangible assets acquired in business combinations	1,937	(547)	-	(118)	1,272
Other	3,573	(774)	0	(16)	2,783
Total deferred tax liabilities	64,169	14,151	1,066	(1,133)	78,253
Net amount	(17,392)	(8,567)	(3,775)	3,537	(26,197)

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 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, 2023 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)

	March 31, 2022	March 31, 2023
Deductible temporary differences	182,094	200,081
Net operating loss carryforwards	409,081	432,696
Tax credit carryforwards	12,233	15,168

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

(Millions of yen)

	March 31, 2022	March 31, 2023
Within 1 year	4,265	13,552
1 to 5 years	103,321	93,165
5 to 20 years	157,677	152,999
Indefinite periods	143,818	172,980
Total	409,081	432,696

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

(Millions of yen)

	March 31, 2022	March 31, 2023
Within 20 years	5,071	6,776
Indefinite periods	7,162	8,392
Total	12,233	15,168

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, 2022 and 2023, such temporary differences are ¥191,135 million and ¥199,994 million, respectively.

(2) Income tax expense

Income tax expenses comprise the following:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Current tax expense	39,153	44,351
Deferred tax expense		
Temporary differences and reversals	(1,913)	8,124
Assessment of recoverability of deferred tax assets	2,744	329
Changes in tax rates	691	114
Total	40,675	52,918

TDK’s statutory effective tax rates are 31.1% and 31.1% for the fiscal years ended March 31, 2022 and 2023, respectively.

The difference between the statutory effective tax rates and the average effective tax rates for the fiscal years ended March 31, 2022 and 2023 are as follows:

(%)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Statutory effective tax rate	31.1	31.1
Difference in statutory tax rates of foreign subsidiaries	(12.6)	(10.9)
Non-deductible items	2.4	5.1
Non-taxable items	(0.0)	(7.5)
Tax rate differences related to changes in profit or loss of loss-making companies	(0.1)	5.2
Changes in unrecognized deferred tax assets	1.2	2.9
Investment tax credit	(6.7)	(6.5)
Foreign withholding taxes	5.8	8.2
Research and development tax credit	(1.0)	(1.5)
Prior-year tax adjustments	0.1	(3.9)
Undistributed earnings of associates	1.5	8.7
Tax effect of investments in foreign subsidiaries and associates	(0.4)	(0.1)
Other	2.3	0.8
Average effective tax rate	23.6	31.6

15. Trade Payables

Trade payables comprise the following:

(Millions of yen)

	March 31, 2022	March 31, 2023
Notes payables	271,161	194,856
Accounts payables	188,971	156,583
Total	460,132	351,439

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 ¥1,361 million and ¥289 million as of March 31, 2022 and March 31, 2023, respectively.

16. Bonds and Borrowings

Borrowings (current liabilities) comprise the following:

(Millions of yen)

	March 31, 2022	March 31, 2023
Short-term borrowings from banks, unsecured (weighted-average interest rate: 0.37% as of March 31, 2022 and 0.60% as of March 31, 2023)	172,666	242,333
Current portion of long-term borrowings	3,258	6,177
Total	175,924	248,510

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

(Millions of yen)

	March 31, 2022	March 31, 2023
Long-term borrowings from banks, unsecured (weighted-average interest rate: 0.70% as of March 31, 2022 and 0.68% as of March 31, 2023)	259,541	255,434
Unsecured bonds due 2025 - 0.18% (issued by TDK)	29,918	29,943
Unsecured bonds due 2027 - 0.31% (issued by TDK)	29,906	29,923
Unsecured bonds due 2030 - 0.43% (issued by TDK)	39,849	39,867
Unsecured bonds due 2026 - 0.15% (issued by TDK)	29,888	29,912
Unsecured bonds due 2028 - 0.26% (issued by TDK)	39,851	39,873
Unsecured bonds due 2031 - 0.38% (issued by TDK)	29,867	29,881
Subtotal	458,820	454,833
Less: current portion	3,258	6,177
Total	455,562	448,656

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)

	March 31, 2022	March 31, 2023
Financial liabilities measured at amortized cost		
Accounts payable-others	139,003	85,549
Other	9,746	7,515
Financial liabilities measured at fair value through profit or loss		
Derivative financial liabilities	2,851	3,191
Other	245	267
Total	151,845	96,522
Current liabilities	147,272	92,673
Non-current liabilities	4,573	3,849
Total	151,845	96,522

18. Other Current Liabilities

Other current liabilities comprise the following:

(Millions of yen)

	March 31, 2022	March 31, 2023
Accrued expenses	188,953	216,505
Advances received	13,190	9,139
Accrued consumption tax	6,882	12,834
Retirement benefit liabilities	5,059	5,550
Other	11,850	13,999
Total	225,934	258,027

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, 2022 and 2023.

