



Consolidated Financial Statements
for the nine-month ended and as of December 31, 2020 (in English)

On February 12, 2021, 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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1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	March 31, 2020	December 31, 2020
Current assets:		
Cash and cash equivalents	¥ 332,717	¥ 383,255
Short-term investments	32,494	53,472
Marketable securities (Note 2 and 7)	56	53
Net trade receivables	310,142	395,306
Inventories (Note 3)	236,453	256,144
Other current assets (Note 6)	54,620	52,799
Total current assets	966,482	1,141,029
Investments in affiliates (Note 2)	14,888	12,568
Other investments in securities (Note 2 and 7)	18,341	21,002
Net property, plant and equipment (Note 9)	611,150	711,326
Right-of-use assets of operating leases	39,215	39,829
Goodwill (Note 10)	160,945	155,662
Intangible assets (Note 10)	79,748	72,791
Other assets (Note 7)	52,610	54,162
Total assets	¥ 1,943,379	¥ 2,208,369

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
LIABILITIES AND EQUITY	March 31, 2020	December 31, 2020
Current liabilities:		
Short-term debt	¥ 216,601	¥ 211,918
Current installments of long-term debt (Note 7 and 9)	68,028	134,954
Current portion of operating lease obligations	7,252	7,867
Trade payables	201,825	270,627
Accrued expenses	201,591	251,419
Other current liabilities (Note 6)	23,608	27,738
Total current liabilities	718,905	¥ 904,523
Long-term debt, excluding current installments (Note 7 and 9)	140,061	155,267
Long-term operating lease obligations, excluding current installments	28,824	28,724
Retirement and severance benefits	142,958	138,978
Other noncurrent liabilities	64,067	77,574
Total noncurrent liabilities	375,910	400,543
Total liabilities	1,094,815	1,305,066
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares; issued 129,590,659 shares at March 31, 2020 and December 31, 2020 outstanding 126,319,133 shares at March 31, 2020 and 126,322,999 shares at December 31, 2020	32,641	32,641
Additional paid-in capital	1,783	-
Legal reserve	45,254	46,376
Retained earnings	971,140	1,017,746
Accumulated other comprehensive income (loss) (Note 11 and 12)	(190,055)	(179,601)
Treasury stock at cost; 3,271,526 shares at March 31, 2020 and 3,267,660 shares at December 31, 2020	(16,806)	(16,789)
Total TDK stockholders' equity	843,957	900,373
Noncontrolling interests (Note 11 and 12)	4,607	2,930
Total equity	848,564	903,303
Total liabilities and equity	¥ 1,943,379	¥ 2,208,369

**2) Consolidated statements of income
and Consolidated statements of comprehensive income (Unaudited)**

For the Nine-month ended December 30, 2019 and 2020

Consolidated statements of income

	Yen (Millions)	
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Net sales (Note 15)	¥ 1,062,663	¥ 1,086,797
Cost of sales (Note 4 and 6)	736,835	754,115
Gross profit	325,828	332,682
Selling, general and administrative expenses (Note 4)	218,885	227,468
Other operating expense (income) (Note 16)	(2,297)	(2,270)
Operating income	109,240	107,484
Other income (deductions):		
Interest and dividend income	7,361	6,698
Interest expense	(2,679)	(2,512)
Foreign exchange gain (loss) (Note 6)	(2,315)	(1,818)
Other - net (Note 4 and 6)	(1,783)	(494)
Total other income (deductions)	584	1,874
Income before income taxes	109,824	109,358
Income taxes	35,310	36,135
Net income	74,514	73,223
Less: Net income attributable to noncontrolling interests	102	147
Net income attributable to TDK	¥ 74,412	¥ 73,076

Amounts per share:

	Yen	
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Net income attributable to TDK per share (Note 13):		
Basic	¥ 589.16	¥ 578.49
Diluted	587.81	577.30
Cash dividends paid during the period	¥ 170.00	¥ 180.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Net income	¥ 74,514	¥ 73,223
Other comprehensive income (loss), net of taxes		
Foreign currencies translation adjustments	(23,205)	5,465
Pension liability adjustments	3,309	4,978
Net unrealized gains (losses) on securities	(9)	112
Total other comprehensive income (loss) (Note 12):	(19,905)	10,555
Comprehensive income (Note 11)	54,609	83,778
Comprehensive income (loss) attributable to noncontrolling interests	(72)	181
Comprehensive income attributable to TDK	¥ 54,681	¥ 83,597

See accompanying notes to consolidated financial statements.

For the Three-month ended December 31, 2019 and 2020
Consolidated statements of income

	Yen (Millions)	
	Three-month ended December 31, 2019	Three-month ended December 31, 2020
Net sales (Note 15)	¥ 355,634	¥ 395,686
Cost of sales (Note 4 and 6)	241,947	271,388
Gross profit	113,687	124,298
Selling, general and administrative expenses (Note 4)	74,244	81,634
Other operating expense (income) (Note 16)	(954)	(2,414)
Operating income	40,397	45,078
Other income (deductions):		
Interest and dividend income	2,626	2,189
Interest expense	(681)	(896)
Foreign exchange gain (loss) (Note 6)	(1,612)	(278)
Other - net (Note 4 and 6)	446	102
Total other income (deductions)	779	1,117
Income before income taxes	41,176	46,195
Income taxes	11,700	15,330
Net income	29,476	30,865
Less: Net income attributable to noncontrolling interests	2	14
Net income attributable to TDK	¥ 29,474	¥ 30,851

Amounts per share:

	Yen	
	Three-month ended December 31, 2019	Three-month ended December 31, 2020
Net income attributable to TDK per share (Note 13):		
Basic	¥ 233.35	¥ 244.22
Diluted	232.84	243.72
Cash dividends paid during the period	¥ 90.00	¥ 90.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three-month ended December 31, 2019	Three-month ended December 31, 2020
Net income	¥ 29,476	¥ 30,865
Other comprehensive income (loss), net of taxes		
Foreign currencies translation adjustments	31,134	6,638
Pension liability adjustments	1,228	1,610
Net unrealized gains (losses) on securities	27	53
Total other comprehensive income (loss) (Note 12):	32,389	8,301
Comprehensive income (Note 11)	61,865	39,166
Comprehensive income attributable to noncontrolling interests	96	53
Comprehensive income attributable to TDK	¥ 61,769	¥ 39,113

