



**TDK Corporation**  
**Annual Report 2010**

Year ended March 31, 2010

A photograph of two men in business suits running on a beach. They are leaning forward in a starting position, with their arms and legs in motion. The background shows a vast, blue ocean under a sky filled with white and grey clouds. The overall scene conveys a sense of speed, progress, and forward momentum.

**Now It's Time to Take  
Two Steps Forward**

# Global Development at TDK



Europe

Asia



→ TDK is developing HDD heads and flash memory for high-performance notebook PCs that are increasingly smaller, lighter and have greater storage capacity.

→ TDK's electronic components are at the heart of digital TVs that enable viewers to enjoy data broadcasting and interactive communication.

Globalization of operations at TDK dates back to 1959 when we established our first overseas office in the U.S. city of Los Angeles.

In the ensuing years, we have established local subsidiaries in New York, our first overseas manufacturing base in Taiwan and later advanced into Europe, establishing companies there as well.

Today, we have sales offices and manufacturing bases in more than 90 locations in over 20 countries and regions around the world, creating a tri-polar business framework spanning Asia/Oceania, the Americas and Europe. At present, overseas production accounts for 80.6% of our total production, while our overseas sales ratio has reached 87.1%. Going forward, we intend to globalize our operations further, as we strive to prosper along with the countries and regions where we do business.



Japan

North America



South America

Oceania



→ TDK supplies various electronic components for facilitating comfortable and safe eco-conscious driving. For example, it has developed high-performance DC-DC converters that reduce battery consumption in hybrid electric vehicles.

# Profile

TDK was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has developed and commercialized passive components and magnetic application products, among others. This drive has been based on the company's founding spirit: "Contribute to culture and industry through creativity."

To preserve its identity as a dynamic company, TDK believes that it must remain an organization that constantly delivers even higher corporate value for all stakeholders, including shareholders, customers, suppliers, employees and society, by drawing on innovative thinking and a willingness to tackle new challenges.

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### Cautionary Statements With Respect to Forward-Looking Statements

This booklet contains forward-looking statements, including projections, plans, policies, management strategies, targets, schedules, understandings and evaluations, about TDK and its group companies (TDK Group). These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs and evaluations of TDK Group in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors. TDK Group therefore wishes to caution readers that, being subject to risks, uncertainties and other factors, TDK Group's actual results, performance, achievements or financial position could be materially different from any future results, performance, achievements or financial position expressed or implied by these forward-looking statements, and TDK Group undertakes no obligation to publicly update or revise any forward-looking statements after the issue of this booklet except as provided for in applicable laws and ordinances.

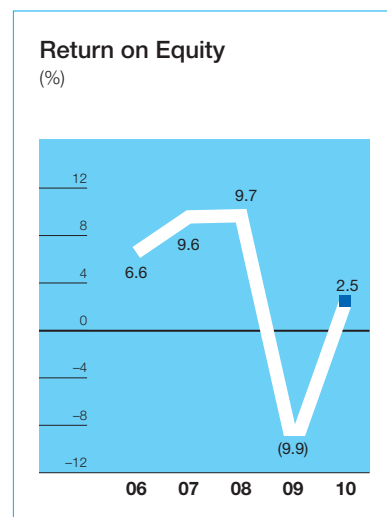
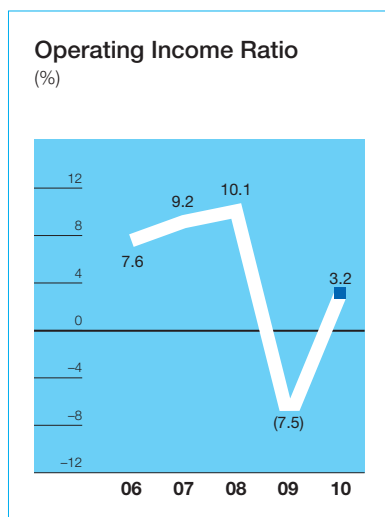
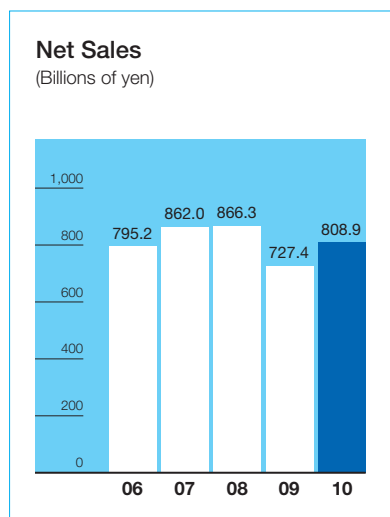
The electronics markets in which TDK Group operates are highly susceptible to rapid changes. Risks, uncertainties and other factors that can have significant effects on TDK Group include, but are not limited to, shifts in technology, fluctuations in demand, prices, interest and foreign exchange rates,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



# Financial Highlights

Year ended March 31 or as of March 31	Millions of yen (except per share amounts)		Thousands of U.S. dollars (except per share amounts)	
	2010	2009	2010	Change (%)
<b>OPERATING RESULTS</b>				
Net sales	¥ 808,858	727,400	\$ 8,697,398	11.2
Passive Components	364,805	286,489	3,922,634	27.3
Magnetic Application Products	383,740	370,332	4,126,237	3.6
Other	60,313	70,579	648,527	-14.5
(Overseas sales)	704,874	610,944	7,579,290	15.4
Net income (loss) attributable to TDK	13,520	(63,160)	145,376	-
Basic net income (loss) attributable to TDK per common share:				
(basic)	104.82	(489.71)	1.13	
(diluted)	104.74	(489.71)	1.13	
Cash dividends per share	60.00	130.00	0.65	
<b>FINANCIAL POSITION</b>				
Total assets	¥1,091,458	1,101,036	\$11,736,108	-0.9
TDK stockholders' equity	543,756	554,218	5,846,839	-1.9
Long-term debt, excluding current installments	179,554	210,083	1,930,688	-
<b>PERFORMANCE INDICATORS</b>				
Overseas production/net sales	80.6%	74.0		
Gross profit margin percentage	23.6	16.7		
Operating income ratio	3.2	(7.5)		
Return on equity	2.5	(9.9)		
Price-earnings ratio	59.3	-		

Notes: 1. From fiscal 2010, the TDK Group has two main business segments: Passive Components and Magnetic Application Products. There is also the Other which includes businesses not falling into either of these main segments.  
2. Yen amounts have been translated into U.S. dollars, for convenience only, at the rate of US\$1=¥93.



# We're Constantly Adapting

## ■ Back in the Black in Fiscal 2010

The electronics market in fiscal 2010 entered a moderate recovery after bottoming out at the end of the previous fiscal year following a large contraction in the latter half of that year. The digital home appliance field was defined by increasing polarization in products. On one hand we saw the continuation of a trend whereby growing demand for lower-priced products spurred price-based competition, which in turn further stimulated demand. But we also saw

high-performance products such as smartphones record striking growth even amid the economic stagnation. In the auto industry, another field that is increasingly important to us, demand rose for hybrid vehicles amid the pursuit of even better fuel efficiency, while competition to develop electric vehicles also intensified. Investment in wind power generation and other renewable energies also increased in a bid to effectively utilize natural energy.



(Left)

**Hajime Sawabe**  
Chairman

(Right)

**Takehiro Kamigama**  
President and CEO

In this business environment, orders and sales of the TDK Group's products continued to increase, tracking recovering market conditions. Our consolidated net sales rose 11.2% year on year to ¥808,858 million as a result. This improved sales performance, coupled with considerable benefits yielded by structural reforms initiated in fiscal 2009, enabled us to return to profitability in fiscal 2010. We posted operating income of ¥25,774 million, reversing a loss of ¥54,305 million, and consolidated net income attributable to TDK Corporation of ¥13,520 million, a turnaround from a net loss of ¥63,160 million in the previous fiscal year.

### ■ Key Challenges for TDK

We may have turned in a much improved performance in the past fiscal year, but we would not say we are overjoyed. Even though it is recovering, the electronics industry still has not returned to the levels before the synchronized global recession. It will take several years for a complete market recovery. These sluggish market conditions have put into stark contrast for us the problem areas in our businesses and highlighted some important issues.

In the HDD head business, where we maintain an industry-leading position, we have responded well to market change and improved our earnings structure. The same cannot be said for our ceramic capacitor and certain other passive components businesses where we still have much work to do to improve profitability. These differences in ability to respond to changes in markets and the business environment have shown through in differences in performance among individual businesses.

The whole TDK Group must answer some important questions. For example:

- Has progress been made improving the cost of sales ratio?
- Has progress been made improving productivity and production efficiency?

- Have new products been launched as planned?
- Are manufacturing operations able to cope sufficiently with changes in demand?
- Have we improved operations sufficiently that we can prevail over the competition in an environment where foreign currency volatility is high and the rising yen has had a significant impact?

In addition to questions like these, we need to look at our investment efficiency.

- Our total assets have increased because of substantial capital investments and corporate acquisitions in the past. But we still have not achieved sales and earnings commensurate with the size of our assets. This is an issue to be tackled.

If we analyze our fiscal 2010 performance in this way, there are more than a few areas where we have room for improvement. This is why I said earlier we cannot be satisfied with our return to profitability. There is more work to be done.

We have set some specific management indicators to measure our progress going forward: lowering the breakeven point further to strengthen our profit structure; continuing to shorten the production lead time to reduce inventories; improving indicators of investment efficiency such as the fixed asset turnover ratio and total asset turnover ratio; and reducing the ratio of selling, general and administrative expenses to net sales.

We must also tighten our focus on key growth fields—the environment, energy, communications and automobiles—to create growth drivers. Moreover, we must strengthen our lineup of products for the industrial machinery field rather than just focusing on the digital home appliances field as in the past. We will set numerical targets and deadlines for making concrete progress with these and other challenges. We are determined to act swiftly to further improve our earnings structure and create operations that can match and prevail against rival companies.



## ■ Inventiveness is TDK's Underlying Strength

In October 2009, Tokyo Institute of Technology and TDK were honored by The Institute of Electrical and Electronics Engineers, Inc. (IEEE)\* with the grant of IEEE Milestones for the invention of ferrite materials and their applications. The magnetic material ferrite has contributed to the advancement of electronics through TDK's commercialization of applications. Even today, almost 80 years after it was discovered, ferrite is still highly valued for helping spawn various new products and technologies.

TDK was established as the world's first company to commercialize ferrite. Since its establishment, TDK has always valued inventiveness and this spirit remains a hallmark of our company. The development of materials, in particular, is one of TDK's underlying strengths and today, more than 75 years after our foundation, we continue to recognize the important role of this core technology in raising TDK's corporate value. Ferrite is used in the ferrite cores of inductive devices, which serve as transformers in power supplies. In this way, ferrite is an important material in our components business that greatly affects the performance of other products. Dielectric materials is another area we are developing. By marrying our key materials technologies with process and evaluation and simulation technologies, we are determined to continue developing and launching distinctive products that dovetail with market needs.

## ■ The Next Leap Forward for Growth

The mission entrusted to us as management is to maximize enterprise value. In other words, management's duty is to create value through our electronic components businesses to sustain growth and deliver this value to shareholders and all other stakeholders. This important responsibility is embodied in our founding spirit as

the imperative "Contribute to culture and industry through creativity."

We will continue to forge ahead and grow without forgetting what it is that powers TDK. We will continue to deliver new value that is true to our founding spirit.

\* IEEE (The Institute of Electrical and Electronics Engineers, Inc.) is the world's largest non-profit organization (academic society) of electrical and electronic engineers. It is based in the United States. IEEE Milestones is a program established in 1983 to recognize significant historical achievements developed at least 25 years earlier that have made substantial contributions to society and industrial development in the electrical, electronics, and related fields. As of April 2010, approximately 100 achievements including Volta's electric battery and the Fleming valve had been granted IEEE Milestones.



**Hajime Sawabe**  
*Chairman*



**Takehiro Kamigama**  
*President and CEO*



Interview with  
President  
Kamigama



**Takehiro Kamigama**

*President and CEO*

**Profile**

1981	Joined TDK
2001	General Manager of Data Storage Components Business Group
2002	Corporate Officer
2003	Senior Vice President
2004	Director, Executive Vice President
2006	Representative Director, President and COO
2009	Representative Director, President and CEO

## Q1

### What are you doing to strengthen TDK's earnings structure?

We implemented various structural reforms during fiscal 2010, but we focused mainly on improving the earnings structure of our capacitors business. In particular, we boldly consolidated production sites. This involved halving the number of production sites in Japan from eight to four. This action helped us to shorten production lead times, cut production costs and achieve other efficiency gains. We also revamped our order and production systems, introducing more flexible

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and nimble systems, allowing a more detailed response to customer needs. Of course, since our rivals are also continuing to improve their operations, we must move faster and make greater reforms in order to prevail. From that perspective, in fiscal 2011, in addition to consolidating our scattered packaging bases, we will implement deeper reforms to our production processes from raw materials to finished products. Our goal is to reduce total costs to a benchmark figure.

The inductive devices business is seeing requests for smaller products. To meet expanding demand in this business, we are strengthening our production system of EMC components using thin-film technologies. Meanwhile, in power supplies, we have rebuilt our business by transferring the uninterruptible power systems business to a third party to enable us to concentrate on switching power supplies. The TDK Group's main market here is power supplies for industrial equipment. We have improved our profitability in this business, assisted in part by recovering demand for semiconductor production equipment and other equipment and machinery.

We have begun to see benefits emerge from these fiscal 2010 structural reforms. However, our operating income ratio was only 3.2% and ROE only 2.5% in fiscal 2010. I do not think our shareholders and other stakeholders will be satisfied with this level of performance as represented by these indicators. Therefore, we are determined to push ahead with our efficiency drive to further improve the TDK Group's earnings power.

## Q2

### **How successful has TDK been at capturing synergies from its acquisition of EPCOS?**

I think mobile phones will be the first field in which we see synergies with EPCOS. As a result of the EPCOS acquisition, our business unit handling high-frequency components used in mobile phones is now able to provide value-added products by combining the TDK Group's strengths in various electronic components and EPCOS' high-frequency components. This raises the possibility of business expansion in the growing communications sector. We also harbor expectations for synergies in the development of next-generation high-frequency components by incorporating HDD head process technologies.

We are also pursuing various initiatives to realize synergies on the sales front. Up to now, our main customers have been Japanese home appliance manufacturers, but the acquisition of EPCOS should enable us to build stronger relationships with major mobile phone manufacturers around the world. Besides mobile phones, we've also stepped up sales activities to potential

customers in the industrial equipment and automotive fields. And because we can now use EPCOS' existing bases, we will be able to improve sales activities in China, India, Brazil, Russia and other countries. Looking ahead, we want to channel these new business resources into business expansion.

## Q3

### **You have designated the environment, energy and automobile fields as having medium- to long-term growth potential. What are your plans for business development in these fields?**

In the field of environment and energy, we see business opportunities in natural energy in particular. Natural energy-related demand is especially notable in Europe and we want to grow our business by leveraging TDK-EPC's core technologies in the fields of aluminum electrolytic and film capacitors for solar and wind power generation systems. Film capacitors are sure to be in heavy use in the growing hybrid and electric vehicle domains. Demand is growing rapidly amid the widening environmental boom.

Other electronic components also have an essential role in hybrid and electric vehicles. Specifically, I am referring to DC-DC converters, which are essential for converting DC voltage, and rechargeable batteries. Our approach to the Chinese market will be key to our success in the automotive field. Naturally, we plan to fully harness the TDK Group's entire technological and design strengths. But in this huge market we must also manufacture products locally and make improvements by listening to customers' needs. Having all essential processes in China is key for this. That said, continuing to develop and protect in Japan materials and core technologies that will be a deciding factor in winning through over the medium and long terms is also key.



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## Q4

### Human resources will support TDK's medium- to long-term growth. What is your stance on developing human resources?

I myself hail from a technology background, so I appreciate the profound importance of the dreams of engineers and others. Take spintronics\*, a field we are researching, for instance. Spintronics has the potential to revolutionize conventional thinking in electronics. Achieving commercially viable technology will take some years, but it is a big dream of mine. TDK's corporate mantra is to "Contribute to culture and industry through creativity." As a steward of this corporate mantra, I will dare to dream and continue to work with our employees to realize our dreams.

\* Spintronics: A field that utilizes and applies the spin and electrical charge of electrons in solid-state devices.



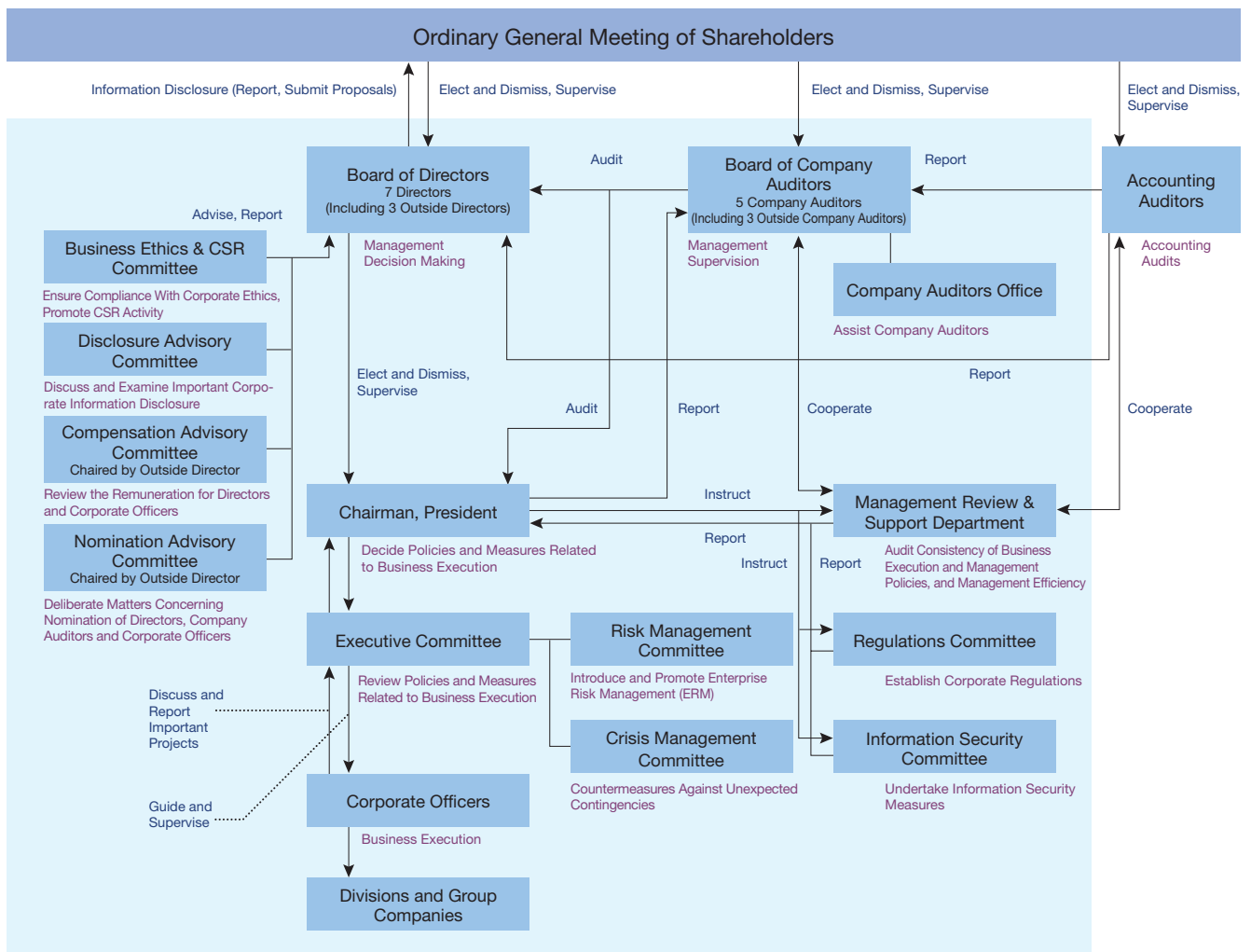
## Corporate Social Responsibility (CSR)

A company exists as a member of society that has relationships with all stakeholders—shareholders, customers, suppliers, employees and communities.

Based on our founding spirit—“Contribute to culture and industry through creativity”—we have been putting great emphasis on maintaining a harmonious and symbiotic relationship with society. In the electronics industry, we contribute to society by providing innovative new products exuding originality. And our corporate activities are based on the observance and enforcement of fair corporate ethics, which we recognize as a social responsibility.

## Corporate Governance

The following is a summary of the resolutions regarding the system which ensures that the execution of duties by Directors complies with laws and ordinances and the Articles of Incorporation, and the system which ensures that the Company’s business is duly executed:



## ■ TDK Group's Basic Stance on Corporate Governance

TDK Corporation was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has increased its corporate value through the development of a variety of products of value and originality to society, based on the founding spirit: "Contribute to culture and industry through creativity" as its Corporate Motto. In addition, in the "TDK Code of Ethics," TDK has clearly stated its understanding that corporations exist in society with the support of various stakeholders, including shareholders, customers, suppliers, employees and communities, etc. The same Code states that TDK respects the rights of all stakeholders; and that it complies with social norms, including laws and regulations, as a good corporate citizen. All members of the TDK Group behave in strict compliance with the corporate standards of business conduct prescribed by the TDK Code of Ethics.

TDK aims to achieve its management targets and further improve corporate value through the creation of products while adhering to its founding spirit. At the same time, TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, TDK will fulfill its accountability to all stakeholders through the comprehensive, timely and impartial disclosure of appropriate information.

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

### 1) Adoption of Company Auditor System and Strengthening the Supervisory Function:

TDK has adopted the Company Auditor System pursuant to the Companies Act of Japan and has appointed three independent outside Company Auditors who have no conflicts of interest in order to enhance the supervision of management.

### 2) Strengthening the Function of the Board of Directors and Holding Directors More Accountable:

TDK has a small number of Directors (seven) to expedite management decision-making. At the same time, TDK has appointed three independent outside Directors who have no conflict of interest in order to enhance the supervision of management. In addition, the Directors' term of office is set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every business year.

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

TDK 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. Corporate Officers are in charge of business execution and carrying out decisions by the Board of Directors, thereby expediting business execution in line with management decisions.

### 4) Establishment of Advisory Bodies to the Board of Directors (Business Ethics & CSR Committee, Disclosure Advisory Committee, Compensation Advisory Committee, and Nomination Advisory Committee):

The aim of the Business Ethics & CSR Committee is to ensure implementation of the TDK Corporate Motto and improve awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Company Auditors, Corporate Officers and all other members of the TDK Group are made fully conversant with the TDK Corporate Motto and Corporate Principle ("Vision" "Courage" "Trust") as TDK's management philosophy, and the TDK Code of Ethics, which stipulates concrete standards and guidelines for compliance with all laws, regulations and social norms.

The Disclosure Advisory Committee reviews and examines important corporate information and disclosure materials required for investment decisions by shareholders and investors, to ensure that TDK conducts comprehensive, appropriate, timely and impartial disclosure in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchanges where TDK's shares are listed.

The Compensation Advisory Committee, which is made up of the outside Directors (1 of whom chairs the committee), outside specialists and the Director in charge of human resources, examines the composition of remuneration and the remuneration system pertaining to Directors and Corporate Officers, as well as presidents and qualifying executive officers of principal TDK subsidiaries. It also verifies the transparency of the remuneration decision-making process, as well as the reasonableness of individual remuneration levels in light of corporate business results, individual performance, and the general standards of other companies.

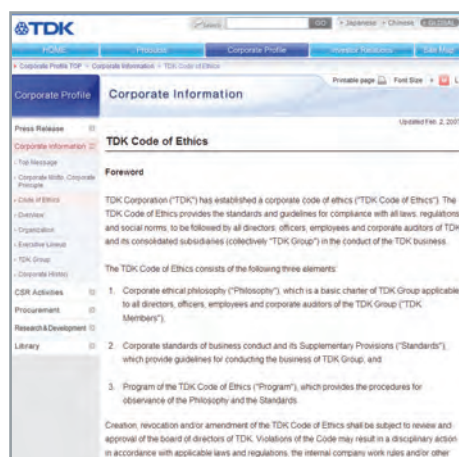
The Nomination Advisory Committee, which is chaired by an outside Director of TDK, discusses the conditions expected with regard to nominations for the post of Director, Company Auditor or Corporate Officer and makes nominations. In this way it helps ensure the appropriateness of the selection of Directors, Company Auditors and Corporate Officers, and the transparency of the decision-making process.



## ■ Main Past Initiatives

Year and Month	Details
2002 April June	<ul style="list-style-type: none"> <li>Formed the Ethics Committee (Now Business Ethics &amp; CSR Committee).</li> <li>Amended the Articles of Incorporation to reduce the maximum number of Directors from 20 or less to 10 or less and increase the maximum number of Company Auditors from 4 or less to 5 or less.</li> <li>Reduced the number of Directors from 12 to 7.</li> <li>Introduced the Corporate Officer system.</li> <li>Appointed 1 outside Director for the first time.</li> <li>Formed the Compensation Advisory Committee (Chairperson: outside Director).</li> <li>Stopped reserving retirement grants for Directors.</li> </ul>
2003 June	<ul style="list-style-type: none"> <li>Amended the Articles of Incorporation to shorten the Directors' term of office from 2 years to 1 year.</li> <li>Increased the number of outside Company Auditors from 2 to 3.</li> </ul>
2005 June December	<ul style="list-style-type: none"> <li>Introduced stock-linked compensation stock options for Directors and Corporate Officers.</li> <li>Formed the Disclosure Committee (Now Disclosure Advisory Committee).</li> </ul>
2007 March June	<ul style="list-style-type: none"> <li>Applied* U.S. Sarbanes-Oxley Act (SOX).</li> <li>Stopped reserving retirement grants for Company Auditors.</li> <li>Limited outside Director and Company Auditor compensation to basic remuneration only.</li> </ul>
2008 June August	<ul style="list-style-type: none"> <li>Increased the number of outside Directors from 1 to 2.</li> <li>Formed the Nomination Advisory Committee (Chairperson: outside Director).</li> </ul>
2009 June	<ul style="list-style-type: none"> <li>Increased the number of outside Directors from 2 to 3.</li> </ul>
2010 March	<ul style="list-style-type: none"> <li>Filed all outside Directors (3) and outside Company Auditors (3) as Independent Directors and Independent Company Auditors, respectively, with the Tokyo Stock Exchange</li> </ul>

\*Applied from the fiscal year ended March 31, 2007. J-SOX applies now following TDK's April 2009 delisting from the New York Stock Exchange.



The TDK Code of Ethics can be found on TDK's website at <http://www.tdk.co.jp/teaaa01/aaa06000.htm>

The TDK Code of Ethics provides concrete standards and guidelines for compliance with all laws, regulations and social norms, to be followed by every Director, Company Auditor, Corporate Officer and employee of TDK and its consolidated subsidiaries in conducting business.



TDK's corporate governance framework can be found on the Company's website. ([http://www.tdk.co.jp/ir\\_e/policy/pol03000.htm](http://www.tdk.co.jp/ir_e/policy/pol03000.htm))

# Directors, Company Auditors and Corporate Officers

(As of June 29, 2010)

## ■ Directors (☆ Outside Director)



**Hajime Sawabe**  
*Representative Director*



**Takehiro Kamigama**  
*Representative Director*



**Yasuhiro Hagihara**☆  
*Director*



**Kenichi Mori**☆  
*Director*



**Shinichi Araya**  
*Director*



**Yukio Yanase**☆  
*Director*



**Junji Yoneyama**  
*Director*

## ■ Corporate Officers



**Hajime Sawabe**  
*Chairman*



**Takehiro Kamigama**  
*President and CEO*



**Raymond Leung**  
*Executive Vice President*



**Shinichi Araya**  
*Senior Vice President*



**Kenichiro Fujihara**  
*Senior Vice President*



**Atsuo Kobayashi**  
*Senior Vice President*



**Hiroyuki Uemura**  
*Senior Vice President*



**Takeshi Nomura**  
*Corporate Officer*



**Takaya Ishigaki**  
*Corporate Officer*

## ■ Company Auditors (\* Outside Company Auditor)

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**Noboru Hara**  
Full-time Company Auditor



**Masaaki Miyoshi**  
Full-time Company Auditor



**Kaoru Matsumoto\***  
Outside Company Auditor



**Ryoichi Ohno\***  
Outside Company Auditor



**Osamu Nakamoto\***  
Outside Company Auditor



**Shinya Yoshihara**  
Corporate Officer



**Junji Yoneyama**  
Corporate Officer



**Robin Zeng**  
Corporate Officer



**Seiji Osaka**  
Corporate Officer



**Masataka Kajiya**  
Corporate Officer



**Kaoru Matsuoka**  
Corporate Officer



## Environmental Activities

TDK positions environmental activities as a top management priority. In line with this positioning, TDK has formulated an environmental plan based on a long-term perspective called “TDK Environmental Action 2015.” We are conducting various activities in accordance with this plan. In the year ended March 31, 2007, all of TDK’s facilities worldwide achieved zero emissions status. From fiscal 2008, we embarked on the company-wide policy of cutting CO<sub>2</sub> emissions. Our target is to reduce these emissions by at least 7% in Japan in fiscal 2011, compared with fiscal 1991.



### ■ Specific Initiatives

#### Preventing Global Warming

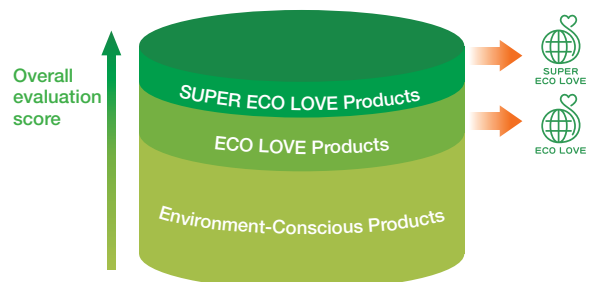
In May 2008, TDK began holding Global Warming Countermeasures Summits for energy technicians with the aim of developing energy-conservation measures, revolving around production activities. Subcommittees were formed and activities commenced at main facilities (such as sintering, air conditioning and compressed air). In fiscal 2010, the subcommittees assessed and verified energy efficiency based on actual measurements and linked these activities with initiatives.



#### Promoting the Creation of Environment-Conscious Products (ECO LOVE Products)

TDK designates environment-conscious products that have a lower environmental impact and outperform other products on the market in terms of their environmental performance as “ECO LOVE” products. Meanwhile, products that are highly effective in reducing the environmental burden and that boast industry-leading technology, function and form among ECO LOVE products are designated as “SUPER ECO LOVE” products. Details of these products can be found on TDK’s website (Japanese only).

TDK is working to double the number of ECO LOVE products by the end of March 2012.



## Social Contribution Activities

TDK recognizes the importance of being a corporate citizen with a harmonious and symbiotic relationship with greater society. Considering what TDK as a company could do to benefit society, we have devised various unique social activities.

## Philosophy

Based on the corporate motto of “Contribute to culture and industry through creativity,” the TDK Group will help build a healthier, richer society by carrying out creative activities, with each and every employee maintaining a keen awareness of his or her role as a corporate citizen.

## Policy

TDK will channel its corporate citizenship into four spheres of activity: academic, research and education; sports, art and culture; environmental conservation; and social welfare and local community activities. Drawing on the various resources of the TDK Group (employees, products, capital, information, etc.), the company will conduct activities on a global scale. These activities will include cooperation with nonprofit organizations and nongovernment organizations.

### ■ TDK Group CSR

For the TDK Group, CSR efforts take shape through the implementation of our Corporate Motto and the pursuit of corporate ethics.

