



Consolidated Financial Statements
for the three-month ended and as of June 30, 2023 (in English)

On August 10, 2023, the Japanese version of this report was filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to Japan's Financial Instruments and Exchange Act.

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

[Cover]

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Company name (English):	TDK CORPORATION
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Financial Conditions

1. Preparation methods of condensed quarterly consolidated financial statements

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

2. Audit certification

The accompanying condensed quarterly consolidated financial statements of TDK as of June 30, 2023 and for the three months ended June 30 (from April 1 to June 30, 2023) have been reviewed by KPMG AZSA LLC as prescribed in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

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

(Millions of yen)

	Note	March 31, 2023	June 30, 2023
Assets			
Current assets			
Cash and cash equivalents		506,185	556,184
Trade receivables		546,381	561,629
Other financial assets	6	52,147	44,793
Inventories		443,001	443,849
Income taxes receivables		4,303	5,687
Other current assets		55,294	75,447
Total current assets		1,607,311	1,687,589
Non-current assets			
Investments accounted for using the equity method		24,706	29,829
Other financial assets	6	153,950	164,217
Property, plant and equipment	5	930,288	966,126
Right-of-use assets		54,683	59,596
Goodwill		149,516	161,746
Intangible assets		61,241	61,422
Long-term advances to suppliers		110,925	110,931
Deferred tax assets		44,189	50,197
Other non-current assets		10,218	10,556
Total non-current assets		1,539,716	1,614,620
Total assets		3,147,027	3,302,209

(Millions of yen)

	Note	March 31, 2023	June 30, 2023
Liabilities			
Current liabilities			
Borrowings	6	248,510	341,865
Lease liabilities		10,298	10,880
Trade payables		351,439	349,248
Other financial liabilities	6	92,673	95,198
Income taxes payables		30,285	31,211
Provisions		13,079	14,220
Other current liabilities		258,027	257,532
Total current liabilities		1,004,311	1,100,154
Non-current liabilities			
Bonds and borrowings	6	448,656	398,249
Lease liabilities		44,694	48,901
Other financial liabilities	6	3,849	6,304
Retirement benefit liabilities		92,313	94,488
Provisions		9,697	9,879
Deferred tax liabilities		70,386	79,612
Other non-current liabilities		10,254	11,543
Total non-current liabilities		679,849	648,976
Total liabilities		1,684,160	1,749,130
Equity			
Equity attributable to owners of parent			
Share capital		32,641	32,641
Capital surplus		45	68
Retained earnings		1,054,738	1,049,406
Other components of equity		387,281	481,497
Treasury shares		(16,259)	(16,225)
Total equity attributable to owners of parent		1,458,446	1,547,387
Non-controlling interests		4,421	5,692
Total equity		1,462,867	1,553,079
Total liabilities and equity		3,147,027	3,302,209

(2) Condensed quarterly consolidated statements of profit or loss and comprehensive income
Three months ended June 30, 2023
Condensed quarterly consolidated statements of profit or loss

(Millions of yen)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	4,8	510,504	503,399
Cost of sales		(358,442)	(376,393)
Gross profit		152,062	127,006
Selling, general and administrative expenses		(109,690)	(105,543)
Other operating income	9	2,324	4,894
Other operating expenses	9	(93)	(55)
Operating profit		44,603	26,302
Finance income		3,029	6,520
Finance costs		(3,946)	(11,706)
Share of profit (loss) of investments accounted for using the equity method		186	(104)
Profit before tax		43,872	21,012
Income tax expense		(12,112)	(5,754)
Net profit for the period		31,760	15,258
Net profit attributable to:			
Owners of parent		31,413	14,725
Non-controlling interests		347	533
Net profit for the period		31,760	15,258

(Yen)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
Earnings per share	10		
Basic earnings per share		82.87	38.82
Diluted earnings per share		82.67	38.76

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
Net profit for the period		31,760	15,258
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		(195)	1,315
Remeasurements of defined benefit plans		4,431	-
Share of other comprehensive income of investments accounted for using the equity method		18	45
Total		4,254	1,360
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		129,645	92,744
Total		129,645	92,744
Total other comprehensive income, net of tax		133,899	94,104
Comprehensive income for the period		165,659	109,362
Comprehensive income attributable to:			
Owners of parent		165,229	108,986
Non-controlling interests		430	376
Comprehensive income for the period		165,659	109,362

(3) Condensed quarterly consolidated statements of changes in equity

(Millions of yen)

