

[Translation]

June 3, 2024

To Shareholders

**128TH ORDINARY GENERAL
MEETING OF SHAREHOLDERS**

**MATTERS NOT DESCRIBED IN DOCUMENTS DELIVERED UPON
REQUEST AMONG MATTERS FOR WHICH ELECTRONIC
PROVISION MEASURES HAVE BEEN TAKEN**

BUSINESS REPORT

1. MATTERS CONCERNING STOCK ACQUISITION RIGHTS, ETC.
2. MATTERS CONCERNING ACCOUNTING AUDITOR
3. SYSTEM AND POLICY OF TDK

CONSOLIDATED STATEMENTS

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

[128th Fiscal Year (From April 1, 2023 to March 31, 2024)]

**TDK Corporation
Tokyo, Japan**

In accordance with the provisions of laws and regulations and the Articles of Incorporation of the Company, the above matters are omitted from the paper media to be delivered to shareholders who have requested delivery.

- Notes: 1. This is a translation from Japanese of a notice distributed to shareholders in Japan. The translation is prepared solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.
2. There are no English translations: Non-Consolidated Statement of Changes in Net Assets and List of Notes to the Non-Consolidated Financial Statements.

Matters Concerning Stock Acquisition Rights, Etc.

(1) Status of Stock Acquisition Rights, Etc., Granted to the Company's Directors and Audit & Supervisory Board Members as of the End of the Fiscal Year Under Review in Consideration for the Performance of Their Duties

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Amount to be paid for each stock acquisition right (issue price)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
2010	May 26, 2010	24	7,200 shares of common stock	¥421,300 (fair value)	From July 4, 2010 to July 3, 2030	—	—
2011	May 25, 2011	31	9,300 shares of common stock	¥392,500 (fair value)	From July 3, 2011 to July 2, 2031	—	1 person, 3 rights
2012	June 21, 2012	51	15,300 shares of common stock	¥277,000 (fair value)	From July 8, 2012 to July 7, 2032	—	1 person, 3 rights
2013	June 19, 2013	65	19,500 shares of common stock	¥311,200 (fair value)	From July 7, 2013 to July 6, 2033	—	1 person, 15 rights
2014	June 18, 2014	103	30,900 shares of common stock	¥413,600 (fair value)	From July 6, 2014 to July 5, 2034	—	1 person, 15 rights
2015	July 31, 2015	308	92,400 shares of common stock	¥680,600 (fair value)	From August 23, 2015 to August 22, 2035	2 people, 64 rights	1 person, 23 rights
2016	June 17, 2016	257	77,100 shares of common stock	¥427,300 (fair value)	From July 10, 2016 to July 9, 2036	2 people, 114 rights	1 person, 13 rights
2017	June 16, 2017	152	45,600 shares of common stock	¥658,400 (fair value)	From July 9, 2017 to July 8, 2037	3 people, 41 rights	1 person, 9 rights
2018	March 23, 2018	377	113,100 shares of common stock	¥837,300 (fair value)	From April 8, 2018 to April 7, 2038	3 people, 140 rights	1 person, 15 rights
2018	June 20, 2018	24	7,200 shares of common stock	¥1,041,000 (fair value)	From July 8, 2018 to July 7, 2038	—	—
2019	March 26, 2019	128	38,400 shares of common stock	¥856,200 (fair value)	From April 7, 2019 to April 6, 2039	3 people, 36 rights	—
2019	June 19, 2019	32	9,600 shares of common stock	¥780,000 (fair value)	From July 7, 2019 to July 6, 2039	—	—
2020	March 25, 2020	2	600 shares of common stock	¥759,600 (fair value)	From April 12, 2020 to April 11, 2040	—	—

- Notes: 1. All of the stock acquisition rights listed above are stock-linked compensation stock acquisition rights with an exercise price of ¥1 per share.
2. Stock acquisition rights have not been granted to Outside Directors and Audit & Supervisory Board Members.
3. Stock acquisition rights held by Directors include stock acquisition rights granted when they were Corporate Officers of the Company.
4. Stock acquisition rights held by Audit & Supervisory Board Members were granted during appointment as Corporate Officers of the Company.

5. The stock-linked compensation stock option plan was abolished, with the exception of those stock options already granted, in connection with the introduction of the post-delivery type stock remuneration plan, as approved at the 124th Ordinary General Meeting of Shareholders held on June 23, 2020.
6. The Company split one share of its common stock into three shares on the effective date of October 1, 2021. As a result, the number of shares to be issued upon the exercise of stock acquisition rights has been adjusted.

(2) Status of Stock Acquisition Rights, Etc., Granted to Employees, Etc., During the Fiscal Year Under Review in Consideration for the Performance of Their Duties

Not applicable.

Matters Concerning Accounting Auditor

(1) Name KPMG AZSA LLC

(2) Remuneration

(¥ in millions)	
Classification	Amounts payable
The amount of remuneration payable to the Accounting Auditor by the Company with respect to duties provided under Article 2, paragraph 1 of the Certified Public Accountants Act	399
The aggregate amount of remuneration and other material benefits payable to the Accounting Auditor by the Company and its subsidiaries	451

- Notes: 1. The Company's Audit & Supervisory Board has consented to the remuneration of the Accounting Auditor as required under Article 399 paragraph 1 of the Companies Act, after examining matters such as details of the Accounting Auditor's audit plan, the status of duties conducted in previous fiscal years, and the basis for calculation of the remuneration estimate by receiving the necessary materials and hearing reports from Directors, relevant in-house departments, and the Accounting Auditor.
2. The amount of remuneration for audit pursuant to the Companies Act and the amount of remuneration for audit pursuant to the Financial Instruments and Exchange Act are not divided in the Auditing Agreement concluded between the Company and the Accounting Auditor. Therefore, the amount of remuneration payable to the Accounting Auditor by the Company with respect to duties provided under Article 2, paragraph 1 of the Certified Public Accountants Act represents the total amount to be paid by the Company.
3. The Company pays for duties to prepare comfort letters related to issuances of bonds to the Accounting Auditor, other than duties provided under Article 2, paragraph 1 of the Certified Public Accountants Act.
4. Of the Company's principal subsidiaries, TDK U.S.A. Corporation, SAE Magnetics (Hong Kong) Limited and other companies are audited by KPMG member firms overseas, and TDK Electronics AG is audited by another foreign audit firm.

(3) Policy for Decisions on Dismissal or Non-reappointment of Accounting Auditor

If all of the Audit & Supervisory Board Members acknowledge that the Company's Accounting Auditor falls under any of the conditions set forth in Article 340 paragraph 1 of the Companies Act of Japan and it is difficult for the Accounting Auditor to properly execute auditing, the Company shall dismiss the Accounting Auditor by a unanimous resolution of the Company's Audit & Supervisory Board.

