TDK Corporation
June 24, 2022

Contact:
TDK Corporation (Tokyo) IR&SR Group
Satoshi Sakai +81(3)6778-1055

Consolidated results (IFRS) for FY March 2022

(Millions of yen, %)

Account \ Term	FY 2021 (April 1, 2020 - March 31, 2021)		FY 2022 (April 1, 2021 - March 31, 2022)		Change	
	Amount	% to net sales	Amount	% to net sales	Amount	%
Net sales	1,479,008	100.0	1,902,124	100.0	423,116	28.6
Operating profit	111,814	7.6	166,775	8.8	54,961	49.2
Profit before tax	117,263	7.9	172,490	9.1	55,227	47.1
Net profit attributable to owners of parent	74,681	5.0	131,298	6.9	56,617	75.8
Earnings per share:						
- Basic	197.06 yen		346.44yen			
- Diluted	196.66 yen		345.65yen			
Purchase of tangible and intangible assets	212,196	-	291,337	-	79,141	37.3
Depreciation and amortization	148,356	10.0	177,031	9.3	28,675	19.3
Research and development expenses	127,409	8.6	165,250	8.7	37,841	29.7
Finance income (cost), net	4,000	-	2,995	-	(1,005)	-
Overseas production ratio	86.2%	-	89.0%	-		
Number of employees	129,284	-	116,808	-		

Note: Effective October 1, 2021, TDK implemented a share split at a ratio of three shares per common share. The basic and diluted earnings per share are calculated assuming that the share split was implemented at the beginning of the fiscal year ended March 31, 2021.

［**Contents**］

[Summary Information and Financial Statements]

1. Business Results

(1) Summary Information Regarding Consolidated Business Results

Consolidated results for fiscal 2022, the year ended March 31, 2022, were as follows.

In fiscal 2022, while the global economy was affected by the resurgence of the COVID-19 pandemic and concerns over political conflicts such as the tensions between the U.S. and China, corporate capital expenditure remained brisk as social and economic activities were gradually normalized and production activities continued to rebound. Since the beginning of the fourth quarter, however, geopolitical risks rapidly increased as a result of Russia's invasion of Ukraine, causing heightened concerns over the supply of materials and energy and soaring prices. As a result, the outlook of the global economy remained unclear.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, production volume in the automotive market remained flat from the previous fiscal year due to the supply chain constraints in components procurement. However, automotive-related demand remained strong on the back of an increase in the number of components installed per vehicle and stockpiling by customers. In the Information and Communications Technology (ICT) market, demand for notebook PCs and tablets remained strong. On the other hand, smartphone production volume for fiscal 2022 fell below that of the previous fiscal year as the resurgence of COVID-19 and other factors negatively affected components procurement and demand. Production of Hard Disk Drives (HDDs) for servers remained strong, reflecting a recovery in demand related to data centers. In the industrial equipment market, thanks to strong capital expenditure, demand remained robust.

In this business environment, the TDK's consolidated operating results for fiscal 2022 were as follows.

Summary (April 1, 2021 - March 31, 2022)

Term / Item	FY2021 (April 1, 2020 - March 31, 2021)		FY2022 (April 1, 2021 - March 31, 2022)		Change	
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	Change(%)
Net sales	1,479,008	100.0	1,902,124	100.0	423,116	28.6
Operating profit	111,814	7.6	166,775	8.8	54,961	49.2
Profit before tax	117,263	7.9	172,490	9.1	55,227	47.1
Net profit attributable to owners of parent	74,681	5.0	131,298	6.9	56,617	75.8
Per common share :						
Net profit attributable to owners of parent / Basic	Yen 197.06		Yen 346.44			
Net profit attributable to owners of parent / Diluted	Yen 196.66		Yen 345.65			

Note:

1. TDK split one share of its common stock into three shares on effective date of October 1, 2021. "Net profit attributable to owners of parent" is calculated based on the assumption that the share split was conducted on April 1, 2020.

Average yen exchange rates for the U.S. dollar and the euro during fiscal 2022 were ¥112.33 and ¥130.53, respectively, as the yen depreciated 5.9% against the U.S. dollar and 5.5% against the euro. As a result of these factors and fluctuations in foreign exchange rates, net sales increased by approximately ¥125.7 billion and operating profit increased by approximately ¥6.9 billion.

Sales by Product

Term / Product	FY2021 (April 1, 2020 - March 31, 2021)		FY2022 (April 1, 2021 - March 31, 2022)		Change	
	(Yen millions)	%	(Yen millions)	%	(Yen millions)	Change(%)
Capacitors	158,182	10.7	198,110	10.4	39,928	25.2
Inductive Devices	139,990	9.4	179,944	9.5	39,954	28.5
Other Passive Components	108,954	7.4	127,144	6.7	18,190	16.7
Passive Components	407,126	27.5	505,198	26.6	98,072	24.1
Sensor Application Products	81,345	5.5	130,769	6.9	49,424	60.8
Magnetic Application Products	199,253	13.5	248,446	13.1	49,193	24.7
Energy Application Products	740,227	50.0	965,345	50.7	225,118	30.4
Other	51,057	3.5	52,366	2.7	1,309	2.6
Total	1,479,008	100.0	1,902,124	100.0	423,116	28.6
Overseas sales	1,361,803	92.1	1,753,086	92.2	391,283	28.7

1) Passive Components Segment

This segment is made up of (1) Capacitors, (2) Inductive Devices, and (3) Other Passive Components. Sales in the Passive Components segment were ¥505,198 million, up 24.1% year on year from ¥407,126 million.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥198,110 million, up 25.2% year on year from ¥158,182 million. Sales of Ceramic Capacitors increased to the automotive market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors increased to the industrial equipment market.

Sales of Inductive Devices increased by 28.5% year on year from ¥139,990 million to ¥179,944 million. Sales increased to the automotive and the industrial equipment markets.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components increased by 16.7% year on year from ¥108,954 million to ¥127,144 million. Sales increased mainly to the industrial equipment market.

2) Sensor Application Products Segment

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 60.8% year on year from ¥81,345 million to ¥130,769 million. Sales increased mainly to the ICT market.

3) Magnetic Application Products Segment

This segment is made up of HDD Heads, HDD Suspension Assemblies, and Magnets. Segment sales increased by 24.7% year on year from ¥199,253 million to ¥248,446 million. Sales of HDD Heads and HDD Suspension Assemblies increased to the ICT market. Sales of Magnets increased to the automotive market.

4) Energy Application Products Segment

This segment is made up of Energy Devices (Rechargeable Batteries) and Power Supplies. Segment sales increased by 30.4% from ¥740,227 million to ¥965,345 million. Sales of Energy Devices increased significantly mainly to the ICT market.

5) Other

Other includes Mechatronics (Production Equipment), Camera Module Micro Actuators for smartphones, and Others. Segment sales increased by 2.6% year on year from ¥51,057 million to ¥52,366 million. Sales of Mechatronics increased to the industrial equipment market. Sales of Camera Module Micro Actuators for smartphones decreased to the ICT market.

The main businesses making up the four reporting segments and Other, which includes products not included in these reporting segments, are as follows:

Segment	Principal businesses and products
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), Camera Module Micro Actuators for smartphones, Others

[Sales by Region]

Overseas sales increased by 28.7% year on year from ¥1,361,803 million to ¥1,753,086 million. Overseas sales accounted for 92.2% of consolidated net sales, a 0.1 percentage point increase from 92.1% one year earlier. Detailed information on sales by region can be found in Notes to the consolidated financial statements on page 39.

(2) Projections

In fiscal 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 fiscal 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 fiscal 2022. As for smartphones, the production volume is expected to remain at the same level as in fiscal 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 fiscal 2022.

Based on these assumptions, TDK has set the following projections for consolidated operating results, purchase of tangible and intangible assets, depreciation and amortization, and research and development expenses for fiscal 2023. TDK has voluntarily applied the International Financial Reporting Standards ("IFRS") on its securities reports starting from fiscal 2022.

Term / Item	FY2023 (April 1, 2022 - March 31, 2023) Projection in May '22	FY2022 (April 1, 2021 - March 31, 2022) Actual	vs FY2022 Changes	
	(Yen millions)	(Yen millions)	(Yen millions)	%
Net sales	2,200,000	1,902,124	297,876	15.7
Operating profit	185,000	166,775	18,225	10.9
Profit before tax	190,000	172,490	17,510	10.2
Net profit attributable to owners of parent	145,000	131,298	13,702	10.4
Purchase of tangible and intangible assets	300,000	291,337	8,663	3.0
Depreciation and amortization	200,000	177,031	22,969	13.0
Research and development	190,000	165,250	24,750	15.0

(Exchange Rate Forecast)

Average yen exchange rates against the U.S. dollar and the euro of ¥120 and ¥130 respectively will be assumed for fiscal 2023.

Cautionary Statements with Respect to Forward-Looking Statements

This material contains forward-looking statements, including projections, plans, policies, management strategies, targets, schedules, understandings, and evaluations about TDK Corporation and/or its group companies ("TDK"). These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs, and evaluations of TDK in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors.

TDK therefore wishes to caution readers that, being subject to risks, uncertainties and other factors, TDK's actual results, performance, achievements or financial positions could be materially different from any future results, performance, achievements or financial positions expressed or implied by these forward-looking statements, and TDK undertakes no obligation to publicly update or revise any forward-looking statements after the issue of this material except as provided for in applicable laws and ordinances.

The electronics markets in which TDK operates are highly susceptible to rapid changes. Risks, uncertainties and other factors that can have significant effects on TDK include, but are not limited to, shifts in technology, fluctuations in demand, prices, interest and foreign exchange rates, and changes in economic environments, conditions of competition, laws, and regulations.

(3) Summary Information Regarding Consolidated Financial Position

The following table summarizes TDK's consolidated balance sheet as of March 31, 2022.

Total assets	¥3,041,653 million	(28.9% increase)
Total equity attributable to owners of parent	¥1,300,317 million	(35.6% increase)
Ratio of equity attributable to owners of parent	42.8%	(2.2 point increase)

As of March 31, 2022 total assets increased by ¥681,990 million compared with March 31, 2021. Cash and cash equivalent increased by ¥58,952 million. Property, plant and equipment, inventories, and long-term advances to suppliers increased by ¥168,598 million, ¥148,658 million, and ¥121,370 million respectively.