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

Yen (Millions)

	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Cash flows from operating activities:		
Net income	¥ 74,514	¥ 73,223
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	91,368	100,960
Gain on sale of business	(2,661)	(2,433)
Loss (gain) on securities, net	(445)	(2,035)
Deferred income taxes	8,530	11,463
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(62,385)	(84,983)
Decrease (increase) in inventories	(23,814)	(18,710)
Increase (decrease) in trade payables	48,907	62,907
Increase (decrease) in accrued expenses	8,564	13,850
Decrease (increase) in other assets and liabilities, net	195	664
Other - net	6,748	7,967
Net cash provided by operating activities	<u>149,521</u>	<u>162,873</u>
Cash flows from investing activities:		
Capital expenditures	(129,874)	(154,433)
Proceeds from sales of tangible and intangible assets	2,330	2,040
Proceeds from sale and maturity of short-term investments	61,682	70,624
Payment for purchase of short-term investments	(46,157)	(91,789)
Proceeds from sale and maturity of securities	1,185	766
Payment for purchase of securities	(1,412)	(1,779)
Proceeds from sale of business, net of cash transferred	-	7,017
Proceeds from sale of investments in affiliates	124,484	2,502
Other - net	(809)	165
Net cash provided (used) in investing activities	<u>11,429</u>	<u>(164,887)</u>
Cash flows from financing activities:		
Proceeds from debt with maturities longer than three months	11,434	164,510
Repayment of debt with maturities longer than three months	(85,320)	(79,361)
Net increase (decrease) in debt with maturities of three months or less	10,970	(5,493)
Dividends paid	(21,448)	(22,714)
Acquisition of noncontrolling interests	(4,991)	(5,955)
Other - net	(15)	(782)
Net cash provided (used) by financing activities	<u>(89,370)</u>	<u>50,205</u>
Effect of exchange rate changes on cash and cash equivalents	(7,305)	2,347
Net increase in cash and cash equivalents	<u>64,275</u>	<u>50,538</u>
Cash and cash equivalents at beginning of period	289,175	332,717
Cash and cash equivalents at end of period	<u>¥ 353,450</u>	<u>¥ 383,255</u>

See accompanying notes to consolidated financial statements.

4) Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

TDK Corporation and most of its domestic subsidiaries maintain their books of account in conformity with the generally accepted accounting principles in Japan, and its foreign subsidiaries' books of accounts are mainly in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein reflect certain adjustments, not recorded in the primary books of TDK Corporation and its subsidiaries, to present the financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles ("U.S. GAAP").

(b) Consolidation Policy

The consolidated financial statements include the accounts of TDK Corporation, its subsidiaries and those variable interest entities where TDK is the primary beneficiary under U.S. GAAP. All significant intercompany balances and transactions have been eliminated in consolidation.

The investments in affiliates where TDK exercises significant influence over their operating and financial policies are accounted for using the equity method of accounting. All significant intercompany profits from transactions with these affiliates have been eliminated.

(c) Use of Estimates

Accounting assumptions in making estimates relating to the impacts of COVID-19

In the previous fiscal year, based on the external information that TDK had the ability to access, for the year ending March 31, 2021, TDK expected that due to the stagnation in global economic activity caused by the spread of COVID-19, production volume of automobiles and smartphones would decrease year on year and a downturn in demand for electronic components could not be avoided, but, from the second half of the year ending March 31, 2021, TDK expected that the demand would recover to a certain extent. However, in the year ending March 31, 2021, social and economic activities that were curtailed due to the continuing COVID-19 pandemic gradually resumed and demand for electronics started to recover earlier than expected.

Based on the assumptions, TDK has made accounting estimates relating to the valuation of goodwill and other intangible assets, long-lived assets and so on. Despite the change in the situation, it did not have a material impact on the estimates.

However, the impacts from the spread of COVID-19 has many uncertain elements. When there are changes in the assumptions above, it could have a significant impact on the consolidated financial position or result of operations of TDK in the year ending March 31, 2021 onward.

(d) Adoption of New Accounting Standards

Amendments of fair value measurement disclosure requirements

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-13 "Amendments of fair value measurement disclosure requirements". This ASU eliminates, amends and adds some of disclosure requirements for fair value measurement. TDK adopted this ASU from April 1, 2020.

The adoption of this ASU did not have an impact on TDK's results of operations and financial position because this ASU is related to disclosure.

(e) Subsequent Events

TDK has evaluated the subsequent events through February 10, 2021, the date on which the consolidated financial statements are available to be issued.

(f) Reclassification

Certain reclassifications have been made to the prior year's consolidated financial statements and quarterly consolidated financial statements to conform to the presentation used for the nine-month and the three-month ended December 31, 2020.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities as of March 31, 2020 and December 31, 2020 are as follows:

	Yen (Millions)	
	March 31, 2020	December 31, 2020
Marketable securities		
Debt securities	¥ 56	¥ 53
Total Marketable securities	56	53
Investments in affiliates	14,888	12,568
Other investments in securities:		
Debt securities	42	45
Equity securities with readily determinable fair values	4,745	6,681
Equity securities without readily determinable fair values	13,554	14,276
Total other investments in securities	18,341	21,002
Total	¥ 33,285	¥ 33,623

Debt securities include available-for-sale securities. Information with respect to such securities as of March 31, 2020 and December 31, 2020 is as follows:

As of March 31, 2020	Yen (Millions)			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	¥ 56	¥ 0	¥ -	¥ 56
Investments (Debt securities):				
Commercial papers	0	42	-	42
Public-utility bonds	0	-	-	0
Total	¥ 56	¥ 42	¥ -	¥ 98
As of December 31, 2020	Yen (Millions)			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	¥ 53	¥ 0	¥ -	¥ 53
Investments (Debt securities):				
Commercial papers	0	45	-	45
Public-utility bonds	0	-	-	0
Total	¥ 53	¥ 45	¥ -	¥ 98

The proceeds from sale and maturity of debt securities classified as available-for-sale securities were ¥7 million and ¥4 million for the nine-month ended and three-month ended December 31, 2019, respectively. The proceeds from sale and maturity of debt securities classified as available-for-sale securities were ¥11 million and ¥4 million for the nine-month ended and three-month ended December 31, 2020, respectively. The gross realized gains on the sale of debt securities classified as available-for-sale securities were determined on average cost basis and were reflected in income (loss).