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 assesses whether the financial assets are 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)

	March 31, 2022	March 31, 2023
Trade receivables and contract assets that are measured at an amount equal to lifetime expected credit losses on a recurring basis	523,972	546,186
Credit-impaired financial assets	2,161	2,509
Total	526,133	548,695

(ii) Receivables other than trade receivables

TDK Group determines that the credit risks of receivables other than trade receivables as of March 31, 2022 and March 31, 2023 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, 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

(Millions of yen)

	Fiscal year ended March 31, 2023		
	Financial assets that are measured at amount equal to lifetime expected credit losses on a recurring basis	Credit-impaired financial assets	Total
Opening balance	600	1,057	1,657
Increase	495	223	718
Decrease (intended use)	(56)	(21)	(77)
Decrease (reversal)	(20)	(6)	(26)
Exchange differences on translation of foreign operations	31	11	42
Ending balance	1,050	1,264	2,314

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, 2022 and 2023.

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, 2022 and 2023.

(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 ¥113,390 million and ¥104,172 million as of March 31, 2022 and March 31, 2023, 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)

	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	-	-	-	-	-

(Millions of yen)

	March 31, 2023							
	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	351,439	351,439	351,151	267	20	1	-	-
Short-term borrowings	242,333	243,794	243,794	-	-	-	-	-
Long-term borrowings	255,434	257,092	6,276	149,961	35,362	45,237	190	20,066
Bonds	199,399	203,532	582	582	30,546	30,513	30,421	110,888
Other financial liabilities	93,331	93,331	89,482	699	269	1,987	0	894
Total	1,141,936	1,149,188	691,285	151,509	66,197	77,738	30,611	131,848
Derivative financial liabilities								
Forward exchange contracts and others	3,191	3,191	3,191	-	-	-	-	-
Total	3,191	3,191	3,191	-	-	-	-	-

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, 2022	Fiscal year ended March 31, 2023
USD	7,167	44,677
Euro	(4,079)	(3,589)

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, 2022 and 2023. All other assumptions are held constant in this calculation.

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
USD	(73)	(447)
Euro	19	24

(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 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, 2022 and 2023 is as follows:

Derivatives not designated as hedging instruments

(Millions of yen)

	Account	Recognized gains (losses) on derivative instruments	
		Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Forward foreign exchange contracts	Finance income and costs	(6,963)	(7,646)
Non-deliverable forward contracts	Finance income and costs	(424)	(292)
Currency option contracts	Finance income and costs	(90)	1,006
	Total	(7,477)	(6,932)

Notional amounts and carrying amounts of derivatives as of March 31, 2022 and March 31, 2023 are as follows:

Derivatives not designated as hedging instruments

(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	-

(Millions of yen)

	March 31, 2023		
	Notional amount	Carrying amount (fair value)	
	Gross amount	Assets	Liabilities
Forward foreign exchange contracts	405,577	4,921	3,190
Currency option contracts	77,180	1,423	1

(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)

	March 31, 2022		March 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	199,279	198,621	199,399	196,447
Long-term borrowings (including current portion)	259,541	256,941	255,434	250,946

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)

	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

(Millions of yen)

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	4,921	-	4,921
Currency option contracts	-	1,423	-	1,423
Commercial paper	-	34	-	34
SAFE investments	-	-	3,739	3,739
Convertible bonds	-	-	2,370	2,370
Shares	4,283	-	123,393	127,676
Mutual funds	1,394	-	-	1,394
Rabbi trust investments	8,243	-	-	8,243
Total	13,920	6,378	129,502	149,800
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	3,190	-	3,190
Currency option contracts	-	1	-	1
Total	-	3,191	-	3,191

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 EBITDA mutitples. As of March 31, 2022 and March 31, 2023, the weighted average of EBITDA mutiples are 7.4 times and 5.3 times, respectively. If EBITDA mutiples 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, 2022 and 2023.