Total liabilities increased by ¥339,922 million from March 31, 2021. Bonds and borrowings and trade payables increased by ¥305,414 million and ¥135,759 million respectively. Issuance of bonds by ¥99,606 million in December 2021 is included in the increase of bonds and borrowings.

Total equity attributable to owners of parent, which is included in total equity, increased by ¥341,388 million from March 31, 2021. Other components of equity increased by ¥220,147 million, mainly from exchange differences on translation of foreign operations. Retained earnings increased by ¥121,147 million.

(4) Summary Information Regarding Consolidated Cash Flows

(Yen millions)

	FY 2021	FY 2022	Change
Net cash provided by operating activities	230,855	178,987	(51,868)
Net cash used in investing activities	(231,418)	(281,546)	(50,128)
Net cash provided by financing activities	21,082	113,743	92,661
Effect of exchange rate changes on cash and cash equivalents	27,151	47,768	20,617
Net increase in cash and cash equivalents	47,670	58,952	11,282
Cash and cash equivalents at beginning of period	332,717	380,387	47,670
Cash and cash equivalents at end of period	380,387	439,339	58,952

Operating activities provided net cash of ¥178,987 million, a decrease of ¥51,868 million year on year. It mainly came from increase in long-term advances to suppliers.

Investing activities used net cash of ¥281,546 million, an increase of ¥50,128 million year on year. It mainly came from purchase of tangible and intangible assets.

Financing activities provided net cash of ¥113,743 million, an increase of ¥92,661 million year on year. It mainly came from increase in long-term borrowings.

Trends in Cash Flow Indicators

	FY2020	FY2021	FY2022
1) Ratio of equity attributable to owners of parent (%)	42.1	40.6	42.8
2) Ratio of equity attributable to owners of parent on a market value basis (%)	55.7	82.1	55.6
3) No. of years to redeem borrowings	-	2.26	3.80
4) Interest coverage ratio (times)	-	56.9	32.6

[Notes]

1) Ratio of equity attributable to owners of parent = Equity attributable to owners of parent/Total assets

2) Ratio of equity attributable to owners of parent on a market value basis = Market capitalization (*1)/Total assets

(*1) Market capitalization = Closing price of TDK's common shares on the Tokyo Stock Exchange at fiscal year-end x Shares issued and outstanding at fiscal year-end after deducting treasury shares

3) No. of years to redeem debt = Interest-bearing liabilities (*2)/Cash flows from operating activities (*3)

(*2) Interest-bearing liabilities: “Borrowings,” “Lease liabilities,” and “Bonds and borrowings” on the consolidated statements of financial position.

(*3) Cash flows from operating activities: “Net cash provided by operating activities” on the consolidated statements of cash flows.

4) Interest coverage ratio = Cash flows from operating activities/Interest payments (*4)

(*4) Interest payments: “Interest paid” on the consolidated statements of cash flows

(5) Fundamental Policy for Distribution of Earnings, and Fiscal 2022 and Fiscal 2023 Dividends

TDK recognizes that achieving increase in corporate value over the medium- and long-term ultimately translates into higher shareholder value. In line with this understanding, TDK's fundamental policy is to work to consistently increase dividends through growth in earnings per share. By actively investing for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to rapid technological innovation in the electronics industry, TDK is aiming to increase a medium- and long-term corporate value. Accordingly, TDK actively reinvests its earning in business activities and determines its dividends taking into consideration comprehensive factors, including return on equity (ROE) and dividends on equity (DOE) on a consolidated basis, as well as changes in the business environment, among other factors.

TDK plans to pay a year-end dividend of ¥45 per common share, subject to approval at the ordinary general meeting of shareholders scheduled for June 24, 2022. Combined with the interim dividend of ¥100 (conversion after the share split: ¥33.33) per common share paid in December 2021, the planned dividend per common share applicable to the year will be ¥78.33 (conversion after the share split). TDK split one share of its common share into three shares with the effective date of October 1, 2021.

TDK plans to pay an interim dividend of ¥53 per common share and a year-end dividend of ¥53 per common share respectively in Fiscal 2023.

(Yen)

	FY 2023 Forecast	FY 2022
Interim dividend (Conversion after the share split)	53.00	(Actual) 100.00 (33.33)
Year-end dividend	53.00	(Forecast) 45.00
Annual dividend (Conversion after the share split)	106.00	- (Forecast) (78.33)

2. Management Policies

(1) Fundamental Management Policy

TDK was founded as a venture enterprise in 1935 for the purpose of industrializing a magnetic material called ferrite, which was invented at the Tokyo Institute of Technology. TDK's corporate motto is "Contribute to culture and industry through creativity," a message that embodies the company's founding spirit. Guided by this spirit, in the ensuing years TDK has sought to refine its materials and process technologies, as it develops new products that satisfy market needs. Concurrently, TDK has advanced globalization and diversification of its business operations while actively pursuing M&As, collaboration with external partners and other initiatives. As a result, TDK today is engaged in four main businesses: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products.
Looking ahead, TDK would like to remain a dynamic company that continues to deliver even higher value to all stakeholders, including shareholders, customers, suppliers, employees and local communities, by bringing together the entire Group's strengths while taking full advantage of the strengths of each Group company, and constantly drawing on innovative thinking and a willingness to tackle new challenges.

(2) Targeted Management Indicators

To realize this fundamental management policy, TDK conducts its business activities with reference to the following indicators.

(Important Fundamental Management Indicator)

* TVA (TDK Value Added)

TVA measures the added value newly created by the company's business activities and is an important decision-making tool for management.

TVA is the TDK Group's proprietary value-added indicator that compares earnings after taxes but without deducting interest expenses with the minimum profit (cost of shareholders' equity) required for the business assets of each business.

(Indicator for Managing Environmental Performance)

* CO_2 Emissions Reductions

As part of its environmental action plan to promote business activities in harmony with the natural environment, TDK has set a target for CO_2 emissions reductions.

(3) Medium- and Long-Term Management Strategy

The business environment surrounding electronics is now on the threshold of a period of major upheaval. Transformation has begun in earnest, with an energy transformation (EX) driven by the shift from fossil fuels to renewable energy and a digital transformation (DX) driven by the permeation of digital technologies, such as the Internet of Things (IoT) and Artificial Intelligence (AI), to every aspect of society.

The TDK Group regards such changes in the social environment as opportunities for new social contributions and business growth, and has formulated and been implementing its Medium-Term Plan, “Value Creation 2023,” that will cover the three years from fiscal 2022 through fiscal 2024. Under “Value Creation 2023,” the pursuit of “Social Value,” which aims at contributing to the realization of a sustainable society by solving social issues, is set as an objective of all business activities. As a result, we will implement a cycle of increasing “Commercial Value” and “Asset Value” and further creating “Social Value.”

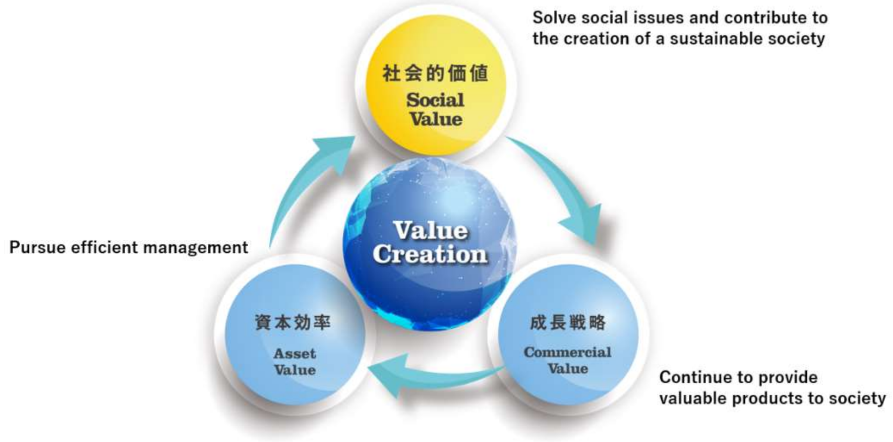
Specifically, in order to realize 2CX (Customer Experience and Consumer Experience) by providing solutions that satisfy customers and consumers and providing experiences that exceed expectations, we aim to become an invaluable presence by contributing to addressing two major social issues, namely, DX and EX. For example, in DX, the Group will contribute to the transformation of society through digital technologies by supplying products for high-speed communication networks, sensors, autonomous driving, and robots. In EX, the Group will contribute to the promotion of a decarbonized society by supplying products related to the energy storage, conversion, and control necessary for the creation of a highly energy-efficient society, as well as products related to electric vehicles and renewable energy.

Thus, we will endeavor to capture business opportunities by providing valuable products to society and at the same time establish management systems with a focus on speed. It is our aim to make even greater contributions to society by ensuring corporate transparency and becoming a trusted presence in society.

In order to achieve the Medium-Term Plan, the Group has identified the “TDK Group’s Materiality (Key Issues)” as priority management issues for the Group in light of macro trends such as the SDGs, politics and economics, technologies and markets. The “TDK Group’s Materiality (Key Issues)” has specified EX and DX as business areas for the Group to focus on toward the creation of social value and growth, and identified “Quality Management,” “HR Management,” “Supply Chain Management,” “Opportunity & Risk Management,” “Pursuing Both Delegation of Authority and Internal Controls,” and “Asset Efficiency Improvement” as materiality that should be addressed as the basis of value creation.