As of December 31, 2020, all of the debt securities classified as available-for-sale securities with unrealized losses were in a continuous unrealized loss position for less than 12 months.

TDK measures certain nonmarketable equity securities without readily determinable fair values, in principle, at cost minus impairment. If TDK can identify observable price changes in orderly transactions for the identical or a similar investment of the same issuer, TDK measures the equity securities at fair value as of the date that the observable transaction occurred. The book value of such investments amounted to ¥2,138 million as of December 31, 2020. TDK recorded an impairment loss of ¥254 million for the nine-month ended December 31, 2020.

Net gains and losses recognized during the period on equity securities and unrealized gains and losses recognized during the period on equity securities for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

	Yen (Millions)	
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Unrealized gains and losses recognized during the period on equity securities held as of December 31	¥ 242	¥ 1,863
Net gains and losses recognized on equity securities sold during the period	195	161
Net gains and losses recognized during the period on equity securities	¥ 437	¥ 2,024

Net gains and losses recognized during the period on equity securities and unrealized gains and losses recognized during the period on equity securities for the three-month ended December 31, 2019 and December 31, 2020 are as follows:

	Yen (Millions)	
	Three-month ended December 31, 2019	Three-month ended December 31, 2020
Unrealized gains and losses recognized during the period on equity securities held as of December 31	¥ 559	¥ 830
Net gains and losses recognized on equity securities sold during the period	26	161
Net gains and losses recognized during the period on equity securities	¥ 585	¥ 991

3. Inventories

Inventories as of March 31, 2020 and December 31, 2020, are summarized as follows:
Yen (Millions)

	March 31, 2020	December 31, 2020
Finished goods	¥ 87,721	¥ 95,542
Work in process	56,697	61,995
Raw materials	92,035	98,607
Total	¥ 236,453	¥ 256,144

4. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the nine-month ended December 31, 2019 and December 31, 2020 consist of the following components:

	Yen (Millions)	
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Service cost-benefits earned during the period	¥ 6,671	¥ 6,588
Interest cost on projected benefit obligation	2,265	2,665
Expected return on plan assets	(3,692)	(3,549)
Amortization of actuarial loss	3,975	5,209
Amortization of prior service cost (benefit)	(222)	94
Net periodic benefit cost	¥ 8,997	¥ 11,007

In net periodic benefit cost for TDK's employee retirement and severance defined benefit plans, service cost is included in cost of sales and sales and general administrative expense. Other elements except service cost are included in other - net of other income (deductions).

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended December 31, 2019 and December 31, 2020 consist of the following components:

	Yen (Millions)	
	Three-month ended December 31, 2019	Three-month ended December 31, 2020
Service cost-benefits earned during the period	¥ 2,287	¥ 2,186
Interest cost on projected benefit obligation	760	867
Expected return on plan assets	(1,234)	(1,136)
Amortization of actuarial loss	1,273	1,735
Amortization of prior service cost (benefit)	(67)	32
Net periodic benefit cost	¥ 3,019	¥ 3,684

In net periodic benefit cost for TDK's employee retirement and severance defined benefit plans, service cost is included in cost of sales and sales and general administrative expense. Other elements except service cost are included in other - net of other income (deductions).

5. Contingent Liabilities

TDK provides guarantees to third parties on bank loans of its employees. The guarantees on behalf of the employees are made for their housing loans. For each guarantee issued, in the event the employee defaults on payment, TDK would be required to make payments under its guarantee.

The maximum amount of undiscounted payments TDK would have to make in the event of default as of March 31, 2020 and December 31, 2020, are as follows:

	Yen (Millions)	
	March 31, 2020	December 31, 2020
Guarantees to third parties on bank loans of employees	¥ 469	¥ 372

As of December 31, 2020, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangement is not material.

Several claims against TDK are pending. Claims include class action raised in the United States of America and Canada for violation of antitrust law and damage suit raised by several customers; both cases are associated with HDD suspension assemblies. For these claims, it is not possible to make a reasonable estimate of impact at this time. In the opinion of TDK management, any additional liability not currently provided for will not materially affect the consolidated financial position or result of operations of TDK.

6. Derivative Financial Instruments and Hedging Activities

TDK operates internationally and is exposed to the risk of changes in foreign exchange rates and interest rates as well as changes in raw material prices. TDK assesses these risks by continuously monitoring changes in the exchange rates, interest rates and raw material prices and by evaluating hedging opportunities. Derivative financial instruments are utilized to reduce these risks. TDK does not hold or issue derivative financial instruments for trading purposes. TDK is exposed to credit related losses in the event of nonperformance by the counterparties to those derivative financial instruments, but does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure of those financial instruments is represented by the fair values of contracts. The fair values of the contracts are calculated based on the quotes presented by financial institutions. TDK does not hold any derivative instruments which consisted credit-risk-related contingent features.

(1) Hedges of net investment in foreign operations

TDK uses forward foreign exchange contracts and borrowings denominated in the subsidiary's local currency to hedge the foreign currency exposure of the net investment in overseas subsidiaries. The gains and losses of these hedging instruments are recorded in foreign currency translation adjustments, which is a part of other comprehensive income (loss). There is no ineffective portion and amount excluded from effectiveness testing.

(2) Derivatives not designated as hedging instruments

TDK uses forward foreign exchange contracts, currency swap contracts and currency option contracts in order to offset foreign exchange gain (loss) mainly arising from foreign-currency denominated assets and liabilities and forecasted transactions. TDK uses interest rate swap in order to control the fluctuation risks of interest rates. Also, TDK uses commodity forward contracts in order to control the fluctuation risk of raw material prices. Although these contracts are not designated as hedges, which is required to apply hedge accountings, TDK considers that these are effective as hedges from an economic viewpoint. The fair values of these undesignated contracts are recognized as income or expenses as earned or incurred.

The effect of derivative financial instruments and other hedging instruments on the consolidated statements of income and consolidated statements of comprehensive income (loss) for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

(1) Hedges of net investment in foreign operations and other hedging instruments

	Yen (Millions)	
	Nine-month ended December 31, 2019	
	Gains (losses) recognized in other comprehensive income (loss) on derivatives and other	Gains (losses) reclassified from other comprehensive income (loss) into income (loss) Other income (deductions), Other - net
Forward foreign exchange contracts	¥ (227)	¥ (2,563)
Borrowings in local currency	1,831	-
Total	¥ 1,604	¥ (2,563)

The effect of hedges of net investment in foreign operations and other hedging instruments for the nine-month ended December 31, 2020 is nil.

