



Consolidated Financial Statements
for the six-months ended and as of September 30, 2023 (in English)

On November 13, 2023, the Japanese version of this report was filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to Japan's Financial Instruments and Exchange Act.

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

[Cover]

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Company name (English):	TDK CORPORATION
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Financial Conditions

1. Preparation methods of condensed quarterly consolidated financial statements

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

2. Audit certification

The accompanying condensed quarterly consolidated financial statements of TDK as of September 30, 2023 and for the six months ended September 30 (from April 1 to September 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	September 30, 2023
Assets			
Current assets			
Cash and cash equivalents		506,185	642,396
Trade receivables		546,381	589,166
Other financial assets	6	52,147	41,120
Inventories		443,001	436,008
Income taxes receivables		4,303	4,649
Other current assets		55,294	72,342
Total current assets		1,607,311	1,785,681
Non-current assets			
Investments accounted for using the equity method		24,706	30,500
Other financial assets	6	153,950	171,770
Property, plant and equipment	5	930,288	970,461
Right-of-use assets		54,683	61,379
Goodwill		149,516	165,832
Intangible assets		61,241	60,217
Long-term advances to suppliers		110,925	110,020
Deferred tax assets		44,189	51,250
Other non-current assets		10,218	10,478
Total non-current assets		1,539,716	1,631,907
Total assets		3,147,027	3,417,588

(Millions of yen)

	Note	March 31, 2023	September 30, 2023
Liabilities			
Current liabilities			
Borrowings	6	248,510	214,862
Lease liabilities		10,298	11,303
Trade payables		351,439	383,240
Other financial liabilities	6	92,673	83,840
Income taxes payables		30,285	39,566
Provisions		13,079	13,508
Other current liabilities		258,027	277,930
Total current liabilities		1,004,311	1,024,249
Non-current liabilities			
Bonds and borrowings	6	448,656	497,519
Lease liabilities		44,694	50,184
Other financial liabilities	6	3,849	6,132
Retirement benefit liabilities		92,313	93,763
Provisions		9,697	9,837
Deferred tax liabilities		70,386	86,725
Other non-current liabilities		10,254	11,285
Total non-current liabilities		679,849	755,445
Total liabilities		1,684,160	1,779,694
Equity			
Equity attributable to owners of parent			
Share capital		32,641	32,641
Capital surplus		45	-
Retained earnings		1,054,738	1,089,032
Other components of equity		387,281	525,626
Treasury shares		(16,259)	(16,176)
Total equity attributable to owners of parent		1,458,446	1,631,123
Non-controlling interests		4,421	6,771
Total equity		1,462,867	1,637,894
Total liabilities and equity		3,147,027	3,417,588

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

(Millions of yen)

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	4,8	1,121,993	1,059,711
Cost of sales		(781,750)	(765,756)
Gross profit		340,243	293,955
Selling, general and administrative expenses		(226,730)	(217,778)
Other operating income	9	6,935	9,427
Other operating expenses	9	(139)	(56)
Operating profit		120,309	85,548
Finance income		6,809	14,393
Finance costs		(7,124)	(19,605)
Share of profit (loss) of investments accounted for using the equity method		(119)	(94)
Profit before tax		119,875	80,242
Income tax expense		(32,320)	(24,841)
Net profit for the period		87,555	55,401
Net profit attributable to:			
Owners of parent		86,951	54,188
Non-controlling interests		604	1,213
Net profit for the period		87,555	55,401

(Yen)

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Earnings per share	10		
Basic earnings per share		229.39	142.86
Diluted earnings per share		228.92	142.64

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Net profit for the period		87,555	55,401
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		1,628	(123)
Remeasurements of defined benefit plans		8,115	156
Share of other comprehensive income of investments accounted for using the equity method		25	43
Total		9,768	76
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		167,422	138,487
Total		167,422	138,487
Total other comprehensive income, net of tax		177,190	138,563
Comprehensive income for the period		264,745	193,964
Comprehensive income attributable to:			
Owners of parent		264,101	192,743
Non-controlling interests		644	1,221
Comprehensive income for the period		264,745	193,964

Three months ended September 30, 2023
Condensed quarterly consolidated statements of profit or loss

(Millions of yen)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2023
Net sales	4,8	611,489	556,312
Cost of sales		(423,308)	(389,363)
Gross profit		188,181	166,949
Selling, general and administrative expenses		(117,040)	(112,235)
Other operating income	9	4,611	4,533
Other operating expenses	9	(46)	(1)
Operating profit		75,706	59,246
Finance income		3,846	7,873
Finance costs		(3,244)	(7,899)
Share of profit (loss) of investments accounted for using the equity method		(305)	10
Profit before tax		76,003	59,230
Income tax expense		(20,208)	(19,087)
Net profit for the period		55,795	40,143
Net profit attributable to:			
Owners of parent		55,538	39,463
Non-controlling interests		257	680
Net profit for the period		55,795	40,143