This involves promoting CSR activities through TDK’s business activities based on the TDK Code of Ethics, while communicating with stakeholders such as customers, suppliers, employees, shareholders and other investors, and local communities.

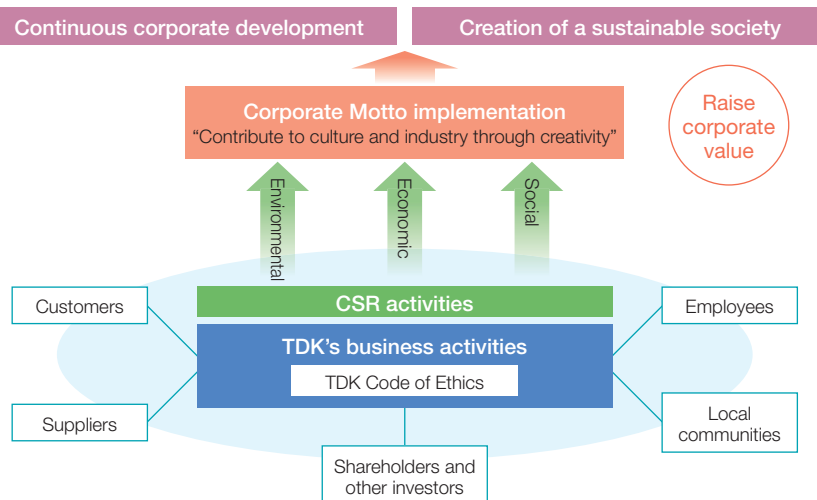
TDK intends to contribute to the creation of a sustainable society and continuous corporate development by raising its corporate value through implementation of its Corporate Motto.

### ■ Major CSR-centric Activity Themes

The TDK Group is working on the following four important themes, considering the degree of impact on and importance to society and TDK itself.

1. Technological innovation and the creation of impressive, high-quality products that help address social problems
2. Development of people that can implement 1.
3. CSR-centric supply chain management
4. Coexistence with the natural environment

### Relationship Between TDK’s CSR and Philosophy

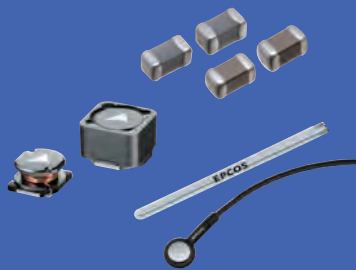


## TDK at a Glance

Consolidated net sales in fiscal 2010 increased 11.2% year on year from ¥727.4 billion to ¥808.9 billion.

The electronics market saw production volumes of finished products, which bottomed out at the end of fiscal 2009 like the world economy, trend upward through the end of fiscal 2010. However, the electronics market saw increasing polarization between low-priced products and high-end products, reflecting the popularity of low-priced models due to a quick economic recovery in emerging nations. In developed nations, the recovery in consumption

### Passive Components



#### ■ Main Products

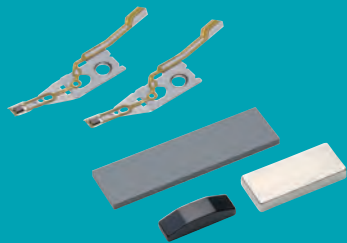
- Ceramic capacitors
- Aluminum electrolytic capacitors
- Film capacitors
- Inductive devices
- High-frequency components
- Piezoelectric material components and circuit protection devices
- Sensors

#### ■ Fiscal 2010 Highlights

Sales in the passive components segment climbed 27.3% year on year, reflecting increases in all businesses in this segment.

In the capacitors business, sales growth was driven by demand for use in industrial equipment, while in inductive devices automobile applications drove sales higher. In high-frequency components, communications equipment was the primary application leading to higher sales, and in piezoelectric material components and other products increased sales were recorded to the automobile and industrial equipment markets.

### Magnetic Application Products



#### ■ Main Products

- Recording devices
- Power supplies
- Magnets
- Recording media

#### ■ Fiscal 2010 Highlights

Sales rose 3.6% year on year, despite lower sales in power supplies, magnets and recording media. Increased sales in the recording devices business, where the mainstay product is HDD heads, drove segment sales higher.

### Other



#### ■ Main Products

- Energy devices (rechargeable batteries)
- Flash memory application devices
- Displays
- Mechatronics (production equipment)

#### ■ Fiscal 2010 Highlights

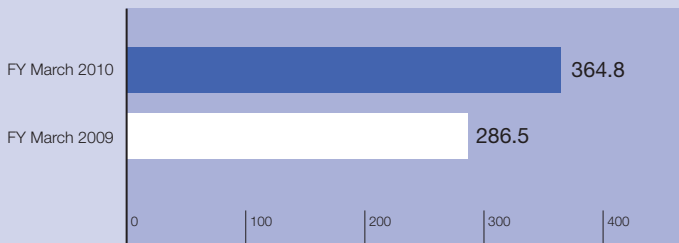
Sales decreased 14.5% year on year, mainly due to lower sales in the energy devices business.



was muted and sales prices continued to fall partly because of a slow improvement in job markets. As a result, the electronics market on a monetary basis hasn't recovered in proportion to increases in production volumes.

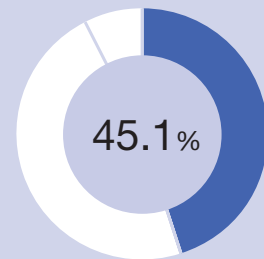
The TDK Group has two main business segments: Passive Components and Magnetic Application Products. There is also the Other which includes businesses not falling into either of these main segments.

**Sales by Passive Components** (Billions of yen)

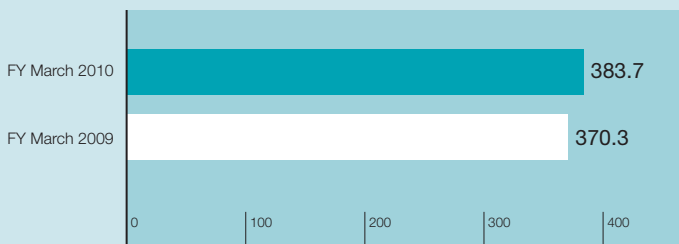


**Share of Sales by Passive Components**

FY March 2010

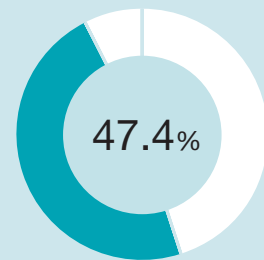


**Sales by Magnetic Application Products** (Billions of yen)

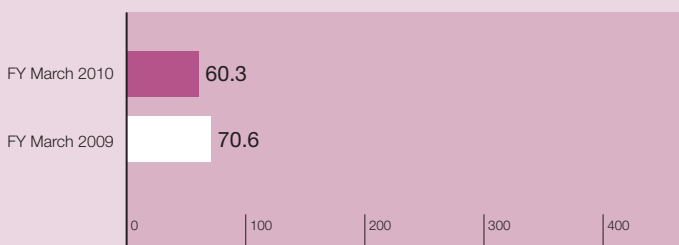


**Share of Sales by Magnetic Application Products**

FY March 2010

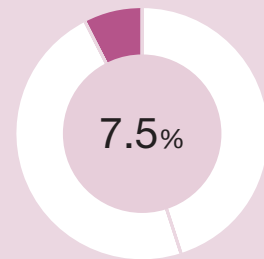


**Sales by Other** (Billions of yen)

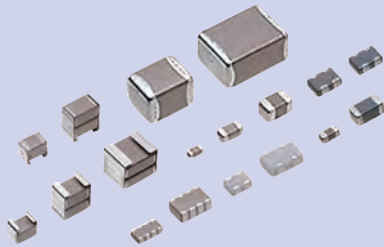


**Share of Sales by Other**

FY March 2010



## Passive Components



### Ceramic Capacitors

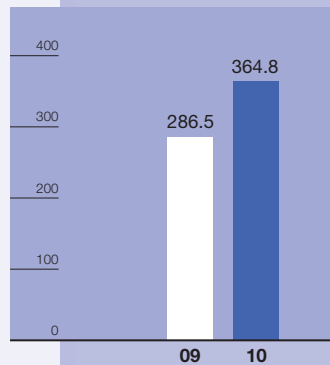
These are capacitors that use ceramic dielectric materials. While some use leads, the mainstream product is multilayer ceramic chip capacitors that are made by stacking alternate layers (several hundred to more than one thousand) of dielectric sheet and electrodes on a chip. TDK strives to make these capacitors smaller using thin-layer and multi-layering technologies, and is now mass producing 0603 (0.6 x 0.3 mm) and 0402 (0.4 x 0.2 mm) capacitors. The large-capacitance products are approaching the range of electrolytic capacitors.



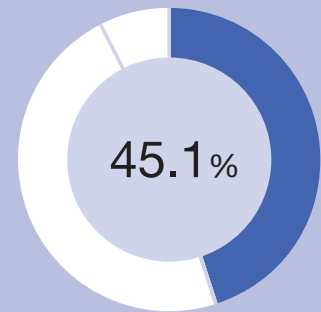
### Aluminum Electrolytic Capacitors

These capacitors are made by forming an oxide film on one side of ultra-pure aluminum foil, which is then rolled up between electrolytic solution-soaked paper separator sheets. The use of a thin oxide film as a dielectric material realizes an extremely large capacitance capacitor. Aluminum electrolytic capacitors are used heavily as power supply circuit smoothing capacitors, bypass capacitors and for strobe charging in digital cameras.

**Sales**  
(Billions of yen)



**Share of Sales**  
FY March 2010



This segment is made up of four businesses: capacitors, inductive devices, high-frequency components, and piezoelectric material components and circuit protection devices. Individual EPCOS businesses are included in the segment categories.

Segment net sales were ¥364,805 million, up 27.3% year on year from ¥286,489 million. This was primarily due to the inclusion of a full 12 months' sales from EPCOS businesses in fiscal 2010 consolidated net sales, compared with only 6 months' sales in the second half of fiscal 2009.

#### [Capacitors]

This product category is made up of ceramic capacitors, aluminum electrolytic capacitors, and film capacitors. Sales of capacitors increased year on year, mainly as a result of increased sales to the industrial equipment market.

#### [Inductive devices]

Sales of inductive devices increased year on year owing mainly to higher sales for automotive applications.

#### [High-frequency components]

Sales of high-frequency components rose year on year, largely reflecting higher sales for telecommunications equipment applications.

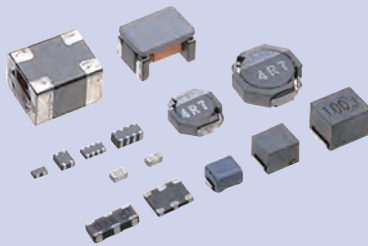
#### [Piezoelectric material components and circuit protection devices]

This category comprises piezoelectric material components, circuit protection devices and sensors. Sales rose year on year on the back of increased sales to the automotive and industrial equipment markets.



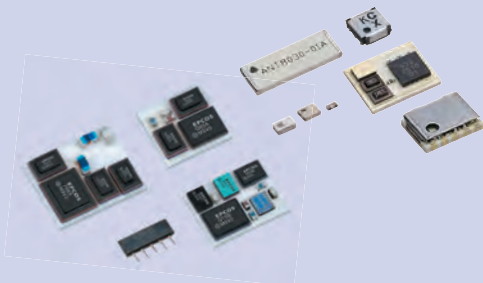
### Film Capacitors

Film capacitors use thin plastic film such as PET (Polyethylene terephthalate) and polypropylene as a dielectric material, which is stacked on a metal film, which becomes the electrode, and/or vapor deposited. Capacitance is increased through multilayering or rolling. These capacitors boast outstanding ease-of-use thanks to a good balance of insulation, frequency and thermal properties, meaning they are used widely in consumer electronics, automotive electronic devices and other applications.



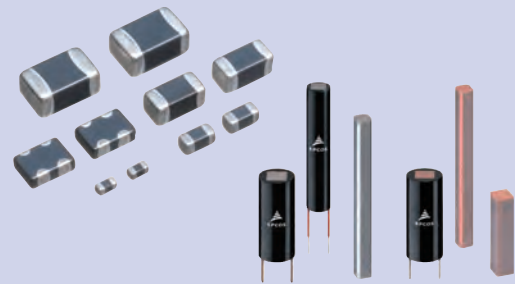
### Inductive Devices

This is a business field TDK generally refers to as magnetics. It includes products that use choke coils, transformers, common mode filters and other coils, as well as ferrite that is used in transformer cores and antenna coils, plus electromagnetic absorbers and anechoic chambers. TDK uses its storehouse of materials, winding, simulation and other technologies in the pursuit of smaller, higher-performance products that contribute significantly to power savings and electromagnetic noise control.



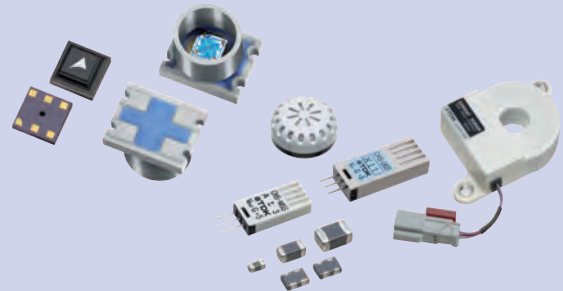
### High-frequency Components

TDK provides components and modules that are used in high-frequency circuits of mobile phones, smartphones and other applications. The mainstay products are SAW (surface acoustic wave) filters and various RF (radio frequency) filters produced using LTCC (Low Temperature Co-fired Ceramic) technology. TDK has also developed the world's smallest compact MEMS microphone using MEMS (Micro-Electro-Mechanical Systems) technology applying semiconductor manufacturing techniques.



### Piezoelectric Material Components and Circuit Protection Devices

The mainstay products are piezo application products and protection components used in information and telecommunications equipment and automotive electronics. Piezo actuators for fuel injection valve control in diesel-powered and other vehicles help significantly in enhancing fuel economy by facilitating minute control. Varistors and arrestors are used widely as circuit protection components in electronic devices, protecting circuits from electrostatic discharge and lightning surges.



### Sensors

Sensors are indispensable for enhancing the functionality of electronic devices, safe driving, home automation and other applications. In the automotive field, in addition to gear-tooth sensors and current sensors, TDK supplies a multitude of other products such as thermal sensors for cylinder heads. Compact air pressure sensors, which leverage piezo and packaging technologies, are widely used in applications like medical equipment and inspection equipment.



### Recording Devices

TDK is one of the world's leading manufacturers of HDD heads, a key component of HDDs used in PCs, servers and other applications. TDK has contributed to the miniaturization and larger capacity of HDDs through development of advanced TMR (Tunneling GMR) heads with high sensitivity reading elements and PMR heads using perpendicular magnetic recording technology. HDD heads are manufactured using thin-film process technologies that surpass semiconductor technologies in their level of sophistication. This technology is also applied to thin-film electronic components and other applications.



### Power Supplies

We widely supply power electronics-related products under the TDK-Lambda brand, including AC-DC switching power supplies that convert alternating current into direct current, and DC-DC converters that convert direct current into the required voltage. We have developed digital control power supplies that lead the world in terms of efficiency. What's more, TDK's selectable ferrite technologies help reduce energy loss associated with power conversion.



### Magnets

TDK offers a range of magnetic products developed using its materials technologies. Products include ferrite magnets, rare-earth magnets (neodymium magnets, and samarium-cobalt magnets) and metal-group soft magnetic materials. NEOREC neodymium magnets are used in electric motors in HEVs (Hybrid Electric Vehicles) and EVs (Electric Vehicles), generators for wind power generation, motors in air conditioner compressors and other applications.

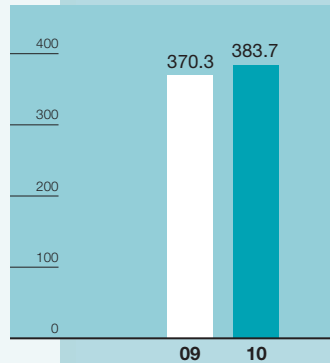


### Recording Media

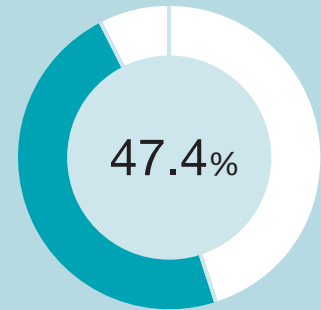
TDK's recording media support the expanding information society. Our LTO-standard computer backup tapes are used for backing up large volumes of data, and multilayer Blu-ray Discs are in increasing demand for storing large volumes in data centers.

## Magnetic Application Products

**Sales**  
(Billions of yen)



**Share of Sales**  
FY March 2010



This segment is made up of four businesses: recording devices, power supplies, magnets and recording media.

Segment sales were ¥383,740 million, up 3.6% from ¥370,332 million in the previous fiscal year.

#### [Recording devices]

This category comprises mainly HDD heads and HDD suspension assemblies. Sales of recording devices rose year on year, with higher sales of mainstay HDD heads due to increased sales volumes, compensating for lower sales caused by falling sales prices and the yen's appreciation against the U.S. dollar.

#### [Power supplies]

Sales declined year on year. Although sales rose for industrial equipment applications, this was insufficient to compensate for lower sales resulting mainly from the termination of some products and the sale of the uninterruptible power systems business.

#### [Magnets]

Magnet sales declined from the previous fiscal year, as higher sales for use in HDDs were unable to offset lower sales for other applications.

#### [Recording media]

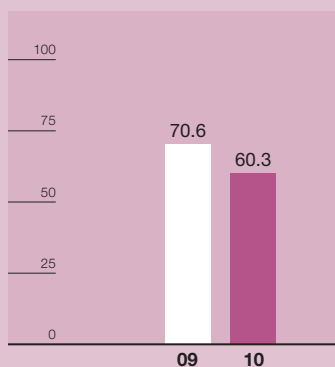
Recording media sales declined year on year.



# Other

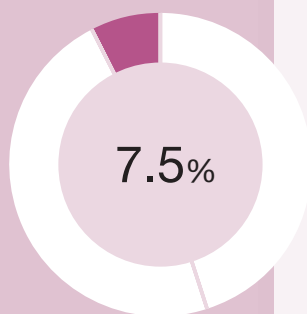
## Sales

(Billions of yen)



## Share of Sales

FY March 2010



This segment includes energy devices (rechargeable batteries), mechatronics (production equipment) and other businesses.

Segment sales declined 14.5% from ¥70,579 million to ¥60,313 million.

Sales in the energy devices business declined year on year.



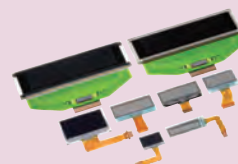
### Energy Devices (Rechargeable Batteries)

TDK is actively developing business operations in the energy field, including thin-type lithium-ion polymer batteries used in mobile equipment, large-capacity lithium-ion batteries for storing energy generated by solar, wind and other sources, and large-capacity EDLC (Electric Double Layer Capacitors). In electrodes, which influence the performance of lithium-ion batteries, TDK is leveraging coating technologies accumulated in magnetic tape and other areas to respond to demands for higher density energy storage.



### Flash Memory Application Devices

Flash memory can retain data even without power. TDK has developed compact, high-speed SSD (Solid State Drives) with proprietary NAND-type flash memory controller ICs, which achieve one of the highest access speeds in the world.



### Displays

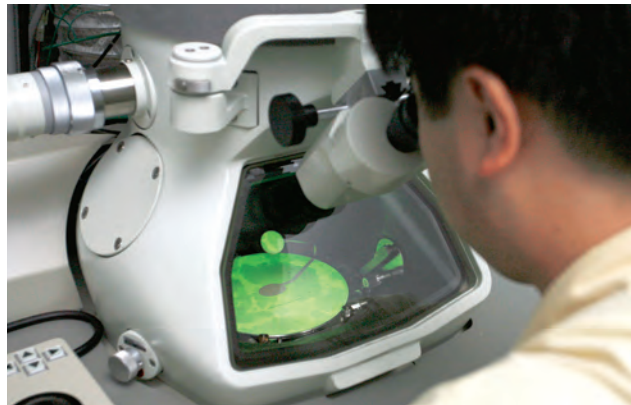
Organic EL (Electroluminescence) displays operate by a reverse principle to solar cells by causing organic materials to emit light. The spontaneous light emitted by these flat panel displays eliminates the need for a back light. TDK's organic EL displays uniquely combine high-luminance white light generating elements and color filters. Boasting a high-response speed and outstanding visibility, they are used as displays in car audio systems, digital portable music players and other equipment.



### Mechatronics (Production Equipment)

TDK supplies advanced factory automation equipment for semiconductor manufacturing, including load ports, a door-type device for automatically conveying wafers in a clean state, and flip chip bonders compatible with new IC mounting techniques. TDK is maintaining a very high market share in the industry in load ports and thus contributes to the more efficient production of semiconductors.

## Research and Development Activities



In its R&D activities, the TDK Group continues to work on strengthening and expanding development of new products that respond to diversification in the electronics market. In particular, the group is concentrating on next-generation recording-related products, micro electronics modules for mobile communications-related applications, and energy-efficient, environmentally friendly devices based on materials and design technologies. Furthermore, the group is using its reservoir of technologies to conduct efficient R&D activities concentrating on three strategic areas: IT home electronic appliances; high-speed and large-capacity networks; and car electronics.

In the passive components business field, development themes include development of next-generation multilayer ceramic chip capacitors and inductors that leverage core technologies; commercialization of EMC components such as EMC filters, composite magnetic sheet "Flexield" and electromagnetic absorbers for anechoic chambers. TDK has also worked to improve the performance of anechoic chamber buildings. Moreover, the company is strengthening its lineup of modules, including high-frequency modules.

In the magnetic application products business field, development themes include commercializing next-generation ferrite magnets, development of next-generation high areal recording density heads, and strengthening development of devices for hybrid vehicles and electric vehicles.

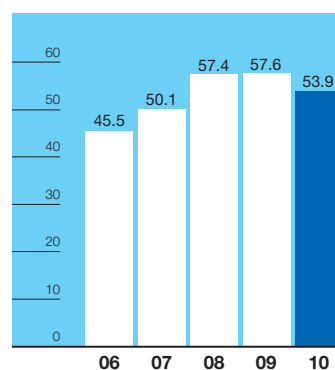
R&D at TDK is conducted by the Materials & Process Development Center, Devices Development Center, Application & Analysis Center and SQ Research Center, and the R&D functions of each operating group. Each facility develops new products and technologies in its respective area of

responsibility. The Materials & Process Development Center is responsible for responding to cutting-edge materials technologies and process technologies as well as strengthening and increasing core technologies. The Devices Development Center conducts research in new devices. The SQ Research Center is responsible for R&D of next-generation recording technologies.

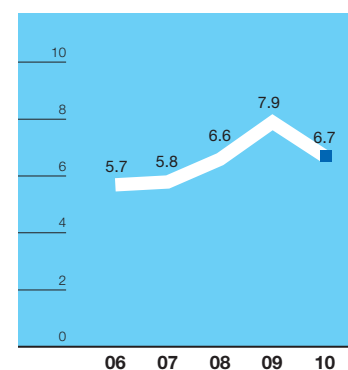
In terms of overseas R&D activities, TDK conducts R&D in collaboration with leading universities in the U.S. and Europe, and overseas R&D subsidiaries make use of local technological resources. In China, where TDK is aiming to establish and develop an operating base capable of supporting growth, R&D activities are being carried out in the area of electronic components and materials. In addition, consolidated subsidiary Headway Technologies, Inc. is developing next-generation HDD heads.

R&D expenses in fiscal 2010 decreased 6.4% year on year to ¥53,942 million, equating to 6.7% of net sales.

**R&D Expenses**  
(Billions of yen)



**Ratio to Net Sales**  
(%)



## Annual Securities Report

*(Yukashoken Hokokusho)*

On July 28, 2010, TDK electronically filed its Annual Securities Report (excluding non-consolidated financial statements and notes) in English with the London Stock Exchange. The information contained in this electronic filing is contained on the following pages. This translation is provided principally for investors with little understanding of the Japanese language. Please note that interpretations in the Japanese language Annual Securities Report shall take precedence, if there is any difference in interpretation from the English translation.

On June 29, 2010, TDK filed its Annual Securities Report in accordance with Japan's Financial Instruments and Exchange Act with the Financial Services Agency. TDK makes this report available on its website at (<http://www.tdk.co.jp/ir/library/lib40000.htm>).

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[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

## [Cover]

Document to be filed:	Annual Securities Report
Provisions to base upon:	Article 24, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	June 29, 2010
Business year:	114th term (from April 1, 2009 to March 31, 2010)
Company name (Japanese):	<i>TDK Kabushiki-Kaisha</i>
Company name (English):	TDK CORPORATION
Title and name of representative:	Takehiro Kamigama, President & Representative Director
Location of head office:	1-13-1, Nihonbashi, Chuo-ku, Tokyo, Japan
Telephone number:	+81-3-5201-7116
Contact person:	Takakazu Momozuka, General Manager, Finance & Accounting Department of Administration Group
Place of contact:	1-13-1, Nihonbashi, Chuo-ku, Tokyo, Japan
Telephone number:	+81-3-5201-7116
Contact person:	Takakazu Momozuka, General Manager, Finance & Accounting Department of Administration Group
Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)



## A. COMPANY INFORMATION

### I. Overview of the Company

#### 1. Trends in principal management benchmarks

##### (1) Management benchmarks (consolidated)

Term	110th term	111th term	112th term	113th term	114th term
Accounting period	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	795,180	862,025	866,285	727,400	808,858
Income (loss) from continuing operations before income taxes (Millions of yen)	66,103	88,665	91,505	(81,630)	21,907
Net income (loss) attributable to TDK (Millions of yen)	44,101	70,125	71,461	(63,160)	13,520
TDK stockholders' equity (Millions of yen)	702,419	762,712	716,577	554,218	543,756
Total equity (Millions of yen)	716,393	776,915	720,261	563,041	549,669
Total assets (Millions of yen)	923,503	989,304	935,533	1,101,036	1,091,458
TDK stockholders' equity per share (Yen)	5,310.62	5,759.18	5,556.77	4,296.95	4,215.42
Net income (loss) attributable to TDK per share (Yen)	333.50	529.88	551.72	(489.71)	104.82
Diluted net income (loss) attributable to TDK per share (Yen)	333.20	529.29	551.19	(489.71)	104.74
Stockholders' equity ratio (%)	76.1	77.1	76.6	50.3	49.8
Return on stockholders' equity (%)	6.6	9.6	9.7	(9.9)	2.5
Price earnings ratio (PER) (Times)	26.6	19.3	10.7	–	59.3
Net cash provided by operating activities (Millions of yen)	89,118	145,483	119,413	59,189	118,247
Net cash used in investing activities (Millions of yen)	(102,195)	(81,482)	(141,892)	(275,410)	(105,963)
Net cash provided by (used in) financing activities (Millions of yen)	(9,712)	(15,868)	(75,941)	223,637	(38,369)
Net cash used in discontinued operations (Millions of yen)	(414)	–	–	–	–
Cash and cash equivalents at end of period (Millions of yen)	239,017	289,169	166,105	165,705	132,984
Number of employees (Person)	53,923	51,614	60,212	66,429	80,590

Notes: 1. Net sales do not include consumption taxes, etc.

2. Based on the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810 "Consolidation" adopted from the 114th business year, net income (loss) presented previously was changed to net income (loss) attributable to TDK and a portion of consolidated financial statements of past fiscal years was replaced with the new item.

3. Net assets per share, equity ratio and return on equity have been replaced with TDK stockholders' equity per share, stockholders' equity ratio and return on stockholders' equity because TDK prepared consolidated financial statements based on U.S. GAAP.

**(2) Filing company's management benchmarks (non-consolidated)**

Term	110th term	111th term	112th term	113th term	114th term
Accounting period	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	334,817	347,280	353,034	254,139	169,515
Current income (loss) (Millions of yen)	32,350	31,774	16,787	(28,553)	13,103
Net income (loss) (Millions of yen)	30,825	18,719	(785)	(37,147)	4,945
Capital stock (Millions of yen)	32,641	32,641	32,641	32,641	32,641
Total number of issued shares (Thousands of shares)	133,189	133,189	129,590	129,590	129,590
Net assets (Millions of yen)	468,597	475,366	417,870	361,154	358,943
Total assets (Millions of yen)	561,070	580,379	544,736	675,533	659,884
Net assets per share (Yen)	3,542.02	3,589.45	3,236.08	2,793.48	2,774.67
Cash dividends per share (Yen)	90.00	110.00	130.00	130.00	60.00
[Interim dividends per share] (Yen)	[40.00]	[50.00]	[60.00]	[70.00]	[30.00]
Net income (loss) per share (Yen)	232.30	141.45	(6.06)	(288.03)	38.34
Diluted net income per share (Yen)	232.10	141.29	–	–	38.31
Equity ratio (%)	83.5	81.9	76.6	53.3	54.2
Return on equity (ROE) (%)	6.7	4.0	(0.2)	(9.6)	1.4
Price earnings ratio (PER) (Times)	38.2	72.3	–	–	162.2
Dividend payout ratio (%)	38.7	77.8	–	–	156.5
Number of employees (Person)	5,169	5,202	5,300	5,478	3,572

Notes: 1. The management benchmarks in the above table are based on Japanese Accounting Standards.

2. Net sales do not include consumption taxes, etc.

3. Diluted net income per share in the 112th and 113th terms are not presented because, although there were potentially dilutive shares, net losses per share were reported.

## 2. History

Date	Details of change
December 1935	Tokyo Denki Kagaku Kogyo K.K. established with ¥20,000 in capital in Shiba-ku, Tokyo for the world's first commercial production of ferrite cores. (December 7, 1935)
July 1937	Kamata Plant constructed.
July 1940	Hirasawa Plant constructed.
April 1951	Meguro Laboratory opened.
October 1952	Shimizu Plant in Tokyo opened, production of magnetic recording tape commenced.
March 1953	Kotoura Plant in Akita constructed, all magnetic capacitor production equipment moved to the plant from Hirasawa Plant.
July 1956	Ichikawa Plant constructed, Meguro Laboratory and Kamata Plant closed with all equipment relocated to Ichikawa Plant.
June 1961	Division-based organization of operations adopted.
September 1961	TDK shares listed on the Tokyo Stock Exchange.
September 1962	Headquarters moved to Uchikanda, Chiyoda-ku, Tokyo.
September 1965	U.S. subsidiary, TDK Electronics Corporation, established in New York. (Marking the start of plans for establishment of manufacturing and sales bases in various overseas regions)
December 1969	Chikumagawa Plant constructed in Saku City, Nagano Prefecture, magnetic tape production commenced.
June 1970	Shizuoka Plant constructed in Sagara-cho, Shizuoka Prefecture, magnet production commenced.
July 1974	S-12 ADRs (American Depositary Receipt) issued to enter global capital market.
May 1978	Headquarters moved to Nihonbashi, Chuo-ku, Tokyo.
October 1978	Narita Plant constructed in Narita City, Chiba Prefecture, rare-earth magnet production commenced.
March 1980	Akita Plant constructed as a white ceramic specialized facility.
June 1982	TDK shares listed on the New York Stock Exchange. (Delisted in April 2009)
October 1982	Mikumagawa Plant constructed in Hita City, Oita Prefecture, magnetic tape production commenced.
November 1982	Kofuminami Plant constructed in Kosai-cho, Yamanashi Prefecture, magnetic head production commenced.
March 1983	Company name changed to TDK Corporation.
May 1983	TDK shares listed on the London Stock Exchange.
January 1985	TDK issued Japan's first "fully unsecured straight bonds."
August 1986	TDK acquired Hong Kong magnetic head manufacturer, SAE Magnetics (H.K.) Ltd.
March 1989	Fiscal closing date changed from November 30 to March 31.
May 1990	Materials and Research Center constructed in Narita City, Chiba Prefecture.
September 1990	Ichikawa Technical Center constructed in Ichikawa City, Chiba Prefecture.
March 2000	TDK acquired U.S. magnetic head manufacturer, Headway Technologies, Inc.
August 2000	TDK share unit number changed from 1,000 to 100.
October 2003	All TDK business offices in Japan achieved zero emissions.
May 2005	TDK acquired Amperex Technology Limited, a manufacturing and sales company of polymer lithium battery in Hong Kong.
October 2005	TDK acquired Lambda Power Group, power-supply business of Invensys plc.
August 2007	TDK-brand recording media sales business transferred to U.S. company, Imation Corporation.
November 2007	TDK acquired Thai manufacturer of suspension for HDD, Magnecomp Precision Technology Public Company Limited.
March 2008	TDK acquired DENSEI-LAMBDA K.K. as a wholly owned subsidiary of TDK.
October 2008	TDK acquired German electronic components company, EPCOS AG.
March 2009	ISO14001 certification acquired for all manufacturing plants in Japan and overseas.
October 2009	TDK-EPC Corporation established by corporate split.