(2) Derivatives not designated as hedging instruments

		Yen (Millions)	
		Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 2,367	¥8,122
Currency swap contracts	Foreign exchange gain (loss)	(294)	(932)
Interest rate swap contracts	Other income (deductions)-Other-net	(124)	-
Currency option contracts	Foreign exchange gain (loss)	(81)	113
Commodity forward contracts	Cost of sales	34	-
Total		¥ 1,902	¥ 7,303

The effect of derivative financial instruments on the consolidated statements of income and consolidated statements of comprehensive income (loss) for the three-month ended December 31, 2019 and December 31, 2020 are as follows:

(1) Hedges of net investment in foreign operations and other hedging instruments

The effect of hedges of net investment in foreign operations and other hedging instruments for the three-month ended December 31, 2019 and December 31, 2020 are nil.

(2) Derivatives not designated as hedging instruments

		Yen (Millions)	
		Three-month ended December 31, 2019	Three-month ended December 31, 2020
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥1,127	¥ 3,526
Currency swap contracts	Foreign exchange gain (loss)	437	-
Interest rate swap contracts	Other income (deductions)-Other-net	-	-
Currency option contracts	Foreign exchange gain (loss)	(29)	60
Commodity forward contracts	Cost of sales	3	-
Total		¥1,538	¥3,586

Notional amounts and fair value of derivative financial instruments as of March 31, 2020 and December 31, 2020 are as follows:

Yen (Millions)					
March 31, 2020					
Derivatives not designated as hedging instruments:					
	Notional amounts	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 118,414	¥ 124	Other current assets	¥ 1,359	Other current liabilities
Currency swap contracts	13,051	1,102	Other current assets	-	-

Yen (Millions)					
December 31, 2020					
Derivatives not designated as hedging instruments:					
	Notional amounts	Asset derivatives		Liability derivatives	
		Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 272,449	¥ 1,020	Other current assets	¥ 211	Other current liabilities

7. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable:

(a) Cash and cash equivalents, Short-term investments, Trade receivables, Other current assets, Short-term debt, Trade payables, Accrued expenses and Other current liabilities

Except for derivative financial instruments, the carrying amount approximates fair value because of the short maturity of these instruments.

(b) Marketable securities, Other investments in securities and Other assets

The fair values of marketable securities and other investments in securities are primarily estimated based on quoted market prices for these instruments. The fair value of TDK's long-term loans receivable included in other assets are estimated based on the amount of future cash flows associated with the instrument discounted using the borrower's current borrowing rate in the market for similar borrowing of comparable maturity, or based on the quoted market prices for the same or similar issues. The long-term loans receivable are classified as Level 2, one of the three levels of fair value hierarchy that is discussed in Note 8 of the Notes to Consolidated Financial Statements.

(c) Long-term debt

The fair value of TDK's long-term debt is estimated based on the amount of future cash flows associated with the instrument discounted using current borrowing rate in the market for similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues. The long-term debt is classified as Level 2, one of the three levels of fair value hierarchy that is discussed in Note 8 of the Notes to Consolidated Financial Statements.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2020 and December 31, 2020, are summarized as follows:

As of March 31, 2020	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 56	¥ 56
Other investments in securities and other assets	32,771	32,771
Liability:		
Long-term debt, including current portion (excluding finance lease obligation)	(202,207)	(202,389)
As of December 31, 2020	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 53	¥ 53
Other investments in securities and other assets	35,438	35,438
Liability:		
Long-term debt, including current portion (excluding finance lease obligation)	(284,893)	(285,588)

Derivative financial instruments are presented in Note 6 of the Notes to Consolidated Financial Statements.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

8. Fair Value Measurements

FASB Accounting Standards Codification ("ASC") 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. FASB ASC 820 establishes a three level fair value hierarchy for material inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that TDK has the ability to access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

Assets and liabilities that are measured at fair value on a recurring basis

Assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2020 and December 31, 2020 are as follows:

As of March 31, 2020	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (debt securities):				
Government bonds	¥ 56	¥ -	¥ -	¥ 56
Derivative contracts:				
Forward foreign exchange contracts	-	124	-	124
Currency swap contracts	-	1,102	-	1,102
Investments (Debt securities):				
Commercial papers	-	42	-	42
Public-utility bonds	0	-	-	0
Investments (Equity securities):				
Manufacturing companies	3,743	-	12,282	16,025
Investments (Mutual funds)	1,002	-	-	1,002
Rabbi trust investments	5,799	-	-	5,799
Total	¥ 10,600	¥ 1,268	¥ 12,282	¥ 24,150
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,359	¥ -	¥ 1,359
Total	¥ -	¥ 1,359	¥ -	¥ 1,359
As of December 31, 2020				
	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 53	¥ -	¥ -	¥ 53
Derivative contracts:				
Forward foreign exchange contracts	-	1,020	-	1,020
Investments (Debt securities):				
Commercial papers	-	45	-	45
Public-utility bonds	0	-	-	0
Investments (Equity securities):				
Stock	5,401	-	12,138	17,539
Mutual funds	1,280	-	-	1,280
Rabbi trust investments	7,261	-	-	7,261
Total	¥ 13,995	¥ 1,065	¥ 12,138	¥ 27,198
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 211	¥ -	¥ 211
Total	¥ -	¥ 211	¥ -	¥ 211

Level 1 marketable securities and investments are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Rabbi trusts investments included in other assets in which a part of the employees' salary is deposited and valued using unadjusted quoted prices in active markets.

Level 2 derivative contracts include forward foreign exchange contracts, currency swap contracts that are valued based on quotes obtained from counterparties and are verified using observable market inputs, such as foreign currency exchange rates and raw material prices. Investments consist of commercial papers and the fair values thereof are based on third-party assessments using observable market data.

Fair value of Level 3 investments are mainly based on comparable multiple valuation method.

With respect to the recurring fair value measurements categorized within Level 3, the significant unobservable input used in the fair value measurement of the equity securities in assets, is mainly PER (price earnings ratio). The weighted average of PER as of March 31, 2020 and December 31, 2020 are both 8.9 times.