In addition to cases falling under any of the statutory reasons for dismissal of accounting auditors, if any fact occurs that is recognized as casting doubt upon important factors relating to the Accounting Auditor's execution of duties, such as the Accounting Auditor's qualifications, independency and ethics, the Company's Audit & Supervisory Board will, in accordance with the Regulations of the Audit & Supervisory Board and Standards for Appointment, Dismissal, and Reappointment of Accounting Auditors, decide as to whether the Company's Accounting Auditor shall be dismissed or shall not be re-appointed, comprehensively taking the facts into account.

System and Policy of TDK

[Establishment of systems for ensuring the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems for ensuring the properness of operations of a stock company and operations of a corporate group consisting of such stock company and its subsidiaries]

With respect to the statement above, the Board of Directors of the Company resolved as follows:
(Latest revision date: April 27, 2023)

(1) Systems for ensuring the execution of duties by Directors of the Company complies with laws and regulations and the Articles of Incorporation

The Company was established in 1935 as an entrepreneurial venture to industrialize a magnetic material called ferrite invented at Tokyo Institute of Technology. Since then, the Company has unremittingly pursued originality and increased corporate value through supplies of products and services which have created new value, based on the founding spirit “Contribute to culture and industry through creativity” as its Corporate Motto. In addition, TDK will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continue to be helpful to the society by resolving social issues and contribute to the development of a more sustainable society. TDK clearly declares as “TDK Charter of Corporate Behavior” that TDK will continue to respect human rights; comply with relevant laws, regulations and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting TDK seek to behave in strict compliance with the “Corporate Standards of Business Conduct” prescribed by the “TDK Code of Conduct”.

In addition, the Company aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, the Company strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, the Company will be accountable to stakeholders through comprehensive, accurate, timely and impartial disclosure of information.

As mentioned above, the Company sincerely and devotedly seeks to achieve its management philosophy and to establish the following effective and orderly corporate governance systems to continue to ensure soundness, compliance and transparency in its business operations.

1) Adoption of the Audit & Supervisory Board Member System and Strengthening of the Supervisory Function:

The Company has adopted the Audit & Supervisory Board Member System pursuant to the Companies Act of Japan and has appointed independent Outside Audit & Supervisory Board Members who are disinterested in the Company to strengthen the supervision of the Company’s management.

2) Strengthening the Supervisory Function of the Board of Directors:

The Company has a small number of Directors to expedite the management decision-making process. At the same time, the Company appoints disinterested, independent Outside Directors in order to enhance the supervision of the Company’s management. In addition, the Company’s basic policy is to elect independent Outside Directors which account for one-third (1/3) or more of the Directors and from the perspective of ensuring clear separation between management oversight and business execution, an independent Outside Director serves as the Chair of the Board of Directors in principle. Furthermore, the Directors’ terms of office are set at one (1) year to give shareholders an opportunity to cast votes of confidence regarding Directors’ performance every fiscal year.

3) Adoption of a Corporate Officer System for Expeditious Business Execution:

The Company has adopted a Corporate Officer system that separates the management decision making and Director supervisory functions of the Board of Directors from the execution of business. This aims to accelerate decision-making by delegation of authority and to clarify the

authority and responsibility of business execution. Corporate Officers are in charge of business execution and carrying out decisions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

4) Establishment of Advisory Bodies to the Board of Directors (Nomination Advisory Committee, Compensation Advisory Committee and Corporate Governance Committee):

The Nomination Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members and Corporate Officers and provides transparency in the decision-making process.

The Compensation Advisory Committee is chaired by an Outside Director of the Company and a majority of the members are Outside Directors. The said Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers, as well as presidents and qualifying officers of the Company's principal subsidiaries. It also reviews the transparency of the remuneration decision-making process and verifies whether such remuneration is reasonable in light of corporate business performance, individual performance and general industry standards.

The Corporate Governance Committee conducts deliberations on the Company's medium- to long-term corporate governance way and system, policy for the Company's corporate governance and matters to be consulted by the Board of Directors, etc. and continuously strives to enhance corporate governance for the Company's sustainable growth and increase of its corporate value over the mid- to long-term.

Under the foregoing corporate systems, the Audit & Supervisory Board Members in charge of supervising management, ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Audit & Supervisory Board, the Code of Audit & Supervisory Board Members' Auditing Standards and Audit Practice Standards for Internal Control Systems and by auditing whether the Directors' performance is appropriately and reasonably in compliance with relevant laws and regulations and the Articles of Incorporation.

Similarly, Directors in charge of management decision-making and supervision of business execution ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Directors' Business and the Regulations of the Board of Directors established in accordance with relevant laws and regulations and the Articles of Incorporation. In addition, Corporate Officers in charge of business execution ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business.

The Company has established the Disclosure Committee as well as the following procedures and system to ensure compliance with all applicable securities and exchange laws and other similar laws and regulations of all relevant countries, as well as the rules and regulations of the stock exchange on which the Company's shares are listed (hereinafter collectively referred to as the "Securities Regulations").

- 1) Internal control and other procedures to collect, record, analyze, process, summarize and report all information required to be disclosed under the Securities Regulations and warrant timely disclosures within the deadlines stipulated by the Securities Regulations.
- 2) System to ensure that the Company has procedures designed to obtain reasonable assurance that all the transactions that the Company conducts are properly authorized, that the Company's assets are protected from unauthorized or improper use and that all trading activities are appropriately recorded and reported for the purpose of enabling the Company to prepare financial statements in accordance with the accounting standards applied by the Company.
- 3) System to ensure that the Company is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.

(2) System regarding preservation and control of information in relation to the execution of business by Directors of the Company

The President, who is responsible for the business execution of the Company, has established the Document Control Regulations, which are applicable to TDK and provide basic rules for the preservation and control of information regarding the execution of business by Directors.

(3) Regulations and other systems for managing the risk of loss(es) of the Company and its subsidiaries

To enhance the risk management system of TDK, the Company has established each of the following committees (which is chaired by a Corporate Officer) under the direct control of the Executive Committee.

1) ERM* Committee

Through the ERM Committee, which has been established for the purpose of the company-wide measures against factors (risks) that obstruct the achievement of the business targets and business operations of the Company, the Company further strengthens enterprise risk management. The ERM Committee clarifies the roles of each organization in risk management activities and implements the PDCA cycle for a series of risk management activities (identification of risks ~ evaluation and consideration of countermeasures ~ implementation ~ monitoring and improvement).

*ERM (Enterprise Risk Management)

2) Compliance Committee

Through the Compliance Committee, which aims to supervise risk management and advance initiatives with respect to compliance, the Company promotes the strengthening of prevention of violations of laws and regulations, etc. and recurrence of such violations. The Compliance Committee approves company-wide compliance activity policies and plans, select risks that TDK will focus on with respect to compliance, assign individual risks to risk owner divisions, and provide instructions to and monitor risk owner divisions.