*SDGs: International development targets included in the “2030 Agenda for Sustainable Development” adopted by the United Nations Summit held in September 2015

<TDK Group's Value Creation Cycle and Materiality (Key Issues)>



EX

Contribution to energy and environmental solutions by minimizing waste heat and noise with electronic devices

- Effective use of energy and expanding use of renewable energy toward the realization of net zero CO_2 emissions in 2050
- Provide products and solutions for creating clean energy to realize a zero-carbon society
- Provide products and solutions for realizing an efficient energy society by storing, converting, and controlling energy

DX

Promotion of the digitization of society by adding software technology to material science and process technology

- Provide products and solutions to help build resilient communication network infrastructure
- Provide products and solutions for supporting robotics and mobility to promote human capability enhancement and complementation
- Promote digitalization at TDK

Quality Management	•Pursue zero-defect product quality •Reduce quality costs •Maximize customer satisfaction with product and service quality
HR Management	•Develop human resources to lead the TDK Group •Foster greater diversity and inclusion •Improve employee engagement and job satisfaction to attract and retain talented employees
Supply Chain Management	•Enhance global procurement capabilities and mechanisms •Ensure responsible procurement •Ensure societal and environmental consideration in the supply chain
Opportunity & Risk Management	•Identify and capture business opportunities effectively by strengthening marketing capability with full use of digital technology •Strengthen the Group's risk management capabilities
Pursuing Both Delegation of Authority and Internal Controls	•Ensure speed and transparency in operations, based on the clearly defined roles, authorities and responsibilities of each organization •Make management systems of each group company more effective and efficient, aligned with the Group's unified policy •Implement appropriate post-merger integration (PMI) for acquired companies
Asset Efficiency Improvement	•Rebuild business portfolio •Optimize facilities and manufacturing sites

(4) Pressing Issues

Despite the progress in global rollout of COVID-19 vaccine programs and the development of COVID-19 drugs, it is still unclear when the spread of the virus will be contained, and there remain concerns over the prolonged effects of the pandemic. In addition, heightened geopolitical risks and soaring energy and raw material prices have been affecting economic activities significantly. These effects can dramatically reshape not only economic trends but also the social and industrial landscape. The business environment surrounding the TDK Group could also be altered drastically.

However, even amid these changes in the social and industrial landscape, the trends of EX and DX should continue to grow in the electronics market. These trends are expected to bring about the creation of new markets in the Group's business fields. Significant growth opportunities will be presented to the Group by trends that include the widespread adoption of renewable energy and electric vehicles in EX, and the growing use of 5G, the practical use of Advanced Driving Assistance Systems (ADAS) in automobiles, the growing use of IoT and wearable products, and cloud services in DX. It is imperative for TDK to steadily capture these growth opportunities without falling behind these major changes. To this end, TDK will actively conduct research and technological development focused on launching competitive new products in a timely manner and expanding production capacity in line with demand.

TDK also recognizes that addressing the following issues that are identified as materiality is a pressing issue for achieving growth: "Quality Management," "HR Management," "Supply Chain Management," "Opportunity & Risk Management," "Pursuing Both Delegation of Authority and Internal Controls," and "Asset Efficiency Improvement."

For example, in "Supply Chain Management," the Group has been implementing various measures including the steady procurement of raw materials and efforts to tackle human rights issues in supply chains. Furthermore, as part of "Asset Efficiency Improvement," the Group has been reviewing and restructuring its business portfolio. In addition, human resources are the basis of growth. With non-Japanese employees accounting for more than 90% of the Group's workforce, TDK believes that diverse and abundant human resources are a key source of its competitiveness. TDK has continuously engaged in a wide range initiatives of "HR Management" to attract and retain talented human resources.

3. Basic Rationale for Selection of Accounting Standards

TDK started to prepare its consolidated financial statements using U.S. GAAP when it issued an American Depositary Receipt ("ADR") in July 1974. In April 2009, TDK delisted its shares on the New York Stock Exchange but maintained its ADR program in the U.S., and continued to use U.S. GAAP when it prepares consolidated financial statements. This was done from the viewpoint of protecting shareholders or investors and enabling them to make comparisons with past disclosures of information.

Based on the resolution adopted at the Board of Directors meeting on February 22, 2022, TDK will voluntary adopt International Financial Reporting Standards ("IFRS") in order to enhance the international comparability of its financial information in the capital markets and to improve the efficiency and quality of group management. The voluntary adoption will take place from the consolidated financial statements of Annual Securities Report for the fiscal 2022. Accordingly, the Summary of Consolidated Financial Results for the fiscal 2022, will be resubmitted on June 24, 2022.

4. Consolidated Financial Statements and Notes to the Consolidated Financial Statements

(1) Consolidated statements of financial position

	April 1, 2020		March 31, 2021		March 31, 2022		Change
	Amount (Yen millions)	%	Amount (Yen millions)	%	Amount (Yen millions)	%	Amount (Yen millions)
Assets							
Current assets							
Cash and cash equivalents	332,717		380,387		439,339		58,952
Trade receivables	310,077		429,371		524,476		95,105
Other financial assets	43,603		75,493		66,944		(8,549)
Inventories	236,010		288,346		437,004		148,658
Income taxes receivables	9,201		4,983		4,982		(1)
Other current assets	33,078		52,290		60,427		8,137
Total current assets	964,686	50.7	1,230,870	52.2	1,533,172	50.4	302,302
Non-current assets							
Investments accounted for using the equity method	14,888		14,069		16,635		2,566
Other financial assets	29,462		43,961		123,581		79,620
Property, plant and equipment	602,868		776,444		945,042		168,598
Right-of-use assets	43,113		45,735		50,169		4,434
Goodwill	122,186		125,668		137,352		11,684
Intangible assets	79,771		73,357		69,030		(4,327)
Long-term advances to suppliers	-		-		121,370		121,370
Deferred tax assets	37,206		44,017		40,062		(3,955)
Other non-current assets	6,748		5,542		5,240		(302)
Total non-current assets	936,242	49.3	1,128,793	47.8	1,508,481	49.6	379,688
Total assets	1,900,928	100.0	2,359,663	100.0	3,041,653	100.0	681,990

	April 1, 2020		March 31, 2021		March 31, 2022		Change
	Amount (Yen millions)	%	Amount (Yen millions)	%	Amount (Yen millions)	%	Amount (Yen millions)
Liabilities							
Current liabilities							
Borrowings	284,071		327,518		175,924		(151,594)
Lease liabilities	8,054		9,120		9,432		312
Trade payables	201,825		324,373		460,132		135,759
Other financial liabilities	85,738		161,930		147,272		(14,658)
Income taxes payables	17,701		20,389		29,715		9,326
Provisions	10,246		13,969		13,949		(20)
Other current liabilities	125,748		171,024		225,934		54,910
Total current liabilities	733,383	38.6	1,028,323	43.6	1,062,358	34.9	34,035
Non-current liabilities							
Bonds and borrowings	134,737		150,148		455,562		305,414
Lease liabilities	34,195		35,036		38,895		3,859
Other financial liabilities	2,939		2,966		4,573		1,607
Retirement benefit liabilities	143,030		116,813		105,089		(11,724)
Provisions	4,691		5,200		5,371		171
Deferred tax liabilities	36,145		50,939		57,454		6,515
Other non-current liabilities	7,149		8,551		8,596		45
Total non-current liabilities	362,886	19.1	369,653	15.7	675,540	22.2	305,887
Total liabilities	1,096,269	57.7	1,397,976	59.3	1,737,898	57.1	339,922
Equity							
Equity attributable to owners of parent							
Share capital	32,641		32,641		32,641		-
Capital surplus	1,783		-		-		-
Retained earnings	778,742		853,620		974,767		121,147
Other components of equity	3,709		89,460		309,607		220,147
Treasury shares	(16,806)		(16,792)		(16,698)		94
Total equity attributable to owners of parent	800,069	42.1	958,929	40.6	1,300,317	42.8	341,388
Non-controlling interests	4,590	0.2	2,758	0.1	3,438	0.1	680
Total equity	804,659	42.3	961,687	40.7	1,303,755	42.9	342,068
Total liabilities and equity	1,900,928	100.0	2,359,663	100.0	3,041,653	100.0	681,990

(2) Consolidated statements of profit or loss and comprehensive income

Consolidated statements of profit or loss

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		Change	
	Amount (Yen millions)	% to net sales	Amount (Yen millions)	% to net sales	Amount (Yen millions)	%
Net sales	1,479,008	100.0	1,902,124	100.0	423,116	28.6
Cost of sales	(1,052,410)		(1,338,276)		(285,866)	
Gross profit	426,598	28.8	563,848	29.6	137,250	32.2
Selling, general and administrative expenses	(328,217)		(410,568)		(82,351)	
Other operating income	13,692		14,033		341	
Other operating expenses	(259)		(538)		(279)	
Operating profit	111,814	7.6	166,775	8.8	54,961	49.2
Finance income	11,424		11,277		(147)	
Finance costs	(7,483)		(7,853)		(370)	
Share of profit of investments accounted for using the equity method	415		2,291		1,876	
Gain on sale of investments accounted for using the equity method	1,093		-		(1,093)	
Profit before tax	117,263	7.9	172,490	9.1	55,227	47.1
Income tax expense	(42,702)		(40,675)		(2,027)	
Net profit	74,561	5.0	131,815	6.9	57,254	76.8
Net profit attributable to:						
Owners of parent	74,681	5.0	131,298	6.9	56,617	75.8
Non-controlling interests	(120)	(0.0)	517	0.0	637	-
Net profit	74,561	5.0	131,815	6.9	57,254	76.8

Consolidated statements of comprehensive income

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Change
	Amount (Yen millions)	Amount (Yen millions)	Amount (Yen millions)
Net profit	74,561	131,815	57,254
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	8,507	54,857	46,350
Remeasurements of defined benefit plans	25,226	13,555	(11,671)
Total	33,733	68,412	34,679
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	77,740	165,974	88,234
Total	77,740	165,974	88,234
Total other comprehensive income, net of tax	111,473	234,386	122,913
Comprehensive income	186,034	366,201	180,167
Comprehensive income attributable to:			
Owners of parent	186,008	365,418	179,410
Non-controlling interests	26	783	757
Comprehensive income	186,034	366,201	180,167

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2021	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury shares	Total		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)
Balance as of April 1, 2020	32,641	1,783	778,742	3,709	(16,806)	800,069	4,590	804,659
Comprehensive income								
Net profit	-	-	74,681	-	-	74,681	(120)	74,561
Other comprehensive income, net of tax	-	-	-	111,327	-	111,327	146	111,473
Total comprehensive income	-	-	74,681	111,327	-	186,008	26	186,034
Transactions with owners								
Equity transactions with non-controlling interests	-	(4,591)	-	(67)	-	(4,658)	(1,492)	(6,150)
Dividends paid	-	-	(22,738)	-	-	(22,738)	(366)	(23,104)
Transfer from retained earnings to capital surplus	-	2,574	(2,574)	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(8)	(8)	-	(8)
Share-based payment transactions	-	256	-	-	-	256	-	256
Exercise of share options	-	(22)	-	-	22	-	-	-
Total transactions with owners	-	(1,783)	(25,312)	(67)	14	(27,148)	(1,858)	(29,006)
Transfer from other components of equity to retained earnings	-	-	25,509	(25,509)	-	-	-	-
Balance as of March 31, 2021	32,641	-	853,620	89,460	(16,792)	958,929	2,758	961,687