### 3. Description of business operations

TDK (the Company) prepares its consolidated financial statements according to U.S. generally accepted accounting principals (U.S. GAAP). It discloses information based on these consolidated financial statements pertaining to its subsidiaries and affiliates based on the definitions of U.S. GAAP. The same applies to "II. Review of operations" and "III. Facilities."

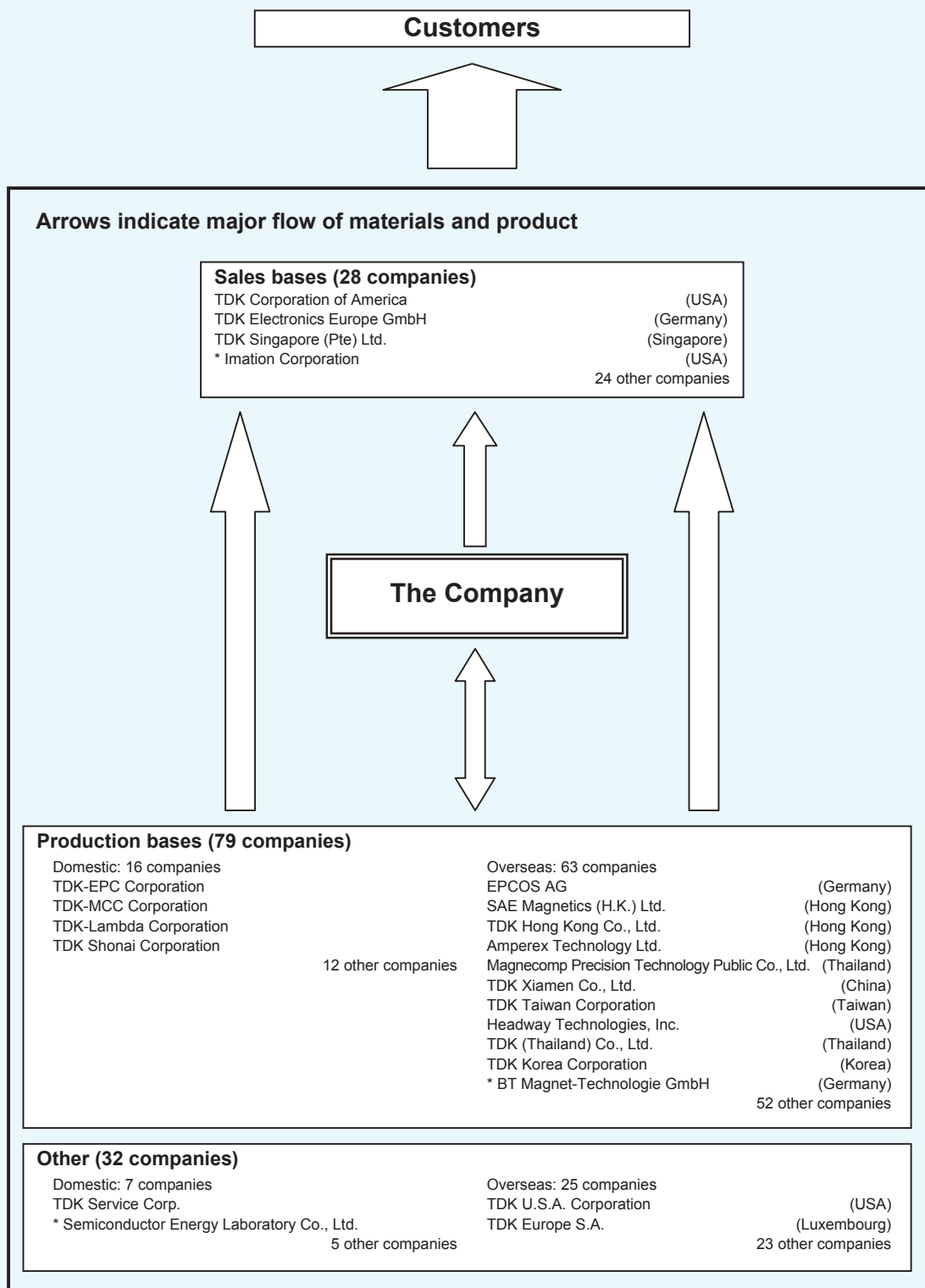
Current as of March 31, 2010, the TDK Group is comprised of TDK Corporation (the Company), 131 consolidated subsidiaries and 8 equity-method affiliates. Segment categories are manufacturing and sales of "Passive Components," "Magnetic Application Products" and "Other" (not included in the other two segments).

The following table presents a description of business operations and the respective placement of the Company and subsidiaries and affiliates with respect to these business operations.

Category	Main products	Major companies
Passive Components	Ceramic capacitors, inductive devices (coils and transformers), high-frequency components, piezoelectric materials and circuit protection components, aluminum electrolytic capacitors, film capacitors and sensors	The Company TDK-EPC Corporation TDK-MCC Corporation TDK Hong Kong Co., Ltd. EPCOS AG 73 other companies (Domestic: 7, Overseas: 66) (Total: 78 companies)
Magnetic Application Products	Recording devices, power supply products, magnets and recording media	The Company SAE Magnetics (H.K.) Ltd. Magnecomp Precision Technology Public Company Ltd. TDK-Lambda Corporation TDK Hong Kong Co., Ltd. 45 other companies (Domestic: 7, Overseas: 38) (Total: 50 companies)
Other	Energy devices (rechargeable batteries) and machatronics (production equipment)	The Company Amperex Technology Ltd. 27 other companies (Domestic: 11, Overseas: 16) (Total: 29 companies)



The following business activities diagram show the matters described the page before.



Note: Companies without an asterisk are consolidated subsidiaries while companies with an asterisk are equity-method affiliates.

#### 4. Status of subsidiaries and affiliates

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
(Consolidated subsidiaries – Overseas)					
SAE Magnetics (H.K.) Ltd. * 1, *3	New Territories, Hong Kong	HK\$50,000	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Hong Kong Co., Ltd.	New Territories, Hong Kong	HK\$25,500,000	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK-EPC Hong Kong Ltd. *1	New Territories, Hong Kong	HK\$345,316,955	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
Amperex Technology Ltd.	New Territories, Hong Kong	US\$2,000,000	Other (energy devices)	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Taiwan Corporation	Taipei, Taiwan	NT\$424,125,000	Passive Components	95.4 (95.4)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Xiamen Co., Ltd. *1	Xiamen, China	RMB489,683,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Dalian Corporation *1	Dalian, China	US\$54,616,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
EPCOS (China) Investment Ltd. *1	Shanghai, China	RMB248,304,287	Investments and financing to subsidiaries and affiliates	100 (100)	———— Interlocking directorate: No
EPCOS Technology (Wuxi) Co., Ltd. *1	Wuxi, China	RMB245,479,586	Passive Components	100 (100)	———— Interlocking directorate: No
TDK Singapore (Pte) Ltd.	Singapore	US\$126,050	Passive Components	100 (100)	Sales of TDK products in S.E. Asia Interlocking directorate: No
TDK Philippines Corporation *1	Laguna, Philippines	US\$65,313,150	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK (Thailand) Co., Ltd.	Bangkok, Thailand	BAHT 699,000,000	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
Magnecomp Precision Technology Public Co., Ltd. *1	Ayutthaya, Thailand	US\$96,333,296	Magnetic Application Products	99.8	Manufacturing and sales of TDK products Interlocking directorate: No
Magnecomp Labuan Inc. *1	Labuan, Malaysia	US\$77,545,071	Investments and financing to subsidiaries and affiliates	100 (100)	———— Interlocking directorate: No
TDK U.S.A. Corporation	New York, U.S.A.	US\$850	Investments and financing to subsidiaries and affiliates and its management	100	———— Interlocking directorate: No
Lambda Holdings Inc. *1	New York, U.S.A.	US\$529,046,247	Investments and financing to subsidiaries and affiliates	100 (100)	———— Interlocking directorate: Yes
TDK Corporation of America	Illinois, U.S.A.	US\$3,800,000	Passive Components	100 (100)	Sales of TDK products in U.S. Interlocking directorate: No
Headway Technologies, Inc. *1	California, U.S.A.	US\$163,161,945	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Europe S.A. *1	Windhof, Luxembourg	EURO 352,113,042	Investments and financing to subsidiaries and affiliates and its management	100	———— Interlocking directorate: Yes
TDK Electronics Europe GmbH *1	Dusseldorf, Germany	EURO 46,544,000	Passive Components	100 (100)	Sales of TDK products in Europe Interlocking directorate: No

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
TDK Germany GmbH	Dusseldorf, Germany	EURO 25,000	Investments and financing to subsidiaries and affiliates	100 (100)	Interlocking directorate: No
Lambda Far East Ltd. *1	Devon, United Kingdom	GBP 29,877,439	Investments and financing to subsidiaries and affiliates	100 (100)	Interlocking directorate: Yes
EPCOS AG *1, *4	Munich, Germany	EURO 66,682,270	Passive Components	100 (100)	Interlocking directorate: Yes
(Consolidated subsidiaries – Domestic)		(Millions of yen)			
TDK-EPC Corporation	Chuo-ku, Tokyo	2,000	Passive Components	100	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK-MCC Corporation *1	Nikaho City, Akita Prefecture	1,000	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
TDK-Lambda Corporation	Chuo-ku, Tokyo	2,976	Magnetic Application Products	100 (52.9)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Shonai Corporation	Tsuruoka City, Yamagata Prefecture	110	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
Media Technology Corporation *1	Chuo City, Yamanashi Prefecture	5,000	Magnetic Application Products	70	Manufacturing of TDK products Interlocking directorate: No
TDK Service Corporation	Ichikawa City, Chiba Prefecture	34	Insurance agency and real estate	100	Consignment of insurance agency and property management of TDK Interlocking directorate: No
102 other companies					
(Equity-method affiliates)					
Imation Corporation	Minnesota, U.S.A.	US\$400,000	Magnetic Application Products	20.3 (7.3)	Sales of TDK products Interlocking directorate: No
BT Magnet-Technologie GmbH *2	Herne, Germany	EURO 5,112,919	Magnetic Application Products	51 (51)	Manufacturing and sales of TDK products Interlocking directorate: No
Semiconductor Energy Laboratory Co., Ltd.	Atsugi City, Kanagawa Prefecture	(Millions of yen) 4,348	Research and development of semiconductor products	29.5	Consignment of research and development Interlocking directorate: No
5 other companies					

- Notes:
- Descriptions in the "Principal business" column are names of business segments.
  - Figures in parentheses in the "Holding rate of voting rights" column indicate indirect holding rates included in the figures outside the parentheses.
  - \*1: Applies to specific subsidiaries.
  - \*2: Decisions of important matters concerning BT Magnet-Technologie GmbH are subject to the agreement of Robert Bosch GmbH, as outlined in the merger agreement. For this reason, BT Magnet-Technologie GmbH is accounted for by the equity method.
  - \*3: Net sales of SAE Magnetics (H.K.) Ltd. exceeded 10% of consolidated sales.  
The major items of income are as follows:

i. Net sales	¥264,212 million
ii. Income before income taxes	¥32,254 million
iii. Net income	¥29,398 million
iv. Net assets	¥151,669 million
v. Total assets	¥195,128 million
  - \*4: Net sales of EPCOS AG exceeded 10% of the consolidated net sales.  
The major items of income (International Accounting Standards) are as follows:

i. Net sales	¥106,349 million
ii. Income before income taxes	¥2,433 million
iii. Net income	¥1,666 million
iv. Net assets	¥73,141 million
v. Total assets	¥152,410 million

## 5. Status of employees

### (1) Status of consolidated companies

(As of March 31, 2010)

Name of business segment	Number of employees (Person)
Passive Components	47,069
Magnetic Application Products	22,185
Other	9,581
Corporate (Common)	1,755
Total	80,590

- Notes:
1. TDK revised its segments by type of business according to FASB ASC 280 "Segment Reporting" (for details, see Note 1 of Notes to Consolidated Financial Statements).
  2. The number of employees increased by 14,161 compared to the end of the previous fiscal year, including approx. 10,200 in Passive Components and 2,800 in Magnetic Application Products. In both segments, the rise in hiring is caused by a recovery in orders received mostly by subsidiaries in Asia.

### (2) Status of filing company (TDK)

(As of March 31, 2010)

Number of employees (Person)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
3,572	41.8	19.1	7,088,547

- Notes:
1. The number of employees indicates the number of working employees.
  2. The decrease in the number of employees by 1,906 compared to the end of the previous fiscal year is from the approx. 1,800 decrease as a result of the establishment of TDK-EPC Corporation by corporate split on October 1, 2009.
  3. Average annual salary includes bonuses and surplus wages.

### (3) Status of labor union

The filing company and some of its subsidiaries have a labor union.



## II. Review of operations

### 1. Overview of operating results

#### (1) Operating results

The world economy turned the corner in fiscal 2010, emerging from the worst of the recession around the end of fiscal 2009 and early fiscal 2010, and recovering slowly thereafter thanks in part to the beneficial effects of economic stimulus packages by countries around the world. The pace of recovery has differed by country and region, but emerging Asian nations paced by China are driving the world economy.

The electronics market, which has a large bearing on TDK's consolidated performance, saw production volumes of finished products, which bottomed at the end of fiscal 2009 like the world economy, trend upward through the end of fiscal 2010. However, the electronics market saw increasing polarization between low-priced products and high-end products due to the popularity of low-priced models in line with the quick recovery in emerging nations. In developed nations, the recovery in consumption was muted and sales prices continued to fall partly because of the slow improvement in job markets. As a result, in monetary terms, the electronics market hasn't recovered in comparison to production volumes.

TDK posted consolidated net sales of ¥808,858 million, up 11.2% from ¥727,400 million in fiscal 2009. TDK recorded an operating income of ¥25,774 million, compared with operating loss of ¥54,305 million in fiscal 2009. TDK also posted an income before income taxes of ¥21,907 million, compared with loss before income taxes of ¥81,630 million in fiscal 2009. Furthermore, TDK recorded a net income attributable to TDK of ¥13,520 million, compared with net loss of ¥63,160 million in fiscal 2009. Net income attributable to TDK per share was ¥104.82, compared with net loss per share of ¥489.71 in fiscal 2009.

The TDK Group has two business segments, "Passive Components" and "Magnetic Application Products," and businesses not corresponding to these segments are classified under "Other."

Consolidated results for the "Passive Components" segment show a 27.3% increase in net sales from the ¥286,685 million recorded in the previous fiscal year to ¥364,891 million, with the segment loss improving by ¥19,205 million from the ¥32,609 million recorded in the previous fiscal year to ¥13,404 million.

The Passive Components segment is comprised of capacitors, inductive devices, high-frequency components, piezoelectric materials and circuit protection components, among others. EPCOS AG, which became a consolidated subsidiary in the third quarter of the previous fiscal year, the products of its subsidiaries (hereinafter, "EPCOS businesses") are classified under this segment. Each individual EPCOS business is allocated to similar businesses in the segment. Net sales for this segment increased because the results of EPCOS businesses are included only in the latter half of the previous fiscal year's consolidated results and in the full-year consolidated results for the fiscal year under review.

An overview of sales results by business for this segment is provided below.

Net sales of the capacitor business, comprised of ceramic capacitors, aluminum electrolytic capacitors and film capacitors, increased year on year mainly due to higher sales to the industrial electronics market.

Net sales of the inductive devices business increased year on year mainly due to higher sales to the automotive electronics market.

Net sales of the high-frequency components business increased year on year mainly due to higher sales to the communications equipment market.

Net sales of the piezoelectric materials and components business, comprised of piezoelectric materials and components, circuit protection components and sensors, increased year on year mainly due to higher sales to the automotive and industrial electronics markets.

The Magnetic Application Products segment is composed of recording devices, power supply products, magnets and recording media. Consolidated results for this segment show a 3.6% increase in net sales from ¥373,864 million recorded in the previous fiscal year to ¥387,477 million, with segment income (loss) improving by ¥57,267 million from ¥15,970 million in loss recorded in the previous fiscal year to ¥41,297 million.

An overview of sales results by business for this segment is provided below.

Net sales of the recording devices business, comprised mainly of HDD heads and HDD suspension, increased 12.8% from the ¥247,233 million recorded in the previous fiscal year to ¥278,984 million. An increase in the main product HDD heads was due to higher revenue from an increase in sales volume offsetting a decrease resulting from a drop in sales prices and an appreciated yen against the U.S. dollar.

Net sales of the power supply products business decreased year on year. Although sales to the industrial electronics market rose, the increase could not offset the fall in revenue resulting from the business transfer relating to uninterruptible power supply products and the termination of some products.

Net sales in the magnet business decreased year on year. Despite higher sales to the HDD market, the increase could not offset the decrease in sales to other market.

Net sales in the recording media business decreased year on year.

The Other is comprised of energy devices (rechargeable batteries) and mechatronics (production equipment), among others. Net sales for the fiscal year under review decreased 21.0% from the ¥86,665 million recorded in the previous fiscal year to ¥68,456 million with segment income increasing 273.2% from ¥448 million to ¥1,672 million.

Net sales of the energy devices business decreased year on year.

With respect to sales by region, although net sales of Passive Components increased in some regions, this is due to the recording of results for the EPCOS business, included in Passive Components, in the full-year consolidated results for the fiscal year under review, as opposed to the recording of same in only the latter half of the previous fiscal year from October 1, 2008, the date of its inclusion into the scope of consolidation.

In the Japan region, sales dropped 10.7% from ¥116,456 million in fiscal 2009 to ¥103,984 million. Net sales of Passive Components and Magnetic Application Products decreased while those of Other increased.

In the Americas region, sales increased 3.7% from ¥79,164 million to ¥82,065 million. Net sales of Passive Components increased while those of Magnetic Application Products and Other decreased.

In the Europe region, sales increased 56.3% from ¥71,778 million to ¥112,167 million. Net sales of Passive Components increased while those of Magnetic Application Products and Other decreased.

In the China region, sales increased 23.9% from ¥212,650 million to ¥263,558 million. Net sales of Passive Components and Magnetic Application Products increased while those of Other decreased.

In the Asia and others region, sales dropped 0.1% from ¥247,352 million to ¥247,084 million. Net sales of Passive Components increased while those of Magnetic Application Products and Other decreased.

As a result, overseas sales increased 15.4% from ¥610,944 million in fiscal 2009 to ¥704,874 million. Overseas sales accounted for 87.1% of consolidated net sales, a 3.1 percentage point increase from 84.0% in fiscal 2009.

## **(2) Cash flows**

Cash and cash equivalents at the end of fiscal 2010 was ¥132,984 million, ¥32,721 million lower than at the end of fiscal 2009. An overview of cash flows is provided below.

### **Cash flows from operating activities**

Operating activities provided net cash of ¥118,247 million, a year-on-year increase of ¥59,058 million. TDK recorded net income of ¥12,882 million, an increase of ¥77,471 million year on year. Depreciation and amortization decreased ¥5,779 million to ¥83,788 million. In changes on assets and liabilities, for recording device production subsidiaries located mostly in Asia, TDK, EPSOS AG and its subsidiaries, trade receivables increased ¥106,833 million, for recording device production subsidiaries located mostly in Asia, inventories increased ¥15,405 million, for recording device production subsidiaries located mostly in Asia, EPSOS AG and its subsidiaries, trade payables increased ¥75,624 million and accrued expenses increased ¥16,765 million year on year.

### **Cash flows from investing activities**

Investing activities used net cash of ¥105,963 million, ¥169,447 million less year on year. Due to constricted capital investment in response to shrinking demand caused by the uniform global recession emerging in the fall of 2008, capital expenditures decreased ¥34,055 million to ¥64,370 million mostly in the Passive Components segment. In addition, there was a ¥136,146 million decrease in acquisition of subsidiaries, net of cash acquired, and a ¥103,833 million increase in proceeds from the sale and maturity of short-term investments. On the other hand, there was a ¥126,018 million increase in payment for purchase of short-term investments.

### **Cash flows from financing activities**

Financing activities switched from providing net cash in fiscal 2009 to using net cash in fiscal 2010. The difference in net cash was ¥262,006 million. In fiscal 2009, ¥204,906 million was provided by proceeds from long-term debt, including ¥84,000 million in proceeds from the issuance of unsecured straight bonds mainly for procuring funds for the purpose of acquiring shares of EPCOS AG, and there was a net increase in short-term debt of ¥39,531 million. These and other changes provided net cash of ¥223,637 million, while ¥18,056 million was used to pay dividends. In fiscal 2010, however, in addition to ¥11,609 million used to pay dividends, ¥28,277 million was used for the repayment of long-term debt. These and other changes used net cash of ¥38,369 million in financing activities.

## 2. Status of production, orders received and sales

### (1) Production results

A breakdown of production results by business segment for fiscal 2010 is given below.

(Millions of yen)

Name of business segment	FY2010 (From Apr. 1, 2009 to Mar. 31, 2010)	YoY Change (%)
Passive Components	369,718	16.5
Magnetic Application Products	381,976	4.1
Other	52,137	(14.3)
Total	803,831	7.9

Notes: 1. Amounts are calculated by the sales price.  
2. Consumption taxes, etc. are not included in the above figures.  
3. Because of the change in segments by type of business from the fiscal year under review, comparisons with the previous fiscal year are effected by replacing previous classifications with segments after the change.

### (2) Status of orders received

A breakdown of orders received by business segment for fiscal 2010 is given below.

Name of business segment	Amount of orders received (Millions of yen)	YoY Change (%)	Balance of orders received (Millions of yen)	YoY Change (%)
Passive Components	407,581	32.6	80,736	86.0
Magnetic Application Products	388,732	5.2	33,496	25.7
Other	47,199	(30.3)	8,623	(34.7)
Total	843,512	13.3	122,855	47.6

Notes: 1. Amounts are calculated by the sales price.  
2. Because of the change in segments by type of business from the fiscal year under review, comparisons with the previous fiscal year are effected by replacing previous classifications with segments after the change.

### (3) Sales results

A breakdown of sales results by business segment for fiscal 2010 is given below.

(Millions of yen)

Name of business segment	FY2010 (From Apr. 1, 2009 to Mar. 31, 2010)	YoY change (%)
Passive Components	364,891	27.3
Magnetic Application Products	387,477	3.6
Other	68,456	(21.0)
Elimination	(11,966)	-
Total	808,858	11.2

Notes: 1. Consumption taxes, etc. are not included in the above figures.  
2. Because of the change in segments by type of business from the fiscal year under review, comparisons with the previous fiscal year are effected by replacing previous classifications with segments after the change.

### 3. Pressing issues

TDK was founded in 1935, to commercialize the magnetic material called ferrite. Inspired by its founding spirit, "Contribute to culture and industry through creativity," TDK has dynamically grown with its creativity and its ability to adapt speedily to various changes over the ensuing years.

The electronic components market, which shrank dramatically due to the global economic crisis that began in the latter half of 2008, bottomed out at the beginning of 2009 and recovered throughout the year. However, the market was still smaller than fiscal 2009 by the end of fiscal 2010. While some time will be required for the electronic components market to return to the level seen before the onset of the global economic crisis, over the medium and long terms electronics technologies and products are predicted to contribute to the energy and environmental fields, suggesting that demand for electronic components will widen.

Assuming this sort of business environment going forward, the TDK Group will implement timely measures in order to create a sound earnings base and thereby strengthen and improve the Group's corporate health. The TDK Group recognizes that the ability to develop materials is the source of added-value in electronic components. It will therefore further refine and strengthen its framework for providing products sought after by customers on a timely basis, leveraging its core competencies—materials, process and evaluation, and simulation technologies.

That is to say, the TDK Group recognizes that a pressing issue is how it can strengthen its growth potential by anticipating global economic change and growth fields in the electronics industry.

The TDK Group's business environment underwent major change in the 1990s and 2000s, and the speed of change is accelerating. The Group must therefore execute a new growth strategy. By strengthening its core competencies and organically combining the Group's business resources, TDK will form businesses that generate maximum results. Creating business models in this way will be essential for the TDK Group's growth.

As it aims for growth, the TDK Group has designated communications, automobiles, and environment and energy as important fields. The key point is how well the Group can exercise its strengths in these fields, where high growth is expected.

But a company's growth will only be looked upon favorably if it is sustainable. Although the economy, markets and technologies are changing, the TDK Group aims to grow continuously, moving forward by creating a corporation with the ability to endure and stay in step with these changes and transformations.

In 2008, TDK acquired EPCOS AG and its subsidiaries. This move has further diversified the TDK Group's talent pool as well as spawned more business opportunities. Looking ahead, as the Group works to truly globalize its operations, it will seek to realize synergies from this corporate acquisition and improve asset efficiency. In this way, the TDK Group will strengthen its competitiveness, underpinned by a firm earnings base.

In reinforcing its businesses, TDK will also take into account the environment. TDK will supply products that meet customer demands and match trends in society such as energy conservation, legal and regulatory compliance, and safety, and will also take further steps to reduce the environmental impact of its business activities, such as by cutting CO2 emissions. As a global corporate citizen, TDK is always aware of the importance of prospering together with society. Based on this awareness, TDK will seek to find more ways to contribute to society.

#### **4. Business risks**

Listed below are items that, among those relating to the review of operations and accounting, etc. stated in the Annual Securities Report, may significantly influence investor decisions. The following includes forward-looking statements determined on the filing date of the Annual Securities Report on June 29, 2010.

##### **(1) Risks concerning changes in economic trends**

The electronics industry, the TDK Group's field of operations, is highly susceptible to economic trends in the U.S., Europe, China and Japan, which are the main markets for end products. In addition, markets in these countries and regions are constantly exposed to various risk factors such as international issues and economic fluctuations. If changes beyond our expectations occur in such business environments, such changes could significantly affect the TDK Group's business results.

##### **(2) Risks concerning fluctuations in currency exchange**

The TDK Group imports and exports products between different regions of the world as we conduct our business activities in countries around the globe. Sudden fluctuations in foreign currency exchange rates affect company transactions between regions and prices of our products and service costs at overseas bases, which consequently have effects on the TDK Group's business results such as net sales as well as income and loss. Such fluctuations also give rise to conversion differences with respect to our investments in overseas assets and liabilities, which are converted into Japanese yen in our consolidated financial statements.

Therefore, significant fluctuations in foreign currency exchange rates could have a significant adverse effect on the TDK Group's business results.

##### **(3) Risks concerning overseas operations**

The TDK Group's operations extend to most countries across the globe. Overseas sales account for more than 80% of total sales on a consolidated basis.

In many of our target markets, the TDK Group may be exposed to international political risks such as war, terrorism and other events, economic risks such as fluctuations in currency exchange and trade imbalance and social risks including labor problems stemming from differences in cultures and customs and diseases. Such risks may give rise to changes of a far greater magnitude than we anticipate. There may be unexpected risks in building relationships with trading partners due to differences in commercial and business customs. If elicited, these risks could lower productivity in manufacturing processes, undermining the competitiveness of products and hinder sales activities. Outcome of such could in turn have a significant adverse effect on the TDK Group's business results.

Especially, the TDK Group has many manufacturing bases in China for mainstay products, such as HDD heads. China is a country in the midst of strong economic growth. The Group has also established a system for supplying both customers and local companies that have been setting up operations in China. If unexpected events occur in China due to political factors (such as changes in laws and regulations), economic factors (such as the continuity of high growth and status of infrastructure development such as electric power supply) and social environment, there could be a significant effect on the TDK Group's business results.

##### **(4) Risks concerning price competition**

The TDK Group supplies electronic components in a broad range of fields in an electronics industry where the competition is intensifying. These fields include information technology and communications devices such as digital home appliances, PCs and mobile phones. Price is one of the main competitive factors differentiating us from other companies in the industry in which leading Japanese companies and Asian companies in South Korea and Taiwan have fueled intense price competition.

As downward pressure from the market on prices continues to intensify, in the event that the fall in prices far exceeds our expectations or becomes protracted, there could be a significant effect on the TDK Group's business results.

##### **(5) Risks concerning technological innovation and new product development**

In the TDK Group, the launch of new valuable products on a timely basis contributes to boosting our profitability. We therefore believe ongoing new product development is key to our survival. The Group believes that our ability to increase sales by developing appealing, innovative products has an important role to play in our growth and we place suitable importance on this in our management strategies.



However, it is extremely difficult to predict future demand in the rapidly changing electronics industry and develop new technologies to meet that demand. The TDK Group may fail to develop and supply in a timely manner attractive, new products with innovative technologies for this industry and our markets. In the event that our technology innovations lag behind others and existing technology rapidly becomes obsolete, sales and profits could decrease from a loss of sales opportunities resulting in actual earnings differing significantly from our forecasts. Such events also may cause us to lose existing markets, resulting in a significant adverse effect on our business results and growth prospects.

#### **(6) Risks concerning product quality**

The TDK Group manufacture various products at domestic and overseas manufacturing bases in accordance with ISO (International Organization for Standardization) quality management standards (ISO 9001) and the strict standards required by customers in the remarkably technologically innovative electronics industry.

The TDK Group cannot be fully certain, however, that all of our products are defect-free and immune from recalls at some later date. Should there occur a product recall or a product liability claim against us caused by product defects (including cases where products contained restricted substances) recall costs or damage claims could result in recall costs or damage claims, lower sales and have a negative impact on our reputation and brand, and may have a significant adverse effect on TDK's business performance. A situation resulting from poor product quality due to a major product defect could have a significant effect on the TDK Group's business results.

#### **(7) Risks concerning intellectual property**

The TDK Group's growth depends to a great extent on patents, licenses and other intellectual property rights covering our products, product designs and manufacturing processes (hereinafter "intellectual property rights"). We therefore work hard to manage and acquire intellectual property rights.

However, there are cases where our intellectual property rights cannot be fully protected in a particular region for reasons unique to that region. We may suffer damages resulting from the manufacture by a third party of similar products to our own with the unauthorized use of our intellectual property rights.

There may be cases where it is alleged that our products infringe on the intellectual property rights of third parties that may sue for damages as a result of such alleged infringement. This would require either settlement negotiations or legal processes. If our defenses against such claims are not accepted in such disputes, we may have to pay damages and royalties and suffer losses such as the loss of markets.

Significant disputes over intellectual property rights could have a significant effect on the TDK Group's business development and business results.

#### **(8) Risks concerning securing personnel and training personnel**

To prevail against fierce competition in the electronics industry, the TDK Group believes that it is necessary to retain and develop personnel who possess advanced technical skills. With respect to personnel with excellent management capabilities, such as those necessary for formulating management strategy and managing organizations, we strive to bring these talents to a higher level.