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, 2022	Fiscal year ended March 31, 2023
Opening balance	25,104	104,581
Gains or losses		
Profit or loss	246	300
Other comprehensive income	60,467	8,497
Acquisition	12,782	11,479
Transfers from Level 3	-	(88)
Other	5,982	4,733
Ending balance	104,581	129,502

Transfers from Level 3 recognized during the fiscal year ended March 31, 2023 were due to the listing of investees.

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, 2022		Fiscal year ended March 31, 2023	
	Japan	Overseas	Japan	Overseas
Present value of defined benefit obligation:				
Opening balance	236,602	105,204	225,781	107,684
Service cost	5,927	3,394	5,220	3,324
Interest cost	1,593	1,731	2,140	2,630
Remeasurements				
Actuarial gains and losses arising from changes in demographic assumptions	58	108	(90)	295
Actuarial gains and losses arising from changes in financial assumptions	(6,900)	(6,942)	(15,936)	(18,591)
Actuarial gains and losses arising from experience adjustments	(2,302)	997	1,285	797
Benefits paid	(9,362)	(3,884)	(10,258)	(5,468)
Plan amendment	-	8	(12,089)	(344)
Plan curtailment/settlement	-	(190)	-	10
Exchange differences on translation of foreign operations	-	7,231	-	7,129
Other	165	27	-	(36)
Ending balance	225,781	107,684	196,053	97,430
Plan assets:				
Opening balance	187,619	33,378	186,485	39,044
Interest income	1,271	767	1,904	1,358
Remeasurements				
Return on plan assets	(218)	306	(5,283)	(3,254)
Employer contributions	6,025	3,685	4,983	1,160
Benefits paid	(8,212)	(2,857)	(6,407)	(1,384)
Exchange differences on translation of foreign operations	-	3,765	-	3,073
Ending balance	186,485	39,044	181,682	39,997
Deficit/(surplus)	39,296	68,640	14,371	57,433
Effect of asset ceiling	-	303	18,238	227
Net defined benefit liability	39,296	68,943	32,609	57,660

The Company and some of its domestic consolidated subsidiaries have partially amended the retirement benefit plans effective April 1, 2023, which reflects the extension of the retirement age from 60 to 65. As a result, retirement benefit liabilities decreased.

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:

(%)

	March 31, 2022		March 31, 2023	
	Japan	Overseas	Japan	Overseas
Discount rate	0.9	2.4	1.4	4.2

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)

			March 31, 2022	March 31, 2023
Discount rate	Japan	Increase by 0.5%	(15,917)	(13,437)
		Decrease by 0.5%	18,603	15,125
	Overseas	Increase by 0.5%	(6,701)	(5,244)
		Decrease by 0.5%	7,497	5,790

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 ¥2,721 million to defined benefit plans in Japan and ¥541 million to defined benefit plans overseas for the fiscal year ending March 31, 2024.

Weighted average durations of defined benefit obligations are as follows:

	March 31, 2022	March 31, 2023
Japan	17.6 years	18.0 years
Overseas	13.6 years	11.9 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, 2023, approximately 21% consists of equity instruments, 30% of debt instruments and 49% 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, 2023, approximately 51% consists of equity instruments, 35% of debt instruments and 14% of cash and cash equivalents and other assets. As of March 31, 2023, 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)

	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

(Millions of yen)

	March 31, 2023					
	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	911	-	911	3,340	-	3,340
Equity instruments:						
Listed shares	3,091	-	3,091	5,633	-	5,633
Mutual funds	-	23,674	23,674	12,633	1,779	14,412
Pooled funds	-	10,745	10,745	-	403	403
Debt instruments:						
Government bonds, public bonds, corporate bonds	3,985	-	3,985	3,005	7,452	10,457
Mutual funds	-	33,642	33,642	1,335	1,970	3,305
Pooled funds	-	17,349	17,349	-	323	323
Other assets:						
Life insurance company general account	-	22,883	22,883	-	228	228
Mutual funds	-	19,654	19,654	-	87	87
Pooled funds	-	38,918	38,918	-	-	-
Other	-	6,830	6,830	-	1,809	1,809
Total	7,987	173,695	181,682	25,946	14,051	39,997