(Yen)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2023
Earnings per share	10		
Basic earnings per share		146.51	104.04
Diluted earnings per share		146.23	103.88

Condensed quarterly consolidated statements of comprehensive income

(Millions of yen)

	Note	Three months ended September 30, 2022	Three months ended September 30, 2023
Net profit for the period		55,795	40,143
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		1,823	(1,438)
Remeasurements of defined benefit plans		3,684	156
Share of other comprehensive income of investments accounted for using the equity method		7	(2)
Total		5,514	(1,284)
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		37,777	45,743
Total		37,777	45,743
Total other comprehensive income, net of tax		43,291	44,459
Comprehensive income for the period		99,086	84,602
Comprehensive income attributable to:			
Owners of parent		98,872	83,757
Non-controlling interests		214	845
Comprehensive income for the period		99,086	84,602

(3) Condensed quarterly consolidated statements of changes in equity

(Millions of yen)

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

(Millions of yen)

Six months ended September 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		-	-	54,188	-	-	54,188	1,213	55,401
Other comprehensive income, net of tax		-	-	-	138,555	-	138,555	8	138,563
Total comprehensive income for the period		-	-	54,188	138,555	-	192,743	1,221	193,964
Transactions with owners									
Equity transactions with non-controlling interests		-	(41)	-	-	-	(41)	1,168	1,127
Dividends paid	7	-	-	(20,102)	-	-	(20,102)	(96)	(20,198)
Transfer from retained earnings to capital surplus		-	2	(2)	-	-	-	-	-
Purchase of treasury shares		-	-	-	-	(1)	(1)	-	(1)
Disposal of treasury shares		-	-	-	-	1	1	-	1
Share-based payment transactions		-	77	-	-	-	77	57	134
Exercise of share acquisition rights		-	(39)	-	-	39	0	-	0
Delivery of share under restricted stock unit		-	(44)	-	-	44	-	-	-
Total transactions with owners		-	(45)	(20,104)	-	83	(20,066)	1,129	(18,937)
Transfer from other components of equity to retained earnings		-	-	210	(210)	-	-	-	-
Balance as of September 30, 2023		32,641	-	1,089,032	525,626	(16,176)	1,631,123	6,771	1,637,894

(4) Condensed quarterly consolidated statements of cash flows

(Millions of yen)

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities			
Net profit for the period		87,555	55,401
Depreciation and amortization		103,162	94,610
Impairment losses (or reversal of impairment losses)		509	(510)
Finance income		(6,809)	(14,393)
Finance costs		7,124	19,605
Share of profit of investments accounted for using equity method		119	94
Income tax expense		32,320	24,841
Changes in assets and liabilities:			
Decrease (increase) in trade receivables		(42,773)	(3,239)
Decrease (increase) in inventories		(43,090)	36,679
Decrease (increase) in long-term advances to suppliers		6,510	6,514
Decrease (increase) in other current assets		(4,657)	(17,382)
Increase (decrease) in trade payables		(33,420)	16,950
Increase (decrease) in other current liabilities		(8,695)	(6,222)
Increase (decrease) in retirement benefit liabilities		(1,535)	(4,997)
Net change in other financial assets and liabilities		(8,735)	24,758
Other		(15,836)	(21,310)
Subtotal		71,749	211,399
Interest and dividends received		5,190	10,622
Interest paid		(4,495)	(4,442)
Income taxes paid		(17,183)	(13,001)
Cash flows from operating activities		55,261	204,578

(Millions of yen)

	Note	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from investing activities			
Purchase of tangible and intangible assets		(154,156)	(114,445)
Proceeds from sale of tangible and intangible assets		15,584	18,041
Proceeds from withdrawal of time deposits		54,776	25,455
Payments into time deposits		(15,720)	(18,292)
Proceeds from sale and redemption of securities		6	1,266
Payment for purchase of securities		(7,206)	(6,012)
Purchase of investments in associates		(4,361)	(4,627)
Other		(1,043)	70
Cash flows from investing activities		(112,120)	(98,544)
Cash flows from financing activities			
Proceeds from long-term borrowings		4	80,017
Repayment of long-term borrowings		(1,684)	(3,175)
Net increase (decrease) in short-term borrowings		52,106	(89,288)
Proceeds from issuance of bonds		-	20,000
Net increase (decrease) in commercial papers		-	(5)
Repayment of lease liabilities		(5,146)	(5,944)
Dividends paid	7	(17,046)	(20,096)
Other		(28)	944
Cash flows from financing activities		28,206	(17,547)
Effect of exchange rate changes on cash and cash equivalents		47,071	47,724
Net increase in cash and cash equivalents		18,418	136,211
Cash and cash equivalents at beginning of period		439,339	506,185
Cash and cash equivalents at end of period		457,757	642,396

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 November 10, 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.