Three months ended June 30, 2022	Note	Equity attributable to owners of parent						Non- controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury shares	Total		
Balance as of April 1, 2022		32,641	-	974,767	309,607	(16,698)	1,300,317	3,438	1,303,755
Comprehensive income for the period									
Net profit for the period		-	-	31,413	-	-	31,413	347	31,760
Other comprehensive income, net of tax		-	-	-	133,816	-	133,816	83	133,899
Total comprehensive income for the period		-	-	31,413	133,816	-	165,229	430	165,659
Transactions with owners									
Equity transactions with non- controlling interests		-	-	-	-	-	-	(0)	(0)
Dividends paid	7	-	-	(17,056)	-	-	(17,056)	-	(17,056)
Share-based payment transactions		-	74	-	-	-	74	19	93
Exercise of share options		-	(38)	-	-	38	-	-	-
Total transactions with owners		-	36	(17,056)	-	38	(16,982)	19	(16,963)
Transfer from other components of equity to retained earnings		-	-	4,449	(4,449)	-	-	-	-
Balance as of June 30, 2022		32,641	36	993,573	438,974	(16,660)	1,448,564	3,887	1,452,451

(Millions of yen)

Three months ended June 30, 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, 2023		32,641	45	1,054,738	387,281	(16,259)	1,458,446	4,421	1,462,867
Comprehensive income for the period									
Net profit for the period		-	-	14,725	-	-	14,725	533	15,258
Other comprehensive income, net of tax		-	-	-	94,261	-	94,261	(157)	94,104
Total comprehensive income for the period		-	-	14,725	94,261	-	108,986	376	109,362
Transactions with owners									
Equity transactions with non- controlling interests		-	-	-	-	-	-	867	867
Dividends paid	7	-	-	(20,102)	-	-	(20,102)	-	(20,102)
Purchase of treasury shares		-	-	-	-	(1)	(1)	-	(1)
Share-based payment transactions		-	58	-	-	-	58	28	86
Exercise of share options		-	(35)	-	-	35	0	-	0
Total transactions with owners		-	23	(20,102)	-	34	(20,045)	895	(19,150)
Transfer from other components of equity to retained earnings		-	-	45	(45)	-	-	-	-
Balance as of June 30, 2023		32,641	68	1,049,406	481,497	(16,225)	1,547,387	5,692	1,553,079

(4) Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from operating activities			
Net profit for the period		31,760	15,258
Depreciation and amortization		51,066	47,449
Impairment losses (or reversal of impairment losses)		-	(519)
Finance income		(3,029)	(6,520)
Finance costs		3,946	11,706
Share of profit (loss) of investments accounted for using the equity method		(186)	104
Income tax expense		12,112	5,754
Changes in assets and liabilities:			
Decrease (increase) in trade receivables		(27,377)	11,104
Decrease (increase) in inventories		(64,617)	20,593
Decrease (increase) in long-term advances to suppliers		3,278	3,123
Decrease (increase) in other assets		(19,479)	(16,037)
Increase (decrease) in trade payables		40,933	(13,982)
Increase (decrease) in other liabilities		(19,870)	(18,176)
Increase (decrease) in retirement benefit liabilities		(728)	(4,180)
Net change in other financial assets and liabilities		3,699	17,025
Other		(9,457)	(9,534)
Subtotal		2,051	63,168
Interest and dividends received		2,744	4,834
Interest paid		(2,414)	(2,222)
Income taxes paid		(10,474)	(8,401)
Cash flows from operating activities		(8,093)	57,379

(Millions of yen)

	Note	Three months ended June 30, 2022	Three months ended June 30, 2023
Cash flows from investing activities			
Purchase of tangible and intangible assets		(69,651)	(60,667)
Proceeds from sale of tangible and intangible assets		287	10,728
Proceeds from withdrawal of time deposits		49,262	16,611
Payments into time deposits		(3,820)	(8,890)
Proceeds from sale and redemption of securities		2	10
Payment for purchase of securities		(5,568)	(2,827)
Payment for purchase of investments in associates		-	(4,627)
Other		255	141
Cash flows from investing activities		(29,233)	(49,521)
Cash flows from financing activities			
Proceeds from long-term borrowings		2	-
Repayment of long-term borrowings		(1,612)	(1,587)
Net increase (decrease) in short-term borrowings		10,656	(10,381)
Net increase (decrease) in commercial papers		-	49,998
Repayment of lease liabilities		(2,572)	(2,980)
Dividends paid	7	(16,836)	(19,962)
Other		-	867
Cash flows from financing activities		(10,362)	15,955
Effect of exchange rate changes on cash and cash equivalents		35,994	26,186
Net decrease in cash and cash equivalents		(11,694)	49,999
Cash and cash equivalents at beginning of period		439,339	506,185
Cash and cash equivalents at end of period		427,645	556,184

(5) Notes to the condensed quarterly consolidated financial statements

1. Reporting Entity

TDK Corporation (“TDK”) is a company limited by shares, domiciled in Japan. Its registered office is located in Nihonbashi, Chuo-ku, Tokyo.