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, 2022 and 2023 consists of the following components:

(Millions of yen)

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Japan	Overseas	Japan	Overseas
Service cost	5,927	3,394	5,220	3,324
Interest cost on defined benefit obligations	1,593	1,731	2,140	2,630
Interest income on plan assets	(1,271)	(767)	(1,904)	(1,358)
Past service cost	-	8	(12,089)	(344)
Other	165	(190)	-	10
Net defined benefit cost	6,414	4,176	(6,633)	4,262

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 ¥2,277 million and ¥2,602 million for the fiscal years ended March 31, 2022 and 2023, respectively.

21. Share-Based Payment

The amounts recognized by TDK Group as expenses for share-based compensation are ¥185 million and ¥522 million for the fiscal years ended March 31, 2022 and 2023, 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, 2022 and 2023 is as follows:

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Number of shares	Weighted average exercise price (Yen)	Number of shares	Weighted average exercise price (Yen)
Outstanding at beginning of year	983,100	1	808,500	1
Granted	-	-	-	-
Exercised	(57,600)	1	(257,100)	1
Forfeited	(117,000)	1	(1,800)	1
Expired	-	-	-	-
Outstanding at end of year	808,500	1	549,600	1
Exercisable at end of year	808,500	1	549,600	1

The weighted average share prices of share options exercised during the year at the date of exercise are ¥4,194 and ¥4,660 for the fiscal years ended March 31, 2022 and 2023, respectively.

Information on share options outstanding as of March 31, 2022 and 2023 is as follows:

	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

	Fiscal year ended March 31, 2023		
Range of exercise price (Yen)	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (Yen)
1	549,600	13.4	1

Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. Number of shares and weighted average share prices are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2022.

(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, 2022 and 2023 is as follows:

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	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	32,433,025	0.055
Granted	17,984,845	0.055	-	-
Exercised	-	-	-	-
Forfeited	-	-	(32,433,025)	0.055
Expired	-	-	-	-
Outstanding at end of year	32,433,025	0.055	-	-
Exercisable at end of year	2,889,636	0.055	-	-

Information on share options outstanding as of March 31, 2022 is as follows:

	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, 2022
	Granted in December
Grant-date fair value	0.371 RMB
Expected remaining life	3.4 years
Risk-free interest rate	2.61%
Expected volatility	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 has the following post-delivery type share remuneration plans:

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, 2022 and 2023 is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Number of units	Number of units
Outstanding at beginning of year	47,292	118,697
Granted	71,405	67,966
Delivered	-	-
Forfeited	-	(3,029)
Expired	-	-
Outstanding at end of year	118,697	183,634
Deliverable at end of year	-	-

Fair values of RSUs as of the grant date are as follows:

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023		
	Granted in August	Granted in November	Granted in August	Granted in September	Granted in October
Fair value as of the grant date	3,632 yen	4,251 yen	4,708 yen	4,699 yen	4,418 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 ¥86 million and ¥185 million as of March 31, 2022 and 2023, 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, 2022.

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 years ended March 31, 2022 and 2023 is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
	Number of units	Number of units
Outstanding at beginning of year	-	123,780
Granted	123,780	28,126
Delivered	-	-
Forfeited	-	-
Expired	-	-
Outstanding at end of year	123,780	151,906
Deliverable at end of year	-	-

Fair value of PSUs as of the grant date are as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
	Granted in August	Granted in August	Granted in October
Fair value as of the grant date	3,632 yen	4,708 yen	4,418 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 and ¥100 million as of March 31, 2022 and 2023, 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, 2022.

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, 2023			
	Asset retirement obligations	Provision for product warranties	Other	Total
Opening balance	4,175	8,880	6,265	19,320
Increase	44	4,757	4,355	9,156
Decrease (intended use)	-	(1,116)	(1,125)	(2,241)
Decrease (reversal)	-	(1,143)	(1,976)	(3,119)
Exchange differences on translation of foreign operations	4	480	203	687
Other	8	(143)	(892)	(1,027)
Ending balance	4,231	11,715	6,830	22,776

Asset retirement obligations

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.

