June 6, 2022

To Shareholders

INTERNET DISCLOSURE ITEMS FOR NOTICE OF CONVOCATION OF THE 126TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

1. CONSOLIDATED STATEMENT OF EQUITY
2. LIST OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[126th Fiscal Year (From April 1, 2021 to March 31, 2022)]

TDK Corporation
Tokyo, Japan

Disclosure documents audited by the Accounting Auditors and Audit & Supervisory Board Members are provided to shareholders on website of TDK Corporation (https://www.tdk.com/ja/index.html) pursuant to relevant laws and regulations and Article 16 of the Articles of Incorporation of TDK Corporation.

Notes: 1. This is a translation from Japanese of a notice distributed to shareholders in Japan. The translation is prepared solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.

2. There are no English translations: Non-Consolidated Statement of Changes in Net Assets and List of Notes to the Non-Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF EQUITY
(prepared in accordance with U.S. GAAP)
From: April l, 2021
To: March 31, 2022

(¥ in millions)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)
Balance as of beginning of period	32,641	-	46,403	1,024,019	(82,733)
Equity transaction of consolidated subsidiaries and other		(131)			
Cash dividends				(24,002)	
Transferred to legal reserve			10,037	(10,037)	
Transferred from retained earnings to additional paid-in capital		129		(129)	
Comprehensive income					
Net income				183,632	
Foreign currency translation adjustments					169,958
Pension liability adjustments					13,426
Net unrealized gains (losses) on securities					166
Total comprehensive income (loss)					
Acquisition of treasury stock					
Compensation expenses related to stock options		101			
Exercise of stock option		(99)			
Balance as of end of period	32,641	–	56,440	1,173,483	100,817

	Treasury stock	Total TDK Stockholders' equity	Non controlling interests	Total equity
Balance as of beginning of period	(16,792)	1,003,538	2,759	1,006,297
Equity transaction of consolidated subsidiaries and other		(131)	181	50
Cash dividends		(24,002)	(277)	(24,279)
Transferred to legal reserve		–		–
Transferred from retained earnings to additional paid-in capital		–		–
Comprehensive income				
Net income		183,632	505	184,137
Foreign currency translation adjustments		169,958	271	170,229
Pension liability adjustments		13,426	8	13,434
Net unrealized gains (losses) on securities		166		166
Total comprehensive income (loss)		367,182	784	367,966
Acquisition of treasury stock	(5)	(5)		(5)
Compensation expenses related to stock options		101		101
Exercise of stock option	99	0		0
Balance as of end of period	(16,698)	1,346,683	3,447	1,350,130

Note: Amounts less than ¥1 million have been rounded to the nearest unit.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Important Matters for Preparation of Consolidated Financial Statements]

1. Matters Concerning Scope of Consolidation

Number of consolidated subsidiaries:	137
Name of major consolidated subsidiaries:	TDK-Lambda Corporation TDK Akita Corporation SAE Magnetics (Hong Kong) Limited TDK U.S.A. Corporation TDK Europe S.A. TDK Electronics AG Amperex Technology Limited InvenSense, Inc.

2. Matters Concerning Equity-Method

Number of Equity-method affiliates:	5
Name of a principal Equity-method affiliate:	TODA KOGYO Co. Semiconductor Energy Laboratory Co., Ltd.

3. Significant Accounting Policies

(1) Standards for preparation of consolidated financial statements:

TDK Corporation (the "Company")'s consolidated financial statements are prepared based on accounting standards generally accepted in the United States ("US GAAP"), pursuant to the provisions of Article 120-3, Paragraph 1 of the Ordinance of Companies Accounting of Japan. However, some accounting description and notes required by US GAAP have been omitted herein in conformity with the second sentence of Article 120, Paragraph 1 of the same Ordinance, which is applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the same Ordinance.

(2) Valuation standards and methods for inventories:

Products and works in process are valued at the lower of cost or market mainly using a periodic average method, and raw materials and supplies are valued at the lower of cost or market mainly using a moving-average cost method.

(3) Valuation standards and methods for securities:

The Accounting Standards Codification ("ASC") 320, "Investments-Debt Securities" and ASC 321 "Investments-Equity Securities" issued by the U.S. Financial Accounting Standards Board ("FASB") are applied.

Equity securities:	In principle, equity securities excluding investments in consolidated subsidiaries and affiliates are measured at fair value and the changes in its fair value are recognized in the consolidated statements of income. The cost of securities sold is primarily calculated by the moving-average method.
Debt securities	Debt securities are classified as available-for-sale securities and measured at fair value. Net unrealized gains (losses) are charged or credited directly to other comprehensive income (loss). The cost of securities sold is primarily calculated by the moving-average method.

(4) Method for depreciating net property, plant and equipment:

Depreciations of property, plants and equipment are computed by the straight-line method.