The changes in the carrying amount of assets measured at fair value on a recurring basis that was categorized within Level 3 for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

	Yen (Millions)	
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Opening Balance	¥ 8,716	¥ 12,282
Purchase	791	185
Net income (loss) (Realized or unrealized):		
Other Comprehensive Income(loss)	(418)	(329)
Ending Balance	¥ 9,089	¥ 12,138

* Certain investments (equity securities without readily determinable fair values) were measured at fair value on a recurring basis and categorized within Level 3.

As of December 31, 2019 and December 31, 2020, there are no unrealized gains (losses) on securities included in other comprehensive income (loss).

The changes in the carrying amount of assets measured at fair value on a recurring basis that was classified as Level 3 for the three-month ended December 31, 2019 and December 31, 2020 are as follows:

	Yen (Millions)	
	Three-month ended December 31, 2019	Three-month ended December 31, 2020
Opening Balance	¥ 8,806	¥ 12,067
Purchase	-	185
Net income (loss) (Realized or unrealized):		
Other Comprehensive Income(loss)	283	(114)
Ending Balance	¥ 9,089	¥ 12,138

9. Lease

Right-of-use assets of finance leases are included in net property, plant and equipment of the consolidated balance sheet and the amount is ¥3,790 million as of March 31, 2020, and ¥3,418 million as of December 31, 2020

Finance lease obligations are included in current installments of long-term debt and long-term debt, excluding current installments of the consolidated balance sheet. Finance lease obligations included in current installments of long-term debt is ¥558 million as of March 31, 2020, and ¥521 million as of December 31, 2020. Finance lease obligations included in long-term debt, excluding current installments is ¥5,324 million as of March 31, 2020, and ¥4,807 million as of December 31, 2020.

10. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill as of March 31, 2020 and December 31, 2020 are as follows:

As of March 31, 2020	Yen (Millions)		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 26,259	¥ 10,858	¥ 15,401
Customer relationships	15,991	12,566	3,425
Software	41,836	17,775	24,061
Unpatented technologies	48,772	23,352	25,420
Other	10,890	3,437	7,453
Total	¥ 143,748	¥ 67,988	¥ 75,760
Nonamortizable intangible assets:			
Trademark	¥ 3,452		¥ 3,452
In-process research and development	347		347
Other	189		189
Total	¥ 3,988		¥ 3,988
As of December 31, 2020	Yen (Millions)		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 25,608	¥ 13,022	¥ 12,586
Customer relationships	15,968	13,310	2,658
Software	45,293	20,784	24,509
Unpatented technologies	48,037	25,849	22,188
Other	11,089	3,881	7,208
Total	¥ 145,995	¥ 76,846	¥ 69,149
Nonamortizable intangible assets:			
Trademark	¥ 3,452		¥ 3,452
In-process research and development	-		-
Other	190		190
Total	¥ 3,642		¥ 3,642

Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives to their estimated residual value of zero. Aggregate amortization expense for the nine-month ended December 31, 2020 was ¥10,618 million.

There are no significant changes in the carrying amount of goodwill for the nine-month ended December 31, 2020.

11. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

	Yen (Millions)		
	Stockholders' equity	Noncontrolling Interests	Total equity
March 31, 2019	¥ 877,290	¥ 6,466	¥ 883,756
Equity transaction of consolidated subsidiaries and other	(3,785)	(896)	(4,681)
Comprehensive income:			
Net income	74,412	102	74,514
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	(23,031)	(174)	(23,205)
Pension liability adjustments	3,309	0	3,309
Net unrealized gains (losses) on securities	(9)	-	(9)
Total other comprehensive income (loss)	(19,731)	(174)	(19,905)
Comprehensive income (loss)	54,681	(72)	54,609
Dividends	(21,471)	(105)	(21,576)
December 31, 2019	¥ 906,715	¥ 5,393	¥ 912,108

	Yen (Millions)		
	Stockholders' equity	Noncontrolling Interests	Total equity
March 31, 2020	¥ 843,957	¥ 4,607	¥ 848,564
Equity transaction of consolidated subsidiaries and other	(4,443)	(1,492)	(5,935)
Comprehensive income:			
Net income	73,076	147	73,223
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	5,431	34	5,465
Pension liability adjustments	4,978	0	4,978
Net unrealized gains (losses) on securities	112	-	112
Total other comprehensive income (loss)	10,521	34	10,555
Comprehensive income	83,597	181	83,778
Dividends	(22,738)	(366)	(23,104)
December 31, 2020	¥ 900,373	¥ 2,930	¥ 903,303

Net income attributable to TDK and transfers (to) from noncontrolling interests for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

	Yen (Millions)	
	Nine-month ended December 31,	
	2019	2020
Net income attributable to TDK	¥ 74,412	¥ 73,076
Decrease in TDK's additional paid-in capital for purchase of Amperex Technology Ltd.'s common shares from third parties	(4,075)	(4,497)
Decrease in TDK's additional paid-in capital for purchase of SolidGear Corporation's common shares from third parties	(4)	(3)
Decrease in TDK's additional paid-in capital for purchase of Relyon Plasma GmbH's common shares from third parties	-	(91)
Net transfers (to) from noncontrolling interests	(4,079)	(4,591)
Changes arising from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ 70,333	¥ 68,485

12. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

	Yen (Millions)			Total
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	
March 31, 2019	¥ (48,905)	¥ (75,640)	¥ 110	¥ (124,435)
Equity transaction of consolidated subsidiaries and other	(19)	-	-	(19)
Other comprehensive income (loss) before reclassifications	(28,177)	33	(2)	(28,146)
Amounts reclassified from accumulated other comprehensive income (loss)	4,972	3,276	(7)	8,241
Other comprehensive income (loss)	(23,205)	3,309	(9)	(19,905)
Other comprehensive income (loss) attributable to noncontrolling interests	(174)	0	-	(174)
December 31, 2019	¥ (71,955)	¥ (72,331)	¥ 101	¥ (144,185)

	Yen (Millions)			Total
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	
March 31, 2020	¥ (94,369)	¥ (95,709)	¥ 23	¥ (190,055)
Equity transaction of consolidated subsidiaries and other	(67)	-	-	(67)
Other comprehensive income (loss) before reclassifications	5,444	(5)	123	5,562
Amounts reclassified from accumulated other comprehensive income (loss)	21	4,983	(11)	4,993
Other comprehensive income (loss)	5,465	4,978	112	10,555
Other comprehensive income (loss) attributable to noncontrolling interests	34	0	-	34
December 31, 2020	¥ (89,005)	¥ (90,731)	¥ 135	¥ (179,601)