Provision for product warranties

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. These costs are expected to be incurred mainly 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:

(%)

	March 31, 2022	March 31, 2023
Equity attributable to owners of parent	42.8	46.3
ROE	11.6	8.3

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)

	March 31, 2022	March 31, 2023
Common shares	1,440,000,000	1,440,000,000

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, 2022	Fiscal year ended March 31, 2023
Opening balance	129,590,659	388,771,977
Increase	259,181,318	-
Decrease	-	-
Ending balance	388,771,977	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 9,747,048 shares and 9,490,269 shares as of March 31, 2022 and March 31, 2023, respectively.

(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, 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
Other comprehensive income attributable to owners of parent	7,739	2,871	70,106	80,716
Transfers to retained earnings	(171)	(2,871)	-	(3,042)
March 31, 2023	73,934	-	313,347	387,281

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, 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

(Millions of yen)

	Fiscal year ended March 31, 2023				
	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	8,805	-	8,805	(1,066)	7,739
Remeasurements of defined benefit plans	5,580	-	5,580	(2,709)	2,871
Total	14,385	-	14,385	(3,775)	10,610
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations	70,029	(23)	70,006	0	70,006
Total	70,029	(23)	70,006	0	70,006
Total other comprehensive income	84,414	(23)	84,391	(3,775)	80,616

(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, 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

Fiscal year ended March 31, 2023

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

Dividends for which the effective date is in the fiscal year ending March 31, 2024 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 22, 2023	Common shares	20,102	53	March 31, 2023	June 23, 2023

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. In accordance with the reorganization for the fiscal year ended March 31, 2023, certain products of Other are reclassified into Other passive components of Passive Components and certain products of Other passive components of Passive Components are reclassified into Capacitors and Inductive devices of Passive Components. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

(Millions of yen)

	Fiscal year ended March 31, 2022					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	22,850	31,068	43,634	67,567	33,026	198,145
Inductive devices	23,238	17,581	46,686	68,362	24,372	180,239
Other passive components	13,819	12,267	32,896	49,645	20,815	129,442
Passive Components	59,907	60,916	123,216	185,574	78,213	507,826
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	16,694	9,176	2,076	14,795	6,997	49,738
Net sales total	149,038	129,857	175,580	1,059,718	387,931	1,902,124

(Millions of yen)

	Fiscal year ended March 31, 2023					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	22,996	45,586	53,473	76,329	41,309	239,693
Inductive devices	24,647	20,401	50,609	75,936	26,888	198,481
Other passive components	13,225	17,074	37,678	45,026	24,762	137,765
Passive Components	60,868	83,061	141,760	197,291	92,959	575,939
Sensor Application Products	19,138	13,797	27,275	84,813	24,520	169,543
Magnetic Application Products	34,850	1,099	6,036	33,708	124,880	200,573
Energy Application Products	39,978	65,331	31,857	859,276	176,913	1,173,355
Other	21,602	9,415	3,393	18,925	8,072	61,407
Net sales total	176,436	172,703	210,321	1,194,013	427,344	2,180,817

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:

(Millions of yen)

	April 1, 2022	March 31, 2022	March 31, 2023
Contract liabilities	2,985	12,340	7,988

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, 2022 and March 31, 2022, ¥2,877 million and ¥8,086 million are recognized as revenue for the fiscal years ended March 31, 2022 and 2023, respectively. For the fiscal year ended March 31, 2023, 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, 2022	Fiscal year ended March 31, 2023
Employee benefit expenses	477,586	499,500
Depreciation and amortization	177,031	206,285
Impairment losses	3,300	35,064

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, 2022	Fiscal year ended March 31, 2023
Other operating income		
Government grants	5,579	7,757
Compensation income	1,906	1,798
Proceeds from sale of tangible and intangible assets	1,092	3,629
Other	5,456	6,209
Other operating income	14,033	19,393
Other operating expenses		
Loss on sale of tangible and intangible assets	538	285
Other operating expense	538	285

The government grants for the fiscal years ended March 31, 2022 and 2023 consist mainly of government grants for research and development activities.