3) Crisis Management Committee

The Crisis Management Committee has been established and operates with the aim of implementing advance measures for serious disasters, accidents and incidents (natural disasters, fire and other accidents, infectious diseases, etc.) that may impede the survival or development of the Company as well as reducing subsequent damage and preventing the expansion of damage. In the event of an emergency, the Company will quickly set up a company-wide Crisis Management Headquarters and, while giving first priority to ensuring the safety of its employees, it will resume business as soon as possible and fulfill its responsibility to supply its customers in accordance with the Business Continuity Plan (BCP).

4) Information Security Committee

The Information Security Committee properly manages important information such as information provided by customers and personal information in compliance with laws and regulations, implements measures against cyber-attacks and information leakage from within TDK, and monitors the security status of TDK to prevent cyber-attacks. In addition, in the event of an attack, the said Committee will promptly assess the situation, recover, and take measures.

5) Disclosure Committee

The Disclosure Committee deliberates on and scrutinize the Company's important corporate information and disclosure documents that are relevant to the investment decisions of shareholders and investors in order to ensure that the Company makes appropriate disclosures in a comprehensive, accurate, timely, and fair manner in accordance with various laws and regulations concerning securities transactions and the rules of the stock exchange on which the Company's shares are listed.

The Company has ensured that a structure for receiving advice in relation to enhancing the risk management system and increasing its effectiveness (including, but not limited to, identifying, evaluating and reviewing material management risks at TDK and establishing effective countermeasures) is in place through regular confirmation and audit by the Audit & Supervisory Board

Members and the internal audit department of the management operations described above. In addition, the Company will seek advice from specialists, including outside legal counsel and other experts, as needed regarding risks surrounding TDK.

(4) System for ensuring Directors of the Company and Directors, etc. of the Company's subsidiaries execute their duties efficiently and system for reporting matters concerning the execution of duties of Directors, etc. of the Company's subsidiaries to the Company

The Company has a small number of Directors and has adopted the Corporate Officer system to facilitate the Directors' ability to make quick and efficient management decisions.

At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing and financing of TDK, are decided by the President upon being deliberated at the Executive Committee which consists of Corporate Officers and General Managers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. As to the status of the execution of their duties, the Company ensures efficient management via regular reports to the Board of Directors and regular reports from Corporate Officers to the Executive Committee.

With respect to the Company's subsidiaries, the Company ensures efficient management execution by having them execute their business based on the responsibilities and authorities stipulated in the "Global Common Regulations" for the entire TDK. Also, the Company has established a system to ensure that appropriate reports are made by stipulating matters to be reported periodically or as necessary on the management situation of the subsidiaries and the status of the execution of duties by Directors, etc. of the subsidiaries in the "Global Common Regulations".

(5) System for ensuring performance of duties by employees of the Company and Directors, etc. and employees of the Company's subsidiaries are in compliance with laws and regulations and the Articles of Incorporation

The Company strives to ensure that all members of TDK are fully familiar with TDK's management philosophy, "TDK Code of Conduct" and "TDK Charter of Corporate Behavior" in order to ensure improved soundness, compliance and transparency of management, as well as compliance with laws, regulations and the Articles of Incorporation throughout the performance of duties by all members of TDK.

In addition, the Company appoints a Global Chief Compliance Officer from among Corporate Officers upon resolution of the Board of Directors and operates the Compliance Committee. The Global Chief Compliance Officer serves as the Chair of the Compliance Committee and appoints Regional Chief Compliance Officers for each region. Through this system, the Company promotes activities to strengthen a compliance system of TDK and the Compliance Committee reports its activities to the President and the Board of Directors.

Furthermore, through the Business Ethics Subcommittee which is an internal organization of the Compliance Committee, the Company operates TDK's internal reporting system (including the Consultations and Help Lines) and the Business Ethics Subcommittee reports its activities to the Compliance Committee and the Board of Directors.

(6) System for ensuring proper business execution by the corporate group consisting of the Company and its subsidiaries

Each Director, Corporate Officer and manager in charge of operations of TDK strives to achieve proper business operations by making and executing business decisions in compliance with the "TDK Code of Conduct" and the "Global Common Regulations", which summarizes the responsibilities and authorities of each organization.

The Audit & Supervisory Board Members audit, on a regular basis, the condition of the business operations of each department of TDK by inspecting the departments, examining important documents,

and attending important meetings. In addition, the internal audit department audits and supports each department of TDK in order to promote consistency in relation to business operations and management policies, effectiveness and efficiency of operations, reliability of reporting, and compliance with relevant laws and regulations as well as the rules of TDK.

(7) Matters relating to employees who support the duties of Audit & Supervisory Board Members of the Company when Audit & Supervisory Board Members request such employees

The Audit & Supervisory Board Members Office, consisting of designated full-time employees who do not perform any business execution duties, has been established and assists duties of the Audit & Supervisory Board Members.

(8) Matters regarding the independence of employees in the preceding item from Directors and the ensuring of the effectiveness of instructions of Audit & Supervisory Board Members of the Company to such employees

The authority to instruct or order the employees who serve as members of the Audit & Supervisory Board Members Office belongs exclusively to the Audit & Supervisory Board Members. In addition, the Audit & Supervisory Board Members directly evaluate the performance of such employees, and any transfer or discipline of these employees is determined pursuant to the operating rules of the Company subject to the consent of the Audit & Supervisory Board Members.

(9) System for ensuring Directors and employees of the Company report to Audit & Supervisory Board Members of the Company, and system for ensuring Directors, Audit & Supervisory Board Members and employees of the Company's subsidiaries or persons who have received reports from these persons report to Audit & Supervisory Board Members of the Company

All members of TDK provide an appropriate report immediately, if an Audit & Supervisory Board Member requests a report regarding the execution of business. Information regarding management policies of TDK and conditions of business execution by Corporate Officers is timely provided to Audit & Supervisory Board Members who attend important meetings such as Executive Committee meetings and business plan review meetings, and minutes of such meetings are also provided to the Audit & Supervisory Board Members immediately. Furthermore, Audit & Supervisory Board Members may receive explanations directly from Corporate Officers and other personnel as necessary. Audit & Supervisory Board Members may review reports prepared by each department of the Company or company of TDK, and thereby confirm the conditions of the business operations of TDK.

In addition, all members of TDK may report any fact which may cause significant damage to TDK, such as violation of law or regulation, to the Business Ethics Subcommittee through the Consultations and Help Lines established by the said Subcommittee and covering the whole of TDK. In cases where the Business Ethics Subcommittee finds any fact which may cause significant damage to TDK, such as violation of law or regulation, it will immediately report such fact to Audit & Supervisory Board Members or the Audit & Supervisory Board.

Furthermore, information regarding the activities of the ERM Committee and other committees is provided to Audit & Supervisory Board Members from time to time, enabling the Audit & Supervisory Board Members to confirm the overall status of corporate activities.