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 six months ended September 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 six months ended September 30, 2022 and 2023 are as follows:

Six months ended September 30, 2022

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	295,896	84,929	109,812	602,422	28,934	-	1,121,993
Intersegment	3,790	26	58	0	2,616	(6,490)	-
Total	299,686	84,955	109,870	602,422	31,550	(6,490)	1,121,993
Segment profit (loss)	53,874	7,138	(2,505)	80,873	490	(19,561)	120,309

Six months ended September 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	286,170	86,053	83,054	578,923	25,511	-	1,059,711
Intersegment	3,785	680	32	8	3,317	(7,822)	-
Total	289,955	86,733	83,086	578,931	28,828	(7,822)	1,059,711
Segment profit (loss)	31,665	5,025	(19,034)	89,670	(521)	(21,257)	85,548

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

Three months ended September 30, 2022

(Millions of yen)

	Reportable segment				Other	Adjustments	Consolidated
	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products			
Net sales							
External customers	153,528	45,913	54,682	342,330	15,036	-	611,489
Intersegment	2,241	14	36	0	1,307	(3,598)	-
Total	155,769	45,927	54,718	342,330	16,343	(3,598)	611,489
Segment profit (loss)	29,390	4,357	(1,788)	53,525	12	(9,790)	75,706

Three months ended September 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	145,431	47,266	44,837	303,990	14,788	-	556,312
Intersegment	1,784	250	0	8	1,840	(3,882)	-
Total	147,215	47,516	44,837	303,998	16,628	(3,882)	556,312
Segment profit (loss)	17,539	4,378	(9,381)	57,483	663	(11,436)	59,246

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

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

5. Property, Plant and Equipment

The increases in carrying amounts of "property, plant and equipment" due to acquisition in the six months ended on September 30, 2022 and 2023 are 136,640 million yen and 84,643 million yen, respectively. The decrease in their carrying amounts due to sale or disposal in the six months ended on September 30, 2022 and 2023 are 319 million yen and 15,898 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		September 30, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Bonds	199,399	196,447	219,370	214,897
Long-term borrowings (including current portion)	255,434	250,946	334,628	330,462

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)

September 30, 2023				
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	1,002	-	1,002
non-deliverable forward contracts	-	4	-	4
Currency option contracts	-	6	-	6
Commercial papers	-	35	-	35
SAFE investments	-	-	1,715	1,715
Convertible bonds	-	-	224	224
Bonds				
Shares	7,391	-	139,544	146,935
Mutual funds	1,634	-	-	1,634
Rabbi trust investments	9,427	-	-	9,427
Others	-	-	3,337	3,337
Total	18,452	1,047	144,820	164,319
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	5,168	-	5,168
Currency option contracts	-	12,932	-	12,932
Total	-	18,100	-	18,100

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 September 30, 2023, the weighted average of EBITDA are both 5.3 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 six months ended September 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)	
	Six months ended September 30, 2022	Six months ended September 30, 2023
Opening balance	104,581	129,502
Gains or losses		
Profit or loss	506	1,880
Other comprehensive income	1,893	169
Acquisition	7,025	5,852
Sales	-	(1,214)
Transfers from Level 3	-	(2,700)
Other	17,722	11,331
Ending balance	131,727	144,820

Transfers from Level 3 recognized during the six months ended September 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:

Six months ended September 30, 2022

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

Six months ended September 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

Dividends for which the effective date is after September 30, 2022 and 2023, which record date belongs to the six months ended September 30, 2022 and 2023, are as follows:

Six months ended September 30, 2022

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

Six months ended September 30, 2023

Resolution	Share class	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Board of Directors Meeting on November 1, 2023	Common shares	22,001	58	September 30, 2023	December 4, 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 first quarter 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)

		Six months ended September 30, 2022					
		Japan	Americas	Europe	China	Asia and others	Total
Capacitors		13,226	22,478	25,986	39,168	21,177	122,035
Inductive devices		12,099	10,735	25,140	39,683	14,474	102,131
Other passive components		6,787	8,985	18,870	24,206	12,882	71,730
Passive Components		32,112	42,198	69,996	103,057	48,533	295,896
Sensor Application Products		9,489	6,835	13,156	44,184	11,265	84,929
Magnetic Application Products		15,841	646	3,191	18,261	71,873	109,812
Energy Application Products		18,405	33,556	16,206	444,461	89,794	602,422
Other		8,733	5,320	1,753	8,641	4,487	28,934
Net sales total		84,580	88,555	104,302	618,604	225,952	1,121,993
		Six months ended September 30, 2023					
		Japan	Americas	Europe	China	Asia and others	Total
Capacitors		12,995	23,064	30,004	37,540	21,544	125,147
Inductive devices		12,688	9,237	25,472	36,721	11,904	96,022
Other passive components		6,043	5,960	18,961	21,872	12,165	65,001
Passive Components		31,726	38,261	74,437	96,133	45,613	286,170
Sensor Application Products		10,487	7,578	14,519	41,382	12,087	86,053
Magnetic Application Products		17,356	395	2,216	17,142	45,945	83,054
Energy Application Products		23,429	30,716	13,930	405,133	105,715	578,923
Other		7,732	1,690	1,123	12,405	2,561	25,511
Net sales total		90,730	78,640	106,225	572,195	211,921	1,059,711