(5) Goodwill and other intangible assets:

TDK group ("TDK") does not amortize Goodwill, but instead is tested for impairment at least annually, except for a case in which indicators show or change in situation arise that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. The test is conducted more frequently if certain indicators arise. In a case the carrying amount of a reporting unit is more than its fair value, an impairment loss is recognized. The main method used for fair value measurement is discounted cash flow method.

TDK amortize intangible assets with finite useful lives over their respective estimated useful lives. Intangible assets with indefinite useful lives are not amortized unless the useful like is determined to no longer be indefinite, and instead are tested for impairment annually except for a case in which indicators show or change in situation arise that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. In a case the carrying amount is more than its fair value, an impairment loss is recognized.

(6) Derivative financial instruments:

TDK applies ASC 815 ("Derivatives and Hedging"), and all derivatives held by TDK are recognized on the consolidated balance sheets at fair value. The accounting treatment of subsequent changes in the fair value depends on their use, and whether they qualify as effective "hedges" for accounting purposes. Derivatives that are not designated as hedges must be adjusted to fair value through the consolidated statement of income. If a derivative is designated as a hedge, then depending on its nature, changes in its fair value will be recorded in other comprehensive income (loss).

If a derivative is used as a hedge of a net investment in a foreign operation, the entire change in its fair value is recorded in the foreign currency translation adjustments account within other comprehensive income (loss).

(7) Accounting basis of principal allowances:

Allowance for doubtful receivables:

TDK recognizes an allowance for doubtful receivable that is based on an uncollectible amount estimated in consideration of the historical bad debt ratio of receivable in general and in consideration of individual possibility of collection with respect to specific doubtful receivables.

Retirement and severance benefits:

For the future payment of retirement and severance benefits to employees, TDK recognizes an amount based on projected benefit obligations and the fair value of plan assets as of March 31, 2021, in accordance with ASC 715, "Compensation-Retirement Benefits."

Prior service costs of employees are amortized using the straight-line method over the average remaining service period of employees.

With respect to actuarial net losses, the part exceeding the amount equivalent to 10% of projected benefit obligations or the fair value of plan assets as of the beginning of the fiscal year concerned, whichever is larger, is amortized using the straight-line method over the average remaining service period of employees.

(8) Accounting method of consumption tax, etc.:

Consumption taxes are accounted using tax exclusion method.

(9) Taxes:

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards.

The financial statement impact of tax positions is recognized when it is more likely than not that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement with the taxing authorities.

(10) Lease:

Right-of-use assets of operating lease and operating lease obligation is recognized on the consolidated balance sheet based on present value of lease expense throughout the lease term. Lease expense is recognized throughout the lease term by straight-line method.

(11) Revenue Recognition

TDK applies ASC606 “Revenue from Contracts with Customers”, and recognizes revenue based on the following 5 steps.

Step 1 : Identify the contracts with a customer
Step 2 : Identify the performance obligations in the contract
Step 3 : Determine the transaction price
Step 4 : Allocate the transaction price to the performance obligations in the contract
Step 5 : Recognize revenue when (or as) the entity satisfies a performance obligation
Further detail is presented in Note 24 of Notes to Consolidated Financial Statements.

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 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.

4. Reclassifications:

From the year ending March 31, 2022, the amount recognized in “Loss (gain) on securities, net”, which was disclosed as “Other-net” in “Other income (deductions)” for the year ending March 31, 2021, is becoming material, so it is disclosed in a separate account.
In the “Other income (deductions)” for the year ending March 2021, “Gain (loss) on sale of investments in affiliates” was disclosed separately; however, as the amount became immaterial for the year ending March 2022, it is included in “Other-net” in “Other income (deductions)”.

[Notes to Consolidated Balance Sheet]

1. Allowance for doubtful receivables: ¥1,544 million

2. Accumulated depreciation of property, plants and equipment: ¥1,199,367 million

3. Accumulated other comprehensive income (loss) includes foreign currency translation adjustments, pension liability adjustments and net unrealized gains (losses) on securities.

4. Assets pledged as collateral:
   TDK has pledged time deposit amounting to ¥135 million as guarantee deposit for import duties amounting to ¥135 million.

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.
   The maximum amount of undiscounted payments TDK would have to make in the event of default as of March 31, 2022 is ¥255 million.
   Several claims against TDK are pending. Claims include class action filed in the United States of America and Canada for violation of antitrust law associated with HDD suspension assemblies. It is not possible to make a reasonable estimate of impact for these claims 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.