However, intense competition to recruit such skilled employees is not limited to the industries where we are active. Moreover, in Japan, the change of employment environment progresses rapidly because of the falling birthrate, the aging population, and the decline of the workforce population. A similar change is occurring at our overseas bases in China and other countries. These and other factors mean there is no guarantee that we will continue to be able to recruit and retain skilled employees. The inability to recruit excellent personnel and to train personnel as planned could have a significant effect on the TDK Group's business development, business results and growth prospects.

#### **(9) Risks concerning raw material procurement**

The TDK Group's manufacturing system is premised on securing of raw materials and other supplies in adequate quality and quantity in a timely manner from many external suppliers. In new product development, we may rely on certain irreplaceable suppliers for major raw materials. Because of this, there may be cases where supplies of raw materials and other products to us are interrupted by an accident or some other event at a supplier, supply is suspended due to quality or other issues, or there is an instability in or shortage of supply due to a rapid increase in demand for finished products. If any of these situations becomes protracted, we may have difficulty finding substitutes in a timely manner from other suppliers, which could have a significant, adverse effect on our production and prevent us from fulfilling our responsibilities to supply products to our customers. Furthermore, changes in the supply-demand equation may considerably increase the price we pay for the raw materials.

It is conceivable that a soaring in oil prices could inflate energy costs. In the event of these or other similar occurrences, there could be a significant effect on the TDK Group's business results.

**(10) Risks concerning government regulations**

The TDK Group is subject to various regulations in Japan and other countries where we conduct business. These include approval for conducting business and making investments, laws and regulations governing the safety of electric and electronic products, laws and regulations relating to national security between nations, and export/import laws and regulations. We are also subject to commercial, antitrust, patent, product liability, environmental, consumer and taxation laws and regulations.

In the event that these laws and regulations become more stringent in the future, our business development could be affected and we may incur various additional operating costs. Furthermore, in the event that we are unable to respond appropriately to these laws and regulations, we may be forced to partially withdraw from certain businesses or take other actions.

Government laws and regulations in their various forms could have a significant adverse effect on the TDK Group's business results.

**(11) Risks concerning interest rate fluctuation**

The TDK Group has financial assets and liabilities that are exposed to the risk of interest rate fluctuation. Fluctuation in interest rates could affect the interest income, interest expense and the value of financial assets, which could have a significant effect on the TDK Group's business results.

**(12) Risks concerning business to business transactions**

The TDK Group is developing on a global scale business to business transactions, whereby we supply electronic components to a variety of electronics manufacturers, personal computer makers and other customers.

However, supplies to these customers are significantly affected by various factors that are beyond our control such as changes in each customer's business results and management strategies. A drop-off in purchasing demand due to poor business results at major customers, changes in customers' purchasing plans and policies, the unexpected termination of contracts and other occurrences could result in our profit margins being reduced due to discounting pressure from customers or our being left holding excess inventory.

In recent years, mergers and acquisitions have been actively conducted in Japan and overseas. In the event that our customers go through reorganization caused by acquisition effected by enterprises of different business types with huge funds or by competitive enterprises, this situation could have a significant effect on TDK's sales.

Customers' business results, changes in management strategy and other factors could thus have a significant effect on the TDK Group's business results.

**(13) Risks concerning natural disasters and pandemics**

The TDK Group has many production factories and research and development facilities in Japan and overseas. These facilities and plants have taken disaster-protection and infection-control measures in preparation for unexpected natural disasters and infection outbreaks. However, significant damage could be incurred at these facilities and plants due to a force majeure event beyond assumed level such as a large earthquake, typhoon or flood, or due to an outbreak of an unknown infectious disease such as a potent new strain of influenza. In the event of interruption to manufacturing, disruption of transportation routes, damage to or disconnection of information and communications infrastructure, our ability to supply our customers could be affected for a long period of time. This situation could have a significant effect on the TDK Group's business results.

**(14) Risks concerning environmental regulations**

With respect to specified hazardous chemical substances used in the products, the TDK Group is subject to various environmental laws and regulations with respect to industrial waste and emissions into the atmosphere and water from our production processes in Japan and overseas. From the perspective of global environmental conservation, we expect environmental regulations to become more stringent in the future, and for our cost of compliance with such regulations to increase as well.

The TDK Group is currently engaged in a wide range of environmental conservation activities, including compliance with environmental regulations prescribed by laws. In situations where we have difficulty responding appropriately to such laws and regulations, we may be forced to withdraw from certain business activities or social trust in the TDK Group may be lost, which could have a significant effect on our business results.

#### **(15) Risks concerning M&A**

The TDK Group has conducted mergers and acquisitions (M&A) to develop business bodies by which to pursue higher competitiveness and profitability in the highly competitive electronics field. However, if synergistic benefit from association with TDK is not realized due to reasons such as the Group's management policies or management strategies failing to infiltrate the target company of such M&A activity, or if the anticipated profitability or benefit is not realized, then such events, could have a significant effect on the TDK Group's business results, growth prospects and business development.

#### **(16) Risks concerning information security**

As part of its business operations, the TDK Group holds confidential information and personal information relating to customers and trading partners as well as confidential information of the Group and personal information of employees. We have constructed a group-wide control system to prevent this information from being leaked to outside parties, falsified or otherwise manipulated. Moreover, we execute measures to ensure thorough management and IT security, improved facility security and employee training. However, there is still a risk that such information could be leaked or falsified by illegal conduct, or that such information could be leaked to outside parties due to negligence or unavoidable circumstances.

In the event that information were leaked or falsified, the TDK Group could suffer a lowering of credibility and be liable for huge costs relating to the compensation payment to the parties suffering damage. It could also have a significant effect on the TDK Group's business results and financial condition.

#### **5. Important operational contracts, etc.**

No items to report

#### **6. Research and development activities**

In its R&D activities, the TDK Group continues to work on strengthening and expanding development of new products that respond to diversification in the electronics field. In particular, the Group is concentrating on next-generation recording-related products, micro electronics modules for mobile communications-related applications, and energy-efficient, environmentally friendly devices based on materials and design technologies. Furthermore, the Group is using its reservoir of technologies to conduct efficient R&D activities concentrating on three strategic areas: IT home electronic appliances; high-speed and large-capacity networks; and car electronics.

In the Passive Components segment, we developed next-generation multilayer ceramic chip capacitors and inductors that leverage core technologies, commercialized EMC components such as EMC filters, composite magnetic sheet "Flexield", and electromagnetic absorbers for anechoic chambers and increased the functionality of radio wave anechoic chamber testing facilities. Moreover, TDK is strengthening its lineup of modules, including high-frequency modules.

In the Magnetic Application Products segment, we are commercializing next-generation ferrite magnets, developing high recording density next generation heads and strengthening the development of devices for hybrid and electric vehicles.

R&D at TDK is conducted by the Materials & Process Development Center, Devices Development Center, Application & Analysis Center, SQ Research Center and the R&D functions of each operating group. Each facility develops new products and technologies in its respective area of responsibility. The Materials & Process Development Center is responsible for responding to cutting-edge materials technologies and process technologies as well as strengthening and increasing core technologies. The Devices Development Center conducts development in new devices and SQ Research Center conducts research and development in high recording density next generation heads.

In terms of overseas R&D activities, TDK is advancing R&D activities through collaboration with leading universities in the U.S. and Europe, and overseas R&D subsidiaries are escalating their use of local technological resources. In China, where TDK is aiming to establish and develop an operating base, R&D activities are being carried out in the area of electronic components and materials. In addition, consolidated subsidiary Headway Technologies, Inc. is developing next-generation heads for HDD.

R&D expenses in fiscal 2010 fell 6.4% year on year to ¥53,942 million, 6.7% of net sales.

## 7. Analysis of financial position, operating results and cash flow position

The forward looking statements in this report are based on judgment current as of the end of fiscal 2010.

### (1) Significant accounting policies

Significant accounting policies are those that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The following is not intended to be a comprehensive list of all of TDK's accounting policies. TDK's significant accounting policies are more fully described in Note 1 of the Consolidated Financial Statements. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting an available alternative would not produce a materially different result.

The TDK Group has identified the following as critical accounting policies: impairment of long-lived assets, valuation of inventories, accounting for business combinations, goodwill and other intangible assets, pension benefit costs, and deferred tax assets.

#### Impairment of long-lived assets

As of March 31, 2009 and 2010, the aggregate of TDK's property, plant and equipment and amortized intangible assets was ¥427,647 million and ¥390,097 million, which accounted for 38.8% and 35.7% of the total assets, respectively. TDK believes that impairment of long-lived assets is critical to TDK's financial statements because the recoverability of the amounts or lack thereof, could significantly affect its results of operations.

TDK's long-lived assets and certain identifiable intangibles with certain amortization period are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying amount of the asset is considered to be impaired, an impairment charge is recorded for the amount by which the carrying value of an asset exceeds its fair value. Management believes that the estimates of future cash flows and fair values are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuation of those long-lived assets and significantly affect TDK's financial position and results of operations. TDK makes investments with due prudence, taking sufficiently into consideration the future profitability of products and the recoverability of investments.

#### Valuation of inventories

Inventories are stated at the lower of cost or market. The carrying value of inventory is reduced for estimated obsolescence by the difference between its cost and the estimated market value based upon assumptions about future demand. TDK evaluates the inventory carrying value for potential excess and obsolete inventory exposures by analyzing historical and anticipated demand. In addition, known and anticipated engineering change orders are evaluated against on-hand quantities for their potential obsolescence affects. As fluctuations in estimates, which become a standard in recognizing adjustments in the carrying values of inventory for expected obsolescence, are influential to business results of TDK, we conclude it as a significant accounting policy. If actual demand were to be substantially lower than estimated, additional inventory adjustments for excess or obsolete inventory may be required, which could have a material adverse effect on TDK's business, financial condition and results of operations.

Regarding the appropriateness of estimates in the past, TDK does not use a method based on various scenarios, but a method to reconsider every quarter by comparing estimate and actual results. For example, in the operation management of product sector with rapid development in technological innovation such as the recording devices sector, TDK revises the estimates of valuation of obsolete inventories arising from the timely response to customers' demands for high-efficiency products on a quarterly basis.

#### Business combination

We account for acquired businesses by using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The judgments made in determining the estimated fair value assigned to each class of assets acquired, as well as asset lives, can materially impact net income of the periods subsequent to the acquisition through depreciation and amortization, and in certain instances by impairment charges, if the asset becomes impaired in the future.

In determining the estimated fair value for intangible assets, we typically utilize the income approach, which employs discounting of the projected future net cash flow using an appropriate discount rate that reflects the risk factors associated with the cash flow streams.

Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives. Intangible assets determined to have an indefinite useful life have been reassessed periodically based on the factors prescribed in FASB Accounting Standards Codification 350 including, but not limited to, the expected use of the asset by us, legal or contractual provisions that may affect the useful life or renewal or extension of the asset's contractual life without substantial cost, and the effects of demand, competition and other economic factors.

#### Goodwill and other intangible assets

Goodwill and other intangible assets that are determined to have an indefinite life are not amortized but are tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of these assets below their carrying amount. Fair value for these assets is determined using a discounted cash flow analysis, which is based on an authorized business plan. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations.

#### Pension benefit costs

Employee pension benefit costs and obligations are dependent 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, long-term return on plan assets and other factors. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect TDK's recognized expense and recorded obligation in future periods. While TDK believes that its assumptions used are appropriate, differences in actual experience or changes in assumptions may affect TDK's benefit obligations and future expense.

In preparing its financial statements for fiscal 2010, TDK established discount rates of 2.0% and 5.1% for domestic and overseas pension plans respectively, and expected long-term rates of return of 2.5% and 6.7% on domestic and overseas plan assets respectively. In estimating the discount rate, TDK uses available information about rates of return on long-term corporate bonds currently available and expected to be available during the period to the maturity of the pension benefits. TDK established the expected long-term rate of return on plan assets based on management's expectations in respect of the long-term returns of the various plan asset categories in which it invests. Management developed expectations with respect to each plan asset category based on actual historical returns and its current expectations for future returns.

A decrease in the discount rate leads to an increase in actuarial pension benefit obligations that could lead to an increase in net periodic pension cost through amortization of unrecognized actuarial gain or losses.

An increase in the expected return on plan assets may decrease net periodic pension cost in the current year. However, the difference between the expected return and the actual return on those assets could negatively affect net income in future years.

#### Deferred tax assets

TDK has significant deferred tax assets, which are subject to realizability assessment. In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. TDK considers the planned reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, TDK believes that it is more likely than not that all of the deferred tax assets less valuation allowance, will be realized. However, in the event future projections for income are not realized or are realized in lesser amounts, or in cases where TDK revises the assessment of the potential for realization of deferred tax assets based on other factors, deferred tax assets may be determined not to be realizable, which then would require TDK to increase a valuation allowance against the deferred tax assets resulting in additional income tax expenses.



## (2) Analysis of business results for the fiscal year

### Overview of consolidated operating results

In fiscal 2010, TDK posted consolidated net sales of ¥808,858 million, up 11.2% from fiscal 2009. TDK recorded an operating income of ¥25,774 million, increased by ¥80,079 million from an operating loss of ¥54,305 million in fiscal 2009. Furthermore, TDK recorded a net income attributable to TDK of ¥13,520 million, increased by ¥76,680 million from a net loss of ¥63,160 million in fiscal 2009.

Concerning the electronics market, which affects TDK's consolidated results, the shrink in demand due to the uniform global recession emerging in the fall of 2008 led to a drastic decline in the number of finished products produced, however, thanks in part to the beneficial effects of economic stimulus packages by countries around the world in the fiscal year under review, the economy emerged from its worst period between the end of fiscal 2008 and the beginning of fiscal 2009 and finished products recovered gradually throughout the year along with an increase in production volume and a recovery in consolidated results. This recovery pace varies for each country and region, however, there is a pattern showing that the global economy is being driven by China and other emerging Asian countries. Because of this, we are witnessing a further acceleration of the polarization of the market into low-priced products and high-function products due to the diffusion of low-priced products in emerging countries, while sluggish recovery in final consumption and a fall in sale prices continues in advanced countries partially due to a delay in the improvement of employment conditions.

Amid such business environment, TDK effected rationalization and cost reduction efforts in response to a drop in sales prices, while structural reforms initiated in the previous fiscal year worked well with the production increase cycle which contributed to improved earnings and a return to profitability. However, because the degree of recovery is still insufficient, we implemented more structural reforms to further improve our corporate health.

### Effect of foreign exchange fluctuations

In fiscal 2010, overseas sales accounted for 87.1% of consolidated net sales, an increase of 3.1 percentage point compared to fiscal 2009. As a result, fluctuations in foreign exchange rates had a significant effect on TDK's consolidated sales and net income attributable to TDK. During fiscal 2010, the yen's value rose 7.8% against the U.S. dollar and 8.9% against the Euro, based on average exchange rates in markets. Overall, exchange rate fluctuations had the effect of decreasing net sales by approximately ¥45,200 million and operating income by approximately ¥13,900 million in fiscal 2010.

By geographic area based on the location of TDK entities, foreign exchange fluctuations decreased sales in Japan by approximately ¥10,796 million, in Asia (excluding Japan) and Oceania by approximately ¥46,168 million, in North and South America by approximately ¥5,429 million and in Europe by approximately ¥2,572 million. The effect of foreign exchange fluctuations on consolidated net sales after the elimination of intersegment transactions between and among TDK and its consolidated subsidiaries was approximately ¥45,200 million.

As one method for reducing the impact of exchange rate fluctuation, the TDK Group is increasing the share of business activities conducted overseas. Such overseas activities comprise not only manufacturing and sales but also R&D, design and procurement. The ratio of in-region production to in-region sales in fiscal 2010 was 107.3% in Asia (excluding Japan) and Oceania, 45.8% in the Americas and 98.7% in Europe. The ratio of overseas production to net sales rose from 74.0% in fiscal 2009 to 80.6% in fiscal 2010. The ratio of overseas production to overseas sales rose from 88.1% in fiscal 2009 to 92.4% in fiscal 2010.

TDK and its certain overseas consolidated subsidiaries hedge exposure to foreign exchange fluctuations by entering into forward foreign exchange contracts and currency swap contracts. Foreign exchange risk arising from operating activities is hedged by using forward foreign exchange contracts. In principle, TDK's policy is to hedge up to 50% of expected foreign currency-denominated accounts receivable for each month for the next six months to follow. Due to the global nature of its operations, the management realizes that currency fluctuations continue to have the potential to exert a material influence on consolidated performance.

### Cost and net income

The cost of sales increased 2.0% to ¥617,776 million in fiscal 2010 from ¥605,943 million in fiscal 2009 due primarily to higher sales. However, the cost of sales ratio to net sales decreased from 83.3% to 76.4% of net sales. The substantial improvement in the cost of sales ratio is due to rationalization and cost reduction efforts to counter a drop in sales prices and effects from discounts of raw materials, as well as an increase in capacity utilization rate following a hike in orders received due to the economic recovery and effects from a decrease in fixed costs attributable to structural reforms initiated in the previous fiscal year. As a result, gross profit increased ¥69,625 million (57.3%) year on year in fiscal 2010, thus the gross profit ratio to net sales became 23.6%.

Selling, general and administrative expenses increased by ¥508 million from ¥159,878 million in fiscal 2009 to ¥160,386 million in fiscal 2010. This represented a decrease in the ratio to net sales from 22.0% to 19.8%. Main causes for changes in monetary amounts include a decrease of ¥6,477 million due to an impact of foreign exchange following the appreciation of the yen and a ¥9,736 million decrease of a loss on impairment and disposal of fixed assets. However, there was an increase of ¥13,731 million from the inclusion of results of EPCOS AG, which became a subsidiary on October 1, 2008, into the full-year consolidated results, as opposed to their inclusion in only half of the previous fiscal year. There was also an increase of ¥984 million in amortization cost for intangible assets that were valued at the time EPCOS AG shares were acquired and sales expenses increased due to a hike in production volume. Furthermore, ¥5,829 million was added to research and development expenses included in selling, general and administrative expenses for the fiscal year under review due to the difference in the consolidation period of EPCOS AG results, as with selling, general and administrative expenses. However, efforts to improve development effectiveness through the selection of development themes resulted in a ¥3,703 million decrease in selling, general and administrative expenses from ¥57,645 million recorded in the previous fiscal year to ¥53,942 million, as the ratio to net sales decreased from 7.9% in fiscal 2009 to 6.7% in fiscal 2010.

In addition, with the awareness that the degree of economic recovery is still insufficient, ¥4,922 million was recorded under restructuring expenses which included rationalization of staff sizes and restructuring bases to further improve the business standing.

Other income (deductions) increased ¥23,458 million from fiscal 2009. This is primary because of a ¥17,419 million loss on valuation due to the decline of share prices of listed affiliates in the previous fiscal year, a ¥5,112 million improvement in the loss from write-down of investment securities and an upturn in foreign currency translation adjustments of ¥4,274 million. On the other hand, there was an increase in interest expenses of ¥1,674 million due to an increase in funds borrowed etc. for the acquisition of shares of EPCOS AG.

The ratio of income taxes to income before income taxes (the effective tax rate) increased from -20.9% in fiscal 2009 to 41.2% in fiscal 2009.

TDK posted net income attributable to TDK of ¥13,520 million, resulting in diluted net income attributable to TDK per common share of ¥104.74. Return on Equity ameliorated from -9.9% to 2.5%.

Cash dividends per share paid during fiscal 2010 was ¥90. This dividend was the sum of the year-end dividend of ¥60 paid out in June 2009 and the interim dividend of ¥30 paid out in December 2009. Shareholders recorded in the Shareholders' registry as of March 31, 2010 to receive a cash dividend of ¥30 per share at the end of June 2010.

### **(3) Financial position**

Total assets amounted to ¥1,091,458 million as of March 31, 2010, decreased by ¥9,578 million from ¥1,101,036 million at the end of fiscal 2009.

Trade receivables increased by ¥46,638 million thanks to a recovery in demand for electronic components while constricted capital expenditures in the fiscal year under review resulted in a ¥30,440 million decrease in property, plant and equipment with a ¥21,840 million decline in long-term deferred income taxes. Despite a ¥32,721 million decrease in cash and cash equivalents, short-term investments increased by ¥43,880 million as a result of a revision of the funds-on-hand management period.

Total liabilities increased by ¥3,794 million from ¥537,995 million in fiscal 2009 to ¥541,789 million in fiscal 2010.

As with trade receivables mentioned above, there was an upturn in orders received thanks to a recovery in demand for electronic components and trade payables increased by ¥34,018 million. On the other hand, a total decrease of ¥14,575 million mainly from the repayment of short- and long-term debt and a modest recovery in the market value of retirement plan assets thanks to favorable financial markets conditions led to a ¥13,703 million decline in retirement and severance benefits.

Total TDK stockholders' equity within total equity decreased by ¥10,462 million from ¥554,218 million at the end of the previous fiscal year to ¥543,756 million.

Regarding accumulated other comprehensive income (loss), the effect of the stronger yen deteriorated foreign currency translation adjustments while retirement and severance benefits decreased from a recovery in the market value of retirement plan assets, and this in turn resulted in a slight upturn in pension liability adjustments. Overall, ¥9,351 million decrease in accumulated other comprehensive income (loss) pushed down TDK stockholders' equity.

#### (4) Liquidity and fund resources

##### Demand for operating funds

The TDK Group's operating funds are primarily used for the purchase of raw materials and parts for use in the manufacture of its products, and it is recorded as manufacturing expenses. The payment of personnel costs and Selling, general and administrative expenses such as marketing fees and distribution-related expenses related to sales promotion activities are also a significant disbursement from the fund. In addition, personnel expenses relating to R&D are also significant. The necessary funds for these disbursements are mainly provided from cash generated by operations.

##### Capital expenditures

The TDK Group continued to make focused investments in a number of its product offerings, including IT home electronics appliances, high-speed, large-capacity networks, and car electronics, which are the fields the Group regards as strategically important for growth. Investments on a payment basis decreased ¥34,055 million from ¥98,425 million in the previous fiscal year to ¥64,370 million.

For Passive Components, investments of ¥29,003 million in total were made mainly in Japan and China focused on increased production and rationalization equipments for multilayer ceramic chip capacitors and inductive devices.

For Magnetic Application Products, investments of ¥22,997 million in total were made mainly in Japan, China and Thailand, focused on facilities for the development and production of high recording density next generation HDD heads and suspension production facilities for HDD heads.

In the Other, investments of ¥4,055 million in total were made mainly in China focused on a processing and assembly facility of polymer lithium batteries.

In addition to the above, ¥8,315 million were invested for the R&D divisions at the headquarter for new radio wave anechoic chambers to evaluate and analyze electromagnetic wave of products.

In principle, the funds for these capital expenditures are provided from cash generated by operations.

##### Procurement of funds

The TDK Group regards cash and deposits with banks, etc. (cash, deposits with banks, short-term investments, marketable securities) as liquid funds, and its policy has long been to maintain its liquidity level at 2.0 months or more of consolidated monthly sales. The balance of liquid funds amounted to ¥223,262 million at the end of fiscal 2010, which was equal to approximately 3.3 average months of annual sales. TDK considers this level of liquidity sufficient for current needs.

Net cash of ¥105,963 million was used in investing activities of the Group in the fiscal year under review. In order to maintain liquidity, TDK took out long-term debt in the sum of ¥120,000 million, issued straight bonds in the sum of ¥84,000 million and took out short-term debt in the sum of ¥35,000 million in the previous fiscal year, however, we repaid ¥22,230 million in long-term debt in the fiscal year under review. On the other hand, TDK took on additional short-term debt of ¥31,500 million and appropriated for the repayment of Euro 2.3 million in short-term debt held by EPCOS AG. For details of the debt, please refer to the section of Note 7. Short-Term and Long-Term Debt.

##### Fund management

As a general rule, operating funds or funds for capital expenditure are provided from cash generated by operations. Also, in order to improve capital efficiency, TDK has introduced a cash management system (CMS) in Japan, the U.S. and Europe to centrally manage funds from its Headquarters whenever it is possible to do so. When subsidiaries are unable to provide their operating funds or funds for capital expenditure, TDK utilizes funds from within the Group as much as possible. Moreover, TDK manages on-hand funds by placing priority on security and liquidity.

### III. Facilities

#### 1. Outline of capital expenditures

In fiscal 2010, the TDK Group spent ¥64,370 million on capital expenditures to accurately respond to the rapid technological innovation and the intensified sales competition in the electronics market to which TDK belongs.

Capital expenditures in the Passive Components segment totaled ¥29,003 million. Major capital expenditures was effected at TDK Ugo Corporation (Yurihonjo City, Akita Prefecture) to increase production of multilayer inductor devices.

Capital expenditures in the Magnetic Application Products segment totaled ¥22,997 million. These were introductions of HGA processing facilities at SAE Magnetics (H.K.) Ltd. and HDD suspension manufacturing facilities at Magnecomp Precision Technology Public Co., Ltd. These introductions are investments aimed at the development and production of high-density next-generation heads for HDD.

Capital expenditures in the Other totaled ¥4,055 million, mainly to boost and rationalize production of polymer lithium batteries at Amperex Technology Ltd.

Capital expenditures for the R&D divisions at the headquarter totaled ¥8,315 million for new radio wave anechoic chambers at our Technical Center (Ichikawa City, Chiba Prefecture), used for the introduction of equipment that evaluates and analyzes the electromagnetic waves of products.

#### 2. Main facilities

Main facilities of the TDK Group are as follows. Concerning land area, the value in the square brackets [ ] indicates the leased portion.

##### (1) Passive Components

###### a. Filing company (TDK)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m <sup>2</sup> )	Lease assets	Construction in progress	Total	
Akita Plant (Nikaho City, Akita Pref.) 4 other plants in the Pref.	Manufacturing passive components	10,205	457	2,848 (512)	–	28	13,541	0

Notes: 1. Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."  
2. Akita Plant is mainly an asset leased to subsidiary established by corporate divestiture.

###### b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m <sup>2</sup> )	Construction in progress	Total	
TDK-EPC Corporation (Chuo-ku, Tokyo and other locations)	Manufacturing passive components	10,740	40,337	–	2,132	53,209	2,036
TDK-MCC Corporation (Nikaho City, Akita Pref. and other locations)	Manufacturing passive components	4,426	266	849 (96) [57]	8	5,549	1,162
TDK Ugo Corporation (Yurihonjo City, Akita Pref. and other locations)	Manufacturing passive components	4,533	52	657 (98)	–	5,242	616

c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m <sup>2</sup> )	Construction in progress	Total	
EPCOS AG (Germany)	Manufacturing passive components	913	13,546	1 [2]	1,016	15,476	1,825
EPCOS OHG (Austria)	Manufacturing passive components	2,040	11,182	563 (123) [12]	538	14,323	1,024
Becromal S.p.A. (Italy)	Manufacturing passive components	4,305	5,544	51 [22]	1,377	11,277	161
TDK Xiamen Co., Ltd. (China)	Manufacturing passive components	3,133	6,350	– [157]	1,376	10,859	9,431
EPCOS PTE LTD (Singapore)	Manufacturing passive components	–	7,637	–	803	8,440	1,297
EPCOS Electronic Parts Ltd. (Hungary)	Manufacturing passive components	1,378	3,023	318 (126) [19]	352	5,071	1,628

(2) Magnetic Application Products

a. Filing company (TDK)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m <sup>2</sup> )	Lease assets	Construction in progress	Total	
Narita Plant (Narita City, Chiba Pref.)	Manufacturing magnetic application products	2,490	4,844	2,754 (156)	–	28	10,118	324
Kofu Plant (Minami-Alps City, Yamanashi Pref.)	Manufacturing magnetic application products	2,178	363	1,091 (177)	–	2	3,636	94
Shizuoka Plant (Makinohara City, Shizuoka Pref.)	Manufacturing magnetic application products	683	2,220	576 (98)	–	112	3,592	283
Asama Techno Plant (Saku City, Nagano Pref.) 1 other plant in the Pref.	Manufacturing magnetic application products	4,380	6,829	1,708 (74)	–	532	13,451	642
Mikumagawa Plant (Hita City, Oita Pref.)	Manufacturing magnetic application products	1,756	1,018	700 (101)	–	24	3,497	236

Note: Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m <sup>2</sup> )	Construction in progress	Total	
Media Technology Corp. (Chuo City, Yamanashi Pref.)	Manufacturing magnetic application products	924	97	1,867 (29)	–	2,888	126
TDK-Lambda Corporation (Nagaoka City, Niigata Pref. and other locations)	Manufacturing magnetic application products	1,768	462	548 (64) [9]	–	2,778	594



c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m <sup>2</sup> )	Construction in progress	Total	
SAE Magnetics (H.K.) Ltd. (Hong Kong and China)	Manufacturing magnetic application products	4,419	7,498	– [199]	1,243	13,160	753
Magnecomp Precision Technology Public Co., Ltd. (Thailand)	Manufacturing magnetic application products	2,210	7,055	395 (136)	713	10,373	6,666
Headway Technologies, Inc. (U.S.A.)	Manufacturing magnetic application products	275	6,047	–	–	6,322	498

(3) Other

a. Filing company (TDK)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m <sup>2</sup> )	Lease assets	Construction in progress	Total	
Technical Center (Ichikawa City, Chiba Pref.)	Corporate (common)	8,028	393	1,217 (98)	405	1,724	11,770	959

Note: Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

b. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m <sup>2</sup> )	Construction in progress	Total	
Amperex Technology Limited (Hong Kong and China)	Manufacturing other	3,891	7,378	– [497]	4,141	15,410	8,577

### 3. Plan for installation and retirement, etc. of facilities

The TDK Group conducts a broad range of operations in Japan and overseas. At the end of fiscal 2010, plans of new constructions and expansions of facilities for these operations had not been decided for each individual project. For this reason, figures are disclosed by each business segment. Capital expenditure plans (new constructions and expansions) within the one year period following fiscal 2011 are ¥75,000 million and the breakdown by business segment is as follows.

Name of business segment	Projected amount at the end of fiscal 2010 (Millions of yen)	Main contents and objectives of facilities, etc.	Capital resource
Passive Components	25,800	Production increase and rationalization of multilayer inductors, power coils, high-frequency components and multilayer ceramic chip capacitors	Own capital
Magnetic Application Products	33,900	Production increase and rationalization of GMR heads for HDD and metal magnets	Own capital
Other	8,500	Production increase and rationalization of polymer lithium batteries	Own capital
HQ/R&D divisions	6,800	Establishment of internal IT system and basic research and development	Own capital
Total	75,000	—	—

Notes: 1. Consumption taxes, etc. are not included.

2. There are no plans for retirement or sale of important facilities except for the regular retirement or sale related to updating facilities.

## IV. Filing company

### 1. Status of the Company (TDK)'s shares

#### (1) Total number of shares authorized, etc.

##### a. Total number of shares authorized

Class	Total number of shares authorized by TDK (Shares)
Common stock	480,000,000
Total	480,000,000

##### b. Number of shares issued

Class	Number of issued shares (As of March 31, 2010)	Number of issued shares (As of the date of filing: June 29, 2010)	Name of financial instruments exchange where the stock of TDK is traded or the name of authorized financial instruments firms association where TDK is registered	Details
Common stock	129,590,659	129,590,659	Tokyo Stock Exchange (First Section) London Stock Exchange	Share unit number 100 shares
Total	129,590,659	129,590,659	—	—

Notes: 1. TDK's stock is traded on the London Stock Exchange using the central certificate service.