The reclassifications out of accumulated other comprehensive income (loss) for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

For the nine-month ended December 31,	Yen (Millions)		Affected line items in consolidated statements of income
	Amount reclassified from accumulated other comprehensive income (loss) *1		
	2019	2020	
Foreign currency translation:			
	¥ (5,745)	¥ (19)	Other - net of other income (deductions)
	773	(2)	Tax (expense) or benefit
	<u>(4,972)</u>	<u>(21)</u>	Net of tax
Pension liability adjustments:			
	(3,756)	(5,308)	Other - net of other income (deductions)*2
	480	325	Tax (expense) or benefit
	<u>(3,276)</u>	<u>(4,983)</u>	Net of tax
Net unrealized gains (losses) on securities:			
	7	11	Other - net of other income (deductions)
	-	-	Tax (expense) or benefit
	<u>7</u>	<u>11</u>	Net of tax
Total amount reclassified, net of tax	¥ (8,241)	¥ (4,993)	

*1 Increase in amount indicate increase in profit and amount in parentheses indicate loss in consolidated statements of income.

*2 This accumulated other comprehensive income (loss) component is included in the computation of net periodic benefit cost for TDK's employee retirement and severance defined benefit plans that is presented in Note 4.

The reclassifications out of accumulated other comprehensive income (loss) for the three-month ended December 31, 2019 and December 31, 2020 are as follows:

For the three-month ended December 31,	Yen (Millions)		Affected line items in consolidated statements of income
	Amount reclassified from accumulated other comprehensive income (loss) *1		
	2019	2020	
Foreign currency translation:			
	¥ (1)	¥ -	Other - net of other income (deductions)
	-	-	Tax (expense) or benefit Net of tax
	<u>(1)</u>	<u>-</u>	
Pension liability adjustments:			
	(1,206)	(1,768)	Other - net of other income (deductions)*2
	120	158	Tax (expense) or benefit Net of tax
	<u>(1,086)</u>	<u>(1,610)</u>	
Net unrealized gains (losses) on securities:			
	4	4	Other - net of other income (deductions)
	-	-	Tax (expense) or benefit Net of tax
	<u>4</u>	<u>4</u>	
Total amount reclassified, net of tax	¥ (1,083)	¥ (1,606)	

*1 Increase in amount indicate increase in profit and amount in parentheses indicate loss in consolidated statements of income.

*2 This accumulated other comprehensive income (loss) component is included in the computation of net periodic benefit cost for TDK's employee retirement and severance defined benefit plans that is presented in Note 4.

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

For the nine-month ended December 31, 2019	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ (28,467)	¥ 290	¥ (28,177)
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	5,745	(773)	4,972
Net foreign currency translation adjustments	(22,722)	(483)	(23,205)
Pension liability adjustments:			
Amount arising during the period	26	7	33
Reclassification adjustments for amortization	3,756	(480)	3,276
Net pension liability adjustments	3,782	(473)	3,309
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(2)	-	(2)
Reclassification adjustment	(7)	-	(7)
Net unrealized gains (losses)	(9)	-	(9)
Other comprehensive income (loss)	¥ (18,949)	¥ (956)	¥ (19,905)

For the nine-month ended December 31, 2020	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 6,031	¥ (587)	¥ 5,444
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	19	2	21
Net foreign currency translation adjustments	6,050	(585)	5,465
Pension liability adjustments:			
Amount arising during the period	(5)	-	(5)
Reclassification adjustments for amortization	5,308	(325)	4,983
Net pension liability adjustments	5,303	(325)	4,978
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	123	-	123
Reclassification adjustment	(11)	-	(11)
Net unrealized gains (losses)	112	-	112
Other comprehensive income (loss)	¥ 11,465	¥ (910)	¥ 10,555

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the three-month ended December 31, 2019 and December 31, 2020 are as follows:

For the three-month ended December 31, 2019	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 32,275	¥ (1,142)	¥ 31,133
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	1	-	1
Net foreign currency translation adjustments	32,276	(1,142)	31,134
Pension liability adjustments:			
Amount arising during the period	142	-	142
Reclassification adjustments for amortization	1,206	(120)	1,086
Net pension liability adjustments	1,348	(120)	1,228
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	31	-	31
Reclassification adjustment	(4)	-	(4)
Net unrealized gains (losses)	27	-	27
Other comprehensive income (loss)	¥ 33,651	¥ (1,262)	¥ 32,389

For the three-month ended December 31, 2020	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax Amount
Foreign currency translation adjustments:			
Gross foreign currency translation adjustments	¥ 6,747	¥ (109)	¥ 6,638
Amount arising during the period from reclassification adjustment realized from liquidation of foreign entities	-	-	-
Net foreign currency translation adjustments	6,747	(109)	6,638
Pension liability adjustments:			
Amount arising during the period	-	-	-
Reclassification adjustments for amortization	1,768	(158)	1,610
Net pension liability adjustments	1,768	(158)	1,610
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	57	-	57
Reclassification adjustment	(4)	-	(4)
Net unrealized gains (losses)	53	-	53
Other comprehensive income (loss)	¥ 8,568	¥ (267)	¥ 8,301

13. Net Income Attributable to TDK per Share

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to TDK per share calculations is as follows:

	Yen (Millions)			
	Nine-month ended December 31, 2019		Nine-month ended December 31, 2020	
	Basic	Basic	Basic	Diluted
Net income attributable to TDK	¥ 74,412	¥ 74,412	¥ 73,076	¥ 73,076
	Number of shares (Thousands)			
Weighted average common shares outstanding	126,302	126,302	126,322	126,322
Incremental shares arising from the exercise of stock option	-	289	-	261
Weighted average common shares outstanding – Total	126,302	126,591	126,322	126,583
	Yen			
Per common share:				
Net income attributable to TDK	¥ 589.16	¥ 587.81	¥ 578.49	¥ 577.30
	Yen (Millions)			
	Three-month ended December 31, 2019		Three-month ended December 31, 2020	
	Basic	Basic	Basic	Diluted
Net income attributable to TDK	¥ 29,474	¥ 29,474	¥ 30,851	¥ 30,851
	Number of shares (Thousands)			
Weighted average common shares outstanding	126,310	126,310	126,323	126,323
Incremental shares arising from the exercise of stock option	-	273	-	263
Weighted average common shares outstanding – Total	126,310	126,583	126,323	126,586
	Yen			
Per common share:				
Net income attributable to TDK	¥ 233.35	¥ 232.84	¥ 244.22	¥ 243.72

The stock options issued by TDK Corporation that are vested when a certain performance condition is achieved were excluded from the diluted per share calculation of net income attributable to TDK for the nine-month and the three-month ended December 31, 2019 as it was not probable that the performance condition would be achieved as of December 31, 2019. For the nine-month ended December 31, 2020, restricted stock units and certain stock options issued by TDK Corporation and for the three-month ended December 31, 2020, certain stock options issued by TDK Corporation were excluded from the diluted per share calculation of net income attributable to TDK as the effect would have been antidilutive.