27. Finance Income and Finance Costs

Finance income and finance costs comprise the following:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Finance income		
Interest income	8,409	15,510
Dividend income	139	127
Net foreign exchange gain	1,831	-
Other	898	1,735
Total finance income	11,277	17,372
Finance costs		
Interest expense	7,114	11,329
Net foreign exchange loss	-	7,238
Other	739	2,205
Total finance costs	7,853	20,772

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 ¥4,778 million and ¥7,640 million of interest expense arising from financial liabilities measured at amortized cost for the fiscal years ended March 31, 2022 and 2023, 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, 2022		Fiscal year ended March 31, 2023	
	Basic	Diluted	Basic	Diluted
Net profit attributable to owners of parent	131,298	131,298	114,187	114,187

Number of shares (thousands)

	Fiscal year ended March 31, 2022 Basic	Fiscal year ended March 31, 2022 Diluted	Fiscal year ended March 31, 2023 Basic	Fiscal year ended March 31, 2023 Diluted
Weighted average number of common shares issued	378,991	378,991	379,117	379,117
Incremental shares arising from exercise of share options	-	860	-	651
Incremental shares arising from delivery under RSU	-	11	-	41
Incremental shares arising from delivery under PSU	-	-	-	7
Weighted average number of common shares issued - Total	378,991	379,862	379,117	379,816

(Yen)

	Fiscal year ended March 31, 2022 Basic	Fiscal year ended March 31, 2022 Diluted	Fiscal year ended March 31, 2023 Basic	Fiscal year ended March 31, 2023 Diluted
Earnings per share	346.44	345.65	301.19	300.64

PSUs that vest upon the achievement of certain performance conditions are excluded fully for the fiscal year ended March 31, 2022 and patially for the fiscal year ended March 31, 2023, from the calculation of diluted earnings per share, as the achievement of the conditions is not probable.

Certain RSUs 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, 2022, and certain share options issued by its consolidated subsidiaries are excluded from the calculation of diluted earnings per share for the fiscal year ended March 31, 2023, 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, incremental shares arising from delivery under PSU and earnings per share are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2022.

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)

	March 31, 2022	March 31, 2023
Purchase of property, plant and equipment	82,480	150,102

(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)

	March 31, 2022	March 31, 2023
Guarantees to third parties on employee bank loans	255	180

(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 3. Status of subsidiaries and 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, 2022 and 2023.

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)

	March 31, 2022	March 31, 2023
Due from	483	37,933
Due to	229	1,000
Lease liabilities	1,438	1,447

Due from associates accounted for using the equity method as of March 31, 2022 and March 31, 2023 include trade receivables of ¥12 million and ¥29,296 million, respectively. Due from associates accounted for using the equity method as of March 31, 2023 also includes accounts receivable-others related to sale of tangible and intangible assets of ¥8,146 million.

Sales and purchases transactions with and lease payments to associates as well as proceeds from sale of tangible and intangible assets for the fiscal years ended March 31, 2022 and 2023 are as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	1	59,939
Gross purchases	4,711	11,376
Less: consideration received/receivable from associates	0	-
Net purchases	4,711	11,376
Lease payments	51	68
Proceeds from sale of tangible and intangible assets	-	490

TDK Group has sales transactions of tangible and intangible assets with some of its related parties. The total transaction amount for the fiscal year ended March 31, 2023 is ¥8,264 million.

(2) Key management personnel remuneration

TDK Group's key management personnel remuneration is as follows:

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Basic remuneration	391	393
Performance-based bonuses	156	29
Share options	(6)	-
RSU	39	67
PSU	19	57
Total	599	546

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, 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

(Millions of yen)

	Fiscal year ended March 31, 2023						
			Non-cash changes				
	Balance as of April 1, 2022	Changes arising from cash flows	Changes in foreign exchange rates	New leases	Transfers to other accounts	Other	Balance as of March 31, 2023
Short-term borrowings	172,666	65,942	3,725	-	-	-	242,333
Long-term borrowings	259,541	(4,496)	451	-	-	(62)	255,434
Bonds	199,279	-	-	-	-	120	199,399
Lease liabilities	48,327	(10,398)	1,822	15,094	-	147	54,992
Total	679,813	51,048	5,998	15,094	-	205	752,158

Transfers to other accounts include changes due to repayment schedule changes.