[Notes to Consolidated Statements of Income]

Following is breakdown of Other operating expense

Impairment loss on Long-lived assets:	¥3,300 million

[Note to Per-Share Data]

Net income attributable to TDK:	
Basic:	¥183,632 million
Diluted:	¥183,632 million
Weighted average common shares outstanding – Basic:	378,991 thousand shares
Incremental shares arising from the exercise of stock option:	860 thousand shares
Incremental shares arising from the share delivery based on Restricted Stock Units	11 thousand shares
Weighted average common shares outstanding – Diluted:	379,862 thousand shares
Net income attributable to TDK per share:	
Basic:	¥484.53
Diluted:	¥483.42
TDK stockholders' equity per share:	¥3,553.02
Total number of issued common shares outstanding:	388,772 thousand shares
Number of common shares of treasury stock:	9,747 thousand shares
Issued number of common shares that are used in calculating TDK stockholders' equity per share:	379,025 thousand shares

TDK split one share of its common stock into three shares on effective date of October 1,2021. Each number of shares and per-share data are calculated based on the assumption that the stock split was conducted on April 1, 2021.

[Notes regarding Financial Instruments]

TDK recognizes cash, etc. (cash, deposits with banks, short-term investments and marketable securities) as liquid funds, and basically invests them on a short-term basis in safe investments.

Furthermore, TDK works to maintain liquidity at a level of at least 2 months of consolidated net sales, and procures funds through short and long-term borrowings from financial institutions and the issuance of straight bonds, depending on the use of the funds.

TDK borrows funds on floating or fixed interest rates and interest payments reflect economic conditions.

Customer credit risk related to trade receivables is properly assessed based on the credit management standards of the Company.

Many of the investments in securities are unlisted shares, and 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 values as of the date that the observable transaction occurred. Other unlisted shares are mainly measured by comparable multiple valuation method.

Regarding derivative financial instruments, TDK uses forward foreign exchange contracts, non-deliverable forward contracts (NDF), 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.

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

(1) Cash and cash equivalents, short-term investments, trade receivables, other current assets, short-term debt, trade payables, accrued expenses, income tax payables and other current liabilities

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

(2) Marketable securities and other investments in securities, 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 long-term loan, which is included in other assets, is estimated based on the amount of future cash flows associated with the instrument discounted using the current lending rate for a similar loan of comparable maturity.

(3) 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 TDK's current borrowing rate for a similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2022 were as follows.

(¥ in millions)

	Carrying amount	Estimated fair value
Assets:		
Marketable securities	62	62
Investments in securities and other assets	112,428	112,428
Liability:		
Long-term debt, including current portion (excluding finance lease obligations)	(458,819)	(455,562)

(4) Derivative financial instruments

The fair values of derivative financial instruments are estimated based on quotation obtained from financial institutions, and reflect to the consolidated balance sheet.
Amounts of derivative financial instruments as of March 31, 2022, are as follows.

(¥ in millions)

	Contract amount	Carrying amount	Fair value
Forward foreign exchange contracts	298,924	(877)	(877)
Currency swap contracts	237	8	8

(5) Fair Value Measurements

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. 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, 2022 are as follows:

	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	62	-	-	62
Derivative contracts:				
Forward foreign exchange contracts	-	1,974	-	1,974
Currency swap contracts	-	8	-	8
Investments (Debt securities):				
Commercial papers	-	36	-	36
Public utility bonds	0	-	-	0
SAFE investments	-	-	2,937	2,937
Convertible bonds	-	-	2,475	2,475
Investments (Equity securities):				
Stock	4,210	-	88,298	92,508
Mutual funds	1,336	-	-	1,336
Rabbi trust investments	8,009	-	-	8,009
Total	13,617	2,018	93,710	109,345
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	-	2,851	-	2,851
Total	-	2,851	-	2,851

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 option 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 or comparable transaction multiple 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, 2022 is 7.4 times.

The changes in the carrying amount of assets measured at fair value on a recurring basis that was classified as Level 3 for the year ended March 31, 2022 are as follows:

	Yen (Millions)
Opening Balance	20,690
Purchase	10,197
Net income (loss)	57,279
(Realized or unrealized):	
Included in Other Comprehensive Income(loss)	5,544
Ending Balance	93,710

* 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 March 31, 2022, ¥246 million is recognized as unrealized gains (losses) on securities and it is included in other comprehensive income (loss).

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

Assets and liabilities that are measured at fair value on a nonrecurring basis for the year ended March 31, 2022 are as follows.

	Yen (Millions)			
	Total gains (losses) for 2021	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	3,084	-	5,803	-

For the year ended March 31, 2022, the book value of certain equity security without a readily determinable fair value of ¥147 million was fully written down due to impairment, but this investment in affiliate is classified as Level 3 because it is determined using unobservable inputs. Additionally, certain equity security without a readily determinable fair value with book value of ¥2,572 million was remeasured based on the market approach as ¥5,803 million and recognized valuation gain of ¥3,231 million. As this fair value was measured using observable market data, the equity security is classified as Level 2.