14. Sale of Business

(1) On February 3, 2017, TDK transferred its high-frequency devices business to RF360 Holdings Singapore PTE. Ltd. (“RF360”) and its subsidiaries, and subsequently sold 51% of the common shares of RF360 held by TDK Electronics AG, a wholly owned subsidiary of TDK, to Qualcomm Global Trading PTE. Ltd. (“QGT”), which is a 100% indirect ownership subsidiary of Qualcomm Incorporated (“Qualcomm”) based on the business alliance agreement involving establishment of a joint venture concluded with Qualcomm on January 13, 2016. Contingent consideration to be recognized over several years is included in the total consideration amount, and realized or realizable portion are recognized in other operating expense (income) of consolidated statement of income for the nine-month ended December 31, 2019. An option to put and call the remaining common shares of RF360 (49%) after 30 months after the closing date was granted to TDK and QGT, respectively. TDK exercised the option on August 30, 2019 and sold 49% of the common shares on September 16, 2019. The sales price was U.S.\$1.15 billion as stated in the option and the sales did not have a material impact on the consolidated statements of income for the year ended March 31, 2020 and March 31, 2021.

(2) On November 2, 2020, TDK transferred a part of its HDD Suspension Assemblies business. Gain on sale of business is recognized in other operating expense (income) of consolidated statement of income for the nine-month and three-month ended December 31, 2020.

15. Revenue

TDK disaggregates revenue by industry segment, product and geographic segment based on contracts with customers. The following table presents disaggregation of revenue. Detailed information of geographic segment is presented in Note 17.

	Yen (millions)					
	Nine-month ended					
	December 31, 2019					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥13,660	¥ 20,176	¥ 28,088	¥ 35,461	¥ 18,823	¥ 116,208
Inductive Devices	14,742	11,174	29,495	37,551	11,652	104,614
Other Passive Components	7,900	6,767	18,745	32,544	11,711	77,667
Passive Components	36,302	38,117	76,328	105,556	42,186	298,489
Sensor Application Products	10,359	6,116	14,126	20,863	7,763	59,227
Magnetic Application Products	13,854	5,522	5,405	33,651	109,421	167,853
Energy Application Products	13,882	19,721	10,831	399,392	35,528	479,354
Other	7,403	3,085	2,196	41,524	3,532	57,740
Net Sales Total	¥ 81,800	¥ 72,561	¥ 108,886	¥ 600,986	¥ 198,430	¥ 1,062,663
	Nine-month ended					
	December 31, 2020					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 13,207	¥ 15,830	¥ 25,336	¥ 40,976	¥ 18,513	¥ 113,862
Inductive Devices	13,444	9,752	26,063	39,739	12,035	101,033
Other Passive Components	6,857	7,826	17,203	34,046	12,419	78,351
Passive Components	33,508	33,408	68,602	114,761	42,967	293,246
Sensor Application Products	9,307	5,279	13,194	23,000	6,711	57,491
Magnetic Application Products	14,147	3,188	6,659	31,345	89,311	144,650
Energy Application Products	18,258	21,476	12,907	445,443	54,805	552,889
Other	9,043	5,480	1,369	19,122	3,507	38,521
Net Sales Total	¥ 84,263	¥ 68,831	¥ 102,731	¥ 633,671	¥ 197,301	¥ 1,086,797

Yen (millions)						
Three-month ended December 31, 2019						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 4,473	¥ 6,287	¥ 8,776	¥ 11,633	¥ 6,117	¥ 37,286
Inductive Devices	4,863	3,738	9,323	12,982	3,897	34,803
Other Passive Components	2,597	2,177	5,938	11,564	3,984	26,260
Passive Components	11,933	12,202	24,037	36,179	13,998	98,349
Sensor Application Products	3,733	1,837	4,544	7,717	2,477	20,308
Magnetic Application Products	5,134	1,436	2,123	11,451	37,715	57,859
Energy Application Products	4,740	5,924	3,739	139,548	7,226	161,177
Other	2,595	1,288	729	11,897	1,432	17,941
Net Sales Total	¥ 28,135	¥ 22,687	¥ 35,172	¥ 206,792	¥ 62,848	¥ 355,634
Three-month ended December 31, 2020						
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	¥ 5,058	¥ 6,262	¥ 9,370	¥ 14,019	¥ 7,234	¥ 41,943
Inductive Devices	5,175	3,751	10,171	15,392	4,547	39,036
Other Passive Components	2,682	2,713	6,473	12,190	4,413	28,471
Passive Components	12,915	12,726	26,014	41,601	16,194	109,450
Sensor Application Products	3,371	2,123	4,989	9,662	2,855	23,000
Magnetic Application Products	5,289	738	2,842	11,806	35,274	55,949
Energy Application Products	6,971	8,747	3,803	159,325	16,526	195,372
Other	3,210	1,807	514	5,176	1,208	11,915
Net Sales Total	¥ 31,756	¥ 26,141	¥ 38,162	¥ 227,570	¥ 72,057	¥ 395,686

TDK 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 those product sales, TDK recognizes revenue when products are transferred to the customers as the customers will gain control over the products and performance obligation is satisfied accordingly.

Transaction price that TDK receives in exchange for products transferred may include variable consideration such as sales discounts, customer privileges, and rebates based on sales volume. 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 which are already known as of the transaction date, and is updated on a regular basis.