(2) Non-cash transactions

For the fiscal years ended March 31, 2022 and 2023, there were no material non-cash activities.

33. Subsequent Events

The Company resolved at the Board of Directors' meeting held on May 19, 2023 to establish a corporate venture capital fund, Fund EX1, L.P., in the United States, for the purpose of creating new energy transformation (EX) related businesses and acquiring new technologies contributing to decarbonization. The Fund EX1, L.P. will be invested by TDK Ventures Inc. (California, United States), which is a consolidated subsidiary of the Company engaging in corporate venture capital activities, and Amperex Technology Limited (Hong Kong, China), which is also a consolidated subsidiary of the Company manufacturing and selling rechargeable batteries.

The maximum of US$ 150 million will be invested in the Fund EX1, L.P. through May 2028 as the final year of the Fund EX1, L.P. operation. The cumulative invested amount into the Fund EX1, L.P. may reach 10% or more of the Company's share capital during the course of investment, in which case the Fund EX1, L.P. becomes a "Specific Company" of the Company.

Name of fund:	Fund EX1, L.P.
Location:	Delaware, United States
General partner:	Top Level GP, LLC
Limited partner:	TDK Ventures Inc. (Investment ratio: 67%), Amperex Technology Limited (Investment ratio: 33%)
Investment amount:	Up to US$ 150 million through May 2028 as the final year of the Fund EX1, L.P. operation
Business:	Investing in startups mainly in the United States and Europe for the purpose of creating new businesses and acquiring new technologies related to decarbonization.
Date of establishment:	May 23, 2023

(2) Other

Quarterly information for the fiscal year ended March 31, 2023

(Period)	Three months ended June 30, 2022	Six months ended September 30, 2022	Nine months ended December 31, 2022	Fiscal year ended March 31, 2023
Net sales (Millions of yen)	510,504	1,121,993	1,708,965	2,180,817
Income before income taxes (Millions of yen)	43,872	119,875	188,102	167,219
Net income attributable to owners of parent (Millions of yen)	31,413	86,951	136,875	114,187
Basic earnings per share (Yen)	82.87	229.39	361.06	301.19

(Period)	Three months ended June 30, 2022	Three months ended September 30, 2022	Three months ended December 31, 2022	Three months ended March 31, 2023
Basic earnings (loss) per share (Yen)	82.87	146.51	131.64	(59.82)

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 on the Financial Statements
and
Internal Control Over Financial Reporting

June 22, 2023

To the Board of Directors of TDK Corporation:

KPMG AZSA LLC
Tokyo Office, Japan

Michitaka Shishido
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Michiaki Yamabe
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Kohei Shingaki
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of TDK Corporation ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group") provided in the "V. Financial Information" section in the company's Annual Securities Report, which comprise the consolidated statement of financial position as at March 31, 2023, and the consolidated statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, in accordance with Article 193-2(1) of the Financial Instruments and Exchange Act of Japan.

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, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter referred to as "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.

<table>
<tr><th colspan="2">Appropriateness of the valuation of a cash-generating unit (including goodwill) comprising the MEMS sensor business</th></tr>
<tr><th>The key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>The Group recognized goodwill of ¥149,516 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, ¥82,414 million of the above amount, representing approximately 2.6% of total assets, was allocated to the MEMS sensor business.

An impairment test is performed for a cash-generating unit (CGU) or a group of CGUs to which goodwill is allocated 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 recoverable amount of a CGU or a group of CGUs to which goodwill is allocated is less than the carrying 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.

Although the MEMS sensor business has not yet had any profitable year since the acquisition of InvenSense, Inc., a core company within the business, the Company did not recognize any impairment loss on the CGU (including goodwill) 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 CGU for the MEMS sensor business, and the fair value was measured using the discounted cash flow method based on unobservable inputs.

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</td><td>The primary procedures we performed to assess whether the Company’s valuation of a CGU (including goodwill) comprising 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 the estimated fair value less costs of disposal of the CGU (including goodwill) comprising 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;

● 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</td></tr>
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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 a cash-generating unit (including goodwill) comprising 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.	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.