Fiscal year ended March 31, 2022	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Share capital	Capital surplus	Retained earnings	Other components of equity	Treasury shares	Total		
	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)	(Yen millions)
Balance as of April 1, 2021	32,641	-	853,620	89,460	(16,792)	958,929	2,758	961,687
Comprehensive income								
Net profit	-	-	131,298	-	-	131,298	517	131,815
Other comprehensive income, net of tax	-	-	-	234,120	-	234,120	266	234,386
Total comprehensive income	-	-	131,298	234,120	-	365,418	783	366,201
Transactions with owners								
Equity transactions with non-controlling interests	-	(124)	-	-	-	(124)	174	50
Dividends paid	-	-	(24,002)	-	-	(24,002)	(277)	(24,279)
Transfer from retained earnings to capital surplus	-	122	(122)	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	(5)	(5)	-	(5)
Share-based payment transactions	-	101	-	-	-	101	-	101
Exercise of share options	-	(99)	-	-	99	-	-	-
Total transactions with owners	-	-	(24,124)	-	94	(24,030)	(103)	(24,133)
Transfer from other components of equity to retained earnings	-	-	13,973	(13,973)	-	-	-	-
Balance as of March 31, 2022	32,641	-	974,767	309,607	(16,698)	1,300,317	3,438	1,303,755

(4) Consolidated statements of cash flows

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Amount (Yen millions)	Amount (Yen millions)
Cash flows from operating activities		
Net profit	74,561	131,815
Depreciation and amortization	148,356	177,031
Impairment losses	7,914	3,300
Finance income	(11,424)	(11,277)
Finance costs	7,483	7,853
Share of profit of investments accounted for using the equity method	(415)	(2,291)
Gain on sale of investments accounted for using the equity method	(1,093)	-
Gain on sale of businesses	(2,433)	-
Income tax expense	42,702	40,675
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(96,954)	(38,452)
Decrease (increase) in inventories	(38,561)	(108,436)
Decrease (increase) in long-term advances to suppliers	-	(112,222)
Decrease (increase) in other current assets	(19,271)	(9,740)
Increase (decrease) in trade payables	99,098	86,431
Increase (decrease) in other current liabilities	38,369	34,453
Increase (decrease) in retirement benefit liabilities	(1,313)	(348)
Other	6,254	6,765
Subtotal	253,273	205,557
Interest and dividends received	9,206	9,538
Interest paid	(4,056)	(5,491)
Income taxes paid	(27,568)	(30,617)
Cash flows from operating activities	230,855	178,987

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
	Amount (Yen millions)	Amount (Yen millions)
Cash flows from investing activities		
Purchase of tangible and intangible assets	(212,196)	(291,337)
Proceeds from sale of tangible and intangible assets	3,586	3,368
Proceeds from withdrawal of time deposits	90,606	83,172
Payments into time deposits	(120,427)	(66,745)
Proceeds from sale and redemption of securities	1,080	1,523
Payment for purchase of securities	(3,994)	(11,537)
Proceeds from sale of businesses, net of cash transferred	7,017	-
Proceeds from sale of investments in associates	2,502	-
Other	408	10
Cash flows from investing activities	(231,418)	(281,546)
Cash flows from financing activities		
Proceeds from long-term borrowings	50,014	190,879
Repayment of long-term borrowings	(66,200)	(134,570)
Net increase (decrease) in short-term borrowings	(24,526)	(8,235)
Proceeds from bonds	100,000	100,000
Repayment of lease liabilities	(8,712)	(9,713)
Dividends paid	(22,738)	(23,987)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(5,955)	(113)
Other	(801)	(518)
Cash flows from financing activities	21,082	113,743
Effect of exchange rate changes on cash and cash equivalents	27,151	47,768
Net increase (decrease) in cash and cash equivalents	47,670	58,952
Cash and cash equivalents at beginning of year	332,717	380,387
Cash and cash equivalents at end of year	380,387	439,339

(5) Notes to the consolidated financial statements

(Notes to going concern assumption)

There are no items to report.

(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's consolidated financial statements comprise the financial statements of TDK and its consolidated subsidiaries (collectively, "TDK Group") as well as its interests in the associates, for the reporting period ending March 31, 2022. As of March 31, 2022, TDK Group has 137 consolidated subsidiaries, 12 subsidiaries in Japan and 125 subsidiaries overseas, as well as 5 associates accounted for using the equity method, 3 associates in Japan and 2 associates overseas.

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

TDK Group has four reportable segments, consisting of Passive Components, Sensor Application Products, Magnetic Application Products and Energy Application Products. Details of the reportable segments are set out in (Segment information).

(Basis of preparation)

1. Compliance with IFRS and first-time adoption of IFRS

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

TDK Group's consolidated financial statements for the fiscal year ended March 31, 2022 are the first financial statements prepared in accordance with IFRS. The date of transition to IFRS is April 1, 2020. In transitioning to IFRS, TDK Group has applied IFRS 1 First-time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition to IFRS on the TDK Group's financial position, results of operations and cash flows is described in (First-time adoption of IFRS).

2. Measurement basis

The consolidated financial statements of TDK Group have been prepared on a historical cost basis, except for financial instruments measured at fair value detailed in (Significant accounting policies).

3.Functional and presentation currency

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

(Significant accounting policies)

1. Basis of consolidation

(1) Subsidiaries

A subsidiary is an entity that is controlled by TDK. TDK controls an entity when TDK is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. TDK includes the financial statements of a subsidiary in the consolidated financial statements from the date when it gains control until the date when it ceases to control the subsidiary.

Intercompany balances and transactions and unrealized gains and losses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

Changes in ownership interests in a subsidiary while control is maintained are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of parent. Gains and losses arising from the loss of control of a subsidiary are recognized in profit or loss.

(2) Associate

An associate is an entity over which TDK has significant influence, being the power to participate in the financial and operating policy decisions of the entity, but not control or joint control of those policies. TDK accounts for its investment in an associate using the equity method from the date when it gains the significant influence until the date when the significant influence ceases.

2. Business combinations

TDK accounts for each business combination by applying the acquisition method. Acquisition-related costs are expensed as incurred. In principle, identifiable assets acquired and the liabilities assumed in a business combination are measured at their acquisition-date fair values.

If the sum of the consideration transferred in a business combination, the amount of any non-controlling interest in the acquiree, and the fair value of equity interests of the acquiree that TDK previously held exceeds the net fair value of the acquired assets and assumed liabilities, the excess is recognized as goodwill. If below, it is recognized in profit or loss. The consideration transferred in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred by TDK, the liabilities incurred by TDK to former owners of the acquiree and the equity interests issued by TDK, which includes the fair values of assets or liabilities arising from contingent consideration arrangements.

For each business combination, non-controlling interest is measured at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets.

3. Foreign currency translation

(1) Foreign currency transaction

Foreign currency transactions are translated into TDK Group companies' functional currency using the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into the functional currency using the exchange rate at the end of the reporting period. Non-monetary items denominated in foreign currencies measured at fair value are translated into the functional currency using the exchange rate at the date of the fair value measurement, and non-monetary items denominated in foreign currencies measured at cost are translated using the exchange rate at the date of the transaction.

Exchange differences arising from translation and settlement are recognized in profit or loss. Exchange differences arising from equity instruments measured at fair value through other comprehensive income are recognized in other comprehensive income.

(2) Financial statements of foreign operations

Assets and liabilities of a foreign operation are translated into Japanese yen using the exchange rate at the end of the reporting period. Income and expenses are translated using the average exchange rate prevailing during the period unless there is signification fluctuation in the exchange rate. Exchange differences arising on the translation of financial statements of a foreign operation are recognized in other comprehensive income and accumulated in a separate component of equity, except for the portion allocated to non-controlling interests.

When a foreign operation is disposed of and control or significant influence ceases, the cumulative amount of the exchange differences relating to the foreign operation is reclassified to profit or loss.

4. Financial instruments

(1) Non-derivative financial assets

I. Initial recognition and measurement

Regular way purchase or sale of securities is initially recognized at the settlement date, and the rest of the financial assets are initially recognized when TDK Group becomes a contractual party to the financial instruments.

Financial assets are, at initial recognition, classified into financial assets measured at amortized cost, financial assets measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss. This classification is made based on whether the financial assets are debt instruments or equity instruments.

A financial asset that is a debt instrument is classified as financial assets measured at amortized cost if both of the conditions described below are met. Otherwise, it is classified as financial assets measured at fair value through profit or loss. TDK Group does not hold financial assets that are debt instruments measured at fair value through other comprehensive income.

・The financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows

・The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

In principle, TDK Group makes an irrevocable election for financial assets that are equity instruments to present subsequent changes in fair value in other comprehensive income, except for equity instruments held for trading. These financial assets are classified as financial assets measured at fair value through other comprehensive income.

For financial assets measured at fair value through profit or loss, transaction costs are initially recognized in profit or loss when incurred. Financial assets measured at fair value through other comprehensive income and financial assets measured at amortized cost are initially measured at fair value plus the transaction costs that are directly attributable to the acquisition of the assets. Trade receivables that do not have a significant financing component are initially measured at their transaction price.

II. Subsequent measurement

Financial assets measured at amortized cost are measured using the effective interest method and the interest is recognized in profit or loss.

Financial assets other than those measured at amortized cost are measured at fair value. Changes in fair value of equity instruments that are classified as financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. When a financial asset is derecognized or when a decline in fair value of the financial asset below cost is significant or prolonged, cumulative gains or losses recognized in other comprehensive income are transferred to retained earnings. Dividends are recognized in profit or loss.

Changes in fair value of financial assets measured at fair value through profit or loss are recognized in profit or loss.