(10) System for ensuring persons who have reported as provided in the preceding item will not be treated unfavorably on grounds of such reporting

The Company prohibits any member of TDK who has reported acts in violation of laws and regulations, etc. or the "TDK Code of Conduct" from being treated unfavorably on the grounds of such reporting, and stipulates to that effect in the "TDK Code of Conduct" and clearly informs all members of TDK of that fact.

(11) Matters concerning policies for disposal of expenses and obligations associated with the execution of duties by Audit & Supervisory Board Members

When Audit & Supervisory Board Members demand payment of expenses or obligations associated with execution of their duties from the Company pursuant to Article 388 of the Companies Act of Japan, the Company shall pay such expenses or obligations immediately after deliberation at the department in charge unless the expenses or obligations concerning such demand are proven to be unnecessary for the execution of such duties of the Audit & Supervisory Board Members.

(12) Other systems for ensuring Audit & Supervisory Board Members of the Company conduct audits effectively

The Audit & Supervisory Board Members and the Audit & Supervisory Board meet with the President on a regular basis to confirm management policies and exchange opinions on pressing issues and risks affecting TDK and other important matters from the perspective of the Audit & Supervisory Board Members' audits. These meetings also strengthen the mutual understanding between the Audit & Supervisory Board Members and the President.

The Audit & Supervisory Board Members and the Audit & Supervisory Board ensure that the audits of Audit & Supervisory Board Members are conducted effectively by meeting regularly with the internal audit department, receiving, together with the internal audit department, regular audit reports from the Accounting Auditor, and sharing information regarding initial audit plans and results. Furthermore, the Audit & Supervisory Board has entered into an advisory contract with an attorney who is independent from the business execution department and has established a system to ensure that it receives advice with respect to matters which need to be reviewed or confirmed from the perspective of the Audit & Supervisory Board Members or the Audit & Supervisory Board.

[Overview of operation of systems to ensure appropriate business operations]

(1) Internal audit and internal control over financial reporting

The Management Review & Support Group, which is an internal audit department of the Company, conducted hearings from each of the committees under the direct control of the Executive Committee regarding their activities and verified compliance with relevant laws and regulations, internal regulations, etc. and the efficiency and effectiveness of the operation at operating departments and principal subsidiaries. Also, the Management Review & Support Group conducted the onsite evaluation of the "effectiveness of internal controls over financial reporting" in accordance with the Financial Instruments and Exchange Act of Japan on a risk-based basis on an annual and three-year cycle at important bases and important subsidiaries in Japan and overseas. The Management Review & Support Group regularly reports about the results thereof to the President, the Board of Directors and the Audit & Supervisory Board Members.

The Management Review & Support Group and full-time Audit & Supervisory Board Members share information. The Management Review & Support Group submits internal audit reports to full-time Audit & Supervisory Board Members, receives results of Audit & Supervisory Board Members' audit from full-time Audit & Supervisory Board Members and seeks to conduct effective internal audits.

The Management Review & Support Group regularly confirms the Accounting Auditor's audit activities through quarterly financial statements, etc. and regularly exchanges opinions with the Accounting Auditor regarding status of evaluation of the "effectiveness of internal controls over financial reporting" in accordance with the Financial Instruments and Exchange Act of Japan.

Furthermore, the Company has established the Disclosure Committee, which examines and deliberates on important disclosure materials that are required for investment decisions by shareholders and investors, including the Summary of Financial Reports, to ensure that appropriate disclosure is made proactively and in a comprehensive, accurate, timely, fair, and consistent manner.

(2) Corporate ethics

In order to instill and enhance awareness of corporate ethics and compliance among Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting TDK, the Company's top management themselves stand at the forefront and notify those Directors, etc. of TDK's management philosophy called "Our Values", "TDK Code of Conduct" and "TDK Charter of Corporate Behavior". Also, the Company regularly monitors status of compliance with the TDK Code of Conduct through the Business Ethics Supervisory Committee, which has been established as an internal organization of the Compliance Committee, and implements collective education, e-learning, etc. regarding corporate ethics generally in overseas locations as well as in Japan each year.

Moreover, in addition to the reporting channel within TDK, the Business Ethics Supervisory Committee, as the operating entity of the internal reporting system (including the Consultations and Help Lines), has established another reporting channel using an outside law firm in each region. This allows an employee who wants to report to choose a channel which he/she thinks best among the multiple reporting channels mentioned above. The Business Ethics Supervisory Committee reports quarterly to the Compliance Committee and the Board of Directors on the operation of the internal reporting system.

(3) Compliance

The Company appoints a Global Chief Compliance Officer from among Corporate Officers upon resolution of the Board of Directors and operates the Compliance Committee. Also, the Global Chief Compliance Officer appoints Regional Chief Compliance Officers in Japan and the other four regions around the world. The Company thereby fosters a sincere, fair and transparent corporate culture and meets the expectations and trust of its customers and society as well as further strengthens its system to ensure that all members of TDK act in compliance with a common standard around the world.

The Compliance Committee, chaired by the Global Chief Compliance Officer, approves company-wide compliance activity policies and plans, evaluate and select risks that TDK will focus on with respect to compliance, assign individual risks to risk owner departments, and provide instructions to, and monitor the activities of, the risk owner departments. The risk owner departments take action to resolve, and measures to prevent recurrence of, various issues that occur with respect to compliance, as well as necessary measures to prevent such issues from occurring. The Global Chief Compliance Officer reports to the President and semiannually to the Board of Directors on the Compliance Committee's activities.

(4) Risk management

The Company has established the ERM Committee to implement company-wide risk management that promotes countermeasures against risks which may prevent the achievement of an organizational goal and appropriately manages such risks in striving for sustainable growth. The ERM Committee selects risk items and scenarios that can be assumed in the business environment in which TDK operates, and while reviewing them on a case-by-case basis, manages the assignment of risk owner departments to lead countermeasures with respect to individual risk items. Operating departments and subsidiaries, which are the first line of risk response, and risk owner departments (mainly the headquarter functions), which are the second line of risk response, conduct risk evaluation of assigned or related risk items in terms of the impact and frequency of occurrence if the risk materializes, and report the status of implementation of countermeasures to the ERM Committee. The ERM Committee verifies and analyzes the results of these risk evaluations, incorporates them into a risk heat map based on the two axes of impact and frequency of occurrence, and identifies important risks. The progress of these countermeasures is managed as a company-wide priority management issue. Furthermore, the risk heat map and the status of countermeasures for important risks are deliberated at the Executive Committee and reported to the Board of Directors. Regarding geopolitical risks, which have recently been recognized as important risks, the Corporate Planning Group plays a central role in considering how

to respond when such risks become apparent, for example, in the event of an emergency in a specific region.

Of the risks that need to be addressed on a cross-functional basis, the following risks, in particular, are addressed through the establishment of committees.

For risks related to natural disasters, accidents including fires, infectious diseases, etc., the Crisis Management Committee has been established. The Crisis Management Committee regularly checks the operation status of the Business Continuity Plan (BCP) of each operating department established based upon the company-wide basic policy in order for it to work properly in time of emergency and shares information with the Company's management in a timely manner.

