June 6, 2017

To Shareholders

INTERNET DISCLOSURE ITEMS FOR NOTICE OF CONVOCATION OF THE 121ST ORDINARY GENERAL MEETING OF SHAREHOLDERS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[121st Fiscal Year (From April 1, 2016 to March 31, 2017)]

TDK Corporation
Tokyo, Japan

Disclosure documents audited by the Accounting Auditors and Company Auditors are provided to shareholders on website of TDK Corporation (http://www.tdk.co.jp/) pursuant to relevant laws and regulations and Article 16 of the Articles of Incorporation of TDK Corporation.

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

2. There is no English translation of the Notes to Non-Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Important Matters for Preparation of Consolidated Financial Statements]

1. Matters Concerning Scope of Consolidation

Number of consolidated subsidiaries:	138
Name of major consolidated subsidiaries:	TDK-Lambda Corporation TDK-MCC Corporation SAE Magnetics (Hong Kong) Limited TDK U.S.A. Corporation TDK Europe S.A. EPCOS AG Amperex Technology Limited

2. Matters Concerning Equity-Method

Number of Equity-method affiliates:	9
Name of a principal Equity-method affiliate:	RF360 Holdings Singapore PTE. Ltd. Semiconductor Energy Laboratory Co., Ltd.

3. Significant Accounting Policies

(1) Standards for preparation of consolidated financial statements:

TDK Corporation(the “Company”)’s consolidated financial statements are prepared based on accounting standards generally accepted in the United States (“US GAAP”), pursuant to the provisions of Article 120-2, Paragraph 1 of the Ordinance of Companies Accounting of Japan. However, some accounting description and notes required by US GAAP have been omitted herein in conformity with the latter clauses of the same Article.

(2) Valuation standards and methods for inventories:

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

(3) Valuation standards and methods for securities:

The Accounting Standards Codification (“ASC”) 320, “Investments-Debt and Equity Securities” issued by the U.S. Financial Accounting Standards Board (“FASB”) is used.

Available-for-sale securities:	Carried at fair value based on stock market prices as of the balance sheet date. Unrealized holding gains or losses, net of the related tax effect, are included directly in equity. The cost of securities sold is primarily calculated by the moving-average method.

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

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

(5) Goodwill and other intangible assets:

Goodwill is not amortized, but instead is tested for impairment at least annually, except for a case in which it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. The test is conducted more frequently if certain indicators arise.

Intangible assets determined to have indefinite useful lives are not amortized, but instead are tested for impairment annually except for a case in which it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount. The test is conducted more frequently if certain indicators arise, until the useful life is determined to no longer be indefinite. Intangible assets with finite useful lives are amortized over their respective estimated useful lives. The amortization is computed by the straight-line method.

(6) Derivative financial instruments:

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

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

(Additional information)

From this fiscal year, TDK uses forward foreign exchange contracts to hedge the foreign currency exposure of the net investment in consolidated subsidiaries etc. and applies hedge accounting. Effect to consolidated statement of income of this fiscal year is immaterial.

(7) Accounting basis of principal allowances:

Allowance for doubtful receivables:

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

Retirement and severance benefits:

For the future payment of retirement and severance benefits to employees, TDK recognizes an amount based on projected benefit obligations and the fair value of plan assets as of March 31, 2016, in accordance with ASC 715, "Compensation-Retirement Benefits."
Prior service costs of employees are amortized using the straight-line method over the average remaining service period of employees.
With respect to actuarial net losses, the part exceeding the amount equivalent to 10% of projected benefit obligations or the fair value of plan assets as of the beginning of the fiscal year concerned, whichever is larger, is amortized using the straight-line method over the average remaining service period of employees.

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

Consumption taxes are accounted using tax exclusion method.

(9) Taxes:

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

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

4. Adoption of new accounting standards:

(1) Standards for preparation of consolidated financial statements:

In April 2015, FASB issued ASU 2015-03 "Simplifying the Presentation of Debt Issuance Costs".
The amendments in this ASU require debt issuance costs to be presented as a deduction from the related debt liability. TDK adopted this ASU on April 1, 2016. As a result, the bond issuance cost that used to be a part of Other assets is presented as a deduction from Long-term debt in the prior year's consolidated financial statement.
The adoption of this ASU did not have a material impact on TDK's results of operations or financial position.

(2) Simplifying the Accounting for Measurement – Period Adjustments:

In September 2015, the FASB issued ASU 2015-16 "Simplifying the Accounting for Measurement – Period Adjustments". The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This Update is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. TDK adopted this Update prospectively for adjustments to provisional amounts that occur after the effective date of this Update.
The adoption of this Update did not have a material impact on TDK's results of operations or financial position.

5. Reclassifications:

Certain reclassifications have made to prior year's consolidated financial statements to conform to the presentation used for the year ended March 31, 2017.