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

TDK and its consolidated subsidiaries (collectively, “TDK Group”) has four reportable segments, consisting of Passive Components, Sensor Application Products, Magnetic Application Products and Energy Application Products. Details of the reportable segments are set out in Note 4 Segment Information.

2. Basis of Preparation

(1) Compliance with IAS 34

The condensed quarterly consolidated financial statements of TDK Group satisfy the requirements for Specified Companies Complying with Designated International Accounting Standards defined in Article 1-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements in Japan, and have been prepared in accordance with IAS 34 as prescribed in Article 93 of the Ordinance.

These condensed quarterly consolidated financial statements do not contain all the disclosures required for the annual consolidated financial statements and hence should be read in conjunction with the consolidated financial statements for the fiscal year ended March 31, 2023.

The condensed quarterly consolidated financial statements were approved on August 9, 2023 by Noboru Saito, Representative Director, President & CEO and Tetsuji Yamanishi, CFO, Representative Director & Executive Vice President.

(2) Functional and presentation currencies

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

(3) Significant accounting estimates and judgements

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

The estimates and judgements that have a material impact on the amounts reported in the condensed quarterly consolidated financial statements are the same as those in the consolidated financial statements for the fiscal year ended March 31, 2023.

(4) Changes in presentation method

(Condensed quarterly consolidated statements of cash flows)

Net change in other financial assets and liabilities, which had been included in Other of Cash flows from operating activities for the three months ended June 30, 2022, have been presented separately starting from the three months ended June 30, 2023 due to an increase in the materiality. In order to reflect these changes in presentation method, the consolidated statements of cash flows for the three months ended June 30, 2022 have been reclassified. As a result, (5,758) million yen included in Other of Cash flows from operating activities have been reclassified to Net change in other financial assets and liabilities by 3,699 million yen and (9,457) million yen remain in Other for the three months ended June 30, 2022.

3. Material Accounting Policies

The material accounting policies adopted in the condensed quarterly consolidated financial statements are consistent with those adopted in the financial statements for the fiscal year ended March 31, 2023, except for the newly adopted accounting standards below.

Accounting standard which TDK adopted from April 1, 2023 is as follows.

Accounting standards	Title	Summary
IAS 12	Income taxes	Accounting treatment clarification of deferred tax related to assets and liabilities arising from a single transaction.

The adoption to this standard above did not have a material impact on Condensed Quarterly Consolidated Financial Statements.

The income tax expense for the three months ended June 30, 2023 is calculated based on the estimated annual effective income tax rates.

4. Segment Information

(1) Description of reportable segments

TDK Group's operating segments are components of the group for which discrete financial information is available and whose operating results are regularly reviewed by management to make decisions about resources to be allocated to the segments and to assess their performance.

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

In accordance with the reorganization for the three months ended June 30, 2023, certain products of Other are reclassified into Passive Components segment. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

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

Segment	Principal businesses and products
Passive Components	Ceramic capacitors, aluminum electrolytic capacitors, film capacitors, inductive devices (coils, ferrite cores and transformers), high-frequency devices, piezoelectric material products, circuit protection components
Sensor Application Products	Temperature and pressure sensors, magnetic sensors, MEMS sensors
Magnetic Application Products	HDD heads, HDD suspension assemblies, magnets
Energy Application Products	Energy devices (rechargeable batteries), power supplies
Other	Mechatronics (production equipment), camera module micro actuators for smartphones, etc.