For risks related to information security, the Information Security Committee has been established. The Information Security Committee continuously verifies information security risks, implements measures for identification, protection, detection, response and recovery in line with the Cyber Security Framework, and promotes improvements of information security from employees to suppliers.

(5) Group business management

In order to continue to create new value based on the founding spirit of the Company's corporate motto and corporate principles, the Company has drawn up the Sustainability Vision ("Technology for well-being of all people"), a long-term vision for the next 10 years, and formulated the Medium-Term Plan and materiality (key issues) for TDK. And to support the realization of these goals, the Company is working to strengthen an effective and efficient group governance system. TDK's materiality sets "quality management," "human resources management," "supply chain management," "opportunity and risk management," "delegation of authority and pursuit of internal control," and "improvement of asset efficiency" as key issues in business management. The operating departments and headquarters are assigned as the lead departments for these key issues, and the PDCA cycle is used to ensure continuous improvement.

With approximately 140 subsidiaries in approximately 30 countries, the Company recognizes the importance of group governance and has established the "Global Common Regulations," which provide for the roles of and matters to be implemented by each organization of TDK, the rules to be complied with by all members of TDK, etc. Each company of TDK, including the Company, applies and operates these Global Common Regulations as its own rules. Also, based on the Global Common Regulations, the Executive Committee, which is held twice a month as a general rule, discusses about policies and measures with respect to business execution of TDK and monitors the targets and implementation plans of operating departments and headquarters and the progress of each department in relation to such targets by regularly receiving reports from each department. In addition, in order to mobilize the strength of the entire group while leveraging the strengths of each group company and each member, the Company has created the "TDK Navigation Book," a collection of information that summarizes the ideas and values to be shared by all members of TDK, the outlines and rules of group management, etc., including the Global Common Regulations, and is striving to spread such information throughout TDK. With respect to subsidiaries, the Company specifies departments responsible for each subsidiary and clarifies their authorities and responsibilities, and such departments manage and supervise subsidiary businesses. Also, headquarters manage and supervise a subsidiary in relation to their respective responsibilities.

Furthermore, TDK has established regional headquarters in Americas, Europe and China which are key areas and each regional headquarter provides guidance and management to subsidiaries within each region in accordance with the regional characteristics as part of their headquarters departments, thereby creating a more effective group governance system.

(6) Directors and Board of Directors

The Board of Directors of the Company consists of seven (7) Directors including three (3) Independent Outside Directors, and an Independent Outside Director presides over the procedures of the Board of Directors meetings as the Chair of the Board of Directors. The Board of Directors makes decisions on

important management matters as well as matters specified in the applicable laws and regulations, the Articles of Incorporation and internal regulations based on careful discussions and supervises the conditions of business execution. In accordance with "TDK's Board Culture" stipulated in the TDK Basic Policy on Corporate Governance and the "Operating Policy of the Board of Directors" established for each fiscal year, the Board of Directors engages in multifaceted discussions and provides advice to the executive side for the Company's sustainable growth and medium- to long-term enhancement of corporate value. In addition, from the fiscal year under review, the Company started the "Open Board" initiative, a measure to strengthen engagement between the Board of Directors and employees, in order to improve the effectiveness of internal control based on a relationship of trust. Also, the Nomination Advisory Committee and the Compensation Advisory Committee have been established as advisory bodies to the Board of Directors and the Chair and majority of the members of each Committee are Independent Outside Directors. This promotes the transparency and objectivity of decision-making process regarding nomination and compensation of Directors and Corporate Officers, etc. Furthermore, the Company has established the Corporate Governance Committee, which conducts deliberations on the Company's medium- and long-term corporate governance structure and system, the Company's corporate governance policies, consultations from the Board of Directors and other matters, to continuously improving corporate governance.

In each fiscal year, the Board of Directors conducts the Board of Directors evaluation and evaluates the Board of Directors including its advisory committees (Nomination Advisory Committee, Compensation Advisory Committee and Corporate Governance Committee) in order to further enhance its effectiveness. During the fiscal year under review, the Board of Directors meetings were held fourteen (14) times.

(7) Audit & Supervisory Board Member and Audit & Supervisory Board

The Audit & Supervisory Board Members timely collect information regarding management policies of TDK and conditions of business execution by Corporate Officers, etc. by attending the Board of Directors meetings as well as through regular attendance at the Executive Committee meetings, business plan review meetings and other important meetings and inspection of management reports and applications for internal decision-making. The Audit & Supervisory Board Members share and deliberate such information among themselves. Also, the full-time Audit & Supervisory Board Members conducted hearings from operating department managers and headquarter function managers regarding the conditions of business execution and conducted audit of the Company's operating departments and headquarters and the subsidiaries selected according to importance based on the audit policy setting forth the priority audit items in the fiscal year under review. The full-time Audit & Supervisory Board Members shared the issues identified through such hearings and audit and confirmed the countermeasures therefor with the relevant operating departments and headquarters, etc. Furthermore, the full-time Audit & Supervisory Board Members regularly had meetings and shared information with the Audit & Supervisory Board Members of the Company's subsidiaries and exchanged opinions with them on important issues and findings for auditing the entire TDK group. The Outside Audit & Supervisory Board Members held regular meetings for information sharing with the Outside Directors to exchange opinions, and received briefings from relevant operating departments and headquarters, etc. to confirm the status of responses to major issues, etc.

The Audit & Supervisory Board establishes the Company's audit policy and annual audit plan, confirms the Company's business conditions through regular meetings with the Board of Directors and Representative Director, etc., and expresses opinions and provides recommendations from time to time regarding tasks to be addressed by TDK (including matters concerning corporate governance and compliance), development and operation status of internal control, risks surrounding TDK, important issues in the Audit & Supervisory Board Members' audit and other issues. Also, the Audit & Supervisory Board receives the internal audit report from the internal audit department and promote information sharing and collaboration with them through establishing regular meetings. A summary of these audit results, identified issues and risks, confirmed countermeasures and internal audit status are shared among all Audit & Supervisory Board Members at the Audit & Supervisory Board meetings, and the issues are deliberated at the Audit & Supervisory Board meetings and reported to the Directors

when appropriate. The Audit & Supervisory Board has meetings from time to time with an attorney with whom it has entered into an advisory contract and receive legal advice regarding Audit & Supervisory Board Members' duties timely, and thereby improve the effectiveness of Audit & Supervisory Board Members' duties. On the other hand, the Audit & Supervisory Board promotes collaboration with the Accounting Auditor by discussing about audit plan with the Accounting Auditor, holding multiple meetings (including audit results report meeting and liaison meeting), and exchanging opinions regarding key audit matters (KAM). Based on these activities, the Audit & Supervisory Board meetings were held fifteen (15) times during the fiscal year under review.