2. The number of shares issued by exercise of stock acquisition rights (including exercise of conversion rights of convertible bonds and stock acquisition rights of bonds with stock acquisition rights issued pursuant to the former Japanese Commercial Code) between June 1, 2010 and the date of filing of this Annual Securities Report, is not included in "Number of shares issued (as of the date of filing: June 29, 2010)".

#### (2) Status of stock acquisition rights

Stock acquisition rights issued pursuant to the former Japanese Commercial Code are as follows.

##### a. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2004

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	1,375 units	1,375 units
Of which, the number of treasury stock acquisition rights	—	—
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	137,500 shares	137,500 shares
Paying due upon exercise of stock acquisition rights per share	¥8,147 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2006 to July 31, 2010	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price           ¥8,147 Additional paid-in capital   ¥4,074	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	—	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—	—

b. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2005 (Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	132 units	132 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	13,200 shares	13,200 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 1, 2005 to June 30, 2025	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥1 Additional paid-in capital ¥1	Same as left
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 1, 2005 through June 30, 2008. Rights may be exercised from July 1, 2008 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until June 30, 2008 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day of the approval date.</p> <p>c. On or after July 1, 2008, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. Partial exercise of stock acquisition rights is not permitted.</p>	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

c. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2005

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	741 units	736 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	74,100 shares	73,600 shares
Paying due upon exercise of stock acquisition rights per share	¥8,134 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2007 to July 31, 2011	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥8,134 Additional paid-in capital ¥4,067	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–



Stock acquisition rights issued pursuant to the Companies Act are as follows.

- a. Approval at the Ordinary General Meeting of Shareholders and resolution of the Board of Directors Meeting held on June 29, 2006 (Issued to Directors, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	75 units	75 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	7,500 shares	7,500 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From August 6, 2006 to August 5, 2026	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥8,140 Additional paid-in capital ¥4,070	Same as left
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from August 6, 2006 through August 5, 2009. Rights may be exercised from August 6, 2009 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until August 5, 2009 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date.</p> <p>c. On or after August 6, 2009, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. Partial exercise of stock acquisition rights is not permitted.</p>	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

b. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2006 (Issued to Corporate Officers, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	48 units	48 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	4,800 shares	4,800 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From August 6, 2006 to August 5, 2026	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥8,140 Additional paid-in capital ¥4,070	Same as left
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from August 6, 2006 through August 5, 2009. Rights may be exercised from August 6, 2009 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until August 5, 2009 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date.</p> <p>c. On or after August 6, 2009, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. Partial exercise of stock acquisition rights is not permitted.</p>	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

c. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2006

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	853 units	853 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	85,300 shares	85,300 shares
Paying due upon exercise of stock acquisition rights per share	¥9,072 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2008 to July 31, 2012	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price                      ¥11,048 Additional paid-in capital      ¥5,524	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

d. Resolution of the Board of Directors Meeting held on May 15, 2007 based on the approval at the Ordinary General Meeting of Shareholders held on June 29, 2006 (Issued to Directors, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	71 units	71 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	7,100 shares	7,100 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 8, 2007 to July 7, 2027	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥11,015 Additional paid-in capital ¥5,508	Same as left
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 8, 2007 through July 7, 2010. Rights may be exercised from July 8 2010 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until July 7, 2010 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date.</p> <p>c. On or after July 8 2010, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.</p>	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

e. Resolution of the Ordinary General Meeting of Shareholders on June 28, 2007 (Issued to Corporate Officers, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	55 units	55 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	5,500 shares	5,500 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 8, 2007 to July 7, 2027	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥11,015 Additional paid-in capital ¥5,508	Same as left
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 8, 2007 through July 7, 2010. Rights may be exercised from July 8 2010 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until July 7, 2010 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date.</p> <p>c. On or after July 8 2010, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.</p>	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

f. Resolution of the Ordinary General Meeting of Shareholders on June 28, 2007 (6th Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	938 units	938 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	93,800 shares	93,800 shares
Paying due upon exercise of stock acquisition rights per share	¥12,098 per share	Same as left
Exercise period of stock acquisition rights	From July 1, 2009 to June 30, 2013	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥14,109 Additional paid-in capital ¥7,055	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

g. Resolution of the Ordinary General Meeting of Shareholders on June 28, 2007 (6(2)th Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	10 units	10 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	1,000 shares	1,000 shares
Paying due upon exercise of stock acquisition rights per share	¥12,098 per share	Same as left
Exercise period of stock acquisition rights	From July 1, 2009 to June 30, 2013	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥14,083 Additional paid-in capital ¥7,042	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–



h. Resolution of the Board of Directors Meeting held on May 28, 2008 based on the approval at the Ordinary General Meeting of Shareholders held on June 29, 2006 (Issued to Directors, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	139 units	139 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	13,900 shares	13,900 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 6, 2008 to July 5, 2028	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥5,968 Additional paid-in capital ¥2,984	Same as left
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 6, 2008 through July 5, 2011. Rights may be exercised from July 6, 2011 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until July 5, 2011 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date.</p> <p>c. On or after July 6 2011, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.</p>	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

i. Resolution of the Ordinary General Meeting of Shareholders on June 27, 2008 (Issued to Corporate Officers, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	107 units	107 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	10,700 shares	10,700 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 6, 2008 to July 5, 2028	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥5,968 Additional paid-in capital ¥2,984	Same as left
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 6, 2008 through July 5, 2011. Rights may be exercised from July 6, 2011 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until July 5, 2011 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date.</p> <p>c. On or after July 6 2011, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.</p>	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

j. Resolution of the Ordinary General Meeting of Shareholders on June 27, 2008 (7th Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	967 units	967 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	96,700 shares	96,700 shares
Paying due upon exercise of stock acquisition rights per share	¥6,837 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2010 to July 31, 2014	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥7,792 Additional paid-in capital ¥3,896	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

k. Resolution of the Board of Directors Meeting held on May 27, 2009  
(Stock-linked Compensation based on approval of the Ordinary General Meeting of Shareholders held on June 29, 2006 for Directors and based on corresponding resolution for Executive Officers)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	375 units	375 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	37,500 shares	37,500 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 5, 2009 to July 4, 2029	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥4,022 Additional paid-in capital ¥2,011	Same as left
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 5, 2009 through July 4, 2012. Rights may be exercised from July 5, 2012 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until July 4, 2012 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Seven years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date.</p> <p>c. On or after July 5, 2012, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to seven years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.</p>	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

I. Resolution of the Ordinary General Meeting of Shareholders on June 26, 2009 (8th Stock Acquisition Rights)

	As of March 31, 2010	As of May 31, 2010
Number of stock acquisition rights	828 units	828 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	82,800 shares	82,800 shares
Paying due upon exercise of stock acquisition rights per share	¥5,110 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2011 to July 31, 2015	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥6,601 Additional paid-in capital ¥3,301	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

**(3) Exercise of corporate bond certificates with stock acquisition rights with an amended exercise price**

No items to report due to application from Annual Securities Report relating to business year starting on or after February 1, 2010

**(4) Details of rights plan**

No items to report

**(5) Trends in total number of issued shares, capital stock, etc.**

Date	Fluctuation in the total number of issued shares	Balance of total number of issued shares	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in additional paid-in capital (Millions of yen)	Balance of additional paid-in capital (Millions of yen)
August 10, 2007 (Note)	(3,599,000)	129,590,659	–	32,641	–	59,256

Note: Decrease due to cancellation of treasury stock.

**(6) Shareholder composition**

(As of March 31, 2010)

Category	Shareholder composition (Number of shares consisting one unit: 100)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	–	123	46	282	594	15	22,257	23,317	–
Number of shares held (Share units)	–	510,897	74,453	86,060	514,718	100	109,032	1,295,260	64,659
Holding rate of shares (%)	–	39.44	5.74	6.64	39.73	0.00	8.41	100.00	–

Notes: 1. In the "Other corporations" column, three share units in the name of Japan Securities Depository Center, Inc. are included.

2. 598,426 treasury shares of which 5,984 share units are included in "Individuals, etc." and 26 shares are included in "Shares less than one unit."



## (7) Status of major shareholders

(As of March 31, 2010)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	14,097	10.88
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	13,118	10.12
Panasonic Corporation	1006, Kadoma, Kadoma City, Osaka, Japan	6,250	4.82
Nats Cumco (Standing proxy: Citibank Japan Ltd.)	New York, U.S.A. (2-3-14, Higashi Shinagawa, Shinagawa-ku, Tokyo, Japan)	3,767	2.91
JPMorgan Securities Japan Co., Ltd.	2-7-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	3,255	2.51
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1-8-11 Harumi, Chuo-ku, Tokyo, Japan	2,671	2.06
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	2,491	1.92
State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Corporate Bank, Ltd.)	Boston, U.S.A. (4-16-13, Tsukishima, Chuo-ku, Tokyo, Japan)	2,326	1.79
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,140	1.65
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,026	1.56
<b>Total</b>	<b>—</b>	<b>52,140</b>	<b>40.23</b>

Notes: 1. As a copy of Change Report dated February 19, 2009, was sent from Nomura Securities Co., Ltd. and its one joint holder, TDK acknowledges it has received the report pertaining to the share possession by each shareholder as of February 13, 2009, as detailed below. However, as TDK cannot confirm the numbers of such shares substantially held as of the end of fiscal 2010, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates held (%)
Nomura Securities Co., Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	313,144	0.24
Nomura Asset Management Co., Ltd.	1-12-1, Nihonbashi, Chuo-ku, Tokyo, Japan	6,516,200	5.03
<b>Total</b>	<b>—</b>	<b>6,829,344</b>	<b>5.27</b>

2. As a copy of Report of Possession of Large Volume dated October 21, 2009, was sent from The Sumitomo Trust and Banking Co., Ltd. and its one joint holder, TDK acknowledges it has received the report pertaining to the share possession by each shareholder as of October 15, 2009, as detailed below. However, as TDK cannot confirm the numbers of such shares substantially held as of the end of fiscal 2010, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
The Sumitomo Trust and Banking Co., Ltd.	4-5-33, Kitahama, Chuo-ku, Osaka City, Osaka, Japan	4,115,200	3.18
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo, Japan	4,833,800	3.73
<b>Total</b>	<b>—</b>	<b>8,949,000</b>	<b>6.91</b>

3. As a copy of Report of Possession of Large Volume dated November 2, 2009, was sent from Mitsubishi UFJ Financial Group, Inc., TDK acknowledges it has received the report pertaining to the share possession by each shareholder as of October 26, 2009, as detailed below. However, as TDK cannot confirm the numbers of such shares substantially held as of the end of fiscal 2010, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	675,372	0.52
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	3,259,400	2.52
Mitsubishi UFJ Securities Co., Ltd.	2-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,129,611	0.87
Mitsubishi UFJ Asset Management Co., Ltd.	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,675,000	1.29
<b>Total</b>	<b>—</b>	<b>6,739,383</b>	<b>5.20</b>

**(8) Status of voting rights**

## a. Issued shares

(As of March 31, 2010)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Content
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	Common stock 598,400	–	–
Shares with full voting rights (Other)	Common stock 128,927,600	1,289,276	–
Shares less than one unit	Common stock 64,659	–	–
Total number of issued shares	129,590,659	–	–
Total number of voting rights	–	1,289,276	–

Note: The number of "Shares with full voting rights (Other)" includes 300 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes three units of voting rights related to shares with full voting rights in its name.

## b. Treasury stock, etc.

(As of March 31, 2010)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of total number of shares held in the total number of issued shares (%)
TDK Corporation	1-13-1, Nihonbashi, Chuo-ku, Tokyo, Japan	598,400	–	598,400	0.46
Total	–	598,400	–	598,400	0.46

## (9) Stock options

TDK adopts the system of stock options. Through the system, TDK issues stock acquisition rights in accordance with the former Japanese Commercial Code and the Companies Act.

The details of the system are as follows.

<By resolutions of the General Meeting of Shareholders held on June 29, 2004>

Pursuant to the provisions of the Articles 280-20 and 280-21 of the former Japanese Commercial Code, the issuance of stock acquisition rights with specially favorable terms and conditions for Directors, Corporate Officers and key employees of TDK, and the Directors and key employees of its affiliated companies was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2004.

Resolution date	June 29, 2004
Category and number of persons granted	Directors, Corporate Officers and key employees of the Company and Directors and key employees of affiliated companies (Number of persons granted: 187 persons)
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	234,300 shares
Paying due upon exercise of stock acquisition rights per share	See "(2) Status of stock acquisition rights" (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of issuance of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the issuance date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the issuance day, the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the issuance date, the exercise price shall be adjusted in accordance with the following method of calculation and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Share split or share consolidation ratio}}$$

Moreover, in other cases such as company merger, company split or capital reduction, where circumstances arise requiring the exercise price to be adjusted after the issuance day, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split or level of capital reduction.

<By resolutions of the General Meeting of Shareholders held on June 29, 2005>

- a. Pursuant to the provisions of the Articles 280-20 and 280-21 of the former Japanese Commercial Code, for the purpose of providing stock-linked compensation stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for Directors and Corporate Officers of TDK was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2005.

Resolution date	June 29, 2005
Category and number of persons granted	7 Directors and 10 Corporate Officers of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	24,600 shares
Paying due upon exercise of stock acquisition rights per share	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

- b. Pursuant to the provisions of the Articles 280-20 and 280-21 of the former Japanese Commercial Code, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its affiliated companies was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2005.

Resolution date	June 29, 2005
Category and number of persons granted	1 Corporate Officer and 168 key employees of the Company and 2 Directors and 1 key employee of its subsidiaries
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	90,600 shares
Paying due upon exercise of stock acquisition rights per share	See "(2) Status of stock acquisition rights" (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of issuance of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the issuance date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the issuance day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the issuance date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

<By resolutions of the General Meeting of Shareholders held on June 29, 2006>

- a. The amount and details of stock option remunerations provided to Directors of TDK as part of their remunerations were approved by resolution at the Ordinary General Meeting of Shareholders held on June 29, 2006.

Resolution date	June 29, 2006
Category and number of persons granted	7 Directors of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	10,800 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

- b. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the issuance of stock acquisition rights as stock-linked compensation stock options with specially favorable terms and conditions for Corporate Officers of TDK was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2006.

Resolution date	June 29, 2006
Category and number of persons granted	10 Corporate Officers of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	9,500 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—



- c. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2006.

Resolution date	June 29, 2006
Category and number of persons granted	175 key employees of the Company and 4 of Directors and key employees of its subsidiaries
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	96,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights" (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the allotment day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the allotment date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

<By resolutions of the Board of Directors meeting held on May 15, 2007>

The amount and details of stock option remunerations provided to Directors of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 15, 2007.

Resolution date	May 15, 2007
Category and number of persons granted	7 Directors of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	8,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

<By resolutions of the General Meeting of Shareholders held on June 28, 2007>

- a. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the issuance of stock acquisition rights as stock-linked compensation stock options with specially favorable terms and conditions for Corporate Officers of TDK was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 28, 2007.

Resolution date	June 28, 2007
Category and number of persons granted	9 Corporate Officers of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	6,100 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

- b. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 28, 2007.

Resolution date	June 28, 2007
Category and number of persons granted	177 key employees of the Company and 7 of Directors and key employees of its subsidiaries
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	97,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights" (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the allotment day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the allotment date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

- c. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 28, 2007.

Resolution date	June 28, 2007
Category and number of persons granted	2 key employees of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	1,000 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights" (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the allotment day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the allotment date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

<By resolutions of the Board of Directors meeting held on May 28, 2008>

The amount and details of stock option remunerations provided to Directors of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 28, 2008.

Resolution date	May 28, 2008
Category and number of persons granted	5 Directors of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	13,900 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

<By resolutions of the General Meeting of Shareholders held on June 27, 2008>

- a. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act of Japan, the issuance of stock acquisition rights as stock-linked compensation stock options with specially favorable terms and conditions for Corporate Officers of TDK was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 27, 2008.

Resolution date	June 27, 2008
Category and number of persons granted	8 Corporate Officers of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	10,700 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

- b. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 27, 2008.

Resolution date	June 27, 2008
Category and number of persons granted	185 key employees of the Company and 3 of Directors and key employees of its subsidiaries
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	98,700 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights" (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the allotment day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the allotment date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.



<By resolutions of the Board of Directors meeting held on May 27, 2009>

The amount and details of stock option remunerations provided to Directors and Corporate Officers of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 27, 2009.

Resolution date	May 27, 2009
Category and number of persons granted	4 Directors and 13 Corporate Officers of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	37,500 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights”
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

<By resolutions of the General Meeting of Shareholders held on June 26, 2009>

Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the issuance of stock acquisition rights as stock options with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 26, 2009.

Resolution date	June 26, 2009
Category and number of persons granted	159 key employees of the Company
Class of shares to issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	82,800 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights" (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

Notes: Exercise price

The amount to be contributed when exercising each stock acquisition right shall be the amount to be paid in for each share issued upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price ("closing price") of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment (hereinafter "allotment date") of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In the event that the Company conducts a share split, allots shares without contribution, or consolidates its common stock after the allotment date, the exercise price shall be adjusted in accordance with the following method of calculation and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Share split or share consolidation ratio}}$$

In case the Company issues new shares of common stock or disposes of its treasury stock at a price less than the market price after the allotment date (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights) after the allotment date, the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of shares issued" shall be defined as the aggregate number of shares of common stock issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

Moreover, in other cases where circumstances arise requiring the exercise price to be adjusted after the allotment date, the exercise price shall be adjusted reasonably.

<By resolutions of the Board of Directors meeting held on May 26, 2010>

The amount and details of stock option remunerations provided to Directors and Corporate Officers of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 26, 2010.

Resolution date	May 26, 2010
Category and number of persons granted	Directors and Corporate Officers of the Company
Class of shares to issued upon the exercise of stock acquisition rights	Common stock
Number of shares	38,900 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	¥1
Exercise period of stock acquisition rights	July 4, 2010 to July 3, 2030
Conditions of exercising stock acquisition rights	<p>a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 4, 2010 through July 3, 2013. Rights may be exercised from July 4, 2013 onward.</p> <p>b. Holders of stock acquisition rights may exercise stock acquisition rights until July 3, 2013 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated.</p> <p>(A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Seven years from the day after losing the position.</p> <p>(B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date.</p> <p>c. On or after July 4, 2013, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to seven years from the day after losing the position as long as it is within the exercise period for stock acquisition rights.</p> <p>d. Partial exercise of stock acquisition rights is not permitted.</p>
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

<By resolutions of the General Meeting of Shareholders held on June 29, 2010>

Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the issuance of stock acquisition rights as stock options with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2010.

Resolution date	June 29, 2010
Category and number of persons granted	Key employees of the Company and Directors and key employees of its subsidiaries
Class of shares to issued upon the exercise of stock acquisition rights	Common stock
Number of shares	Up to 120,000 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	(Note)
Exercise period of stock acquisition rights	August 1, 2012 to July 31, 2016
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.
Matters regarding surrogate payments	—
Matters regarding deliver of stock acquisition rights accompanied by reorganization	—

Notes: Exercise price

The amount to be contributed when exercising each stock acquisition right shall be the amount to be paid in for each share issued upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price ("closing price") of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment (hereinafter "allotment date") of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting amount is less than the closing price as of the day before the allotment date (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In the event that the Company conducts a share split, allots shares without contribution, or consolidates its common stock after the allotment date, the exercise price shall be adjusted in accordance with the following method of calculation and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times 1$$

In case the Company issues new shares of common stock or disposes of its treasury stock at a price less than the market price after the allotment date (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights) after the allotment date, the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \frac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of shares issued" shall be defined as the aggregate number of shares of common stock issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

Moreover, in other cases where circumstances arise requiring the exercise price to be adjusted after the allotment date, the exercise price shall be adjusted reasonably.

## 2. Status of acquisition, etc. of treasury stock

[Class of shares] Acquisitions of common stock that fall under Article 155, item (xii) of the Companies Act

### (1) Acquisition by resolution of the General Meeting of Shareholders

No items to report

### (2) Acquisition by resolution of the Board of Directors

No items to report

### (3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (Shares)	Total value (Yen)
Treasury stock acquired during the fiscal year ended March 31, 2010	3,037	15,798,480
Treasury stock acquired during the period under review	372	2,254,300

Note: Shares acquired by the purchase of shares less than one unit between June 1, 2010 and the date of filing of this Annual Securities Report are not included in the "Treasury stock acquired during the period under review."

### (4) Status of disposal and ownership of acquired treasury stock

Category	Fiscal year ended March 31, 2010		Period under review	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Treasury stock acquired, for which subscription was offered	–	–	–	–
Treasury stock acquired, which were disposed	–	–	–	–
Treasury stock acquired, which were transferred for merger, share exchange or company split	–	–	–	–
Other (Note 1)	15,883	164,439,789	–	–
Treasury stock held	598,426	–	598,798	–

Notes: 1. The components of "Fiscal year ended March 31, 2010" consist of disposals due to exercises of stock acquisition rights (number of shares: 15,500 shares; total disposal value: ¥160,475,171) and sales due to requests to sell shares less than one unit (number of shares: 383 shares; total disposal value: ¥3,964,618).  
2. Shares acquired by the purchase of shares less than one unit between June 1, 2010 and the date of filing of this Annual Securities Report are not included in "Treasury stock held" during the period under review.  
3. Shares sold by the sale of shares less than one unit between June 1, 2010 and the date of filing of this Annual Securities Report are not included in treasury stock disposed during the period under review.

### 3. Dividend policy

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

TDK's basic policy is to pay dividends from surplus twice a year, at end of year and midterm, with the former determined by the Ordinary General Meeting of Shareholders and the latter by the Board of Directors.

The Articles of Incorporation of TDK prescribe "By resolution of the Board of Directors, the Company may pay interim dividends on September 30 of each year as a record date."

Dividends from surplus for the 114th term is as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
The Board of Directors meeting held on October 29, 2009	3,870	30
General Meeting of Shareholders held on June 29, 2010	3,870	30

### 4. Trends in share price

#### (1) Highest and lowest share prices for the most recent five years by term

Term	110th term	111th term	112th term	113th term	114th term
Accounting period	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010
Highest (Yen)	10,230	10,360	11,990	7,410	6,290
Lowest (Yen)	7,250	7,990	5,790	2,565	3,550

Note: The above share prices were those recorded on the first section of the Tokyo Stock Exchange.

#### (2) Monthly highest and lowest share prices for the most recent six months

Month	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010
Highest (Yen)	5,430	5,220	5,770	6,120	5,940	6,290
Lowest (Yen)	4,680	4,450	4,320	5,620	5,190	5,330

Note: The above share prices were those recorded on the first section of the Tokyo Stock Exchange.



## 5. Status of Directors and Company Auditors

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Representative Director	Chairman	Hajime Sawabe	Jan. 9, 1942	<p>Apr. 1964: Entered into the Company</p> <p>Apr. 1991: General Manager of European Division of Recording Media Business Group of the Company</p> <p>Jun. 1996: Director &amp; General Manager of Recording Device Business Group of the Company</p> <p>Jun. 1998: President &amp; Representative Director of the Company</p> <p>Jun. 2006: Chairman &amp; Representative Director of the Company (present post)</p>	Note: 3	151
Representative Director	President and CEO	Takehiro Kamigama	Jan. 12, 1958	<p>Apr. 1981: Entered into the Company</p> <p>Apr. 2001: General Manager in charge of strategic technology of Recording Device Business Group of the Company</p> <p>Oct. 2001: General Manager of Head Business Group of the Company</p> <p>Jun. 2002: Corporate Officer of the Company</p> <p>Jun. 2003: Senior Vice President of the Company</p> <p>Jun. 2004: Director &amp; Executive Vice President of the Company</p> <p>Jun. 2006: President &amp; Representative Director of the Company (present post)</p>	Note: 3	33
Director		Yasuhiro Hagihara	Oct. 19, 1937	<p>Apr. 1971: Registered as lawyer in Washington D.C. in the U.S.</p> <p>Aug. 1976: Joined Graham and James LLP in the U.S.</p> <p>Jan. 1979: Partner of the said law firm</p> <p>Jul. 2000: Partner of Squire Sanders &amp; Dempsey LLP</p> <p>Aug. 2001: Partner of Squire Sanders <i>Gaikokuhou Kyodo Jigyo Horitsu Jimusho</i></p> <p>Apr. 2002: Adjunct Professor at Keio University, Department of Law</p> <p>Jun. 2002: Outside Director of the Company (present post)</p> <p>Jan. 2009: Senior Counsel of Squire Sanders <i>Gaikokuhou Kyodo Jigyo Horitsu Jimusho</i> (present post)</p>	Note: 3	10

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Director		Kenichi Mori	Sep. 28, 1938	<p>Apr. 1962: Entered into TOSHIBA CORPORATION, Research and Development Center</p> <p>Jun. 1994: Director and General Manager of Personal Information Equipment Group of TOSHIBA CORPORATION</p> <p>Jun. 1996: Executive Director of the said company</p> <p>Jun. 1998: Executive Director of Toshiba Tec Corporation</p> <p>Jun. 1999: President of the said company</p> <p>Jun. 2004: Professor at Tokyo University of Science, MOT Graduate School (present post) Program Director at the Japan Science and Technology Agency, a semi governmental organization</p> <p>Jun. 2008: Outside Director of the Company (present post)</p>	Note: 3	—
Director	General Manager of Ceramic Capacitors Business Group of TDK-EPC	Shinichi Araya	Mar. 7, 1952	<p>Apr. 1975: Entered into the Company</p> <p>Oct. 2001: General Manager in charge of manufacturing technology development of Technology Group of the Company</p> <p>Jun. 2005: Corporate Officer of the Company, Deputy General Manager of Circuit Device Business Group of the Company</p> <p>Jun. 2007: Senior Vice President of the Company (present post), General Manager of Magnetics Business Group of the Company</p> <p>Apr. 2009: General Manager of Capacitors Business Group of the Company</p> <p>Jun. 2009: Director of the Company (present post)</p> <p>Oct. 2009: General Manager of Ceramic Capacitors Business Group of TDK-EPC (present post)</p>	Note: 3	10
Director		Yukio Yanase	Jun. 15, 1944	<p>Apr. 1968: Entered into the Saitama Bank (which became Asahi Bank in 1991 and is now Resona Bank)</p> <p>Jun. 1996: Director of the said bank</p> <p>Jun. 2000: Executive Director of the said bank</p> <p>Oct. 2001: President of the said bank</p> <p>Nov. 2003: Consultant to the Board of ORIX Corporation</p> <p>Feb. 2004: Executive Officer of the said company</p> <p>Feb. 2005: Executive Officer &amp; Deputy President of the said company</p> <p>Jun. 2005: Director, Executive Officer &amp; Deputy President of the said company</p> <p>Jun. 2007: Outside Company Auditor of the Company</p> <p>Jan. 2008: Director, Representative Executive Officer, President and Group Chief Operating Officer of the said company (present post)</p> <p>Jun. 2009: Resigned Outside Company Auditor of the Company Outside Director of the Company (present post)</p>	Note: 3	—

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Director	General Manager of Administration Group, and General Manager of Human Resources Department of Administration Group	Junji Yoneyama	Mar. 16 1955	<p>Mar. 1984: Entered into the Company</p> <p>Jan. 2002: President of TDK Philippines Corporation</p> <p>Jul. 2003: General Manager of General Affairs Department of Ichikawa Technical Center of Administration Group of the Company</p> <p>Apr. 2005: President of TDK Taiwan Corporation</p> <p>Oct. 2006: General Manager of Human Resources Department of Administration Group of the Company</p> <p>Jun. 2008: Corporate Officer of the Company (present post)</p> <p>Jun. 2010: Director of the Company (present post)</p> <p>General Manager of Administration Group, and General Manager of Human Resources Department of Administration Group (present post)</p>	Note: 3	1
Full-time Company Auditor		Noboru Hara	Dec. 24, 1949	<p>Apr. 1968: Entered into the Company</p> <p>Nov. 1995: General Manager of Procurement Department of Recording Media Business Group of the Company</p> <p>Oct. 2001: General Manager of General Affairs Department of Administration Group of the Company</p> <p>Jun. 2007: Full-time Company Auditor of the Company (present post)</p>	Note: 4	5
Full-time Company Auditor		Masaaki Miyoshi	Sep. 3, 1947	<p>Apr. 1970: Entered into the Company</p> <p>Jun. 1998: General Manager of Corporate Planning Office of the Company</p> <p>Jul. 2000: President of Korea TDK Co., Ltd.</p> <p>Jun. 2003: Full-time Company Auditor of the Company (present post)</p>	Note: 4	10
Company Auditor		Kaoru Matsumoto	Dec. 8 1947	<p>Nov. 1971: Joined Nakajima &amp; Co.</p> <p>Mar. 1976: Registered as Certified Public Accountant</p> <p>Nov. 1977: Certified Public Accountant, Representative of Kaoru Matsumoto &amp; Co. (present post)</p> <p>Jun. 2003: Outside Company Auditor of the Company (present post)</p> <p>Jun. 2008: Director of Foster Electric Company, Limited (present post)</p>	Note: 4	—
Company Auditor		Ryoichi Ohno	Nov. 3, 1958	<p>Nov. 1988: Registered as Certified Public Accountant in the U.S.</p> <p>Jul. 1994: Senior Partner of Japanese Company Audit Department, PricewaterhouseCoopers International Limited, New York Office</p> <p>Sep. 2001: Senior Vice President and Chief Financial Officer of The Gibraltar Life Insurance Co., Ltd.</p> <p>Finance Vice President of the Prudential Financial, Inc.</p> <p>Jun. 2004: Company Auditor of the Company (present post)</p> <p>Jul. 2006: Director of The Prudential Life Insurance Co., Ltd. (present post)</p> <p>Feb. 2007: Regional CFO-Japan (USGAAP Reporting) of Prudential Financial Inc., Japan Representative Office</p> <p>Apr. 2009: Director and CFO (USGAAP Reporting) of Prudential Holdings of Japan, Inc. (present post)</p>	Note: 4	—

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Company Auditor		Osamu Nakamoto	Apr. 8, 1942	Apr. 1974: Registered as lawyer Mar. 1975: Joined <i>Hamada Matsumoto Horitsu Jimusho</i> Apr. 1981: Partner of the said law firm Jun. 2000: Company Auditor of the Company Dec. 2002: Partner of <i>Mori Hamada Matsumoto Horitsu Jimusho</i> Jun. 2004: Resigned Company Auditor of the Company Jun. 2007: Company Auditor of <i>Mitsui-Soko Co., Ltd.</i> (present post) Jan. 2008: Representative of <i>Nakamoto Sogo Horitsu Jimusho</i> (present post) Jun. 2008: Company Auditor of Foster Electric Company, Limited (present post) Jun. 2009: Outside Company Auditor of the Company (present post)	Note: 5	—
Total						220

- Notes:
1. Directors Yasuhiro Hagihara, Kenichi Mori and Yukio Yanase are Outside Directors provided for by Article 2, item (xv) of the Companies Act.
  2. Company Auditors Kaoru Matsumoto, Ryoichi Ohno and Osamu Nakamoto are Outside Company Auditors provided for by Article 2, item (xvi) of the Companies Act.
  3. One year from the closing date of the Ordinary General Meeting of Shareholders held on June 29, 2010.
  4. Four years from the closing date of the Ordinary General Meeting of Shareholders held on June 28, 2007.
  5. Two years from the closing date of the Ordinary General Meeting of Shareholders held on June 26, 2009.
  6. TDK, aiming to boost execution of duties and improve management efficiency, has introduced a Corporate Officer System. TDK has 15 Corporate Officers.