Appropriateness of the valuation of a cash-generating unit (including goodwill) comprising the HDD Heads business	
The key audit matter	**How the matter was addressed in our audit**
The Group recognized goodwill of ¥149,516 million and property, plant and equipment of ¥930,288 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, ¥17,958 million of the goodwill and ¥94,368 million of the property, plant and equipment, representing approximately 3.6% of total assets, comprises the HDD Heads business. An impairment test is performed for a cash-generating unit (CGU) or a group of CGUs to which goodwill is allocated 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 recoverable amount of a CGU or a group of CGUs to which goodwill is allocated is less than the carrying 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. Although the sales of HDD Heads business decreased significantly and has not been profitable for the current fiscal year due to the rapid decline in HDD demand for PCs and data centers, the Company did not recognize any impairment loss on the CGU (including goodwill) as a result of the impairment test performed in the current fiscal year.	The primary procedures we performed to assess whether the Company's valuation of a CGU (including goodwill) comprising the HDD Heads 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 the estimated fair value less costs of disposal of the CGU (including goodwill) comprising the HDD Heads business, we: ● inquired of management and the personnel responsible for the business about the basis for the recover of the HDD market and the increase in sales volume to main customers, which supported the sales increase incorporated into the business plan of the HDD Heads business, and then assessed the reasonableness of respective assumptions by comparing them with market reports related to the HDD Heads business; ● assessed the reasonableness of the terminal growth rate for the periods subsequent to the years included in the business plan of the HDD

The Company used the fair value less costs of disposal as the recoverable amount of the CGU for the HDD Heads business, and the fair value was measured using a weighted average of the discounted cash flow method based on unobservable inputs and the comparable multiple valuation method. The estimated future cash flows used in the discounted cash flow method reflected key assumptions adopted by management, including the recover of the HDD market and the increase in sales volume to main customers, which supported the sales increase incorporated into the business plan of the HDD Heads 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 and in applying the comparable multiple valuation method, which were other key assumptions 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 a cash-generating unit (including goodwill) comprising the HDD Heads business was of most significance in our audit of the consolidated financial statements for the current fiscal year, and accordingly, a key audit matter.	Heads 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 HDD Heads business published by external organizations; ● 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; ● assessed the reasonableness of the comparable multiple valuation method, with the assistance of the above valuation specialists, by comparing it to the results independently calculated using external data; and ● analyzed, based on our understanding of the achievement status of the past business plans of the HDD Heads 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, the 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.

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 selection and application of audit procedures depends on the auditor's judgment.
- 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.

Report on the Audit of the Internal Control Report

Opinion

We also have audited the accompanying internal control report of TDK Corporation as at March 31, 2023, in accordance with Article 193-2(2) of the Financial Instruments and Exchange Act of Japan.

In our opinion, the accompanying internal control report, which states that the internal control over financial reporting was effective as at March 31, 2023, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our audit of the Internal Control Report in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Internal Control Report* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the internal control report 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.

Responsibilities of Management and the Audit & Supervisory Board Members and the Audit & Supervisory Board for the Internal Control Report

Management is responsible for the design and operation of internal control over financial reporting and the preparation and fair presentation of the internal control report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing and examining the design and operation of internal control over financial reporting.

Internal control over financial reporting may not completely prevent or detect financial statement misstatements.

Auditor's Responsibilities for the Audit of the Internal Control Report

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control report and to issue an auditor's report that includes our opinion.

As part of our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform procedures to obtain audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. The procedures for the audit of the internal control report are selected and performed, depending on the auditor's judgment, based on significance of effect on the reliability of financial reporting.
- Evaluate the overall presentation of the internal control report, including the appropriateness of the scope, procedures and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence about the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision

and performance of the audit of the internal control report. 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 our audit of the internal control report, the results thereof, material weaknesses in internal control identified during our audit of internal control report, and those that were remediated.

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.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

We 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.

Notes to the Reader of Audit Report:
The Independent Auditor’s Report herein is the English translation of the Independent Auditor’s Report as required by the Financial Instruments and Exchange Act of Japan.

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, 2023, 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.