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

(2) Information about reportable segments

The reportable segment information for the three months ended June 30, 2022 and 2023 are as follows:

Three months ended June 30, 2022

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	142,368	39,016	55,130	260,092	13,898	-	510,504
Intersegment	1,549	12	22	0	1,309	(2,892)	-
Total	143,917	39,028	55,152	260,092	15,207	(2,892)	510,504
Segment profit (loss)	24,484	2,781	(717)	27,348	478	(9,771)	44,603

Three months ended June 30, 2023

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	140,739	38,787	38,217	274,933	10,723	-	503,399
Intersegment	2,001	430	32	0	1,477	(3,940)	-
Total	142,740	39,217	38,249	274,933	12,200	(3,940)	503,399
Segment profit (loss)	14,126	647	(9,653)	32,187	(1,184)	(9,821)	26,302

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

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

5. Property, Plant and Equipment

The increases in carrying amounts of "property, plant and equipment" due to acquisition in the three months ended on June 30, 2022 and 2023 are 62,379 million yen and 46,276 million yen, respectively.

6. Fair Value Measurement of Financial Instruments

Financial instruments measured at fair value on a recurring basis subsequent to initial recognition are classified into three levels of a fair value hierarchy based on the observability and significance of inputs used in the measurement.

In this categorization, the fair value hierarchy is defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that TDK Group has the ability to access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are available from the market for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

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

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

	(Millions of yen)			
	March 31, 2023		June 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	199,399	196,447	199,429	196,968
Long-term borrowings (including current portion)	255,434	250,946	255,182	251,181

Financial instruments measured at fair value or for which the carrying amount is a reasonable approximation of fair value are not included in the table above.

The fair value of TDK Group's bonds and long-term borrowings (including current portion) above is estimated based on the amount of their respective future cash flows discounted by the borrowing rate applied to TDK Group for similar borrowings with comparable maturity as at the closing date or based on the quoted market prices for the same or similar bonds. These financial instruments are classified as Level 2.

(2) Categorization by level of fair value hierarchy

Categorization of financial instruments measured at fair value on a recurring basis by level of fair value hierarchy is as follows:

	(Millions of yen)			
	March 31, 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 papers	-	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

(Millions of yen)

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	5,815	-	5,815
Currency option contracts	-	12	-	12
Commercial papers	-	36	-	36
SAFE investments	-	-	1,313	1,313
Convertible bonds	-	-	580	580
Shares	7,705	-	132,309	140,014
Mutual funds	1,560	-	-	1,560
Rabbi trust investments	9,537	-	-	9,537
Others	-	-	4,936	4,936
Total	18,802	5,863	139,138	163,803
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	5,608	-	5,608
Currency option contracts	-	10,860	-	10,860
Total	-	16,468	-	16,468

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. As of March 31, 2023 and June 30, 2023, the weighted average of EBITDA are both 7.4 times. If EBITDA increase, fair values of shares increase. Changes in fair value resulting from changing unobservable inputs to reflect reasonably possible alternative assumptions are not material.

Transfers between levels of the fair value hierarchy are recognized as if they occurred at the end of each reporting period. There are no transfers between Level 1 and Level 2 during the three months ended June 30, 2022 and 2023.

(3) Fair value measurement of financial instruments classified as Level 3

I. Valuation process

Fair values of financial instruments are calculated by TDK Group's Finance and Accounting staff members using valuation techniques and inputs that most appropriately reflect the nature, characteristics and risks of the financial instruments in accordance with the Group's internal rules. In addition, external experts are used in the fair value measurement of financial instruments when the amount of financial instruments is significant and the measurement requires a high degree of knowledge and expertise. In order to verify results of each period-end fair value measurement of financial instruments including results of measurement by external experts, a result of the fair value fluctuation analysis is reviewed and approved by Finance and Accounting managers.

II. Reconciliation of financial instruments classified as Level 3

A reconciliation of financial instruments classified as Level 3 at the beginning and end of the period is as follows:

Financial assets	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Opening balance	104,581	129,502
Gains or losses		
Profit or loss	286	294
Other comprehensive income	(63)	1,537
Acquisition	5,516	2,795
Transfers from Level 3	-	(2,542)
Other	11,618	7,552
Ending balance	121,938	139,138

Transfers from Level 3 recognized during the three months ended June 30, 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 condensed quarterly consolidated statements of comprehensive income.

7. Dividends

Dividends paid are as follows:

Three months ended June 30, 2022

Resolution	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 24, 2022	Common shares	17,056	45	March 31, 2022	June 27, 2022

Three months ended June 30, 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 22, 2023	Common shares	20,102	53	March 31, 2023	June 23, 2023

8. Revenue

TDK Group disaggregates revenue by industry segment, product and geographic segment based on contracts with customers.

The following table presents disaggregation of revenue.