(Millions of yen)

	Three months ended September 30, 2022					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	6,556	11,579	13,496	21,037	11,043	63,711
Inductive devices	6,216	5,246	12,478	21,491	7,365	52,796
Other passive components	3,423	5,108	9,796	11,994	6,700	37,021
Passive Components	16,195	21,933	35,770	54,522	25,108	153,528
Sensor Application Products	4,913	3,586	6,777	24,122	6,515	45,913
Magnetic Application Products	8,359	309	1,304	8,633	36,077	54,682
Energy Application Products	9,786	15,160	7,567	260,173	49,644	342,330
Other	4,864	2,466	797	4,721	2,188	15,036
Net sales total	44,117	43,454	52,215	352,171	119,532	611,489
	Three months ended September 30, 2023					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	6,411	11,187	15,040	19,114	10,875	62,627
Inductive devices	6,254	4,571	12,398	20,397	5,654	49,274
Other passive components	2,967	3,462	9,071	11,387	6,643	33,530
Passive Components	15,632	19,220	36,509	50,898	23,172	145,431
Sensor Application Products	5,085	3,575	7,030	24,119	7,457	47,266
Magnetic Application Products	8,472	169	893	9,261	26,042	44,837
Energy Application Products	12,147	14,963	6,819	209,912	60,149	303,990
Other	3,555	758	568	8,516	1,391	14,788
Net sales total	44,891	38,685	51,819	302,706	118,211	556,312

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, Korea and Philippines

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

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

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

9. Other Operating Income and Other Operating Expenses

Other operating income and other operating expenses comprise the following:

	(Millions of yen)	
	Six-months ended September 30, 2022	Six-months ended September 30, 2023
Other operating income		
Government grants	2,775	3,981
Compensation income	306	1,110
Proceeds from sale of tangible and intangible assets	644	1,657
Other	3,210	2,679
Other operating income	6,935	9,427
Other operating expenses		
Loss on sale of tangible and intangible assets	139	56
Other operating expense	139	56

	(Millions of yen)	
	Three months ended September 30, 2022	Three months ended September 30, 2023
Other operating income		
Government grants	1,961	1,575
Compensation income	221	875
Proceeds from sale of tangible and intangible assets	362	642
Other	2,067	1,441
Other operating income	4,611	4,533
Other operating expenses		
Loss on sale of tangible and intangible assets	46	1
Other operating expense	46	1

10. Earnings per Share

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

	(Millions of yen)			
	Six months ended September 30, 2022		Six months ended September 30, 2023	
	Basic	Diluted	Basic	Diluted
Net profit for the period attributable to owners of parent	86,951	86,951	54,188	54,188
	Number of shares (thousands)			
Weighted average number of common shares issued	379,059	379,059	379,303	379,303
Incremental shares arising from exercise of share options	-	731	-	531
Incremental shares arising from delivery under restricted share unit plan	-	32	-	58
Incremental shares arising from delivery under performance share unit plan	-	6	-	11
Weighted average number of common shares issued - Total	379,059	379,828	379,303	379,903
	(Yen)			
Earnings per share	229.39	228.92	142.86	142.64

	(Millions of yen)			
	Three months ended September 30, 2022		Three months ended September 30, 2023	
	Basic	Diluted	Basic	Diluted
Net profit for the period attributable to owners of parent	55,538	55,538	39,463	39,463
	Number of shares (thousands)			
Weighted average number of common shares issued	379,076	379,076	379,312	379,312
Incremental shares arising from exercise of share options	-	674	-	528
Incremental shares arising from delivery under restricted share unit plan	-	36	-	53
Incremental shares arising from delivery under performance share unit plan	-	7	-	11
Weighted average number of common shares issued - Total	379,076	379,793	379,312	379,904
	(Yen)			
Earnings per share	146.51	146.23	104.04	103.88

For the six months and the three months ended September 30, 2022 and 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 six months and the three months ended September 30, 2022 and 2023, as the achievement of the conditions is not probable.

11. Subsequent Events

There are no subsequent events to report.