III. Impairment

A financial asset, etc. measured at amortized cost is assessed for impairment and loss allowance is recognized based on expected credit losses at each reporting date.

At the reporting date, if credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to 12-month expected credit losses. If the credit risk has increased significantly since initial recognition, the loss allowance for that financial asset is measured at an amount equal to lifetime expected credit losses, taking reasonable and supportable information including forecasts into consideration.

However, the loss allowance for trade receivables is recognized at an amount equal to lifetime expected credit losses regardless of whether credit risk has increased significantly since initial recognition. The amount of expected credit losses or reversal is recognized in profit or loss.

IV. Derecognition

When contractual rights to the cash flows from a financial asset expire, or TDK Group transfers contractual rights to receive the cash flows of that financial asset and substantially all the risks and rewards of ownership of the financial asset, the financial asset is derecognized.

(2) Non-derivative financial liabilities

I. Initial recognition and measurement

Financial liabilities are initially recognized when TDK Group becomes a contractual party to the financial instruments. Financial liabilities are, except for contingent considerations, at initial recognition, classified into financial liabilities measured at amortized cost. All financial liabilities are initially measured at fair value. Financial liabilities measured at amortized cost are measured at fair value less transaction costs that are directly attributable to the issue of the financial liabilities.

II. Subsequent measurement

Financial liabilities measured at amortized cost are measured using the effective interest method. Interest calculated using the effective interest method and gains and losses from derecognition are recognized in profit or loss.

Contingent considerations are measured at fair value and their changes in the fair value are recognized in profit or loss.

III. Derecognition

Financial liabilities are derecognized when an obligation specified in a contract is discharged, cancelled or expired.

(3) Derivatives

TDK Group enters into derivative contracts, such as forward foreign exchange contracts, to hedge the risk of foreign exchange rates fluctuations. These derivatives are initially recognized at fair value at the date of contract and subsequently remeasured at fair value. Changes in fair value of derivatives are recognized in profit or loss.

TDK Group does not apply hedge accounting to any of these derivatives.

5. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time and short-term investments that are easily redeemable and have a redemption date within three months from the date of acquisition with little risk of value fluctuations.

6. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost is determined based mainly on the weighted average cost formula, and includes the costs of purchase, the costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.

The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

7. Property, plant and equipment

Property, plant and equipment is measured at its cost less accumulated depreciation and accumulated impairment losses using the cost model. The cost includes the incidental costs directly related to acquisition of the assets and the costs of site dismantlement, removal and restoration. Property, plant and equipment is depreciated using the straight-line method over its estimated useful lives.

Residual values, estimated useful lives and depreciation methods are reviewed at the end of each fiscal year. Changes in these items, if any, are applied prospectively as a change in accounting estimates.

8. Goodwill and intangible assets

(1) Goodwill

Goodwill acquired in a business combination is recorded at cost less any accumulated impairment losses.

(2) Intangible assets

Intangible assets are measured using the cost model. Intangible assets with finite useful lives are recorded at cost less accumulated amortization and accumulated impairment losses, and intangible assets with indefinite useful lives are recorded at cost less accumulated impairment losses.

Intangible assets acquired separately are measured at their cost upon initial recognition. Intangible assets acquired in a business combination are recognized separately from goodwill at their acquisition-date fair values if they meet the definition of intangible assets, they are identifiable and their fair values are measured reliably.

All expenditure incurred in a research phase with the prospect of gaining new scientific or technical knowledge is expensed when it is incurred.

An expenditure incurred in a development phase is capitalized if the expenditure can demonstrate all the following criteria; otherwise, it is expensed as incurred.

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The intention to complete the intangible asset and use or sell it
- The ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The ability to measure reliably the expenditure attributable to the intangible asset during its development

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives.

Residual values, estimated useful lives and amortization methods are reviewed at the end of each fiscal year. Changes in these items, if any, are applied prospectively as a change in accounting estimates.

9. Leases

TDK Group determines whether a contract is a lease contract, or if it contains a lease at inception of the contract. Some of the lease contracts include lease and non-lease components, and TDK Group accounts for them separately.

At commencement date of the lease, TDK Group as a lessee recognizes a right-of-use asset and a lease liability.

The right-of-use asset is initially measured at cost. The cost comprises the amount of the initial measurement of the lease liability adjusted for initial direct costs, lease payments made at or before the commencement date and other. After initial recognition, if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects the possibilities that the lessee will exercise a purchase option, the right-of-use asset is depreciated using the straight-line method from the commencement date to the end of the useful life of the underlying asset. Otherwise, it is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used based on the information available at the commencement date.

For short-term leases with a lease term of 12 months or less and leases of low-value assets, a right-of-use asset and a lease liability are not recognized. Instead, total lease payment is recognized as an expense over the lease term using the straight-line method.

10. Impairment of non-financial assets

Non-financial assets (excluding inventories, deferred tax assets, etc.) are assessed for impairment at each reporting date. If any indication of impairment exists, an impairment test is performed based on recoverable amount of that asset. The recoverable amount is determined for a cash-generating unit to which the individual asset belongs, unless the asset generates cash inflows that are largely independent of those from other assets or groups of assets. A cash-generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An impairment test is performed for goodwill and intangible assets with indefinite useful lives at the same time every year, regardless of indications of impairment. The impairment test is also performed whenever there is an indication of impairment. When goodwill acquired in a business combination is tested for impairment, the goodwill is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the business combination.

For investments accounted for using the equity method, the carrying amount of the entire investment is treated as a single asset to test for impairment when there is objective evidence of impairment.

The recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is the higher of its value in use and fair value less costs of disposal. In determining value in use, estimated future cash flows are discounted to their present values at pre-tax discount rates that reflect the time value of money and the risks specific to the asset.

If the recoverable amount of an asset, a cash-generating unit or a group of cash-generating units is less than its carrying amount, the carrying amount is reduced to the recoverable amount. That reduction is an impairment loss, which is recognized in profit or loss.

TDK Group assesses whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If there is such indication and the recoverable amount of the asset or the cash-generating unit exceeds its carrying amount, the impairment loss recognized in prior periods is reversed. In this case, the carrying amount of the asset is increased to its recoverable amount. The increased carrying amount does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

11. Employee benefits

(1) Post-employment benefits

TDK Group sponsors defined benefit plans and defined contribution plans for its employees.

Net defined benefit asset or liability is calculated as present value of defined benefit obligations less the fair value of any plan assets. The net defined benefit asset has the asset ceiling, which is the present value of future economic benefits available in the form of a cash refund or a reduction in future contributions.

The projected unit credit method is used to determine defined benefit obligations. The present value of the defined benefit obligations is calculated as expected future benefits discounted using the discount rate. The discount rate is determined by reference to market yields on high quality corporate bonds with the term similar to the estimated period of benefit. Service cost and net interest on the net defined benefit asset or liability are recognized in profit or loss. Actuarial gains and losses, and return on plan assets and any change in the effect of the asset ceiling excluding amounts included in net interest on the net defined benefit asset or liability are recognized in other comprehensive income as Remeasurements of defined benefit plans in the period in which they occur and immediately transferred to retained earnings.

Past service cost is recognized in profit or loss in the period in which it occurs.

The amount of contributions required under defined contribution plans for the services rendered by employees is recognized in profit or loss and included in employee benefit expenses.

(2) Short-term employee benefits

Short-term employee benefits are recognized in profit or loss at undiscounted amount during the period in which employees provide relevant services and included in employee benefit expenses.

The estimated amounts of bonuses and compensated absences are recognized as liabilities when there is a legal or constructive obligation to make payments and a reliable estimate of the amount can be made.

12. Share-based payment

TDK Group has a share option plan and a restricted share unit plan.

The share option plan is an equity-settled share-based payment plan. TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in capital surplus.

The restricted share unit plan is classified into equity-settled and cash-settled share-based payment plans. For the equity-settled restricted share unit plan, TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in capital surplus. For the cash-settled restricted share unit plan, TDK Group measures share-based compensation granted to directors and corporate officers in exchange for services received at the grant-date fair value of equity awards and uses the straight-line attribution method to recognize compensation expenses over the vesting period, with a corresponding increase in liability. Until the liability is settled, the fair value of the liability is remeasured with any changes in the fair value recognized in profit or loss.

13. Provisions

A provision is recognized when TDK Group has a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

If the effect of time value of money is material, estimated future cash flows are discounted to the present value using the pre-tax rates that reflect the time value of money and the risks specific to the liability.

14. Equity

(1) Common shares

The issue price of common shares issued by TDK is recorded in share capital and capital surplus, and the issuance cost, net of tax, is deducted from capital surplus.

(2) Treasury shares

Treasury shares are measured at the amount of consideration paid (including transaction costs) and recognized as a deduction from equity.

When such shares are sold, the amount received is recognized as an increase in equity.

15. Revenue

TDK Group recognizes revenue arising from transactions within the scope of IFRS 15 Revenue from contracts with customers ("IFRS 15") based on the following 5 steps:

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

TDK Group sells passive components, sensor application products, magnetic application products and energy application products to global ICT related companies, manufacturers of automobile and automotive components, 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.

16. Government grant

Government grants are recognized at fair value if there is reasonable assurance that TDK Group will comply with the conditions attaching to them and the grants will be received.

When government grants are related to items of expense, the government grants are recognized as revenue on a systematic basis over the periods in which TDK Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants related to an asset are presented by deducting the grant in arriving at the carrying amount of the asset.

17. Income taxes

Income tax expense consists of current income tax and deferred income tax and is recognized in profit or loss except to the extent that the tax arises from a business combination and a transaction or event which is recognized either in other comprehensive income or directly in equity.

Current tax is measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized for the temporary differences between the carrying amount and tax base of assets and liabilities, the net operating loss carryforwards and the tax credit carryforwards. Deferred tax assets and liabilities are not recognized for the following temporary differences:

・Temporary differences arising from initial recognition of goodwill
・Temporary differences arising from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profits
・Deductible temporary differences arising from investments in subsidiaries and associates to the extent that it is probable that the temporary difference will not reverse in the foreseeable future or taxable profit will not be available against which the temporary difference can be utilized
・Taxable temporary differences arising from investments in subsidiaries and associates to the extent that the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the temporary differences are expected to reverse, based on tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are included in non-current assets or non-current liabilities.