## 6. Status of corporate governance, etc.

### (1) Status of corporate governance

Corporate governance system of the TDK Group is as follows:

1. Systems for ensuring the execution of duties by Directors complies with laws and regulations, and the Articles of Incorporation:

TDK was established in 1935 as the world's first company to commercialize the magnetic material called ferrite. In the ensuing years, TDK has increased corporate value through the development of a variety of products of value and originality to society, based on the founding spirit "Contribute to culture and industry through creativity" as its Corporate Motto. In addition, in the "TDK Code of Ethics," TDK has clearly stated its understanding that corporations exist in society with the support of various stakeholders, including shareholders, customers, suppliers, employees and communities, etc. The said Code states that TDK respects the rights of all stakeholders; and that it complies with social norms, including laws and regulations, as a good corporate citizen. All members of the TDK Group behave in strict compliance with the corporate standards of business conduct prescribed by the TDK Code of Ethics.

TDK aims to achieve its management targets and further improve corporate value through the creation of products while adhering to its founding spirit. At the same time, TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, TDK will fulfill its accountability to all stakeholders through the comprehensive, timely and impartial disclosure of appropriate information.

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

- 1) Adoption of Company Auditor System and strengthening the supervisory function:

TDK has adopted the Company Auditor System pursuant to the Companies Act and has appointed three independent Outside Company Auditors who have no conflicts of interest in order to enhance the supervision of management.

- 2) Strengthening the function of the Board of Directors and holding Directors more accountable:

TDK has a small number of Directors (seven) to expedite management decision-making. At the same time, TDK has appointed three independent Outside Directors who have no conflict of interest in order to enhance the supervision of management. In addition, the Directors' term of office is set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every business year.

- 3) Adoption of Corporate Officer System for expeditious business execution:

TDK 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. Corporate Officers are in charge of business execution and carrying out decisions by the Board of Directors, thereby expediting business execution in line with management decisions.

- 4) Establishment of advisory bodies to the Board of Directors (Business Ethics & CSR Committee, Disclosure Advisory Committee, Compensation Advisory Committee, and Nomination Advisory Committee):

The aim of the Business Ethics & CSR Committee is to put the Company's motto into practice and improve awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Company Auditors, Corporate Officers and all other members of the TDK Group are made fully conversant with the TDK Corporate Motto and Corporate Principle ("Vision" "Courage" and "Trust") as TDK's management philosophy, and the TDK Code of Ethics, which stipulates concrete standards and guidelines for compliance with all laws, regulations and social norms.

The Disclosure Advisory Committee reviews and examines important corporate information and disclosure materials required for investment decisions by shareholders and investors, to ensure that TDK conducts comprehensive, appropriate, timely and impartial disclosure in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchanges where TDK's shares are listed.

The Compensation Advisory Committee, which is chaired by an Outside Director of TDK and comprises of external experts as members, examines the level of remuneration and remuneration system pertaining to Directors and Corporate Officers, as well as presidents and qualifying executive officers of principal TDK subsidiaries. It also verifies whether such individual remuneration is reasonable in light of the transparency of the remuneration decision-making process, corporate business results, individual performance, and the general standards of other companies.

The Nomination Advisory Committee, which is chaired by an Outside Director of TDK, discusses the conditions expected with regard to nominations for the post of Director, Company Auditor or Corporate Officer and makes nominations. In this way it helps ensure the appropriateness of the selection of Directors, Company Auditors and Corporate Officers, and the transparency of the decision-making process.

Under the foregoing corporate systems, the Company Auditors with supervisory functions over management ensure soundness, compliance and transparency in TDK's conduct of its business operations by executing their duties pursuant to the Regulations of the Board of Company Auditors and the Code of Company Auditors' Auditing Standards, and by auditing whether the Directors' performance is appropriate as well as in compliance with 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 TDK's conduct of its 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 laws and regulations and the Articles of Incorporation. Corporate Officers who are in charge of business execution ensure soundness, compliance and transparency in TDK's conduct of its business operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business and the Executive Committee Regulations.

TDK has established the following system to ensure compliance with all applicable securities and exchange laws and other similar laws and regulations of any country, as well as the rules and regulations of each stock exchange where TDK's shares are listed (hereinafter collectively referred to as the "Securities Regulations").

- 1) TDK will collect, record, analyze, process, summarize and report all the information required to be disclosed under the Securities Regulations and has established an internal control system and other procedures to warrant timely information disclosures within the deadlines stipulated by the Securities Regulations.
  - 2) TDK has established a system to ensure that TDK has procedures designed so as to obtain reasonable assurance that all transactions are properly authorized, that its assets are protected from unauthorized or improper use, and that all trading activities are appropriately recorded and reported for the purpose of enabling TDK to prepare financial statements in accordance with applicable accounting standards.
  - 3) TDK will ensure that the above-mentioned management system is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.
2. System under which information regarding execution of business by Directors shall be maintained and controlled:

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

3. Regulations and other systems for managing the risk of losses:

With respect to overall corporate risks, TDK has established the Risk Management Committee, which is chaired by a Corporate Officer appointed in accordance with internal rules, under the direct control of the Executive Committee to promote enterprise risk management ("ERM") across TDK. Meanwhile, the Crisis Management Committee plays a central role in providing responses to unexpected events (risks). Furthermore, corporate regulations, bylaws, guidelines and departmental guidelines provide for operating rules for specific risks, including legal, financial, IT-related, disasters and environmental risks. These risks are managed by managers in charge of the particular areas of operation on a daily basis.

The Company Auditors and Management Review & Support Department, an internal audit organization, monitor the implementation of risk countermeasures and give advice and provide support to minimize risks. In addition, TDK receives advice from outside legal counsel from time to time regarding risks associated with its corporate activities.

4. System for ensuring Directors execute their duties efficiently:

TDK has a small number of Directors and has adopted the Corporate Officer System so as to facilitate quick and efficient management decision-making by Directors.

At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing and financing of the TDK Group, are deliberated by the Executive Committee, which consists of Corporate Officers in senior positions ranking at or above the level of not lower than Senior Vice President and other Corporate Officers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. TDK ensures efficient management via proposals to the Board of Directors and regular reports from Corporate Officers to the Executive Committee.

In addition, TDK establishes medium-term management targets shared by all members of the TDK Group and strives to make them fully understand those objectives. TDK also establishes systems that enable it to quickly gather and understand the targets and implementation plans of all divisions, as well as their progress by using IT systems.

5. System for ensuring employees' performance of duties is in compliance with laws and regulations, and the Articles of Incorporation:

TDK strives to ensure that all Directors, Company Auditors, Corporate Officers and employees in the TDK Group are fully conversant with the corporate philosophy, TDK Code of Ethics and Corporate Standards of Business Conduct, in order to achieve improved soundness, compliance and transparency of management, and ensure the business execution of every TDK member complies with laws and regulations, as well as TDK's Articles of Incorporation.

Furthermore, TDK has established a corporate ethics management system under the Business Ethics & CSR Committee to regularly monitor and investigate the enforcement of and compliance with the TDK Code of Ethics by the TDK Group worldwide. A consultation office (with help lines) also enables employees to directly report any information and opinion concerning compliance within the TDK Group.

6. System for ensuring optimum business execution by the corporate group consisting of the subject company, its parent company and subsidiaries:

Each Director, Corporate Officer and executive officer strives to ensure optimum business operations by making decisions in observance of the TDK Code of Ethics, job authority regulations for the entire TDK Group and applicable corporate regulations, in order to maintain soundness, compliance and transparency in business operations and to achieve the business targets of TDK and the TDK Group.

The Company Auditors audit, on a regular basis, the conditions of business operations of each division of TDK and the TDK Group, by auditing divisions, examining important documents and attending important meetings. In addition, the Management Review & Support Department audits and supports, on a regular basis, each division of TDK and the TDK Group in order to promote consistency of the business operations and management policies, and efficiency.

7. Matters relating to employees when Company Auditors request full-time support for their duties:

The Company Auditors Office, consisting of designated full-time employees who do not perform any business execution duties, shall assist the Company Auditors.

8. Matters regarding the independence of employees in the preceding item from Directors:

The Company Auditors shall directly evaluate the performance of the employees in the Company Auditors Office, and any transfer or official reprimand of these employees shall be determined pursuant to the operating rules of TDK subject to consent of the Company Auditors.

Any employee who has been instructed or ordered by a Company Auditor in connection with audit duties shall not be subject to any Director's instruction or order with respect to said Company Auditor's instruction or order.

9. System for ensuring Directors or employees report to Company Auditors and for ensuring other reports to Company Auditors:

Minutes of the Executive Committee and other meetings are sent immediately to the Company Auditors, and information regarding business execution by Corporate Officers and the TDK Group's approach to management policies and targets is also provided. Furthermore, Company Auditors attend important meetings, including meetings of the Business Plan Review Meeting, and receive explanations directly from Corporate Officers, as necessary. Moreover, management reports prepared by each business division executing business operations are submitted to Company Auditors, who also confirm progress with business execution across the Company in relation to such reports.

Company Auditors examine meeting minutes and other information regarding the activities of the Business Ethics & CSR Committee, the Risk Management Committee and other committees and receive explanations directly from Corporate Officers involved in such committees depending on the project, enabling Company Auditors to confirm the overall status of corporate activities.

10. System for ensuring Company Auditors conduct audits effectively:

The Company Auditors and the Board of Company Auditors meet with the Representative Directors on a regular basis to confirm management policies, exchange opinions on pressing issues of the TDK Group, risks and important matters from the perspective of Company Auditors' audits. These meetings also deepen mutual understanding between the Company Auditors and the Representative Directors.

Furthermore, the Company Auditors and the Management Review & Support Department meet regularly and also receive regular audit reports from the Accounting Auditors. Through the sharing of information regarding initial audit plans and results, Company Auditors conduct efficient audits.



#### 11. Overview of current system and reason for adoption

TDK is a company with a board of company auditors and has implemented various measures to strengthen its corporate governance. In 2002, efforts to reform governance included the introduction of an executive officer system along with a significant reduction in the number of Directors for the purpose of clearly separating management's monitoring and execution functions. In addition, to fortify the system for boosting shareholders' confidence, we shortened the term of office of Directors from 2 years to 1 year and actively invited the participation of Outside Directors.

In addition, TDK has established 4 committees acting as subordinate organizations to the Board of Directors, namely the Business Ethics & CSR Committee and Compensation Advisory Committee formed in 2002, the Disclosure Advisory Committee formed in 2003 and the Nomination Advisory Committee formed in 2008) to exact our business ethics and fulfill our social responsibilities as well as strengthen our management supervision functions and framework for fulfilling our duty of explanation to our shareholders and investors.

In short, TDK has always believed it can realize a system to continuously ensure sound, compliant and transparent management through the introduction of a new framework that strengthens corporate governance based on its Company Auditor System.

#### 12. Matters regarding Outside Directors and Outside Company Auditors

TDK is actively inviting Outside Directors to participate in our organization for the purpose of strengthening management supervision functions, and building a management conscious of our various stakeholders including shareholders and an effective and disciplined corporate governance framework. As a result, as of March 2010, three of the seven Directors are Outside Directors and three of the five Company Auditors are Outside Company Auditors, making Outside Officers represent 50% of the total number of Officers.

Outside Directors participate as committee chairman and members of the Nominating Advisory Committee and Compensation Advisory Committee, which are advisory bodies to the Board of Directors, and in doing so, contribute to the transparency of the personnel and remuneration determination process and the adequacy of appointments and remunerations.

Attendance at meetings of the Board of Directors, etc. during the fiscal year under review is as follows.

Yasuhiro Hagihara (Outside Director):	all 14 meetings of the Board of the Directors, 5 meetings of Compensation Advisory Committee, 2 meetings of Nomination Advisory Committee
Kenichi Mori (Outside Director):	all 14 meetings of the Board of the Directors, 5 meetings of Compensation Advisory Committee, 2 meetings of Nomination Advisory Committee
Yukio Yanase (Outside Director):	all 11 meetings of the Board of the Directors during the business year under review following his appointment in June 2009
Kaoru Matsumoto (Outside Company Auditor):	15 of 16 meetings of the Board of Company Auditors, all 14 meetings of the Board of the Directors
Ryoichi Ohno (Outside Company Auditor):	14 of 16 meetings of the Board of Company Auditors, 12 of 14 meetings of the Board of the Directors
Osamu Nakamoto (Outside Company Auditor):	all 12 meetings of the Board of Company Auditors, all 11 meetings of the Board of the Directors during the business year under review following his appointment in June 2009

#### 13. Appointment of Company Auditors with knowledge of finance and accounting

Full-time Company Auditor Masaaki Miyoshi has eight total years of experience in financing and accounting of TDK and, thus, has considerable knowledge in this field.

Outside Company Auditor Kaoru Matsumoto is a Certified Public Accountant and, thus, has considerable knowledge of financing and accounting.

Outside Company Auditor Ryoichi Ohno is a U.S. Certified Public Accountant and, thus, has considerable knowledge of U.S. financing and accounting.

#### 14. Limited liability agreements with Outside Directors and Outside Company Auditors

TDK entered into contracts with all of the Outside Directors and Outside Company Auditors pursuant to Article 427 paragraph 1 of the Companies Act to limit the liabilities of each such Outside Director/ Outside Company Auditor to TDK under Article 423 paragraph 1 of the same act to the amount set forth in each such contract, which amount shall be equal to or greater than the amount provided for in Article 425 paragraph 1 of the same act. This is for the purpose of enabling Outside Directors and Outside Company Auditors to fulfill their roles sufficiently.

#### 15. Overview of personal and capital relationships or other interests between TDK and its Outside Directors and Outside Company Auditors

There are no special interests between TDK and its three Outside Directors and three Outside Company Auditors.

Business relationships between TDK and companies where Outside Officers have important concurrent positions are as follows.

- Although Squire Sanders *Gaikokuhou Kyodo Jigyo Horitsu Jimusho*, where Outside Director Yasuhiro Hagihara is affiliated, has a relationship with TDK as the TDK's legal advisor, there is no relationship established by a retainer agreement (*komon keiyaku*) under which TDK makes continuous fixed monthly payments to Squire Sanders *Gaikokuhou Kyodo Jigyo Horitsu Jimusho* as its legal advisor. The transacted amount is so small for both that the business relationship is not a significant relationship. In addition, he has not been involved in this relationship. Accordingly, TDK believes that he is sufficiently independent as an Outside Director.
- Although TDK has a relationship for lease and rental of general equipments and others with ORIX Group, where Outside Director Yukio Yanase is affiliated, the transacted amount is so small for both that such business relationship is not a significant relationship. Accordingly, TDK believes that he is sufficiently independent as an Outside Director.
- Although TDK has a relationship relating to electronic components with Foster Electric Company, Limited, where Outside Company Auditors Kaoru Matsumoto and Osamu Nakamoto serve as Outside Director and Outside Company Auditor, respectively, the transacted amount is so small for both that such business relationship is not a significant relationship.

Based on the above, TDK has filed all Outside Officers (three Outside Directors and three Outside Company Auditors) as independent officers with the Tokyo Stock Exchange, Inc., pursuant to Article 436-2 of the Securities Listing Regulations of the said stock exchange in March 2010.

#### 16. Number of Directors

TDK's Articles of Incorporation stipulate that the number of Directors of TDK shall be ten or less.

#### 17. Resolution requirements for election and dismissal of Directors

TDK's Articles of Incorporation stipulate that resolutions of the General Meeting of Shareholders concerning the election or dismissal of Directors shall be adopted by an affirmative vote of a majority of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting.

#### 18. Items for resolution by the General Meeting of Shareholders that can be approved by resolution by the Board of Directors

##### 1) Acquisition of treasury stock

Pursuant to Article 165, paragraph 2 of the Companies Act, for the purpose of enabling the execution of flexible capital policy, TDK's Articles of Incorporation provide for the acquisition of treasury stock to be possible by resolution at the Board of Directors meeting.

##### 2) Interim dividend

TDK's Articles of Incorporation provide that TDK may distribute an interim dividend with the record date of September 30 each year by resolution of the Board of Directors, pursuant to the provisions of Article 454, paragraph 5 of the Companies Act, to the effect that TDK may flexibly distribute profits to shareholders.

#### 19. Requirements of special resolution of the General Meeting of Shareholders

TDK's Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders as provided for in Article 309, paragraph 2 of the Companies Act shall be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting. This constitutes an easier quorum for special resolutions, which has been provided to facilitate the smooth conduct of General Meeting of Shareholders.

## 20. Details of Director and Company Auditor Remunerations

Remuneration and other payments to Directors and Company Auditors for the fiscal year under review are as follows.

Officer category	Total amount of remuneration and other payments (Millions of yen)	Total amount of remuneration and other payments by type (Millions of yen)			Number of eligible officers
		Basic remuneration	Results-linked bonus	Stock-linked compensation stock options	
Directors (Excluding Outside Directors)	412	175	166	70	6
Outside Directors	35	35			3
Company Auditors (Excluding Outside Company Auditors)	57	57			2
Outside Company Auditors	18	18			3

Although there are seven Directors as of the end of the fiscal year under review, in the table above, the number of eligible officers, the total remuneration and other payments for “Directors (Excluding Outside Directors)” and the basic remuneration in the breakdown thereof include remuneration and other payments paid to two Directors who retired at the close of the 113th Ordinary General Meeting of Shareholders held on June 26, 2009. And, in the table above, the number of eligible officers, total remuneration and other payments for “Outside Company Auditors” and the basic remuneration in the breakdown thereof include remuneration and other payments paid to one Outside Company Auditor who retired at the close of the 113th Ordinary General Meeting of Shareholders held on June 26, 2009. One incumbent Outside Company Auditor receives no remuneration.

Remuneration for Directors (Directors who executes business) is made up of basic remuneration, a results-linked bonus and stock-linked compensation stock options. However, Outside Directors and Company Auditors are only paid basic remuneration.

TDK stopped reserving retirement grants for Directors from the day after the 106th Ordinary General Meeting of Shareholders held on June 27, 2002. Furthermore, it stopped reserving retirement grants for Company Auditors from the day after the 111th Ordinary General Meeting of Shareholders held on June 28, 2007. Amounts that have already been reserved are paid out by resolution of the Ordinary General Meeting of Shareholders when the Director or Company Auditor concerned retires.

A breakdown of remuneration and other payments for individuals receiving a total of ¥100 million or more is provided below.

Name	Officer category	Company category	Total amount of remuneration and other payments by type (Millions of yen)			Total amount of remuneration and other payments (Millions of yen)
			Basic remuneration	Results-linked bonus	Stock-linked compensation stock options	
Hajime Sawabe	Representative Director, Chairman	Filing company	51	55	21	128
Takehiro Kamigama	Representative Director, President and CEO	Filing company	51	55	21	128

21. Policy and determination method regarding the amounts of remuneration and other payments and its method of calculation

1) Policy on remuneration

(1) Purpose of remuneration system

TDK's remuneration system is designed for the following purpose based on the consultation and deliberation of the Compensation Advisory Committee (see 2) Remuneration determination process below for the detail), an advisory body to the Board of Directors.

By constantly pursuing the formulation of a competitive remuneration system that focuses on linkage with short-term as well as mid- to long-term results, TDK promotes as much as possible behavior on the part of officers geared towards enhancing corporate results and stock value to constantly increase the corporate value of the overall TDK Group.

(2) Remuneration level

TDK aims to set remuneration at levels enabling the maintenance of competitiveness compared with other companies in the same business category or of similar scale in different business categories. The adequacy of its level is examined by the Compensation Advisory Committee based on studies, etc. on corporate management remuneration by third parties effected periodically.

(3) Composition of remuneration

a. Remuneration for Directors who executes business

Composed of basic remuneration, results-linked bonus and stock-linked compensation stock options.

b. Remuneration for Outside Directors

Basic remuneration only.

c. Remuneration for Company Auditors

Basic remuneration only.

d. Other

TDK stopped reserving retirement grants for Directors from the day after the 106th Ordinary General Meeting of Shareholders held on June 27, 2002. Furthermore, it stopped reserving retirement grants for Company Auditors from the day after the 111th Ordinary General Meeting of Shareholders held on June 28, 2007. Amounts that have already been reserved are paid out by resolution of the Ordinary General Meeting of Shareholders when the Director or Company Auditor concerned retires

(4) Results linkage system (applied to Directors who executes business)

a. Short-term results linkage system (results-lined bonus)

A system whereby remuneration fluctuates depending on the single-year consolidated results (operating income, ROA, etc.) and degree of attainment of results of the position in charge.

b. Mid- to long-term results linkage system (stock options)

Stock-linked compensation stock options are granted with the number of shares calculated based on their value at the time of grant depending on the amount of stock option remuneration determined for each position. This is an effective stock option grant similar to the disbursement of actual TDK stock whereby recipients have the same advantage of a rising TDK stock value and the same risk of it falling as regular shareholders. The introduction of such a system is to further increase the ambition and morale of Directors who executes business with respect to the enhancement of results and stock value.

2) Remuneration determination process (establishment and operation of the Compensation Advisory Committee)

In order to achieve the purpose of the aforementioned remuneration system, TDK has in place a "Compensation Advisory Committee" acting as an advisory body to the Board of Directors, composed of Outside Directors (among whom one is committee chairman), external experts and an officer in charge of personnel.

The Committee deliberates on the system and level of remuneration for TDK's Directors and Executive Officers and examines the transparency of the remuneration determination process as well as the adequacy of individual remuneration from the perspective of corporate results, individual results and general public levels, among other factors.

## 22. Share ownership

- 1) Total number of issues and balance sheet amounts for investment stock whose holding purpose is other than for net investment

34 issues	¥12,819 million
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- 2) Issues, number of shares, balance sheet amounts and holding purpose of investment stock whose holding purpose is other than for net investment

Issue	Number of shares (Thousands of shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Panasonic Corporation	2,000	2,860	Strengthening business to business transactions and stabilizing stock value
TOSHIBA CORPORATION	3,839	1,854	Strengthening business to business transactions and stabilizing stock value
Mabuchi Motor Co., Ltd.	300	1,614	Strengthening business to business transactions
ALPS LOGISTICS CO., LTD.	1,402	1,274	Strengthening business to business transactions
BROTHER INDUSTRIES, LTD.	968	1,093	Strengthening business to business transactions
Tabuchi Electric Co., Ltd.	5,000	940	Strengthening business to business transactions
EG Co., Ltd.	500	792	Strengthening business to business transactions
Hitachi, Ltd.	1,678	585	Strengthening business to business transactions and stabilizing stock value
Fukuda Denshi Co., Ltd.	269	581	Strengthening business to business transactions and stabilizing stock value
NIKKO COMPANY	2,500	522	Strengthening business to business transactions and stabilizing stock value

## 23. Circumstances of accounting audit and details of remunerations for auditing

TDK has an auditing agreement with KPMG AZSA LLC (formerly KPMG AZSA & Co.), for this company to conduct the accounting audit of TDK.

The three certified public accountants who conducted the accounting audit of TDK were Naoki Matsumoto, Toshiya Mori and Masahiro Sasaki, and all were affiliated with KPMG AZSA LLC. The number of years of continued audits is seven years or less.

In addition, working to assist the above accountants conduct the accounting audit of TDK were 9 certified public accountants, 26 junior accountants, and 12 other people, and all were affiliated with KPMG AZSA LLC.

**(2) Audit fees, etc.**

a. Details of fees to auditors

(Millions of yen)

Category	FY2009		FY2010	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	658	–	361	–
Consolidated subsidiaries	92	–	200	–
Total	750	–	561	–

b. Details of other material fees

In fiscal 2009 and fiscal 2010, principal overseas consolidated subsidiaries of TDK pay audit fees to member firms of KPMG to which KPMG AZSA LLC, TDK's auditors belong.

c. Details of non-attest service rendered by auditors to the filing company

No items to report

d. Policy of deciding audit fees

TDK carefully considers the independence of auditors and decides the audit fees by resolution of the Board of Directors.

## V. Consolidated Financial Statements and Notes to Consolidated Financial Statements

### Consolidated statements of operations

For the years ended March 31, 2010, 2009 and 2008

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2010	2009	2008	2010
<b>Net sales</b>	<b>¥ 808,858</b>	727,400	866,285	<b>\$ 8,697,398</b>
<b>Cost of sales</b>	<b>617,776</b>	605,943	635,529	<b>6,642,753</b>
Gross profit	<b>191,082</b>	121,457	230,756	<b>2,054,645</b>
<b>Selling, general and administrative expenses</b>	<b>160,386</b>	159,878	158,921	<b>1,724,580</b>
<b>Gain on sale of business to Imation Corp. (Note 25)</b>	-	-	(15,340)	-
<b>Restructuring cost (Note 19)</b>	<b>4,922</b>	15,884	-	<b>52,925</b>
Operating income (loss)	<b>25,774</b>	(54,305)	87,175	<b>277,140</b>
<b>Other income (deductions):</b>				
Interest and dividend income	<b>3,130</b>	3,980	8,284	<b>33,656</b>
Interest expense	<b>(4,010)</b>	(2,336)	(218)	<b>(43,118)</b>
Equity in earnings of affiliates (Note 5)	<b>(1,678)</b>	(17,011)	1,969	<b>(18,043)</b>
Gain (loss) on securities, net (Note 4)	<b>(1,363)</b>	(6,388)	(2,081)	<b>(14,656)</b>
Foreign exchange gain (loss)	<b>(1,118)</b>	(5,392)	(3,670)	<b>(12,022)</b>
Other - net	<b>1,172</b>	(178)	46	<b>12,602</b>
	<b>(3,867)</b>	(27,325)	4,330	<b>(41,581)</b>
Income (loss) before income taxes	<b>21,907</b>	(81,630)	91,505	<b>235,559</b>
<b>Income taxes (Note 8)</b>	<b>9,025</b>	(17,041)	19,948	<b>97,043</b>
Net income (loss)	<b>12,882</b>	(64,589)	71,557	<b>138,516</b>
<b>Less: Net income (loss) attributable to noncontrolling interests</b>	<b>(638)</b>	(1,429)	96	<b>(6,860)</b>
Net income (loss) attributable to TDK	<b>¥ 13,520</b>	(63,160)	71,461	<b>\$ 145,376</b>

### Amounts per share:

	Yen (except number of common shares outstanding)			U.S. Dollars (Note 2)
Net income (loss) attributable to TDK per share (Note 22):				
Basic	<b>¥ 104.82</b>	(489.71)	551.72	<b>\$ 1.13</b>
Diluted	<b>104.74</b>	(489.71)	551.19	<b>1.13</b>
Weighted average basic common shares outstanding (in thousands) (Note 22)	<b>128,987</b>	128,974	129,525	
Weighted average diluted common shares outstanding (in thousands) (Note 22)	<b>129,084</b>	128,974	129,649	
Cash dividends paid during the year (Note 10)	<b>¥ 90.00</b>	140.00	120.00	<b>\$ 0.97</b>

See accompanying notes to consolidated financial statements.



## Consolidated balance sheets

As of March 31, 2010 and 2009

	Yen (Millions)		U.S. Dollars (Thousands) (Note 2)
ASSETS	2010	2009	2010
<b>Current assets:</b>			
Cash and cash equivalents	¥ 132,984	165,705	\$ 1,429,935
Short-term investments	67,873	23,993	729,818
Marketable securities (Note 4)	22,405	17,968	240,914
Trade receivables:			
Notes	5,709	5,309	61,387
Accounts	165,706	119,633	1,781,785
Allowance for doubtful receivables	(2,066)	(2,231)	(22,215)
Net trade receivables	169,349	122,711	1,820,957
Inventories (Note 6)	105,069	105,684	1,129,774
Income tax receivables (Note 8)	5,916	13,085	63,613
Prepaid expenses and other current assets (Note 8)	34,151	32,011	367,215
Total current assets	537,747	481,157	5,782,226
<b>Investments in securities</b> (Notes 4 and 5)	38,324	35,047	412,086
<b>Property, plant and equipment, at cost (Note 20):</b>			
Land	26,213	27,800	281,860
Buildings	237,646	240,454	2,555,334
Machinery and equipment	619,885	624,164	6,665,430
Construction in progress	22,591	23,798	242,914
	906,335	916,216	9,745,538
Less accumulated depreciation	(588,130)	(567,571)	(6,323,979)
Net property, plant and equipment	318,205	348,645	3,421,559
<b>Goodwill</b> (Note 21)	52,051	55,198	559,688
<b>Intangible assets</b> (Notes 20 and 21)	79,987	87,938	860,075
<b>Deferred income taxes</b> (Note 8)	53,716	75,556	577,591
<b>Other assets</b> (Note 9)	11,428	17,495	122,883
Total assets	¥ 1,091,458	1,101,036	\$ 11,736,108

See accompanying notes to consolidated financial statements.