[Notes regarding Revenue Recognition]

TDK disaggregates revenue by industry segment, product and geographic segment based on contracts with customers. The following table presents disaggregation of revenue.

Yen (Millions)

	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	22,815	31,068	43,634	67,567	33,026	198,110
Inductive devices	22,943	17,581	46,686	68,362	24,372	179,944
Other passive components	13,111	11,784	32,855	48,777	20,617	127,144
Passive Components	58,869	60,433	123,175	184,706	78,015	505,198
Sensor Application Products	15,424	10,355	23,961	64,870	16,159	130,769
Magnetic Application Products	26,597	2,200	7,151	45,786	166,712	248,446
Energy Application Products	30,416	47,210	19,176	748,693	119,850	965,345
Other	17,732	9,659	2,117	15,663	7,195	52,366
Net sales total	149,038	129,857	175,580	1,059,718	387,931	1,902,124

TDK recognizes the consideration received from customers that exceeds the amount already recognized as revenue as advances received until the performance obligation is satisfied by delivery of the products. As of March 31, 2022, ¥12,340 million is recognized as advances received and it is included in other current liabilities in the consolidated balance sheets. Within the advances received as of March 31, 2021, ¥2,877 million was recognized as revenue for the fiscal year ended March 31, 2022. For the fiscal year ended March 31, 2022, the amount of revenue recognized from the performance obligation that had been satisfied in the previous periods is not material.

Information on the remaining performance obligations is not disclosed as TDK does not retain significant transactions with the individual expected contract term exceeding one year. Also, there is no balance for contract assets.

[Notes regarding Use of Estimates]

Management of TDK has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingencies to prepare these consolidated financial statements in conformity with U.S. GAAP. Significant items subject to such estimates and assumptions include the valuation of goodwill and other intangible assets, long-lived assets, trade receivables, inventories, investments in securities, deferred tax assets, and assumptions related to the estimation of actuarial determined employee benefit obligations. Actual results could differ from those estimates.

(additional information)

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

Based on the external information that TDK has the ability to access, in the year ending March 31, 2023, although concerns over the resurgence of COVID-19 remain, the economy is expected to remain on a recovery trend as the pace of economic normalization accelerates as a result of the progress in COVID-19 vaccine programs and the development of COVID-19 drugs. On the other hand, there have been growing concerns over economic downturn against the backdrop of heightened geopolitical risks resulting from Russia’s invasion of Ukraine and the lockdown measures in some regions affected by the resurgence of COVID-19. In the electronics market, TDK foresees that the production volume of automobiles will exceed the level of year ending March 31, 2022 as constraints on the supply of components gradually ease. TDK also predicts that the production volume of notebook PCs and tablets, whose production volume has remained at a high level on the back of growing demand, will fall below the level of year ending March 31, 2022. As for smartphones, the production volume is expected to remain at the same level as in the year ending March 31, 2022, given the effects of heightened geopolitical risks and the resurgence of COVID-19 on demand. TDK also forecasts that the production volume of HDDs for servers used at data centers will remain at a similar level as in the year ending March 31, 2022.

It is forecasted that the increase of geopolitical risk as a result of Russia’s invasion of Ukraine, the impact of resurgence of COVID-19, etc. will not have a significant impact on TDK’s production and supply of materials.

Based on these assumptions, TDK has made accounting estimates relating to the valuation of goodwill and other intangible assets, long-lived assets and so on.

However, the impacts from the resurgence of COVID-19, etc. has many uncertain elements. When there are changes in the assumptions above, it could have a significant impact on the consolidated financial position or result of operations of TDK from the year ending March 31, 2023 onward.

[Notes regarding Significant Subsequent Events]

In the Board of Directors held on April 27, 2022, TDK has resolved that Amperex Technology Limited (Hong Kong Special Administrative Region of China, hereinafter “ATL”) that engages in the business of rechargeable battery establishes Xiamen Ampeak Technology Limited as a holding company of the 2 joint venture companies* that are planned to be established by ATL and Contemporary Amperex Technology Co., Limited (Fujian, China) that engages in the business of rechargeable battery for automobile and other applications. The subsidiary falls into the category of specific subsidiaries because the amount of its common stock is more than 10% of the amount of the common stock of TDK.

Name	Xiamen Ampeak Technology Limited
Location	Xiamen, Fujian Province, China
Representative	Jia Zhuocheng
Capital	2,201 million RMB
Business	Holding company for 2 joint ventures of CATL and ATL
Date of establishment	To be announced
Investment ratio	ATL 100%

*ATL and CATL will establish and operate two joint ventures specializing in the development, manufacture and sale of the medium size rechargeable battery such as RESS and Electric Motorcycles, and other industrial applications by integrating their technologies and expertise in the battery business, where they excel.