[Notes to Consolidated Balance Sheet]

1. Allowance for doubtful receivables: ¥1,741 million

2. Accumulated depreciation of property, plants and equipment: ¥685,149 million

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

4. Assets pledged as collateral:
TDK has pledged net property, plants and equipment amounting to ¥169 million as collateral for lease obligations amounting to ¥292 million.

5. Contingent liabilities:
TDK provides guarantees to third parties on bank loans of its employees.
The guarantees on behalf of the employees are made for their housing loans.
The maximum amount of undiscounted payments TDK would have to make in the event of default as of March 31, 2017 is ¥956 million.
In July 2016, competition authorities started an investigation of Company based on suspicion of a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in connection with the HDD suspension assembly business. At this stage, it is not possible to

reasonably predict the outcome of the investigation and the impact on TDK's results of operations.

[Notes to Consolidated Statements of Income]

Following is breakdown of Other operating expense (income)

Gain on business transfer:	¥(145,208) million
Impairment loss on Long-lived assets:	¥16,811 million
Impairment loss on Goodwill :	¥2,600 million

[Note to Per-Share Data]

Net income attributable to TDK:	
Basic:	¥145,099 million
Diluted:	¥145,099 million
Weighted average common shares outstanding – Basic:	126,156 thousand shares
Incremental shares arising from the exercise of stock option:	284 thousand shares
Weighted average common shares outstanding – Diluted:	126,440 thousand shares
Net income attributable to TDK per share:	
Basic:	¥1,150.16
Diluted:	¥1,147.57
TDK stockholders' equity per share:	¥6,288.55
Total number of issued common shares outstanding:	129,590 thousand shares
Number of common shares of treasury stock:	3,390 thousand shares
Issued number of common shares that are used in calculating TDK stockholders' equity per share:	126,200 thousand shares

[Notes regarding Financial Instruments]

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

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

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

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

Many of the investments in securities are publicly listed shares, and their fair value is revaluated every quarter.

Regarding derivative financial instruments, TDK uses forward foreign exchange contracts, non-deliverable forward contracts, currency swap contracts, and commodity forward contracts in order to control foreign currency risk related mainly to foreign currency-denominated assets and liabilities and planned transactions, and the risk of changes in raw material prices.

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

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

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

(2) Marketable securities and investments in securities, other assets

The fair values of marketable securities and investments in securities are primarily estimated based on quoted market prices for these instruments. The fair value of long-term loan, which is included in other assets, is estimated based on the amount of future cash flows associated with the instrument discounted using the current lending rate for a similar loan of comparable maturity, or based on the quoted market prices for the same or similar issues.

(3) Long-term debt

The fair value of TDK's long-term debt is estimated based on the amount of future cash flows associated with the instrument discounted using TDK's current borrowing rate for a similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2017 were as follows.

(¥ in millions)

	Carrying amount	Estimated fair value
Assets:		
Investments in securities and other assets	24,156	24,156
Liability:		
Long-term debt, including current portion (excluding lease obligations)	(250,969)	(250,289)

(4) Derivative financial instruments

The fair values of derivative financial instruments are estimated based on quotation obtained from financial institutions, and reflect to the consolidated balance sheet.
Amounts of derivative financial instruments as of March 31, 2017, are as follows.

(¥ in millions)

	Contract amount	Carrying amount	Fair value
Forward foreign exchange contracts	231,038	174	174
Non-deliverable forward contracts	5,181	(71)	(71)
Currency swap contracts	17,093	1,528	1,528
Commodity forward contracts	943	186	186

[Notes regarding Business Combinations]

On February 3, 2017, based on joint venture agreement with Qualcomm Incorporated (Qualcomm, Headquarters: California, U.S.) to construct close and speedy business environment with semiconductor manufacturers in mobile communications market, TDK transferred 51% stake in RF360 Holdings Singapore PTE.Ltd. (RF360 Holdings), a subsidiary of the Company with main operation in high-frequency components business, to Qualcomm Global Trading PTE.Ltd., a subsidiary of Qualcomm. Contingent consideration to be recognized for several years is included in the acquisition cost. The remaining 49% stake in RF360 Holdings is measured at fair value and recognized in consolidated balance sheet as investments in affiliates. As a result, gain from transfer of business is recognized in other operating expense (income) of consolidated statement of income for the amount ¥145,208 million.

[Notes regarding Subsequent Events]

On December 21, 2016, the Company entered into an agreement with the global inertial sensor company InvenSense, Inc. (InvenSense, Headquarters: California, U.S.) to acquire the shares of InvenSense and make it into a wholly owned subsidiary of the Company, with the purpose of further expanding the sensor business. Based on the agreement, the Company acquired all of the shares of InvenSense on May 18, 2017 with the total acquisition price of approximately $1.3 billion USD and made it into a wholly owned subsidiary of the Company.