Note: Unless otherwise noted, each item in this business report describes the status as of the fiscal year ended March 2024 (from April 1, 2023 to March 31, 2024) or as of the end of the fiscal year ended March 2024 (March 31, 2024).

Also, monetary amounts, numbers of shares, proportions and other figures contained in this business report are rounded to the nearest unit unless otherwise stated or no rounding is required.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

〔 From: April 1, 2023
To: March 31, 2024 〕

	(¥ in millions)			
	Share capital	Capital surplus	Retained earnings	Other components of equity
Balance as of April 1, 2023	32,641	45	1,054,738	387,281
Comprehensive income				
Net profit	-	-	124,687	-
Other comprehensive income, net of tax	-	-	-	166,145
Total comprehensive income	-	-	124,687	166,145
Transactions with owners				
Equity transactions with non-controlling interests	-	(34)	-	-
Dividends paid	-	-	(42,103)	-
Transfer from retained earnings to capital surplus	-	18	(18)	-
Purchase of treasury shares	-	-	-	-
Disposal of treasury shares	-	-	-	-
Share-based payment transactions	-	191	-	-
Exercise of share options	-	(142)	-	-
Delivery of share under restricted stock unit	-	(44)	-	-
Total transactions with owners	-	(11)	(42,121)	-
Transfer from other components of equity to retained earnings	-	-	1,428	(1,428)
Balance as of March 31, 2024	32,641	34	1,138,732	551,998

	Treasury shares	Equity attributable to owners of parent	Non-controlling interests	Total equity
Balance as of April 1, 2023	(16,259)	1,458,446	4,421	1,462,867
Comprehensive income				
Net profit	-	124,687	1,448	126,135
Other comprehensive income, net of tax	-	166,145	47	166,192
Total comprehensive income	-	290,832	1,495	292,327
Transactions with owners				
Equity transactions with non-controlling interests	-	(34)	2,112	2,078
Dividends paid	-	(42,103)	(546)	(42,649)
Transfer from retained earnings to capital surplus	-	-	-	-
Purchase of treasury shares	(1)	(1)	-	(1)
Disposal of treasury shares	1	1	-	1
Share-based payment transactions	-	191	127	318
Exercise of share options	142	0	-	0
Delivery of share under restricted stock unit	44	-	-	-
Total transactions with owners	186	(41,946)	1,693	(40,253)
Transfer from other components of equity to retained earnings	-	-	-	-
Balance as of March 31, 2024	(16,073)	1,707,332	7,609	1,714,941

Note: The amounts are rounded to the nearest million yen.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

[Significant matters underlying preparation of the consolidated financial statements]

1. Basis of preparation of the consolidated financial statements

TDK's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as prescribed in Article 120, Paragraph 1 of the Regulation on Corporate Accounting. As prescribed in the second sentence of the Paragraph 1, certain disclosure items required under IFRS are omitted.

2. Scope of consolidation

Number of consolidated subsidiaries	143 companies
Major subsidiaries	TDK-Lambda Corporation TDK Electronics Factories Corporation TDK China Co., Ltd. SAE Magnetics (Hong Kong) Limited TDK U.S.A. Corporation TDK Europe S.A. TDK Electronics AG Amperex Technology Limited InvenSense, Inc.

3. Application of equity method

Number of associates accounted for using the equity method	6 companies
Major associates accounted for using the equity method	Toda Kogyo Corp. Semiconductor Energy Laboratory Co., Ltd. Xiamen Ampcore Technology Limited

4. Accounting policies

(1) 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.

(2) Financial instruments

I. 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 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 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.

II. 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 other than contingent considerations are classified into financial liabilities measured at amortized cost upon initial recognition. 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 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 or cancelled or expires.

III. 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.

(3) 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.

(4) Goodwill and intangible assets

I. Goodwill

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

II. 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.

(5) 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.

(6) 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.

(7) 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 discount rates that reflect the time value of money and the risks specific to the liability.

(8) Employee benefits

I. 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.

II. 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.

(9) Revenue

TDK Group recognizes revenue arising from transactions within the scope of IFRS 15 Revenue from contracts with customers based on the following five 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, and manufacturers of home electrical appliances and industrial equipment. For these product sales, TDK Group recognizes

revenue when products are transferred to the customers as the customers gain control over the products and performance obligation is satisfied accordingly.

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

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

(10) 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.

[Notes to changes in accounting policies]

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

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

The adoption to this standard above did not have a material impact on the consolidated financial statements.

[Notes to accounting estimates]

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

The information about the assumptions and estimates that could have a material impact on the consolidated financial statements for the fiscal year ending March 31, 2025 is as follows:

- Impairment of property, plant and equipment, goodwill and intangible assets

For the fiscal year ended March 31, 2024, an impairment loss of ¥9,570 million was recognized in the consolidated statements of profit or loss. The amount of property, plant and equipment, goodwill and intangible assets, net of impairment losses, are presented in the consolidated statements of financial position. The impairment loss of ¥3,299 million, ¥2,809 million and ¥2,038 million were recognized for property, plant and equipment related to MEMS sensors business of Sensor Application Products segment, Magnets business of Magnetic Application Products segment and EVs' power source business of Energy Application Products segment, respectively, which resulted from decreased profitability due to weak sales. Calculation methods for these estimates are set out in (6) Impairment of non-financial assets of 4. Accounting policies under Significant matters underlying preparation of the consolidated financial statements.

Certain assumptions are used to estimate the recoverable amounts, including future cash flows, discount rates and perpetual growth rates. TDK Group believes that these assumptions are reasonable; however, if unforeseen events in the course of business operations result in changes in these assumptions, the recoverable amounts could fall below the originally estimated amounts, which could significantly affect TDK Group's financial position and results of operations.

- Measurement of defined benefit obligations

The amount of retirement benefit liabilities recognized for the fiscal year ended March 31, 2024 is presented in the consolidated statements of financial position. The accounting policies are set out in (8) Employee benefits of 4. Accounting policies under Significant matters underlying preparation of the consolidated financial statements.

Employee defined benefit costs and defined benefit obligations are measured based on assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, retirement rates and mortality rates which are based upon current statistical data, as well as salary growth and other factors. While TDK Group believes that its assumptions used are appropriate, differences in actual experience or changes in assumptions may affect TDK Group's future defined benefit costs and defined benefit obligations. The discount rate is determined by reference to market yields on high quality corporate bonds with a term similar to the estimated period of benefit. A decrease in the discount rate leads to an increase in defined benefit obligations. These could significantly affect TDK Group's financial position and results of operations.

- Recoverability of deferred tax assets

The amount of deferred tax assets recognized for the fiscal year ended March 31, 2024 is presented in the consolidated statements of financial position. The accounting policies are set out in (10) Income taxes of 4. Accounting policies under Significant matters underlying preparation of the consolidated financial statements.