	Yen (Millions)	2009	U.S. Dollars (Thousands) (Note 2)
<b>LIABILITIES AND EQUITY</b>	<b>2010</b>		<b>2010</b>
<b>Current liabilities:</b>			
Short-term debt (Note 7)	¥ 79,946	71,049	\$ 859,634
Current installments of long-term debt (Note 7)	10,554	3,497	113,484
Trade payables:			
Notes	2,470	2,015	26,559
Accounts	82,518	48,955	887,290
Accrued salaries and wages	30,413	21,611	327,022
Accrued expenses (Notes 9 and 19)	32,836	41,703	353,075
Income taxes payables (Note 8)	3,541	1,942	38,075
Other current liabilities (Note 8)	9,099	8,849	97,839
Total current liabilities	<b>251,377</b>	<b>199,621</b>	<b>2,702,978</b>
Long-term debt, excluding current installments (Note 7)	179,554	210,083	1,930,688
Retirement and severance benefits (Note 9)	84,304	98,007	906,495
Deferred income taxes (Note 8)	11,312	14,284	121,634
Other noncurrent liabilities (Note 8)	15,242	16,000	163,893
Total liabilities	<b>541,789</b>	<b>537,995</b>	<b>5,825,688</b>
<b>Commitments and contingent liabilities (Notes 14 and 15)</b>			
<b>TDK stockholders' equity:</b>			
Common stock			
Authorized 480,000,000 shares;			
issued 129,590,659 shares in 2010 and 2009;			
outstanding 128,992,233 shares in 2010			
and 128,979,387 shares in 2009	32,641	32,641	350,978
Additional paid-in capital (Note 12)	61,124	64,257	657,247
Legal reserve (Note 10)	21,823	20,772	234,656
Retained earnings (Note 10)	606,445	605,622	6,520,914
Accumulated other comprehensive income (loss) (Note 13)	(172,092)	(162,741)	(1,850,451)
Treasury stock at cost; 598,426 shares in 2010			
and 611,272 shares in 2009	(6,185)	(6,333)	(66,505)
Total TDK stockholders' equity	<b>543,756</b>	<b>554,218</b>	<b>5,846,839</b>
<b>Noncontrolling interests (Note 12)</b>	<b>5,913</b>	<b>8,823</b>	<b>63,581</b>
Total equity	<b>549,669</b>	<b>563,041</b>	<b>5,910,420</b>
Total liabilities and equity	<b>¥ 1,091,458</b>	<b>1,101,036</b>	<b>\$ 11,736,108</b>

## Consolidated statements of equity

For the years ended March 31, 2010, 2009 and 2008

Yen (Millions)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 12	Note 10	Note 10	Note 13			Note 12	
<b>Balance at March 31, 2007</b>	¥ 32,641	¥ 63,695	¥ 18,844	¥ 671,350	¥ (17,846)	¥ (5,972)	¥ 762,712	¥ 14,203	¥ 776,915
Acquisition of subsidiaries' common stock								(9,585)	(9,585)
Capital Increase in subsidiaries and other								(196)	(196)
Adjustment for change in equity method interest		(134)					(134)		(134)
Cash dividends				(15,683)			(15,683)	(494)	(16,177)
Transferred to legal reserve			666	(666)			-		-
Comprehensive income (loss)									
Net income (loss)				71,461			71,461	96	71,557
Foreign currency translation adjustments					(55,757)		(55,757)	(440)	(56,197)
Pension liability adjustments					(4,684)		(4,684)	(21)	(4,705)
Net unrealized gains (losses) on securities					(3,296)		(3,296)	-	(3,296)
Total comprehensive income (loss)							7,724	(365)	7,359
Acquisition of treasury stock						(39,250)	(39,250)		(39,250)
Retirement of treasury stock				(37,410)		37,410	-		-
Non cash compensation charges under stock option plans		375					375		375
Exercise of stock option				(333)		1,215	882		882
Adjustment for employee stock awards to be reclassified as a liability		(49)					(49)	121	72
<b>Balance at March 31, 2008</b>	¥ 32,641	¥ 63,887	¥ 19,510	¥ 688,719	¥ (81,583)	¥ (6,597)	¥ 716,577	¥ 3,684	¥ 720,261
Acquisition of subsidiaries' common stock								4,725	4,725
Capital increase in subsidiaries and other								1,733	1,733
Adjustment for change in equity method interest		37					37		37
Cash dividends				(18,056)			(18,056)	(33)	(18,089)
Transferred to legal reserve			1,262	(1,262)			-		-
Comprehensive income (loss)									
Net income (loss)				(63,160)			(63,160)	(1,429)	(64,589)
Foreign currency translation adjustments					(42,046)		(42,046)	29	(42,017)
Pension liability adjustments					(39,008)		(39,008)	90	(38,918)
Net unrealized gains (losses) on securities					(104)		(104)	(2)	(106)
Total comprehensive income (loss)							(144,318)	(1,312)	(145,630)
Acquisition of treasury stock						(15)	(15)		(15)
Non cash compensation charges under stock option plans		333					333		333
Exercise of stock option				(153)		279	126	26	152
Adjustment to apply measurement date provision of former SFAS 158, net of tax				(466)			(466)		(466)
<b>Balance at March 31, 2009</b>	¥ 32,641	¥ 64,257	¥ 20,772	¥ 605,622	¥ (162,741)	¥ (6,333)	¥ 554,218	¥ 8,823	¥ 563,041
Acquisition of subsidiaries' common stock		(3,236)			(636)		(3,872)	(3,430)	(7,302)
Capital increase in subsidiaries and other		8					8	1,310	1,318
Adjustment for change in equity method interest		(80)					(80)		(80)
Cash dividends				(11,609)			(11,609)	(115)	(11,724)
Transferred to legal reserve			1,051	(1,051)			-		-
Comprehensive income (loss)									
Net income (loss)				13,520			13,520	(638)	12,882
Foreign currency translation adjustments					(21,200)		(21,200)	(18)	(21,218)
Pension liability adjustments					8,871		8,871	(22)	8,849
Net unrealized gains (losses) on securities					3,614		3,614	-	3,614
Total comprehensive income (loss)							4,805	(678)	4,127
Acquisition of treasury stock						(16)	(16)		(16)
Non cash compensation charges under stock option plans		302					302		302
Exercise of stock option		(127)		(37)		164	0	3	3
<b>Balance at March 31, 2010</b>	¥ 32,641	¥ 61,124	¥ 21,823	¥ 606,445	¥ (172,092)	¥ (6,185)	¥ 543,756	¥ 5,913	¥ 549,669

See accompanying notes to consolidated financial statements.

U.S.Dollars (Thousands) (Note 2)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 12	Note 10	Note 10	Note 13			Note 12	
<b>Balance at March 31, 2009</b>	<b>\$ 350,978</b>	<b>\$ 690,935</b>	<b>\$ 223,355</b>	<b>\$ 6,512,065</b>	<b>\$ (1,749,903)</b>	<b>\$ (68,097)</b>	<b>\$ 5,959,333</b>	<b>\$ 94,871</b>	<b>\$ 6,054,204</b>
Acquisition of subsidiaries' common stock		(34,795)			(6,839)		(41,634)	(36,882)	(78,516)
Capital Increase in subsidiaries and other		86					86	14,086	14,172
Adjustment for change in equity method interest		(860)					(860)		(860)
Cash dividends				(124,828)			(124,828)	(1,236)	(126,064)
Transferred to legal reserve			11,301	(11,301)			-		-
Comprehensive income (loss)									
Net income (loss)				145,376			145,376	(6,860)	138,516
Foreign currency translation adjustments					(227,957)		(227,957)	(193)	(228,150)
Pension liability adjustments					95,387		95,387	(237)	95,150
Net unrealized gains (losses) on securities					38,861		38,861	-	38,861
Total comprehensive income (loss)							51,667	(7,290)	44,377
Acquisition of treasury stock						(172)	(172)		(172)
Non cash compensation charges under stock option plans		3,247					3,247		3,247
Exercise of stock option		(1,366)		(398)		1,764	0	32	32
<b>Balance at March 31, 2010</b>	<b>\$ 350,978</b>	<b>\$ 657,247</b>	<b>\$ 234,656</b>	<b>\$ 6,520,914</b>	<b>\$ (1,850,451)</b>	<b>\$ (66,505)</b>	<b>\$ 5,846,839</b>	<b>\$ 63,581</b>	<b>\$ 5,910,420</b>

See accompanying notes to consolidated financial statements.

**Consolidated statements of cash flows**

For the years ended March 31, 2010, 2009 and 2008

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2010	2009	2008	2010
<b>Cash flows from operating activities:</b>				
Net income (loss)	¥ 12,882	(64,589)	71,557	\$ 138,516
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	83,788	89,567	71,297	900,946
Loss on disposal of property, plant and equipment	2,154	2,387	1,762	23,161
Impairment loss on long-lived assets	4,674	17,922	1,193	50,258
Deferred income taxes	10,401	(23,457)	(1,885)	111,839
Loss on securities, net	1,363	6,388	2,081	14,656
Equity in earnings of affiliates, net of dividends received	1,811	17,654	(1,256)	19,473
Gain on sale of business to Imation Corp.	-	-	(15,340)	-
Gain on sale of a subsidiary	-	-	(274)	-
Changes in assets and liabilities, net of effects of acquisition of businesses:				
Decrease (increase) in trade receivables	(51,137)	55,746	(13,791)	(549,860)
Decrease (increase) in inventories	(1,947)	13,458	(14,952)	(20,936)
Decrease (increase) in other current assets	(2,893)	10,578	(9,090)	(31,108)
Increase (decrease) in trade payables	36,029	(39,595)	16,723	387,409
Increase (decrease) in accrued expenses	8,044	(8,721)	8,745	86,495
Increase (decrease) in income taxes payables, net	8,501	(17,272)	(849)	91,409
Increase (decrease) in other current liabilities	(1,624)	(2,105)	1,962	(17,462)
Increase (decrease) in retirement and severance benefits, net	6,076	1,239	(2,221)	65,333
Other - net	125	(11)	3,751	1,344
Net cash provided by operating activities	<b>118,247</b>	<b>59,189</b>	<b>119,413</b>	<b>1,271,473</b>
<b>Cash flows from investing activities:</b>				
Capital expenditures	(64,370)	(98,425)	(84,312)	(692,151)
Proceeds from sale and maturity of short-term investments	114,540	10,707	18,508	1,231,613
Payment for purchase of short-term investments	(159,406)	(33,388)	(8,540)	(1,714,043)
Proceeds from sale and maturity of investments in securities	17,505	4,455	1,177	188,226
Payment for purchase of investments in securities	(22,314)	(17,708)	(17,834)	(239,936)
Acquisitions of assets	-	(393)	(37,155)	-
Proceeds from sale of businesses	780	624	3,264	8,387
Acquisition of subsidiaries, net of cash acquired	-	(136,146)	(18,182)	-
Acquisition of affiliates	-	(153)	(2,206)	-
Proceeds from sale of intangible assets and property, plant and equipment	1,262	1,351	3,000	13,570
Repayment (payment) of deposits for investments	6,912	(6,755)	-	74,323
Other - net	(872)	421	388	(9,376)
Net cash used in investing activities	<b>(105,963)</b>	<b>(275,410)</b>	<b>(141,892)</b>	<b>(1,139,387)</b>
<b>Cash flows from financing activities:</b>				
Proceeds from long-term debt	519	204,906	-	5,581
Repayment of long-term debt	(28,277)	(2,428)	(9,242)	(304,054)
Increase in short-term debt, net	7,653	39,531	3,574	82,290
Proceeds from exercise of stock options	0	125	882	0
Cash paid to acquire treasury stock	(16)	(15)	(39,250)	(172)
Dividends paid	(11,609)	(18,056)	(15,683)	(124,828)
Acquisition of noncontrolling interests	(7,236)	(166)	(15,855)	(77,806)
Other - net	597	(260)	(367)	6,419
Net cash provided by (used in) financing activities	<b>(38,369)</b>	<b>223,637</b>	<b>(75,941)</b>	<b>(412,570)</b>
Effect of exchange rate changes on cash and cash equivalents	(6,636)	(7,816)	(24,644)	(71,355)
Net decrease in cash and cash equivalents	<b>(32,721)</b>	<b>(400)</b>	<b>(123,064)</b>	<b>(351,839)</b>
Cash and cash equivalents at beginning of period	<b>165,705</b>	<b>166,105</b>	<b>289,169</b>	<b>1,781,774</b>
Cash and cash equivalents at end of period	<b>¥ 132,984</b>	<b>165,705</b>	<b>166,105</b>	<b>\$ 1,429,935</b>

See accompanying notes to consolidated financial statements.

## Notes to Consolidated Financial Statements

### 1. Nature of Operations and Summary of Significant Accounting Policies

#### (1) Nature of Operations

TDK Corporation, a Tokyo-based company founded in 1935 to accomplish the world's first commercialization of a magnetic material called ferrite, and its subsidiaries (collectively "TDK") have always been a multinational developer, manufacturer and distributor of unique and diverse products, including ferrite cores, inductive devices, ceramic capacitors, magnetic tapes and heads and other items created by pursuing core technologies. TDK's two basic reportable segments, Passive Components and Magnetic Application Products, and the "Other" unrelated to the former two, accounted for 45.1%, 47.4% and 7.5% of net sales, respectively, for the year ended March 31, 2010. These two segments and the Other consist of the following businesses:

##### (i) Passive Components:

Ceramic capacitors, Inductive devices (Coils and Transformers), High-frequency components, Piezoelectric materials and circuit protection components, Aluminum electrolytic capacitors, Film capacitors, Sensors

##### (ii) Magnetic Application Products:

Recording devices, Power supplies, Magnets, Recording media

##### (iii) Other:

Energy devices (Rechargeable batteries), Mechatronics (Production equipment)

TDK's Passive Components and Magnetic Application Products are used as electronic components in a broad spectrum of electronic devices and sold to manufacturers of telecommunications equipment, audio equipment and industrial equipment as well as to automobile makers located in Asia, including Japan, the Americas and Europe. Regarding the Other, customers vary depending on individual product features and sales are mainly made to manufacturers of telecommunications equipment, audio equipment and industrial equipment located in Asia, including Japan, the Americas and Europe.

#### (2) Basis of Presentation

TDK Corporation and most of its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries mainly in conformity with those of the countries of their domicile.

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

#### (3) Consolidation Policy

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

The investments in affiliates in which TDK's ownership is 20 percent to 50 percent and where TDK exercises significant influence over their operating and financial policies are accounted for by the equity method. All significant intercompany profits from these affiliates have been eliminated.

#### **(4) Cash Equivalents and Short-term Investments**

Cash equivalents include all highly liquid investments with an original maturity of three months or less. All other highly liquid investments not considered to be cash equivalents are classified as short-term investments. TDK determines the appropriate classification of its investments at the time of purchase.

#### **(5) Allowance for Doubtful Receivables**

The allowance for doubtful receivables is TDK's best estimate of the amount of probable credit losses in TDK's existing trade receivables. An additional reserve for individual receivables is recorded when TDK becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in a customer's operating results or financial position. If customer circumstances change, estimates of the recoverability of receivables would be further adjusted.

#### **(6) Investments in Securities**

TDK classifies its debt and equity securities into one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which TDK has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. As of March 31, 2010 and 2009, TDK did not hold any trading or held-to-maturity securities. Available-for-sale securities, which mature or are expected to be sold in less than one year, are classified as marketable securities.

If a decline in the fair value below the cost basis of an equity security which is an available-for-sale security is deemed to be other-than-temporary, a decline in the fair value below amortized cost basis of a debt security which is available for sale but not expected to be sold is deemed to be other-than-temporary and represents a credit loss, and a decline in the fair value of a debt security which is an available-for-sale security and expected to be sold before recovery of its amortized cost basis exists, an impairment is recognized in earnings and the fair value becomes the new cost basis of the security. To determine whether an impairment is other-than-temporary, TDK periodically reviews the fair value of available-for-sale securities for possible impairment by taking into consideration the financial and operating conditions of the issuer, general market conditions in the issuer's industry, degree and period of the decline in fair value and other relevant factors.

Nonmarketable securities are recorded at cost. TDK periodically evaluates whether an event or change in circumstances may have a significant adverse effect on the fair value of the investment. Factors considered in assessing whether an indication of impairment exists include the financial and operating conditions of the issuer, general market conditions in the issuer's industry and other relevant factors. If an indication of impairment is present, TDK estimates the fair value of nonmarketable securities. If the fair value is less than cost and the impairment is determined to be other-than-temporary, a nonmarketable security is written down to its impaired value through a charge to earnings.



## **(7) Inventories**

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method.

The cost elements for finished goods and work in process include direct costs for materials such as primary materials and purchased semi-finished products, direct labor costs such as basic salaries, bonuses, and legal welfare expenses, direct costs such as expenses paid to subcontractors, and indirect manufacturing costs comprising material costs, labor costs and other overhead costs.

## **(8) Property, Plant and Equipment**

Depreciation of property, plant and equipment is principally computed by the declining-balance method for assets located in Japan and certain foreign subsidiaries, and by the straight-line method for assets of other foreign subsidiaries based on the following estimated useful lives:

Buildings . . . . .	.2 to 60 years
Machinery and equipment . . . . .	.2 to 22 years

## **(9) Income 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 carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. TDK uses a specific identification method to release the residual tax effects associated with components of accumulated other comprehensive income (loss) resulting from a change in tax law or rate.

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 taxing authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement with the taxing authorities.

## **(10) Stock Option Plan**

TDK measures the cost of employee services received in exchange for equity awards based on the grant date fair value of the awards and uses the straight-line attribution method to recognize stock-based compensation expense over the requisite service period. Compensation expenses related to stock options that TDK recognized for the years ended March 31, 2010, 2009 and 2008 were ¥302 million (\$3,247 thousand), ¥333 million and ¥375 million, respectively. The related tax benefits that TDK recognized for the years ended March 31, 2010, 2009 and 2008 were ¥28 million (\$301 thousand), ¥56 million and ¥65 million, respectively.

TDK will continue to use the simplified method to estimates of expected remaining life until TDK has the historical data necessary to provide reasonable estimates of expected lives.

## **(11) Research and Development Expenses**

Research and development expenses are expensed as incurred.

## **(12) Advertising Costs**

Advertising costs are expensed as incurred.

## **(13) Shipping and Handling Fees and Costs**

Shipping and handling fees and costs amounted to ¥16,067 million (\$172,763 thousand), ¥11,535 million and ¥13,063 million for the years ended March 31, 2010, 2009 and 2008, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

## **(14) Foreign Currency Translation**

Foreign currency financial statements have been translated in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 830, “Foreign Currency Matters”. Under FASB ASC 830, the assets and liabilities of TDK’s subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements of foreign subsidiaries are excluded from the statements of operations and are accumulated in TDK stockholders’ equity as a component of accumulated other comprehensive income (loss).

## **(15) Use of Estimates**

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

## **(16) Accounting for the Impairment of Long-Lived Assets**

Property, plant and equipment and certain identifiable intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, an impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

## **(17) Goodwill and Other Intangible Assets**

Goodwill is not amortized, but instead is tested for impairment at least annually or more frequently if certain indicators arise. Intangible assets with finite useful lives are amortized over their respective estimated useful lives. Intangible assets determined to have an indefinite useful lives are not amortized, but instead are tested for impairment annually until the life is determined to no longer be indefinite.

TDK conducts its annual impairment test of goodwill and other intangible assets with indefinite useful lives in the fourth quarter of each year.

## **(18) Derivative Financial Instruments**

TDK has elected not to apply hedge accounting. Accordingly, changes in the fair value of derivatives are recognized in earnings in the period of the changes.

The required disclosures in accordance with FASB ASC 815 "Derivatives and Hedging" are presented in Note 16 of the Notes to Consolidated Financial Statements.

## **(19) Net Income attributable to TDK per Share**

Basic net income attributable to TDK per share has been computed by dividing net income attributable to TDK available to common stockholders by the weighted average number of common shares outstanding during each year. Diluted net income attributable to TDK per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock of TDK.

## **(20) Revenue Recognition**

TDK generates revenue principally through the sale of products under separate contractual arrangements for each. TDK recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss have been transferred to the customer, the sales price is fixed or determinable, and collectibility is probable.

In principle, revenue from sales of products is recognized when the products are received by customers based on the free on board destination sales term. With regards to sales of products, TDK's policy is not to accept product returns unless the products are defective. TDK reduces revenue for estimated future returns based upon historical experience at the time the related revenue is recorded. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specification are not recorded as revenue.

TDK offers sales incentives through various programs to certain resellers and retailers. These sales incentives include product discounts, volume-based discounts, marketing development funds ("MDFs"), rebates and coupons, and are accounted for in accordance with FASB ASC 605 "Revenue recognition". Generally, under FASB ASC 605, consideration given by a vendor to a customer is presumed to be a reduction of the selling price of goods and services, and therefore, should be recognized as a reduction of revenue in the vendor's income statement. The presumption may be overcome based on certain factors.

On August 1, 2007, TDK transferred substantially all of the assets relating to TDK branded world wide recording media business to an U.S. company, Imation Corp. ("Imation"). TDK retained its research and development, manufacturing and OEM business, and sales incentives decreased due to this transfer. Sales incentives totaled to ¥394 million (\$4,237 thousand), ¥525 million and ¥5,042 million for the years ended March 31, 2010, 2009 and 2008, respectively.

A number of product discounts are based on a certain percentage off the invoice price predetermined by spot contracts or based on contractually agreed upon amounts with resellers and retailers. Product discounts are recognized as a reduction of revenue at the time the related revenue is recognized and amounted to ¥63 million (\$678 thousand), ¥104 million and ¥2,247 million for the years ended March 31, 2010, 2009 and 2008, respectively.

Volume-based discounts are provided only if the resellers and retailers achieve a specified cumulative level of revenue transactions in a year or less period. Liabilities are recognized as a reduction of revenue for the expected sales incentive at the time the related revenue is recognized and are initially based on the estimation of sales volume by using historical experience on an individual customer basis. Estimates of expected sales incentives are evaluated and adjusted periodically based on actual revenue transactions and forecasts for the balance of the year or incentive period. Volume-based discounts recognized as a reduction of revenue amounted to ¥331 million (\$3,559 thousand), ¥421 million and ¥1,390 million for the years ended March 31, 2010, 2009 and 2008, respectively.

MDFs are provided to certain resellers and retailers as a contribution to or a sponsored fund for customers' marketing programs, such as customers' coupons, catalog, sales contests and advertisements, mostly in the form of a subsidy. Under this program, we do not receive an identifiable benefit sufficiently separable from our customers. Accordingly, MDFs are accounted for as a reduction of revenue based on the annual contract or at the time TDK has incurred the obligation, if earlier, and amounted to ¥606 million for the year ended March 31, 2008.

Consumer promotions mainly consist of coupons and mail-in rebates offered to end users, that are reimbursed by TDK to retailers or end users for the coupons or mail-in rebates redeemed. Liabilities are recognized at the time related revenue is recognized (or at the time of the offer if the sale to retailers occurs before the offer) for the expected number of coupons or mail-in rebates to be redeemed. TDK uses historical rates of redemption on similar offers for similar products to estimate redemption rates for current incentive offerings. Consumer promotions recognized as a reduction of revenue amounted to ¥658 million for the year ended March 31, 2008.

TDK also provides slotting fees paid to certain retailers for putting TDK products at attractive areas or shelves in the store. Slotting fees are recognized as a reduction of revenue at the time TDK has incurred the obligation. Slotting fees recognized as a reduction of revenue amounted to ¥42 million for the year ended March 31, 2008.

Additionally, TDK has advertising programs with certain resellers and retailers where TDK agrees to reimburse them for advertising cost incurred by them to put TDK products on their flyers, catalogs and billboards. TDK receives an identifiable benefit (advertising) in return for the consideration and that benefit is sufficiently separable because TDK could have purchased that advertising from other parties. Also, TDK can reasonably estimate the fair value of the benefit through obtaining sufficient evidence from the resellers and retailers in the form of the invoice issued by the third party providing the service to the resellers and retailers. Therefore, such advertising programs are expensed as selling, general and administrative expenses at the time TDK has incurred the obligation and amounted to ¥99 million for the year ended March 31, 2008.

Warranties offered on TDK's products are insignificant.

## **(21) Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans**

TDK recognizes the funded status (i.e., the difference between the fair value of plan assets and the projected benefit obligations) of its pension plans in the consolidated balance sheets, with a corresponding adjustment to accumulated other comprehensive income (loss), net of tax. Actuarial gain or loss is amortized over the average remaining service period of employees pursuant to provisions of applicable accounting standards.

TDK changed its measurement date for pension plans from December 31 to March 31 in the year ended March 31, 2009. As a result, retained earnings at March 31, 2009 decreased by ¥466 million (net of tax).

In accordance with FASB ASC 715 “Compensation—Retirement Benefits”, TDK began additional disclosures such as its plan asset investment policy, fair value measurement by classes of plan assets and the inputs and valuation techniques thereof as well as risk concentrations from the year ended March 31, 2010. Relevant disclosures are presented in Note 9 of Notes to Consolidated Financial Statements.

### **(22) Segment Reporting**

Segment information was previously omitted from the financial statements, which was permitted for foreign private issuers. However, in October 2008, U.S. Securities and Exchange Commission (“SEC”) adopted an amendment to eliminate this accommodation to enhance financial reporting by foreign private issuers. As a result, TDK prepared segment information in accordance with FASB ASC 280 “Segment Reporting” from the year ended March 31, 2010. The required disclosures are presented in Note 29 of the Notes to Consolidated Financial Statements.

### **(23) Generally Accepted Accounting Principles**

TDK adopted FASB ASC 105, “Generally Accepted Accounting Principles” for the year ended March 31, 2010. FASB ASC 105 establishes ASC as the sole source for authoritative U.S. GAAP, except for rules and interpretive releases issued by SEC. Accordingly, the references to accounting standards in Notes to Consolidated Financial Statements are based on ASC. The adoption of FASB ASC 105 did not have a material impact on TDK’s financial position and results of operations.

### **(24) Business Combinations**

TDK adopted FASB ASC 805 “Business Combinations” on April 1, 2009. FASB ASC 805 establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill. FASB ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. The adoption of FASB ASC 805 did not have a material impact on TDK’s financial position and results of operations.

### **(25) Noncontrolling Interests in Consolidated Financial Statements**

TDK adopted FASB ASC 810 “Consolidation” on April 1, 2009. FASB ASC 810 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent’s ownership interest, and the valuation of a retained noncontrolling equity investment when a subsidiary is deconsolidated. FASB ASC 810 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.

Upon the adoption of FASB ASC 810, minority interests, which were previously shown between liabilities and stockholders’ equity on the consolidated balance sheets, are now included in total equity as noncontrolling interests. TDK also changed the presentation of its consolidated statements of operations, consolidated statements of equity and consolidated statements of cash flows. Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the presentation used for the year ended March 31, 2010. The adoption of FASB ASC 810 did not have a material impact on TDK’s financial position and results of operations.



## **(26) Fair Value Measurements**

In accordance with the provisions in FASB ASC 820 “Fair Value Measurements and Disclosures” regarding the transition thereto and the effective date thereof, TDK has postponed the application of FASB ASC 820 to all nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for one year until April 1, 2009.

TDK adopted FASB ASC 820 for all nonfinancial assets and nonfinancial liabilities for the year ended March 31, 2010. The adoption of FASB ASC 820 did not have a material impact on TDK’s financial position and results of operations. The required disclosures in accordance with FASB ASC 820 are presented in Note 18 of the Notes to Consolidated Financial Statements.

## **(27) Subsequent Events**

TDK adopted FASB ASC 855 “Subsequent Events” for the year ended March 31, 2010. FASB ASC 855 required an entity that has a current expectation of widely distributing its financial statements to its shareholders and other financial statement users (including a public entity) to evaluate subsequent events through the date that the financial statements are issued and disclose when the date is.

However, in accordance with FASB Accounting Standards Update (“ASU”) No. 2010-09 “Subsequent Events: Amendments to Certain Recognition and Disclosure Requirements” issued in February 2010, TDK, which is not a SEC filer, is now required to evaluate the subsequent events through the date that the financial statements are available to be issued. TDK evaluated the subsequent events through July 22, 2010, the date on which the financial statements are available to be issued.

## **(28) Improving Disclosures about Fair Value Measurements**

TDK adopted FASB ASU No. 2010-06 “Improving Disclosures about Fair Value Measurements”, issued in January 2010, which clarifies existing fair-value disclosure guidance about the level of disaggregation and disclosure about inputs and valuation techniques. The adoption of FASB ASU No. 2010-06 did not have a material impact on TDK’s financial position and results of operations.

## **(29) Reclassifications**

Certain reclassifications have been made to the prior years’ consolidated financial statements to conform to the presentation used for the year ended March 31, 2010.

## 2. Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen, the functional currency of TDK. Supplementally, the Japanese yen amounts as of and for the year ended March 31, 2010, have also been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥93=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2010. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

## 3. Foreign Operations

Amounts included in the consolidated financial statements relating to subsidiaries operating in foreign countries are summarized as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2010	2009	2008	2010
Net sales	<b>¥ 696,043</b>	595,822	693,993	<b>\$ 7,484,333</b>
Net income (loss) attributable to TDK	<b>39,007</b>	(17,464)	48,833	<b>419,430</b>

## 4. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at March 31, 2010 and 2009, are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Marketable securities	<b>¥ 22,405</b>	17,968	<b>\$ 240,914</b>
Investments in securities:			
Long-term marketable securities	<b>15,499</b>	10,566	<b>166,656</b>
Nonmarketable securities	<b>981</b>	990	<b>10,548</b>
Investments in affiliates (Note 5)	<b>21,844</b>	23,491	<b>234,882</b>
Total investments in securities	<b>38,324</b>	35,047	<b>412,086</b>
Total	<b>¥ 60,729</b>	53,015	<b>\$ 653,000</b>



Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities at March 31, 2010 and 2009, is as follows:

As of March 31, 2010

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Yen (Millions):				
Equity securities	¥ 9,915	2,868	73	12,710
Debt securities	24,192	145	-	24,337
Mutual funds	810	51	4	857
Total	¥ 34,917	3,064	77	37,904

As of March 31, 2009

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Yen (Millions):				
Equity securities	¥ 12,420	482	3,029	9,873
Debt securities	18,659	3	1	18,661
Total	¥ 31,079	485	3,030	28,534

As of March 31, 2010

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
U.S. Dollars (Thousands):				
Equity securities	\$ 106,613	30,839	785	136,667
Debt securities	260,129	1,559	-	261,688
Mutual funds	8,710	548	43	9,215
Total	\$ 375,452	32,946	828	407,570

Debt securities classified as available-for-sale at March 31, 2010 have a weighted average remaining term of 0.7 years.

The proceeds from sale and maturity of available-for-sale securities are ¥17,505 million (\$188,226 thousand), ¥4,455 million and ¥1,177 million for the years ended March 31, 2010, 2009 and 2008, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥146 million (\$1,570 thousand), ¥172 million and ¥47 million for the years ended March 31, 2010, 2009 and 2008, respectively. TDK recorded an impairment of ¥1,509 million (\$16,226 thousand), ¥6,621 million and ¥2,128 million on certain available-for-sale securities and nonmarketable securities representing other-than-temporary declines in the fair value for the years ended March 31, 2010, 2009 and 2008, respectively.

At March 31, 2010, all of the available-for-sale securities with unrealized losses had been in a continuous unrealized loss position for less than 12 months.

The aggregate cost of nonmarketable securities accounted for under the cost method at March 31, 2010 and 2009 totaled ¥981 million (\$10,548 thousand) and ¥990 million, respectively, and a part of those securities as of March 31, 2010 and 2009 were not evaluated for impairment because (a) TDK did not estimate the fair value of those investments as it was not practicable to estimate the fair value of the investment and (b) TDK did not identify any events or changes in circumstances that might have had significant adverse effect on the fair value of those investments.

As of March 31, 2010 and 2009, certain debt securities in the amount of ¥998 million (\$10,731 thousand) and ¥1,688 million, respectively were pledged as collateral for extended custom duty payments to Tokyo Customs.

## 5. Investments in Affiliates

As of March 31, 2010, investments in affiliates accounted for by the equity method consist of 20.3 percent of the common stock of Imation, 29.5 percent of the common stock of Semiconductor Energy Laboratory Co., Ltd., a research and development company, 34.0 percent of the common stock of Toppan TDK Label Co., Ltd., a magnetic products manufacturing company, and five other affiliated companies, collectively, which are not significant, at March 31, 2010 and 2009. As of March 31, 2010 and 2009, the difference between TDK's carrying value of investments in affiliates and its share of the underlying net equity in such affiliates substantially consists of unamortized amounts of equity method goodwill of ¥980 million (\$10,538 thousand) and ¥980 million, respectively.

TDK evaluates the recoverability of the carrying value of its investments in affiliates when there are indications of a decline in value below carrying amount. As a result of such evaluations, TDK determined that there was an other-than-temporary decline in the value of an investment and recorded an impairment of ¥17,419 million on the investment for the year ended March 31, 2009.

The aggregate carrying amounts and the aggregate value based on quoted market prices of those investments in common stock for which a quoted market price is available were ¥5,642 million (\$60,667 thousand) and ¥7,929 million (\$85,258 thousand) at March 31, 2010, respectively.

## 6. Inventories

Inventories at March 31, 2010 and 2009, are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Finished goods	¥ 43,998	50,473	\$ 473,097
Work in process	27,215	25,440	292,634
Raw materials	33,856	29,771	364,043
	<b>¥ 105,069</b>	105,684	<b>\$ 1,129,774</b>

## 7. Short-Term and Long-Term Debt

Short-term debt and weighted average interest rates at March 31, 2010 and 2009 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	Weighted average interest rate	
	2010	2009	2010	2010	2009
Short-term bank loans - secured	¥ 1,441	1,396	\$ 15,494	2.05%	4.69%
Short-term bank loans - unsecured	78,505	69,653	844,140	0.59%	1.43%

Long-term debt at March 31, 2010 and 2009, is set forth below:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Loans from banks, secured (weighted average: 2009—0.75%)	¥ -	75	\$ -
Loans from banks, unsecured (weighted average: 2010—0.73%, 2009—1.04%)	<b>101,106</b>	127,257	<b>1,087,161</b>
Unsecured Bonds due 2012—1.085%	<b>23,000</b>	23,000	<b>247,312</b>
Unsecured Bonds due 2014—1.413%	<b>48,000</b>	48,000	<b>516,129</b>
Unsecured Bonds due 2019—2.038%	<b>13,000</b>	13,000	<b>139,785</b>
Lease obligation (weighted average: 2010— 9.84%, 2009—3.67%)	<b>5,002</b>	2,248	<b>53,785</b>
	<b>190,108</b>	213,580	<b>2,044,172</b>
Less current installments	<b>10,554</b>	3,497	<b>113,484</b>
	<b>¥ 179,554</b>	210,083	<b>\$ 1,930,688</b>

The aggregate annual maturities of long-term debt outstanding at March 31, 2010 are as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2011	¥ 10,032	\$ 107,871
2012	72,317	777,602
2013	9,456	101,678
2014	80,161	861,946
2015	101	1,086
2016 and thereafter	13,039	140,204
	<b>¥ 185,106</b>	<b>\$ 1,990,387</b>

The aggregate annual maturities of long-term debt outstanding at March 31, 2010 do not include lease obligation. A schedule by years of future minimum lease payments is presented in Note 14 of the Notes to Consolidated Financial Statements.