Deferred tax assets and deferred tax liabilities are offset if TDK Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets are recognized for the deductible temporary differences, net operating loss carryforwards and tax credit carryforwards to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, net operating loss carryforwards and tax credit carryforwards can be utilized. Deferred tax assets are reassessed at each reporting date and reduced by the extent that it has become probable that tax benefits will not flow to TDK Group.

Uncertain tax positions are recognized as assets or liabilities at the amount reasonably estimated when it is probable that the tax positions will be sustained upon examinations by the taxation authorities.

18. Earnings per share

Basic earnings per share attributable to owners of parent is calculated by dividing net profit attributable to owners of parent by the weighted average number of common shares outstanding adjusted for treasury shares for the reporting period.

Diluted earnings per share attributable to owners of parent is calculated by adjusting for the impact of potentially dilutive shares.

(Changes in accounting policies)
There are no items to report.

(Changes in accounting estimates)
There are no items to report.

(Segment information)
1. Description of reportable segments

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.

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 these reportable segments are included in Other.

Principal businesses and products of reportable segments 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 consolidated financial statements of TDK Group. Intersegment transactions are based on arm’s length prices.

2. Information about reportable segments

The reportable segment information for the fiscal years ended March 31, 2021 and 2022 are as follows:

Net sales (Yen millions, %)

		Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		Change	
		Amount	%	Amount	%	Amount	%
Passive Components	External customers	407,126	27.5	505,198	26.6	98,072	24.1
	Intersegment	3,547		4,426		879	24.8
	Total	410,673		509,624		98,951	24.1
Sensor Application Products	External customers	81,345	5.5	130,769	6.9	49,424	60.8
	Intersegment	223		503		280	125.6
	Total	81,568		131,272		49,704	60.9
Magnetic Application Products	External customers	199,253	13.5	248,446	13.1	49,193	24.7
	Intersegment	652		66		(586)	(89.9)
	Total	199,905		248,512		48,607	24.3
Energy Application Products	External customers	740,227	50.0	965,345	50.7	225,118	30.4
	Intersegment	-		1		1	-
	Total	740,227		965,346		225,119	30.4
Other	External customers	51,057	3.5	52,366	2.7	1,309	2.6
	Intersegment	22,015		33,930		11,915	54.1
	Total	73,072		86,296		13,224	18.1
Intersegment elimination		(26,437)		(38,926)		(12,489)	
Total		1,479,008	100.0	1,902,124	100.0	423,116	28.6

Segment profit (loss) (Yen millions, %)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022		Change	
	Amount	% to net sales	Amount	% to net sales	Amount	%
Passive Components	40,080	9.8	77,251	15.3	37,171	92.7
Sensor Application Products	(24,915)	(30.6)	3,190	2.4	28,105	-
Magnetic Application Products	(2,266)	(1.1)	4,522	1.8	6,788	-
Energy Application Products	147,404	19.9	123,212	12.8	(24,192)	(16.4)
Other	(16,056)	(31.4)	(5,630)	(10.8)	10,426	-
Subtotal	144,247	9.8	202,545	10.6	58,298	40.4
Adjustment	(32,433)		(35,770)		(3,337)	
Operating profit	111,814	7.6	166,775	8.8	54,961	49.2

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.

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

3. Geographic segment information

The geographic segment information for the fiscal years ended March 31, 2021 and 2022 are as follows:

Net sales

(Yen millions)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Japan	117,205	149,038
Americas	96,666	129,857
Europe	148,443	175,580
China	840,129	1,059,718
Asia and others	276,565	387,931
Total	1,479,008	1,902,124

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

(Earnings per share)

The basic and diluted earnings per share are as follows:

(Yen millions)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	Basic	Diluted	Basic	Diluted
Net profit attributable to owners of parent	74,681	74,681	131,298	131,298
				Number of shares (thousands)
Weighted average number of common shares issued	378,967	378,967	378,991	378,991
Incremental shares arising from exercise of share options	-	782	-	860
Incremental shares arising from delivery under restricted share unit plan	-	1	-	11
Weighted average number of common shares issued - Total	378,967	379,750	378,991	379,862
				(Yen)
Earnings per share	197.06	196.66	346.44	345.65

Note:

1. The dilution of net profit attributable to owners of parent was caused by presuming the exercise of share options issued by a subsidiary of TDK Corporation.

2. TDK split one share of its share capital into three shares on effective date of October 1, 2021. “Weighted average number of common shares issued”, “Incremental shares arising from exercise of share options”, “Incremental shares arising from delivery under restricted share unit plan” and “Net profit attributable to owners of parent” are calculated based on the assumption that the share split was conducted on April 1, 2020.

(Significant subsequent events)

A TDK subsidiary, Amperex Technology Limited ("ATL", Hong Kong Special Administrative Region of China) that engages in the business of rechargeable batteries, established Xiamen Ampeak Technology Limited, on June 8, 2022, as a holding company of 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 batteries for automobiles and other applications. The subsidiary falls into the category of specified subsidiaries as the amount of its share capital exceeds 10% of that of TDK.

(First-time adoption of IFRS)

1. Transition to IFRS

TDK Group prepares its consolidated financial statements in accordance with IFRS from the fiscal year ended March 31, 2022. The accounting policies adopted in preparing the consolidated financial statements in accordance with IFRS are set out in (Significant accounting policies).

The consolidated financial statements for the fiscal year ended March 31, 2021 were prepared in accordance with US GAAP. The date of transition to IFRS was April 1, 2020.

Exemptions under IFRS 1

In principle, IFRS 1 requires entities to apply IFRS retrospectively. However, a first-time adopter may elect not to apply certain standards retrospectively, and TDK Group applies the exemptions for the following items:

(1) Business combination

Under IFRS 1, a first-time adopter may elect not to apply IFRS 3 Business Combinations ("IFRS 3") retrospectively to business combinations that occurred before the date of transition to IFRS. TDK Group elected not to apply IFRS 3 retrospectively to business combinations that occurred before the date of transition to IFRS. As a result, the amount of goodwill arising in business combinations that occurred before the date of transition to IFRS is its carrying amount recorded under US GAAP at the date of transition to IFRS. Goodwill was tested for impairment at the date of transition to IFRS, regardless of whether there was an indication of impairment.

(2) Exchange differences on translation of foreign operations

IFRS 1 permits the cumulative amount of exchange differences on translation of foreign operations to be measured at zero at the date of transition to IFRS. TDK Group elected to measure the cumulative amount of exchange differences on translation of foreign operations at zero at the date of transition to IFRS.

(3) Designation of equity instruments

IFRS 1 permits equity instruments recognized before the date of transition to IFRS to be designated as financial assets measured at fair value through other comprehensive income based on facts and circumstances existing at that date. TDK Group elected to designate equity instruments recognized before the date of transition to IFRS as financial assets measured at fair value through other comprehensive income based on facts and circumstances existing at that date.

(4) Deemed cost of property, plant and equipment

IFRS 1 permits the use of fair value of property, plant and equipment at the date of transition to IFRS as deemed cost at that date. TDK Group elected to use the fair value of certain items of property, plant and equipment at the date of transition to IFRS as their deemed cost.

(5) Leases

Under IFRS 1, a lessee may measure a lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. In addition, a lessee is permitted to choose, on a lease-by-lease basis, to measure a right-of-use asset at either an amount equal to the lease liability or its carrying amount as if IFRS 16 Leases had been applied since the commencement date of the lease (discounted using the lessee's incremental borrowing rate at the date of transition to IFRS). TDK Group applied this exemption to recognition and measurement of leases.

Mandatory exceptions under IFRS 1

IFRS 1 prohibits retrospective application of IFRS to certain aspects of Estimates, Derecognition of financial assets and financial liabilities, Non-controlling interests and Classification and measurement of financial assets. TDK Group applied IFRS for these items prospectively from the date of transition to IFRS.

2. Reconciliation

The following table presents a reconciliation required to be disclosed in adopting IFRS for the first time. Items that do not have an impact on retained earnings and comprehensive income are included in Reclassification, and items that have an impact on retained earnings and comprehensive income are included in Difference in recognition and measurement in the reconciliation.

Adjustments to equity as of the date of transition to IFRS (April 1, 2020)

(Yen millions)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	332,717	-	-	332,717		Cash and cash equivalents
Short-term investments	32,494	(32,494)	-	-		
Trade receivables	310,142	-	(65)	310,077		Trade receivables
Marketable securities	56	(56)	-	-		
	-	43,603	-	43,603	(6)	Other financial assets
Inventories	236,453	-	(443)	236,010		Inventories
Income taxes receivables	9,201	-	-	9,201		Income taxes receivables
Prepaid expenses and other current assets	45,419	(11,053)	(1,288)	33,078		Other current assets
Total current assets	966,482	-	(1,796)	964,686		Total current assets
						Non-current assets
Investments in affiliates	14,888	-	-	14,888		Investments accounted for using the equity method
Other investments in securities	18,341	(18,341)	-	-		
	-	29,293	169	29,462	(6)	Other financial assets
Property, plant and equipment						
Land	22,057	-	-	-		
Buildings	347,655	-	-	-		
Machinery and equipment	972,492	-	-	-		
Construction in progress	81,923	-	-	-		
Total	1,424,127	-	-	-		
Less accumulated depreciation	(812,977)	-	-	-		
Net property, plant and equipment	611,150	(3,790)	(4,492)	602,868	(2)	Property, plant and equipment
Right-of-use assets of operating lease	39,215	3,790	108	43,113		Right-of-use assets
Goodwill	160,945	-	(38,759)	122,186	(1)	Goodwill
Intangible assets	79,748	-	23	79,771		Intangible assets
Deferred income taxes	34,862	-	2,344	37,206		Deferred tax assets
Other assets	17,748	(10,952)	(48)	6,748		Other non-current assets
	976,897	-	(40,655)	936,242		Total non-current assets
Total assets	1,943,379	-	(42,451)	1,900,928		Total assets