The recoverability of deferred tax assets is determined by the level of future taxable profits during the periods in which these temporary differences, net operating loss carryforwards and tax credit carryforwards will be deducted. TDK Group assesses the ultimate recoverability of deferred tax assets by considering the expected timing of reversal of taxable temporary differences, estimated future taxable profits and tax planning strategies. TDK Group believes it is probable that the deferred tax assets recognized are recoverable based on the consideration of taxable profits in the previous years and the estimated taxable profits of future periods in which deferred tax assets will be used. However, in the event future projections for income are not realized or are realized in lesser amounts, or in cases where TDK Group revises the assessment of the potential for recoverability of deferred tax assets based on other factors, it would require TDK Group to decrease the portion which is not probable to recover. These events could significantly affect TDK Group's financial position and results of operations.

- Recognition and measurement of provisions, and the possibility of an outflow of future economic benefits related to contingent liabilities

The amount of provisions recognized for the fiscal year ended March 31, 2024 is presented in the consolidated statements of financial position. Details on contingent liabilities are set out in 4. Contingent liabilities under Notes to

the consolidated statements of financial position. The accounting policies for provisions are set out in (7) Provisions of 4. Accounting policies under Significant matters underlying preparation of the consolidated financial statements.

When it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or a reliable estimate cannot be made of the amount of the obligation, a contingent liability is recognized, depending on its materiality.

The amount of provisions and contingent liabilities is determined based on the best estimates of the timing and amount of future outflows of economic benefits as of the closing date. However, if the results differ from the assumptions used in the estimates, the amount of provisions could change, which could significantly affect TDK Group's financial position and results of operations.

[Notes to the consolidated statements of financial position]

1. Loss allowance directly deducted from assets

Trade receivables	¥2,196 million
-------------------	----------------
2. Accumulated depreciation and accumulated impairment losses for property, plant and equipment ¥1,785,070 million
3. Other components of equity includes net change in fair value of equity instruments measured at fair value through other comprehensive income and exchange differences on translation of foreign operations.
4. Contingent liabilities

Several claims against TDK and certain of its subsidiaries are pending. The claims include class action lawsuits filed in the United States and Canada for violation of antitrust law associated with HDD suspension assemblies. It is not possible to make a reasonable estimate of the impact at this time. In the opinion of TDK management, any additional liability not currently provided for will not materially affect the consolidated financial position and results of operations of TDK Group.

[Notes to the consolidated statements of profit or loss]

Other operating income and other operating expenses comprise the following:

	(Millions of yen)
Government grants	5,735
Compensation income	1,488
Proceeds from sale of tangible and intangible assets	2,548
Consumption taxes refund	3,914
Other	9,027
	22,712
Loss on sale of tangible and intangible assets	317
Other operating expenses	317

[Notes to the consolidated statements of changes in equity]

1. Number of shares issued

Type of shares	Opening balance	Increase	Decrease	Ending balance
Common shares	388,772 thousand shares	-	-	388,772 thousand shares

2. Number of treasury shares

Type of shares	Opening balance	Increase	Decrease	Ending balance
Common shares	9,490 thousand shares	0 thousand shares	110 thousand shares	9,381 thousand shares

The increase in the number of treasury shares was due to the purchase of shares less than one unit.

The decrease in the number of treasury shares related to the decrease of 0 thousand shares from the sale of shares less than one unit, the decrease of 83 thousand shares from the exercise of share options and the decrease of 26 thousand shares from the payment of post-delivery type share remuneration.

3. Dividends

(1) Dividends paid

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2023	Common shares	20,102	53	March 31, 2023	June 23, 2023
Board of Directors Meeting held on November 1, 2023	Common shares	22,001	58	September 30, 2023	December 4, 2023

(2) Dividends for which the record date is in the fiscal year ended March 31, 2024 and the effective date is in the fiscal year ending March 31, 2025

The following agenda items will be proposed at the Ordinary General Meeting of Shareholders to be held on June 21, 2024.

Type of shares	Total dividends (Millions of yen)	Sources of dividends	Dividends per share (Yen)	Record date	Effective date
Common shares	22,005	Retained earnings	58	March 31, 2024	June 24, 2024

4. Share subscription rights for the fiscal year ended March 31, 2024

Effective date	Type of shares to be issued	Number of shares to be issued
July 4, 2010	Common shares	7,200 shares
July 3, 2011	Common shares	9,300 shares
July 8, 2012	Common shares	15,300 shares
July 7, 2013	Common shares	19,500 shares
July 6, 2014	Common shares	30,900 shares
August 23, 2015	Common shares	92,400 shares
July 10, 2016	Common shares	77,100 shares
July 9, 2017	Common shares	45,600 shares
April 8, 2018	Common shares	113,100 shares
July 8, 2018	Common shares	7,200 shares
April 7, 2019	Common shares	38,400 shares
July 7, 2019	Common shares	9,600 shares
April 12, 2020	Common shares	600 shares

5. Share acquisition rights for the fiscal year ended March 31, 2024

Grant date	Type of share	Number of shares
August 20, 2021	Common shares	92,700 shares
November 8, 2021	Common shares	16,400 shares
August 26, 2022	Common shares	32,400 shares
September 9, 2022	Common shares	18,100 shares
October 7, 2022	Common shares	2,800 shares
June 1, 2023	Common shares	34,000 shares

[Notes to earnings per share]

Profit attributable to owners of parent	
Basic	¥124,687 million
Diluted	¥124,687 million
Weighted average number of common shares issued - basic	379,336 thousand shares
Incremental shares arising from exercise of share options	506 thousand shares
Incremental shares arising from delivery under restricted share unit plan	61 thousand shares
Incremental shares arising from delivery under performance share unit plan	19 thousand shares
Weighted average number of common shares issued - diluted	379,922 thousand shares
Earnings per share	
Basic	328.70 yen
Diluted	328.19 yen
Equity attributable to owners of parent per share	4,500.19 yen

[Notes to financial instruments]

1. Financial instruments

(1) Financial risk management

TDK Group is exposed to various risks such as credit risk, liquidity risk and market risk (including currency risk, interest rate risk and risk of market price changes). TDK Group uses derivative financial instruments, such as forward foreign exchange contracts, to hedge market risk. Derivative transactions are executed and managed based on the Group's internal rules that stipulate the level of trading authorizations. TDK Group has a policy not to conduct speculative transactions using derivative financial instruments.

(2) Credit risk

Credit risk is the risk that counterparties to financial instruments will default on their contractual obligations and results in financial losses for TDK Group. In the course of its business operations, TDK Group is exposed to credit risks of its customers and counterparties that arise from trade receivables, other receivables and other financial assets (such as derivatives).

In order to prevent or reduce such risks, TDK Group does not hold any exposures that result in excessive concentration of credit risks.