For products sales based on each contract, TDK recognized the consideration received from customers for which the performance obligation to transfer goods or services has not been satisfied as advance receipt. Amounts of advance received as of March 31, 2020 and December 31, 2020 were ¥970 million and ¥1,922 million, respectively, and included in other current liabilities in the balance sheets. Out of the advance received as of March 31, 2020, ¥763 million was recognized as revenue in the statements for the nine-month ended December 31, 2020, and ¥179 million was recognized as revenue in the statements for the three-month ended December 31, 2020. The amounts of revenue recognized from performance obligations for the nine-month and the three-month ended December 31, 2020 that had been satisfied in previous periods were not material.

There are no unsatisfied or partially unsatisfied performance obligations as of December 31, 2020. Furthermore, there is no balance of contract assets as of December 31, 2020.

16. Other operating expense (income)

Other operating expense (income) for the six-month ended December 31, 2019 and 2020 are as follows:

	Yen (Millions)	
	Nine-month ended December 31, 2019	Nine-month ended December 31, 2020
Gain on sale of business (Note 14)	¥ (2,539)	¥(2,433)
Impairment of long-lived assets	242	163
Other operating expense (income) total	¥ (2,297)	¥ (2,270)

Other operating expense (income) for the three-month ended December 31, 2019 and 2020 are as follows:

	Yen (Millions)	
	Three-month ended December 31, 2019	Three-month ended December 31, 2020
Gain on sale of business (Note 14)	¥ (954)	¥(2,433)
Impairment of long-lived assets	-	19
Other operating expense (income) total	¥ (954)	¥ (2,414)

17. Segment Information

Business Segment Information

Operating segments are components of TDK 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 segment and assess its performance.

Multiple operating segments that have similarities, including type and nature of products, production process, market and so on, are aggregated into the Passive Components segment, the Sensor Application Products segment, the Magnetic Application Products segment and the Energy Application Products segment. Operating segments which are not reportable segments are included in Other.

Principal businesses of each segment are as follows:

Segment	Principal businesses
Passive Components	Ceramic Capacitors, Aluminum Electrolytic Capacitors, Film Capacitors, Inductive Devices (Coils/Ferrite Cores/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), Others

Intersegment transactions in operating segments are based on arm's-length prices.

The business segment information for the nine-month ended December 31, 2019 and December 31, 2020 are as follows:

Net sales

	Yen (Millions)	
	Nine-month ended December 31,	
	2019	2020
Passive Components:		
External customers	¥ 298,489	¥ 293,246
Intersegment	2,140	2,691
	<u>300,629</u>	<u>295,937</u>
Sensor Application Products:		
External customers	59,227	57,491
Intersegment	137	181
	<u>59,364</u>	<u>57,672</u>
Magnetic Application Products:		
External customers	167,853	144,650
Intersegment	4,074	639
	<u>171,927</u>	<u>145,289</u>
Energy Application Products:		
External customers	479,354	552,889
Intersegment	1	0
	<u>479,355</u>	<u>552,889</u>
Other:		
External customers	57,740	38,521
Intersegment	19,992	17,012
	<u>77,732</u>	<u>55,533</u>
Intersegment eliminations	(26,344)	(20,523)
Total	<u>¥ 1,062,663</u>	<u>¥ 1,086,797</u>

Segment profit (loss)

	Yen (Millions)	
	Nine-month ended December 31,	
	2019	2020
Passive Components	¥ 32,382	¥ 30,740
Sensor Application Products	(18,038)	(16,375)
Magnetic Application Products	11,930	1,723
Energy Application Products	109,485	122,354
Other	(2,773)	(7,742)
Sub total	<u>132,986</u>	<u>130,700</u>
Corporate and eliminations	(23,746)	(23,216)
Operating income	109,240	107,484
Other income (deductions), net	584	1,874
Income before income taxes	<u>¥ 109,824</u>	<u>¥ 109,358</u>

The business segment information for the three-month ended December 31, 2019 and December 31, 2020 are as follows:

Net sales

	Yen (Millions)	
	Three-month ended December 31,	
	2019	2020
Passive Components:		
External customers	¥ 98,349	¥ 109,450
Intersegment	684	863
	<u>99,033</u>	<u>110,313</u>
Sensor Application Products:		
External customers	20,308	23,000
Intersegment	79	27
	<u>20,387</u>	<u>23,027</u>
Magnetic Application Products:		
External customers	57,859	55,949
Intersegment	716	234
	<u>58,575</u>	<u>56,183</u>
Energy Application Products:		
External customers	161,177	195,372
Intersegment	1	0
	<u>161,178</u>	<u>195,372</u>
Other:		
External customers	17,941	11,915
Intersegment	6,139	6,323
	<u>24,080</u>	<u>18,238</u>
Intersegment eliminations	(7,619)	(7,447)
Total	<u>¥ 355,634</u>	<u>¥ 395,686</u>

Segment profit (loss)

	Yen (Millions)	
	Three-month ended December 31,	
	2019	2020
Passive Components	¥ 10,623	¥ 13,354
Sensor Application Products	(5,489)	(4,055)
Magnetic Application Products	5,182	4,209
Energy Application Products	40,535	42,784
Other	(2,454)	(3,031)
Sub total	<u>48,397</u>	<u>53,261</u>
Corporate and eliminations	(8,000)	(8,183)
Operating income	<u>40,397</u>	<u>45,078</u>
Other income (deductions), net	779	1,117
Income before income taxes	<u>¥ 41,176</u>	<u>¥ 46,195</u>

Segment profit (loss) consists of net sales less cost of sales, selling, general and administrative expenses and other operating expense (income) except for those attribute to Corporate.

Corporate mainly includes expenses associated with head office functions that are not allocated to operating segments.

Geographic Segment Information

The geographic segment information for the Nine-month ended December 31, 2019 and December 31, 2020 are as follows:

Net sales

	Yen (Millions)	
	Nine-month ended December 31,	
	2019	2020
Japan	¥ 81,800	¥ 84,263
Americas	72,561	68,831
Europe	108,886	102,731
China	600,986	633,671
Asia and others	198,430	197,301
Total	¥ 1,062,663	¥ 1,086,797

The geographic segment information for the three-month ended December 31, 2019 and December 31, 2020 are as follows:

Net sales

	Yen (Millions)	
	Three-month ended December 31,	
	2019	2020
Japan	¥ 28,135	¥ 31,756
Americas	22,687	26,141
Europe	35,172	38,162
China	206,792	227,570
Asia and others	62,848	72,057
Total	¥ 355,634	¥ 395,686

Net sales are based on the location of the customers.

Major countries in each geographic area:

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