(Yen millions)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Liabilities and equity						Liabilities
Current liabilities						Current liabilities
Short-term debt	216,601	67,470	-	284,071		Borrowings
Current installments of long-term debt	68,028	(68,028)	-	-		
Current portion of operating lease obligations	7,252	558	244	8,054		Lease liabilities
Trade payables	201,825	-	-	201,825		Trade payables
	-	85,705	33	85,738	(6)	Other financial liabilities
Accrued salaries and wages	87,772	(87,772)	-	-		
Accrued expenses	113,819	(113,819)	-	-		
Income taxes payables	7,341	10,360	-	17,701		Income taxes payables
	-	10,246	-	10,246	(6)	Provisions
Other current liabilities	16,267	106,200	3,281	125,748		Other current liabilities
Total current liabilities	718,905	10,920	3,558	733,383		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term debt, excluding current installments	140,061	(5,324)	-	134,737		Bonds and borrowings
Long-term operating lease obligations	28,824	5,324	47	34,195		Lease liabilities
	-	2,939	-	2,939	(6)	Other financial liabilities
Retirement and severance benefits	142,958	-	72	143,030		Retirement benefit liabilities
	-	4,691	-	4,691	(6)	Provisions
Deferred income taxes	38,329	-	(2,184)	36,145		Deferred tax liabilities
Other noncurrent liabilities	25,738	(18,550)	(39)	7,149		Other non-current liabilities
Total noncurrent liabilities	375,910	(10,920)	(2,104)	362,886		Total non-current liabilities
Total liabilities	1,094,815	-	1,454	1,096,269		Total liabilities
TDK stockholders' equity						Equity
						Equity attributable to owners of parent
Common stock	32,641	-	-	32,641		Share capital
Additional paid-in capital	1,783	-	-	1,783		Capital surplus
Legal reserve	45,254	(45,254)	-	-		
Retained earnings	971,140	45,254	(237,652)	778,742	(7)	Retained earnings
Accumulated other comprehensive income (loss)	(190,055)	-	193,764	3,709	(3)(4)(5)	Other components of equity
Treasury stock at cost	(16,806)	-	-	(16,806)		Treasury shares
Total TDK stockholders' equity	843,957	-	(43,888)	800,069		Total equity attributable to owners of parent
Noncontrolling interests	4,607	-	(17)	4,590		Non-controlling interests
Total equity	848,564	-	(43,905)	804,659		Total equity
Total liabilities and equity	1,943,379	-	(42,451)	1,900,928		Total liabilities and equity

Adjustments to equity as of March 31, 2021

(Yen millions)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Assets						Assets
Current assets						Current assets
Cash and cash equivalents	380,387	-	-	380,387		Cash and cash equivalents
Short-term investments	65,886	(65,886)	-	-		
Trade receivables	429,454	-	(83)	429,371		Trade receivables
Marketable securities	56	(56)	-	-		
	-	75,493	-	75,493	(6)	Other financial assets
Inventories	288,854	-	(508)	288,346		Inventories
Income taxes receivables	4,983	-	-	4,983		Income taxes receivables
Prepaid expenses and other current assets	63,765	(9,551)	(1,924)	52,290		Other current assets
Total current assets	1,233,385	-	(2,515)	1,230,870		Total current assets
						Non-current assets
Investments in affiliates	12,764	-	1,305	14,069		Investments accounted for using the equity method
Other investments in securities	31,523	(31,523)	-	-		
	-	43,531	430	43,961	(6)	Other financial assets
Property, plant and equipment						
Land	23,953	-	-	-		
Buildings	423,689	-	-	-		
Machinery and equipment	1,207,552	-	-	-		
Construction in progress	124,558	-	-	-		
Total	1,779,752	-	-	-		
Less accumulated depreciation	(995,381)	-	-	-		
Net property, plant and equipment	784,371	(3,484)	(4,443)	776,444	(2)	Property, plant and equipment
Right-of-use assets of operating lease	42,325	3,484	(74)	45,735		Right-of-use assets
Goodwill	165,096	-	(39,428)	125,668	(1)	Goodwill
Intangible assets	73,280	-	77	73,357		Intangible assets
Deferred income taxes	41,024	-	2,993	44,017		Deferred tax assets
Other assets	17,665	(12,008)	(115)	5,542		Other non-current assets
	1,168,048	-	(39,255)	1,128,793		Total non-current assets
Total assets	2,401,433	-	(41,770)	2,359,663		Total assets

(Yen millions)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Liabilities and equity						Liabilities
Current liabilities						Current liabilities
Short-term debt	192,938	134,580	-	327,518		Borrowings
Current installments of long-term debt	135,125	(135,125)	-	-		
Current portion of operating lease obligations	8,444	545	131	9,120		Lease liabilities
Trade payables	324,373	-	-	324,373		Trade payables
	-	161,930	-	161,930	(6)	Other financial liabilities
Accrued salaries and wages	118,860	(118,860)	-	-		
Accrued expenses	205,893	(205,893)	-	-		
Income taxes payables	9,232	11,157	-	20,389		Income taxes payables
	-	13,969	-	13,969	(6)	Provisions
Other current liabilities	16,611	150,685	3,728	171,024		Other current liabilities
Total current liabilities	1,011,476	12,988	3,859	1,028,323		Total current liabilities
Noncurrent liabilities						Non-current liabilities
Long-term debt, excluding current installments	155,273	(5,125)	-	150,148		Bonds and borrowings
Long-term operating lease obligations	29,833	5,124	79	35,036		Lease liabilities
	-	2,966	-	2,966	(6)	Other financial liabilities
Retirement and severance benefits	116,745	-	68	116,813		Retirement benefit liabilities
	-	5,200	-	5,200	(6)	Provisions
Deferred income taxes	52,172	-	(1,233)	50,939		Deferred tax liabilities
Other noncurrent liabilities	29,637	(21,153)	67	8,551		Other non-current liabilities
Total noncurrent liabilities	383,660	(12,988)	(1,019)	369,653		Total non-current liabilities
Total liabilities	1,395,136	-	2,840	1,397,976		Total liabilities
TDK stockholders' equity						Equity
						Equity attributable to owners of parent
Common stock	32,641	-	-	32,641		Share capital
Additional paid-in capital	-	-	-	-		Capital surplus
Legal reserve	46,403	(46,403)	-	-		
Retained earnings	1,024,019	46,403	(216,802)	853,620	(7)	Retained earnings
Accumulated other comprehensive income (loss)	(82,733)	-	172,193	89,460	(3)(4)(5)	Other components of equity
Treasury stock at cost	(16,792)	-	-	(16,792)		Treasury shares
Total TDK stockholders' equity	1,003,538	-	(44,609)	958,929		Total equity attributable to owners of parent
Noncontrolling interests	2,759	-	(1)	2,758		Non-controlling interests
Total equity	1,006,297	-	(44,610)	961,687		Total equity
Total liabilities and equity	2,401,433	-	(41,770)	2,359,663		Total liabilities and equity

Notes to adjustments to equity

(1) Impairment of goodwill

Units for testing goodwill for impairment differ between US GAAP and IFRS.

Under US GAAP, impairment testing of goodwill is performed for each reporting unit (operating segment or one level below the operating segment). Under IFRS, impairment testing of goodwill is performed for each cash-generating unit or group of cash-generating unit. Therefore, the unit for testing goodwill for impairment under IFRS may be smaller than the reporting unit under US GAAP.

At the date of transition to IFRS, TDK Group reviewed the units for testing goodwill impairment and determined that certain cash-generating units or groups of cash-generating units to which goodwill was allocated under IFRS were smaller than the reporting units under US GAAP.

As of the date of transition to IFRS, TDK Group performed impairment testing for cash-generating units and groups of cash-generating units to which goodwill was allocated based on the conditions present at the date of transition. As a result of the testing, impairment losses were recognized in MEMS sensors business within Sensor Application Products segment and HDD suspension business within Magnetic Application Products segment as the recoverable amounts of groups of cash-generating units were below their carrying amounts. The impairment losses were ¥29,342 million and ¥9,418 million, respectively, and were all allocated to goodwill.

As a result of the GAAP difference above, Goodwill as of the date of transition to IFRS and as of March 31, 2021 decreased by ¥38,759 million and ¥39,428 million, respectively, and Retained earnings decreased by ¥38,759 million as of both dates.

The following table presents methods used to determine recoverable amounts of group of cash-generating units for the MEMS sensors and HDD suspension businesses, the recoverable amounts and key assumptions used to determine the recoverable amounts. As unobservable inputs were used in the measurement, these amounts are classified as Level 3 in the fair value hierarchy.

Recoverable amounts and key assumptions used to determine recoverable amounts

Group of cash-generating units	MEMS sensors business	HDD suspension business
Methods to determine recoverable amounts	Fair value less costs of disposal (discounted cash flow method)	Fair value less costs of disposal (discounted cash flow method and comparable multiple valuation method)
Recoverable amounts (Yen millions)	110,757	50,954
Perpetual growth rate (%)	2.2	1.0
Cash flow forecast period (years)	5	9
Discount rate (%)	11.8	9.0
EBITDA multiples (x)	-	5.3 - 5.8

(2) Deemed cost

For certain items of property, plant and equipment, TDK Group applied an exemption to use their fair values at the date of transition to IFRS as their deemed costs at the date of transition to IFRS. The carrying amount of these property, plant and equipment recorded under US GAAP was ¥8,155 million and the fair value was ¥4,198 million as of the date of transition to IFRS.

As a result of applying this exemption, Property, plant and equipment decreased by ¥3,957 million as of both of the date of transition to IFRS and March 31, 2021, and Retained earnings also decreased by ¥3,957 million as of the same dates.

(3) Post-employment benefits

Under US GAAP, a portion of past service costs and actuarial gains and losses arising from defined benefit pension plans and lump-sum retirement benefit plans, which was not recognized as a component of net periodic retirement benefit cost in the current period, is recognized in accumulated other comprehensive income, adjusted for tax. The amount recognized in accumulated other comprehensive income is recognized in profit or loss over a certain period of time as a component of retirement benefit cost.

Under IFRS, actuarial gains and losses are recognized in other comprehensive income, net of tax, and immediately transferred from other components of equity to retained earnings. In addition, past service costs are also recognized in profit or loss in the period in which they are incurred.

As a result of the GAAP difference above, Other components of equity increased by ¥95,709 million and ¥66,604 million as of the date of transition to IFRS and as of March 31, 2021, respectively, and Retained earnings decreased by ¥95,893 million and ¥66,840 million, respectively.