In accordance with the reorganization for the three months ended June 30, 2023, certain products of Other are reclassified into Capacitors. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

(Millions of yen)

	Three months ended June 30, 2022					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	6,670	10,899	12,490	18,131	10,134	58,324
Inductive devices	5,883	5,489	12,662	18,192	7,109	49,335
Other passive components	3,364	3,877	9,074	12,212	6,182	34,709
Passive Components	15,917	20,265	34,226	48,535	23,425	142,368
Sensor Application Products	4,576	3,249	6,379	20,062	4,750	39,016
Magnetic Application Products	7,482	337	1,887	9,628	35,796	55,130
Energy Application Products	8,619	18,396	8,639	184,288	40,150	260,092
Other	3,869	2,854	956	3,920	2,299	13,898
Net sales total	40,463	45,101	52,087	266,433	106,420	510,504
	Three months ended June 30, 2023					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	6,584	11,877	14,964	18,426	10,669	62,520
Inductive devices	6,434	4,666	13,074	16,324	6,250	46,748
Other passive components	3,076	2,498	9,890	10,485	5,522	31,471
Passive Components	16,094	19,041	37,928	45,235	22,441	140,739
Sensor Application Products	5,402	4,003	7,489	17,263	4,630	38,787
Magnetic Application Products	8,884	226	1,323	7,881	19,903	38,217
Energy Application Products	11,282	15,753	7,111	195,221	45,566	274,933
Other	4,177	932	555	3,889	1,170	10,723
Net sales total	45,839	39,955	54,406	269,489	93,710	503,399

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

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

Major countries in each geographical area are as follows:

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

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

Transaction price that TDK Group receives in exchange for products transferred may include variable considerations such as sales discounts, customer rewards and sales rebates. Variable consideration is included in the transaction price when uncertainty over the variable consideration is resolved to the extent that a significant reversal in the amount of revenue is not expected. Variable consideration is estimated based on past trend or other elements known as of the transaction date and is updated based on the information available at each reporting date.

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

9. Other Operating Income and Other Operating Expenses

Other operating income and other operating expenses comprise the following:

	(Millions of yen)	
	Three months ended June 30, 2022	Three months ended June 30, 2023
Other operating income		
Government grants	814	2,406
Compensation income	85	235
Proceeds from sale of tangible and intangible assets	282	1,015
Other	1,143	1,238
Other operating income	<u>2,324</u>	<u>4,894</u>
Other operating expenses		
Loss on sale of tangible and intangible assets	93	55
Other operating expense	<u>93</u>	<u>55</u>

10. Earnings per Share

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

	(Millions of yen)			
	Three months ended June 30, 2022		Three months ended June 30, 2023	
	Basic	Diluted	Basic	Diluted
Net profit for the period attributable to owners of parent	31,413	31,402	14,725	14,725
				Number of shares (thousands)
Weighted average number of common shares issued	379,041	379,041	379,295	379,295
Incremental shares arising from exercise of share options	-	789	-	534
Incremental shares arising from delivery under restricted stock unit plan	-	28	-	61
Incremental shares arising from delivery under performance share unit plan	-	5	-	10
Weighted average number of common shares issued - Total	<u>379,041</u>	<u>379,863</u>	<u>379,295</u>	<u>379,900</u>
				(Yen)
Earnings per share	82.87	82.67	38.82	38.76

The decline of net profit for the period attributable to owners of parent for the three months ended June 30, 2022 was caused by a diluted effect of share options issued by a subsidiary.

For the three months ended June 30, 2023, certain restricted stock units issued by TDK Corporation and all of stock options issued by subsidiaries of TDK were excluded from the calculation of diluted earnings per share as the effect would have been antidilutive.

Certain performance share units that vest upon the achievement of certain performance conditions are excluded from the calculation of diluted earnings per share for the three months ended June 30, 2022 and 2023, as the achievement of the conditions is not probable.

11. Subsequent Events

TDK plans to raise long-term funds with a total amount of up to 100 billion yen from August, 2023. TDK plans to raise the funds with green bonds (Tenor:Five years (scheduled), Issuance Amount:Up to 20 billion yen (scheduled), the "Issuance") and sustainability-linked loans (Loan Term:Six years, Loan Amount:80 billion yen by Syndicated Loan, the "SLL"), and submitted a revised corporate bond shelf registration statement to the Director-General of the Kanto Local Finance Bureau for the Issuance on July 31, 2023. In addition, TDK concluded the SLL contract on August 7, 2023.