(3) Liquidity risk

Liquidity risk is the risk that TDK Group will be unable to repay its financial obligations when due. TDK Group needs working capital primarily for manufacturing costs, such as procuring raw materials and components used in manufacturing of products, as well as for selling, general and administrative costs which include research and development costs used for continuous development of new products. In addition, the Group needs long-term capital for capital expenditures to appropriately respond to rapid technological innovations and intensified sales competition in the electronics market, and also for M&As in line with its strategies for further growth.

TDK Group's basic policy is to ensure that it has sufficient liquidity and capital resources necessary for its business operations. TDK Group introduces a cash management system in Japan, the U.S., Europe, China and ASEAN regions to improve its capital efficiencies as well as to ensure liquidity through commitment line agreements.

(4) Currency risk

TDK Group operates businesses globally, with overseas sales ratio exceeding 90% on a consolidated basis, and many of the currencies used in the transactions are currencies other than Japanese yen, such as USD and Euro. The sudden appreciation of yen against these currencies will have an impact on profit or loss, such as decreases in sales and profits. To mitigate this risk, TDK Group is pursuing a strategy to increase the purchase of raw materials denominated in foreign currencies and to promote local procurement of materials that are consumed overseas. In addition, as assets and liabilities denominated in foreign currencies are translated into Japanese yen on the financial statements, fluctuations in foreign exchange rates have an impact on the financial statements arising from the translation differences. TDK Group is taking measures to respond to these fluctuations in foreign exchange rates, such as obtaining funding in foreign currencies and entering into forward foreign exchange contracts. However, sudden or substantial fluctuations in foreign exchange rates could have a significant impact on the Group's financial position and results of operations.

(5) Interest rate risk

TDK Group pays interest incurred in procuring funds necessary for working capital and capital expenditures in the course of its business activities. TDK Group is exposed to interest rate risk arising from changes in future cash flows when interests on variable interest loans are affected by changes in market interest rates.

TDK Group may use interest rate swap contracts to maintain a desired level of exposures to interest rate risk and to minimize interest expense. Interest-bearing liabilities consist primarily of bonds and borrowings with fixed interest rates and borrowings with variable interest rates that are hedged against risk of interest rate fluctuations through interest rate swap contracts. Therefore, the impact of interest rate risk on TDK Group's cash flows is immaterial.

(6) Market price change risk

TDK Group is exposed to risk of share price changes as it primarily holds shares of companies with which it has business relationships for the purpose of facilitating its business activities. TDK Group regularly monitors market prices of shares held and financial conditions of the issuers to determine valuation gains and losses. In addition, the Group continuously reviews its holdings of shares, taking into account the relationships with the issuers.

Shares are classified as financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss. Sharp or significant fluctuations in market prices may have a material impact on the financial position and results of operations of the Group.

2. Fair value measurement of financial instruments

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

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

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

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

Level 3: Unobservable inputs for the asset or liability

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

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

	(Millions of yen)	
	Carrying amount	Fair value
Bonds	219,439	215,796
Long-term borrowings (including current portion)	313,640	311,058

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

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

(2) Categorization by level of fair value hierarchy

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

	(Millions of yen)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets				
Forward foreign exchange contracts	-	1,747	-	1,747
Currency option contracts	-	6	-	6
Commercial papers	-	34	-	34
SAFE investments	-	-	1,722	1,722
Convertible bonds	-	-	227	227
Shares	10,523	-	142,776	153,299
Mutual funds	3,401	-	-	3,401
Rabbi trust investments	10,535	-	-	10,535
Other	-	-	794	794
Total	<u>24,459</u>	<u>1,787</u>	<u>145,519</u>	<u>171,765</u>
Financial liabilities				
Derivative financial liabilities				
Forward foreign exchange contracts	-	3,857	-	3,857
Currency option contracts	-	1,054	-	1,054
Total	<u>-</u>	<u>4,911</u>	<u>-</u>	<u>4,911</u>

Level 1 shares and mutual funds are measured at unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Rabbi trust investments represent an investment in which a portion of the employees' salaries is placed into the trust and invested in financial instruments with quoted prices (require no adjustments) in active markets.

Level 2 derivatives, including forward foreign exchange contracts, currency option contracts and others, are measured at quoted prices obtained from counterparties, which are calculated using observable market inputs such as foreign currency exchange rates.

Fair values of Level 3 shares are measured mainly based on the comparable multiple valuation method or transaction cases comparison method.

For financial assets measured at fair value on a recurring basis that are classified as Level 3, significant unobservable inputs used in fair value measurement of equity instruments are primarily enterprise value to revenue multiples. As of March 31, 2024, the weighted average of enterprise value to revenue multiples is 0.43 times. If enterprise value to revenue multiples increase, fair values of shares increase. Changes in fair value resulting from changing unobservable inputs to reflect reasonably possible alternative assumptions are not material.

Transfers between levels of the fair value hierarchy are recognized as if they occurred at the end of reporting period. There are no transfers between Level 1 and Level 2.

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

I. Valuation process

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

II. Reconciliation of financial instruments classified as Level 3

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

Financial assets	(Millions of yen)
Opening balance	129,502
Gains or losses	
Profit or loss	9,191
Other comprehensive income	(18,905)
Acquisition	15,694
Sale	(1,214)
Transfers from Level 3	(2,633)
Other	13,884
Ending balance	145,519

Transfers from Level 3 were due to listing of investees.

[Notes to revenue recognition]

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

In accordance with the reorganization for the fiscal year ended March 31, 2024, certain products of Other are reclassified into Capacitors of Passive Components segment.

	(Millions of yen)					
	Japan	Americas	Europe	China	Asia and others	Total
Capacitors	26,267	45,427	56,189	74,775	42,389	245,047
Inductive devices	25,350	18,332	48,594	75,572	24,102	191,950
Other passive components	11,998	11,425	34,560	44,638	26,031	128,652
Passive Components	63,615	75,184	139,343	194,985	92,522	565,649
Sensor Application Products	21,362	14,390	30,475	84,820	29,464	180,511
Magnetic Application Products	35,411	954	4,661	34,394	108,791	184,211
Energy Application Products	48,648	54,856	26,546	778,117	213,495	1,121,662
Other	15,595	3,303	1,978	25,260	5,707	51,843
Net sales total	184,631	148,687	203,003	1,117,576	449,979	2,103,876

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

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.

Mainly for the sale of products based on individual contracts, TDK Group recognizes the consideration received from customers that exceeds the amount already recognized as revenue as advance received until the performance obligation is satisfied by delivery of the goods. Advance received is ¥9,045 million for the fiscal year ended March 31, 2024 and included in Other current liabilities in the consolidated statements of financial position. Of the advance received as of March 31, 2023, ¥2,961 million is recognized as revenue for the fiscal year ended March 31, 2024. For the fiscal year ended March 31, 2024, the amount of revenue recognized from performance obligation that had been satisfied in the previous periods is not material.

TDK Group does not disclose information on the remaining performance obligations if they are part of the contracts with original contract term not exceeding one year, applying the practical expedient. There are no significant transactions with the individual expected contract term exceeding one year.