(4) Exchange differences on translation of foreign operations

TDK Group applied an exemption to deem the cumulative amount of exchange differences on translation of foreign operations as zero at the date of transition to IFRS. As a result of applying this exemption, Other components of equity increased by ¥94,369 million, and Retained earnings decreased by ¥94,369 million as of both of the date of transition to IFRS and March 31, 2021.

(5) Equity instruments

Unlisted equity securities are recorded at cost under US GAAP, whereas they are measured at fair value under IFRS. Under US GAAP, unrealized gains and losses, gains and losses on sales and impairment losses of equity instruments are recognized in profit or loss. Under IFRS, changes in fair value of equity instruments elected to be measured at fair value through other comprehensive income are recognized in other comprehensive income, and when the instruments are derecognized or when their fair values decline significantly, the accumulated amounts are transferred to retained earnings. As a result of the GAAP difference above, Other components of equity increased by ¥3,691 million and ¥11,961 million as of the date of transition to IFRS and as of March 31, 2021, respectively, and Retained earnings decreased by ¥3,657 million and ¥11,664 million, respectively.

(6) Reclassifications on the consolidated statements of financial position

Financial assets, financial liabilities and provisions are presented as separate line items in accordance with IFRS requirements.

(7) Notes to adjustments to retained earnings

(Yen millions)

	April 1, 2020	March 31, 2021
Adjustments to impairment of goodwill	(38,759)	(38,759)
Adjustments to deemed cost	(3,957)	(3,957)
Adjustments to post-employment benefits	(95,893)	(66,840)
Reclassification of exchange differences on translation of foreign operations	(94,369)	(94,369)
Adjustments to equity instruments	(3,657)	(11,664)
Other	(1,017)	(1,213)
Total	(237,652)	(216,802)

Adjustments to profit or loss and comprehensive income for the fiscal year ended March 31, 2021

(Yen millions)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Net sales	1,479,008	-	-	1,479,008		Net sales
Cost of sales	(1,044,690)	(7,804)	84	(1,052,410)	(1)(3)	Cost of sales
Gross profit	434,318	(7,804)	84	426,598		Gross profit
Selling, general and administrative expenses	(317,302)	(10,965)	50	(328,217)	(1)(3)	Selling, general and administrative expenses
	-	13,692	-	13,692		Other operating income
Other operating expense	(5,481)	5,222	-	(259)	(3)	Other operating expenses
Operating income	111,535	145	134	111,814		Operating profit
Interest and dividend income	9,727	10,938	(9,241)	11,424	(2)(3)	Finance income
Interest expense	(3,526)	(7,676)	3,719	(7,483)	(1)(2)(3)	Finance costs
Gain (loss) on securities, net	9,030	(9,030)	-	-		
Equity in earnings of affiliates	(890)	-	1,305	415		Share of profit of investments accounted for using the equity method
Gain (loss) on sale of investments in affiliates	1,093	-	-	1,093		Gain on sale of investments accounted for using the equity method
Foreign exchange gain (loss)	(1,302)	1,302	-	-		
Other	(3,763)	3,744	19	-		
Total other income (deductions)	10,369	-	-	-		
Income before income taxes	121,904	(577)	(4,064)	117,263		Profit before tax
Income taxes						
Current	(36,477)	-	-	-		
Deferred	(6,222)	-	-	-		
Total income taxes	(42,699)	577	(580)	(42,702)		Income tax expense
Net income	79,205	-	(4,644)	74,561		Net profit
						Net profit attributable to:
Net income attributable to TDK	79,340	-	(4,659)	74,681		Owners of parent
Less: net loss attributable to noncontrolling interests	(135)	-	15	(120)		Non-controlling interests
	79,205	-	(4,644)	74,561		Net profit

(Yen millions)

US GAAP line item	US GAAP	Reclassification	Difference in recognition and measurement	IFRS	Note	IFRS line item
Net income	79,205	-	(4,644)	74,561		Net profit
Other comprehensive income, net of taxes						Other comprehensive income, net of tax
						Items that will not be reclassified to profit or loss
Net unrealized gains on securities	123	-	8,384	8,507	(2)	Net change in fair value of equity instruments measured at fair value through other comprehensive income
Pension liability adjustments	28,852	-	(3,626)	25,226	(1)	Remeasurements of defined benefit plans
	28,975	-	4,758	33,733		Total
						Items that may be reclassified to profit or loss
Foreign currencies translation adjustments	78,559	-	(819)	77,740		Exchange differences on translation of foreign operations
	78,559	-	(819)	77,740		Total
Total other comprehensive income	107,534	-	3,939	111,473		Total other comprehensive income, net of tax
Comprehensive income	186,739	-	(705)	186,034		Comprehensive income
						Comprehensive income attributable to:
Comprehensive income attributable to TDK	186,729	-	(721)	186,008		Owners of parent
Noncontrolling interests	10	-	16	26		Non-controlling interests
	186,739	-	(705)	186,034		Comprehensive income

Notes to adjustments to net profit or loss and comprehensive income

(1) Post-employment benefits

Under US GAAP, a portion of past service costs and actuarial gains and losses arising from defined benefit pension plans and lump-sum retirement benefit plans, which was not recognized as a component of net periodic retirement benefit cost in the current period, is recognized in accumulated other comprehensive income, adjusted for tax. The amount recognized in accumulated other comprehensive income is recognized in profit or loss over a certain period of time as a component of retirement benefit cost.

Under IFRS, actuarial gains and losses are recognized in other comprehensive income, net of tax, and immediately transferred from other components of equity to retained earnings. In addition, past service costs are also recognized in profit or loss in the period in which they are incurred.

As a result of the GAAP difference above, Cost of sales and Selling, general and administrative expenses increased by ¥49 million and ¥8 million, respectively, and Finance costs decreased by ¥3,931 million, which resulted in ¥3,874 million increase in Profit before tax.

(2) Equity instruments

Under US GAAP, unrealized gains and losses, gains and losses on sales and impairment losses of equity instruments are recognized in profit or loss. Under IFRS, changes in fair value of equity instruments elected to be measured at fair value through other comprehensive income are recognized in other comprehensive income, and when the instruments are derecognized or when their fair values decline significantly, their accumulated gains and losses are transferred to retained earnings.

As a result of the GAAP difference above, Finance income and Finance costs decreased by ¥9,241 million and ¥430 million, respectively, which resulted in ¥8,811 million decrease in Profit before tax.

(3) Reclassifications on the consolidated statements of income

Finance income and finance costs are presented as separate line items in accordance with IFRS requirements.

In addition, impairment losses presented in Other operating expenses under US GAAP are reclassified to Cost of sales and Selling and general and administrative expenses under IFRS.

Adjustments to cash flows for the fiscal year ended March 31, 2021

For the fiscal year ended March 31, 2021, compared to the US-GAAP consolidated statements of cash flows, the IFRS-based consolidated statements of cash flows showed an increase in cash flows from operating activities by ¥8,041 million, an increase in cash flows from investing activities by ¥70 million and a decrease in cash flows from financing activities by ¥8,111 million. This was a result of the GAAP difference. Under US GAAP, lease payments related to operating leases are classified as cash flows from operating activities, whereas under IFRS, lease liabilities are required to be recognized for all leases, in principle, and lease payments on lease liabilities are classified as cash flows from financing activities.

(6) Appendix to the Consolidated Financial Statements

1) Foreign exchange rates

Item \ Term	FY 2021 (March 31, 2021)		FY 2022 (March 31, 2022)	
	US$=¥	EURO=¥	US$=¥	EURO=¥
Fiscal year-end	110.71	129.80	122.39	136.70

2) Quarterly sales by product

(Yen millions, %)

Product category \ Term	Q1 of FY 2021 (April 1, 2020 – June 30, 2020)		Q2 of FY 2021 (July 1, 2020 – September 30, 2020)		Q3 of FY 2021 (October 1, 2020 - December 31, 2020)		Q4 of FY 2021 (January 1, 2021 – March 31, 2021)	
	Amount	%	Amount	%	Amount	%	Amount	%
Capacitors	33,334	10.8	38,585	10.1	41,943	10.6	44,320	11.3
Inductive devices	27,377	8.9	34,620	9.0	39,036	9.9	38,957	9.9
Other passive components	23,646	7.6	26,234	6.9	28,471	7.2	30,603	7.8
Passive Components	84,357	27.3	99,439	26.0	109,450	27.7	113,880	29.0
Sensor Application Products	14,703	4.7	19,788	5.2	23,000	5.8	23,854	6.1
Magnetic Application Products	38,278	12.4	50,423	13.2	55,949	14.1	54,603	13.9
Energy Application Products	156,855	50.7	200,662	52.6	195,372	49.4	187,338	47.8
Other	15,200	4.9	11,406	3.0	11,915	3.0	12,536	3.2
Total	309,393	100.0	381,718	100.0	395,686	100.0	392,211	100.0

(Yen millions, %)

Product category \ Term	Q1 of FY 2022 (April 1, 2021- June 30, 2021)		Q2 of FY 2022 (July 1, 2021 – September 30, 2021)		Q3 of FY 2022 (October 1, 2021 - December 31, 2021)		Q4 of FY 2022 (January 1, 2022 – March 31, 2022)	
	Amount	%	Amount	%	Amount	%	Amount	%
Capacitors	47,123	11.2	49,800	10.5	50,769	10.2	50,418	9.9
Inductive devices	42,028	10.0	45,222	9.5	46,951	9.4	45,743	9.0
Other passive components	32,032	7.7	32,312	6.8	31,770	6.3	31,030	6.1
Passive Components	121,183	28.9	127,334	26.8	129,490	25.9	127,191	25.0
Sensor Application Products	26,828	6.4	32,685	6.9	36,141	7.2	35,115	6.9
Magnetic Application Products	60,623	14.4	65,363	13.8	64,023	12.8	58,437	11.5
Energy Application Products	199,592	47.5	235,523	49.7	256,145	51.3	274,085	53.9
Other	11,832	2.8	13,222	2.8	13,871	2.8	13,441	2.7
Total	420,058	100.0	474,127	100.0	499,670	100.0	508,269	100.0