Short-term and long-term debts from banks were made under general agreements in which security and guarantees for present and future indebtedness will be given upon request of the banks, and that the banks shall have the rights, as the obligations become due, or in the event of default, to offset cash deposits against such obligations due to the banks.

As of March 31, 2010 and 2009, current assets having a net book value of ¥3,446 million (\$37,054 thousand) and ¥2,723 million, respectively, were pledged as a collateral for short-term debt from banks. As of March 31, 2010 and 2009, the pledged current assets include trade receivables having a net book value of ¥2,271 million (\$24,419 thousand) and ¥1,631 million, respectively.

As of March 31, 2010, property, plant and equipment having a net book value of ¥2,424 million (\$26,065 thousand) was pledged as a collateral for lease obligation. As of March 31, 2009, property, plant and equipment having a net book value of ¥2,105 million was pledged as a collateral for long-term debt from banks.

There were no debt covenants or cross-default provisions under TDK's financing arrangements. Furthermore, there were no subsidiary level dividend restrictions under the financing arrangements.

TDK enters into the contracts with financial institutions regarding lines of credit and overdrafts. As of March 31, 2010 and 2009, unused lines of credit and overdrafts amounted to ¥121,607 million (\$1,307,602 thousand) and ¥142,836 million, respectively.

TDK has established a program to issue up to ¥150,000 million (\$1,612,903 thousand) of bonds.

## 8. Income Taxes

TDK and its domestic subsidiaries are subject to a national corporate tax of 30 percent, an inhabitants tax of between 5.2 percent and 6.2 percent and a deductible enterprise tax of between 7.7 percent and 8.0 percent, which in the aggregate resulted in a statutory rate of approximately 40.4 percent for the years ended March 31, 2010, 2009 and 2008.

The effective tax rates of TDK for the years ended March 31, 2010, 2009 and 2008, are reconciled with the Japanese statutory tax rate in the following table:

	2010	2009	2008
Japanese statutory tax rate	<b>40.4%</b>	40.4%	40.4%
Expenses not deductible for tax purposes	<b>3.7</b>	(3.1)	1.1
Nontaxable income	<b>(1.0)</b>	0.1	(0.2)
Difference in statutory tax rates of foreign subsidiaries	<b>(23.3)</b>	(3.4)	(15.7)
Change in the valuation allowance	<b>37.8</b>	(17.1)	1.5
Investment tax credit	<b>(10.9)</b>	1.8	(1.2)
Research and development tax credit	<b>(0.4)</b>	0.5	(2.8)
Prior-year tax adjustments	<b>(4.7)</b>	0.9	(0.8)
Other	<b>(0.4)</b>	0.8	(0.5)
Effective tax rate	<b>41.2%</b>	20.9%	21.8%

Total income taxes for the years ended March 31, 2010, 2009 and 2008 are allocated as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2010	2009	2008	2010
Income (loss) before income taxes	<b>¥ 9,025</b>	(17,041)	19,948	<b>\$ 97,043</b>
TDK stockholders' equity, accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	<b>(17)</b>	(1,257)	914	<b>(183)</b>
Net unrealized gains (losses) on securities	<b>2,209</b>	(639)	(1,534)	<b>23,753</b>
Pension liability adjustments	<b>7,742</b>	(26,894)	(3,396)	<b>83,247</b>
Effect of application of the measurement date provision of accounting for pension plans	-	(288)	-	-
Total income taxes	<b>¥ 18,959</b>	(46,119)	15,932	<b>\$ 203,860</b>

Income (loss) before income taxes and income taxes for the years ended March 31, 2010, 2009 and 2008, are summarized as follows:

	Income (Loss) Before Income Taxes	Income Taxes		Total
		Current	Deferred	
Yen (Millions):				
2010				
Japanese	<b>¥ (24,086)</b>	<b>(9,113)</b>	<b>10,629</b>	<b>1,516</b>
Foreign	<b>45,993</b>	<b>7,737</b>	<b>(228)</b>	<b>7,509</b>
	<b>¥ 21,907</b>	<b>(1,376)</b>	<b>10,401</b>	<b>9,025</b>
2009				
Japanese	(64,855)	697	(19,783)	(19,086)
Foreign	(16,775)	5,719	(3,674)	2,045
	(81,630)	6,416	(23,457)	(17,041)
2008				
Japanese	37,005	13,615	718	14,333
Foreign	54,500	8,218	(2,603)	5,615
	91,505	21,833	(1,885)	19,948
U.S. Dollars (Thousands):				
2010				
Japanese	<b>\$ (258,989)</b>	<b>(97,989)</b>	<b>114,290</b>	<b>16,301</b>
Foreign	<b>494,548</b>	<b>83,193</b>	<b>(2,451)</b>	<b>80,742</b>
	<b>\$ 235,559</b>	<b>(14,796)</b>	<b>111,839</b>	<b>97,043</b>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2010 and 2009 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
<b>Deferred tax assets:</b>			
Inventories	¥ 2,578	3,608	\$ 27,720
Accrued expenses	6,722	7,536	72,280
Retirement and severance benefits	16,667	15,133	179,215
Net operating loss carryforwards	50,270	60,093	540,538
Tax credit carryforwards	3,874	3,047	41,656
Pension liability adjustments	24,951	32,604	268,290
Property, plant and equipment, principally due to differences in depreciation	7,408	7,029	79,656
Other	2,898	3,628	31,161
Total gross deferred tax assets	115,368	132,678	1,240,516
Less valuation allowance	(42,935)	(36,168)	(461,667)
Net deferred tax assets	¥ 72,433	96,510	\$ 778,849
<b>Deferred tax liabilities:</b>			
Investments, principally due to differences in valuation	¥ (5,331)	(6,200)	\$ (57,322)
Undistributed earnings of foreign subsidiaries and affiliated companies	(2,851)	(3,316)	(30,656)
Net unrealized gains on securities	(1,338)	-	(14,387)
Acquired intangible assets	(10,878)	(13,506)	(116,968)
Other	(1,492)	(2,596)	(16,043)
Total gross deferred tax liabilities	(21,890)	(25,618)	(235,376)
Net deferred tax assets	¥ 50,543	70,892	\$ 543,473

The net changes in the total valuation allowance were an increase of ¥6,767 million (\$72,763 thousand) for the year ended March 31, 2010, an increase of ¥15,129 million for the year ended March 31, 2009, and a decrease of ¥1,194 million for the year ended March 31, 2008. The valuation allowance primarily relates to deferred tax assets associated with net operating loss carryforwards.

In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax carryforwards are utilized. TDK considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, TDK believes it is more likely than not that TDK will realize the benefits of these deductible differences and tax carryforwards, net of the existing valuation allowance at March 31, 2010.

At March 31, 2010, there are net operating loss carryforwards for income tax purposes of ¥165,694 million (\$1,781,656 thousand) which are available to offset future taxable income, if any.

Periods available to offset future taxable income vary in each tax jurisdiction and range from one year to an indefinite period as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Within 1 year	¥ 2,059	\$ 22,140
1 to 5 years	8,294	89,183
5 to 20 years	56,154	603,806
Indefinite periods	99,187	1,066,527
	<b>¥ 165,694</b>	<b>\$ 1,781,656</b>

At March 31, 2010, certain subsidiaries have tax credit carryforwards for income tax purposes of ¥3,874 million (\$41,656 thousand) which are available to reduce future income taxes, if any. Approximately ¥1,947 million (\$20,935 thousand) of the tax credit carryforwards will expire through 2028, while the remainder has an indefinite carryforward period.

Net deferred income tax assets and liabilities at March 31, 2010 and 2009 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Prepaid expenses and other current assets	¥ 9,620	10,239	\$ 103,441
Deferred income taxes (noncurrent assets)	53,716	75,556	577,591
Other current liabilities	(1,481)	(619)	(15,925)
Deferred income taxes (noncurrent liabilities)	(11,312)	(14,284)	(121,634)
	<b>¥ 50,543</b>	<b>70,892</b>	<b>\$ 543,473</b>

As of March 31, 2010 and 2009, TDK did not recognize deferred tax liabilities of approximately ¥13,885 million (\$149,301 thousand) and ¥10,789 million, respectively, for certain portions of undistributed earnings of foreign subsidiaries because TDK currently does not expect those unremitted earnings to reverse and become taxable to TDK in the foreseeable future. The amended tax law of Japan was promulgated on March 31, 2009, and the Foreign Dividend Exclusion System was introduced. As a result of introducing this system, unrecognized deferred tax liabilities decreased by ¥64,958 million for the year ended March 31, 2009.

A deferred tax liability will be recognized when TDK expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 31, 2010 and 2009, the undistributed earnings of these subsidiaries are approximately ¥407,942 million (\$4,386,473 thousand) and ¥393,790 million, respectively.



A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for the years ended March 31, 2010 and 2009 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Balance at beginning of year	<b>¥ 6,323</b>	5,497	<b>\$ 67,989</b>
Additions for acquisition of subsidiaries	-	1,147	-
Additions for tax positions of the current year	<b>613</b>	1,003	<b>6,591</b>
Additions for tax positions of prior years	<b>494</b>	401	<b>5,312</b>
Reductions for tax positions of prior years	<b>(765)</b>	(714)	<b>(8,226)</b>
Settlements with taxing authorities during the period	<b>(94)</b>	(456)	<b>(1,011)</b>
Other	<b>(297)</b>	(555)	<b>(3,193)</b>
Balance at end of year	<b>¥ 6,274</b>	6,323	<b>\$ 67,462</b>

The total amount of unrecognized tax benefits that, if recognized, would reduce the effective tax rate as of March 31, 2010 and 2009 are ¥4,669 million (\$50,204 thousand) and ¥4,847 million, respectively.

Although TDK believes its estimates and assumptions used to identify unrecognized tax benefits are reasonable, there is uncertainty about the final determination of tax audit settlements and any related litigation which could affect the effective tax rate in the future periods. As at March 31, 2010, TDK is not aware of any significant changes in its unrecognized tax benefits over the next twelve months.

TDK classifies interest and penalties related to unrecognized tax benefits as interest expense and other expense, respectively, in the consolidated statements of operations. Interest and penalties accrued as of March 31, 2010 as well as interest and penalties recorded in interest expense and other expense for the year then ended are not material.

TDK files income tax returns in Japan and various foreign tax jurisdictions. In Japan, TDK is no longer subject to regular income tax examinations by the tax authority for years ended on or before March 31, 2007. While there has been no specific indication by the tax authority that TDK will be subject to a transfer pricing examination in the near future, the tax authority could conduct a transfer pricing examination for years ended on or after March 31, 2004. In other major foreign tax jurisdictions, including the U.S. and Hong Kong, TDK is no longer subject to income tax examinations by tax authorities for years ended on or before March 31, 2000 with few exceptions. The tax authorities are currently conducting income tax examinations of TDK's income tax returns for certain years ended on or after March 31, 2001 in major foreign tax jurisdictions.

## 9. Retirement and Severance Benefits

TDK sponsors contributory and noncontributory retirement and severance plans that provide for pension or lump-sum benefit payments, based on length of service, employee salary and certain other factors, to substantially all employees who retire or terminate their employment for reasons other than dismissal for cause. Corporate executives participate in an unfunded retirement plan sponsored by TDK.

These pension plans are recognized in accordance with FASB ASC 715 “Compensation – Retirement Benefits”.

Certain subsidiaries have deferred compensation plans under which employees place a portion of their compensation in a pension fund and contributions can be received with interest at the time of retirement. Estimated future benefit payments to retirees are determined by actuarial calculation. Liabilities relating to these plans are recorded as either the market value of plan assets or the present value of estimated future benefit payments, whichever is greater. As of March 31, 2010, the amount of ¥962 million (\$10,344 thousand) is recorded as retirement and severance benefits.

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets are as follows:

	Yen (Millions)			
	2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
<b>Change in benefit obligations:</b>				
Benefit obligations at beginning of period	¥188,337	37,719	179,885	11,693
Service cost	5,947	1,169	5,711	1,028
Interest cost	3,702	2,189	3,887	1,369
Actuarial (gain) loss	604	5,884	4,572	(133)
Benefits paid	(7,447)	(2,111)	(7,461)	(1,536)
Curtailment/settlement	(1,265)	-	(354)	(1,648)
Acquisition of subsidiaries	-	-	46	31,504
Effect of change in measurement date	-	-	2,095	141
Others	(47)	(45)	(44)	158
Translation adjustment	-	(2,368)	-	(4,857)
Benefit obligations at end of period	<b>189,831</b>	<b>42,437</b>	188,337	37,719
<b>Change in plan assets:</b>				
Fair value of plan assets at beginning of period	116,789	8,890	174,523	6,202
Actual return on plan assets	21,942	1,948	(57,229)	(1,737)
Employer contributions	4,128	2,326	4,780	505
Benefits paid	(5,897)	(1,826)	(6,079)	(312)
Curtailment/settlement	(1,121)	-	(354)	(327)
Acquisition of subsidiaries	-	-	-	5,287
Effect of change in measurement date	-	-	1,148	111
Others	-	96	-	39
Translation adjustment	-	(401)	-	(878)
Fair value of plan assets at end of period	<b>135,841</b>	<b>11,033</b>	116,789	8,890
Funded status	<b>¥(53,990)</b>	<b>(31,404)</b>	(71,548)	(28,829)

	U.S. Dollars (Thousands)	
	2010	
	Japanese plans	Foreign plans
Change in benefit obligations:		
Benefit obligations at beginning of period	\$ 2,025,129	405,580
Service cost	63,946	12,570
Interest cost	39,806	23,537
Actuarial (gain) loss	6,495	63,269
Benefits paid	(80,075)	(22,699)
Curtailment/settlement	(13,602)	-
Others	(505)	(484)
Translation adjustment	-	(25,462)
Benefit obligations at end of period	2,041,194	456,311
Change in plan assets:		
Fair value of plan assets at beginning of period	1,255,796	95,591
Actual return on plan assets	235,936	20,946
Employer contributions	44,387	25,011
Benefits paid	(63,409)	(19,634)
Curtailment/settlement	(12,054)	-
Others	-	1,032
Translation adjustment	-	(4,312)
Fair value of plan assets at end of period	1,460,656	118,634
Funded status	\$ (580,538)	(337,677)

Amounts recognized in the consolidated balance sheets as of March 31, 2010 and 2009 consist of:

	Yen (Millions)			
	2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Other assets	¥ -	358	-	304
Accrued expenses	(1,128)	(1,282)	(1,282)	(1,392)
Retirement and severance benefits	(52,862)	(30,480)	(70,266)	(27,741)
	¥ (53,990)	(31,404)	(71,548)	(28,829)

	U.S. Dollars (Thousands)	
	2010	
	Japanese plans	Foreign plans
Other assets	\$ -	3,850
Accrued expenses	(12,129)	(13,785)
Retirement and severance benefits	(568,409)	(327,742)
	\$ (580,538)	(337,677)

Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2010 and 2009 consist of:

	Yen (Millions)			
	2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss	<b>¥ 74,182</b>	<b>8,443</b>	98,499	4,437
Prior service benefit	<b>(17,452)</b>	<b>14</b>	(19,423)	(45)
	<b>¥ 56,730</b>	<b>8,457</b>	79,076	4,392

	U.S. Dollars (Thousands)	
	2010	
	Japanese plans	Foreign plans
Net actuarial loss	<b>\$ 797,656</b>	<b>90,785</b>
Prior service benefit	<b>(187,656)</b>	<b>150</b>
	<b>\$ 610,000</b>	<b>90,935</b>

Accumulated benefit obligations for all defined benefit plans are as follows:

	Yen (Millions)			
	2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Accumulated benefit obligations	<b>¥ 180,723</b>	<b>38,463</b>	178,928	33,827

	U.S. Dollars (Thousands)	
	2010	
	Japanese plans	Foreign plans
Accumulated benefit obligations	<b>\$ 1,943,258</b>	<b>413,581</b>

The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	Yen (Millions)			
	2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	<b>¥ 189,831</b>	<b>41,477</b>	188,337	36,925
Fair value of plan assets	<b>135,841</b>	<b>9,663</b>	116,789	7,875
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	<b>¥ 180,723</b>	<b>37,316</b>	178,928	33,113
Fair value of plan assets	<b>135,841</b>	<b>9,371</b>	116,789	7,829

	U.S. Dollars (Thousands)	
	2010	
	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	\$ 2,041,194	445,989
Fair value of plan assets	1,460,656	103,903
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	\$ 1,943,258	401,247
Fair value of plan assets	1,460,656	100,763

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the years ended March 31, 2010, 2009 and 2008 consist of the following components. Prior service benefit is amortized by the straight-line method over the average remaining service period of current employees.

	Yen (Millions)					
	2010		2009		2008	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Service cost-benefits earned during the year	¥ 5,947	1,169	5,711	1,028	5,765	702
Interest cost on projected benefit obligation	3,702	2,189	3,887	1,369	3,845	593
Expected return on plan assets	(2,703)	(617)	(4,687)	(612)	(5,562)	(521)
Recognized actuarial loss	5,422	113	1,165	107	893	85
Amortization of unrecognized prior service benefit	(2,026)	129	(2,025)	9	(2,025)	9
Curtailment/settlement loss	171	-	69	998	-	390
	¥ 10,513	2,983	4,120	2,899	2,916	1,258

	U.S. Dollars (Thousands)	
	2010	
	Japanese plans	Foreign plans
Service cost-benefits earned during the year	\$ 63,946	12,570
Interest cost on projected benefit obligation	39,806	23,537
Expected return on plan assets	(29,064)	(6,634)
Recognized actuarial loss	58,301	1,215
Amortization of unrecognized prior service benefit	(21,785)	1,387
Curtailment/settlement loss	1,839	-
	\$ 113,043	32,075

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the year ended March 31, 2010 and 2009 are summarized as follows:

	Yen (Millions)			
	2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Current year actuarial loss (gain)	¥ (18,635)	4,554	66,489	2,200
Amortization of actuarial loss	(5,422)	(113)	(1,165)	(107)
Amortization of prior service benefit	2,026	(129)	2,025	(9)
Curtailment/settlement loss	(315)	-	(69)	(404)
Effect of change in measurement date	-	-	235	(15)
	¥ (22,346)	4,312	67,515	1,665

	U.S. Dollars (Thousands)	
	2010	
	Japanese plans	Foreign plans
Current year actuarial loss (gain)	\$ (200,377)	48,968
Amortization of actuarial loss	(58,301)	(1,215)
Amortization of prior service benefit	21,785	(1,387)
Curtailment/settlement loss	(3,387)	-
	\$ (240,280)	46,366

The estimated net actuarial loss and prior service benefit for the defined pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss	¥ 3,820	561	\$ 41,075	6,032
Prior service benefit	(2,030)	4	(21,828)	43

### Assumptions

31: Weighted average assumptions used to determine benefit obligations at March

	2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	2.0%	5.1%	2.0%	6.2%
Assumed rate of increase in future compensation levels	3.0%	2.8%	3.0%	3.0%

Weighted average assumptions used to determine net periodic benefit cost for the years ended March 31:

	2010		2009		2008	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	<b>2.0%</b>	<b>6.2%</b>	2.2%	6.2%	2.2%	4.8%
Assumed rate of increase in future compensation levels	<b>3.0%</b>	<b>3.0%</b>	3.0%	3.1%	3.0%	2.8%
Expected long-term rate of return on plan assets	<b>2.5%</b>	<b>6.7%</b>	3.0%	7.1%	3.5%	6.1%

TDK determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. TDK considers the current expectations for future returns and the actual historical returns of each plan asset category.

### Plan assets

The weighted average asset allocations of TDK's benefit plans at March 31, 2009 by asset category are as follows:

	2009	
	Japanese plans	Foreign plans
Equity securities	38.5%	34.2%
Debt securities	36.3%	35.0%
Cash	2.2%	26.8%
Other	23.0%	4.0%
	<u>100.0%</u>	<u>100.0%</u>

TDK's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, TDK formulates a "model" portfolio comprised of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the "model" portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. TDK evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the "model" portfolio. TDK revises the "model" portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

As of March 31, 2010, the asset portfolio of TDK's Japanese plans is divided into three main asset categories with approximately 44% consisting of equity securities, approximately 31% debt securities and approximately 25% of other assets such as pooled funds. The asset portfolio of TDK's foreign plans is also divided into three main asset categories with approximately 44% consisting of equity securities, approximately 32% of debt securities and approximately 24% of other assets such as cash and cash equivalents. As of March 31, 2010, there is no significant deviation between the target allocations and actual results.



Shares in Japanese companies included in equity securities mainly consist of shares listed on stock exchanges and over-the-counter markets. They are selected after a thorough examination and analysis of the operations of investment target companies and are appropriately diversified with respect to business categories and issues. Bonds of Japanese companies among debt securities mainly consist of corporate bonds, government bonds and public bonds. They are selected after a thorough examination and analysis of issuance conditions such as bond ratings, coupons, maturity dates, etc. and are appropriately diversified with respect to issuers and remaining periods. Regarding investments in foreign issues, target countries and currencies are selected after a thorough examination of political and economic stability, market characteristics such as clearing systems and taxation systems. For other assets, which include a life insurance company general account, pooled funds and real estate investment trusts, among others, diversified investment is carried out after a thorough examination and analysis of general economic conditions and investment target assets. A life insurance company general account is a product of life insurance companies in which individual insurance funds, corporate plan assets and other funds are jointly managed.

The fair value of TDK's benefit plans at March 31, 2010 by asset type are as follows:

	Yen (Millions)							Total
	2010							
	Japanese plans			Foreign plans				
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	¥ 3,669	-	-	3,669	1,744	507	-	2,251
Equity securities:								
Listed shares	25,696	-	-	25,696	1,559	-	-	1,559
Mutual funds	-	12,333	-	12,333	2,125	-	-	2,125
Pooled funds	-	22,220	-	22,220	-	1,218	-	1,218
Debt securities:								
Government bonds, public bonds, corporate bonds	5,011	-	-	5,011	1,921	1,344	-	3,265
Mutual funds	-	7,263	-	7,263	-	-	-	-
Pooled funds	-	29,567	-	29,567	-	266	-	266
Other assets:								
Life insurance company general account	-	2,655	-	2,655	-	58	-	58
Mutual funds	-	12,109	-	12,109	-	-	-	-
Pooled funds	-	10,047	-	10,047	-	-	-	-
Real estate investment trusts	-	4,616	-	4,616	-	95	-	95
Others	-	655	-	655	-	196	-	196
Total plan assets	¥ 34,376	101,465	-	135,841	7,349	3,684	-	11,033

U.S. Dollars (Thousands)

2010								
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	\$ 39,451	-	-	39,451	18,753	5,451	-	24,204
Equity securities:								
Listed shares	276,301	-	-	276,301	16,763	-	-	16,763
Mutual funds	-	132,613	-	132,613	22,850	-	-	22,850
Pooled funds	-	238,925	-	238,925	-	13,097	-	13,097
Debt securities:								
Government bonds, public bonds, corporate bonds	53,882	-	-	53,882	20,656	14,452	-	35,108
Mutual funds	-	78,097	-	78,097	-	-	-	-
Pooled funds	-	317,925	-	317,925	-	2,860	-	2,860
Other assets:								
Life insurance company general account	-	28,548	-	28,548	-	624	-	624
Mutual funds	-	130,204	-	130,204	-	-	-	-
Pooled funds	-	108,032	-	108,032	-	-	-	-
Real estate investment trusts	-	49,635	-	49,635	-	1,021	-	1,021
Others	-	7,043	-	7,043	-	2,107	-	2,107
<b>Total plan assets</b>	<b>\$ 369,634</b>	<b>1,091,022</b>	<b>-</b>	<b>1,460,656</b>	<b>79,022</b>	<b>39,612</b>	<b>-</b>	<b>118,634</b>

Level 1 assets are mainly equity securities and debt securities that are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Level 2 assets include mainly mutual funds and pooled funds that invests in equity securities and debt securities. They are valued based on quoted prices obtained from asset management agencies and are verified using observable market inputs.

### Contributions

TDK expects to contribute ¥7,641 million (\$82,161 thousand) to its Japanese defined benefit plans and ¥477 million (\$5,129 thousand) to its foreign defined benefit plans for the year ending March 31, 2011.

### Estimated future benefit payments

The benefits are expected to be paid from the pension plans in each year 2011 through 2020 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Year ending March 31,				
2011	¥ 7,579	1,602	\$ 81,495	17,226
2012	7,972	1,618	85,720	17,398
2013	7,218	1,722	77,613	18,516
2014	6,932	1,827	74,538	19,645
2015	7,762	1,999	83,462	21,495
2016 - 2020	41,017	11,336	441,043	121,892

### 10. Legal Reserve and Dividends

The Japanese Companies Act provides that an amount equal to 10 percent of cash dividends and other distributions from retained earnings paid by TDK and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25 percent of their respective stated capital. The Japanese Companies Act also provides that additional paid-in capital and the legal reserve are available for appropriations by the resolution of the shareholders. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries. Cash dividends and appropriations to the legal reserve charged to retained earnings in accordance with Japanese Companies Act for the years ended March 31, 2010, 2009 and 2008 represent dividends paid out during those years and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the dividend taken up at the Ordinary General Meeting of Shareholders of ¥30 (\$0.32) per share aggregating ¥3,870 million (\$41,613 thousand) in respect of the year ended March 31, 2010.

Cash dividends per common share are computed based on dividends paid for the year.

### 11. Stock Option Plan

The Board of Directors, which was held on May 27, 2009 regarding the issuance of stock acquisition rights as share-based compensation stock options (the Stock Acquisition Rights) to Directors pursuant to Articles 236, 238 and 239 of the Japanese Companies Act, adopted resolutions to issue an aggregate of 176 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 4 Directors of TDK. The Stock Acquisition Rights issued on July 4, 2009 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥1 (\$0.01) per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 26, 2009 regarding the issuance of stock acquisition rights as share-based compensation stock options (the Stock Acquisition Rights) to Corporate Officers, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 199 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 13 Corporate Officers of TDK. The Stock Acquisition Rights issued on July 4, 2009 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥1 (\$0.01) per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 26, 2009 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 828 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 159 select senior executives of TDK, and the Directors and select senior executives of subsidiaries. The Stock Acquisition Rights issued on August 20, 2009 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥5,110 (\$54.95) per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of TDK. The exercise price of each Stock Acquisition Rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

The Board of Directors, which was held on May 28, 2008 regarding the issuance of stock acquisition rights as share-based compensation stock options (the Stock Acquisition Rights) to Directors pursuant to Articles 236, 238 and 239 of the Japanese Companies Act, adopted resolutions to issue an aggregate of 139 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 5 Directors of TDK. The Stock Acquisition Rights issued on July 5, 2008 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 27, 2008 regarding the issuance of stock acquisition rights as share-based compensation stock options (the Stock Acquisition Rights) to Corporate Officers, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 107 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 8 Corporate Officers of TDK. The Stock Acquisition Rights issued on July 5, 2008 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 27, 2008 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 987 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 188 select senior executives of TDK, and the Directors and select senior executives of subsidiaries. The Stock Acquisition Rights issued on September 2, 2008 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥6,837 per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of TDK. The exercise price of each Stock Acquisition Rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

The Board of Directors, which was held on May 15, 2007 regarding the issuance of stock acquisition rights as share-based compensation stock options (the Stock Acquisition Rights) to Directors pursuant to Articles 236, 238 and 239 of the Japanese Companies Act, adopted resolutions to issue an aggregate of 86 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 7 Directors of TDK. The Stock Acquisition Rights issued on July 7, 2007 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 28, 2007 regarding the issuance of stock acquisition rights as share-based compensation stock options (the Stock Acquisition Rights) to Corporate Officers, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 61 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 9 Corporate Officers of TDK. The Stock Acquisition Rights issued on July 7, 2007 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 28, 2007 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 986 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 186 select senior executives of TDK, and the Directors and select senior executives of subsidiaries. 10 Stock Acquisition Rights issued to the then 2 select senior executives of TDK on July 20, 2007 and 976 Stock Acquisition Rights issued to the then 184 select senior executives of TDK, and the Directors and select senior executives of subsidiaries on July 11, 2007 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥12,098 per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of TDK. The exercise price of each Stock Acquisition Rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 29, 2006 regarding the issuance of the Stock Acquisition Rights to Directors and Corporate Officers, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 203 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 17 Directors and Corporate Officers of TDK. The Stock Acquisition Rights issued on August 5, 2006 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥1 per share of common stock.



TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 29, 2006 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 966 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 179 select senior executives of TDK, and the Directors and select senior executives of subsidiaries. The Stock Acquisition Rights issued on August 5, 2006 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥9,072 per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issuance of new shares at a price less than the current market price of the shares of TDK. The exercise price of each Stock Acquisition Rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 29, 2005 regarding the issuance of stock acquisition rights as share-based compensation stock options (the Stock Acquisition Rights) to Board members and Corporate Officers, pursuant to Articles 280-20 and 280-21 of the Japanese Commercial Code. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 246 Stock Acquisition Rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 17 Directors and Corporate Officers of TDK. The Stock Acquisition Rights issued on June 30, 2005 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held in June 2005, 2004 and 2003 regarding the issuance of stock acquisition rights as stock options, pursuant to Articles 280-20 and 280-21 of the Japanese Commercial Code. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 906, 2,343 and 2,547 Stock Acquisition Rights, each representing a stock option to purchase 100 shares of common stock of TDK, to the then 172, 187 and 179 Directors, Corporate Officers and select senior executives of TDK, and the Directors and select senior executives of its subsidiaries, respectively. The Stock Acquisition Rights issued on August 11, 2005, August 6, 2004 and August 7, 2003 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years, respectively. The amount to be paid by qualified persons upon the exercise of each Stock Acquisition Rights was set at ¥8,134, ¥8,147 and ¥6,954 per share of common stock, respectively. The exercise price of each Stock Acquisition Rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

At March 31, 2010, TDK has ¥102 million (\$1,097 thousand) of total unrecognized stock option related compensation cost that will be recognized over the weighted average period of 1.1 years. Cash received from stock option exercises was ¥0 million (\$0 thousand) for the year ended March 31, 2010. The total intrinsic value of options exercised during the years ended March 31, 2010, 2009 and 2008 is ¥78 million (\$839 thousand), ¥29 million and ¥207 million, respectively. The total fair value of options vested during the years ended March 31, 2010, 2009 and 2008 is ¥342 million (\$3,677 thousand), ¥337 million and ¥373 million, respectively.

A summary of the status of TDK's stock option plans as of March 31, 2010, 2009 and 2008, and of the activity during the years ending on those dates, is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (1)
		Yen	Years	Yen (Millions)
<b>2010</b>				
Outstanding at beginning of year	<b>693,700</b>	<b>¥ 7,540</b>		
Granted	<b>120,300</b>	<b>3,517</b>		
Exercised	<b>15,500</b>	<b>1</b>		
Forfeited or Expired	<b>127,100</b>	<b>7,284</b>		
Outstanding at end of year	<b>671,400</b>	<b>7,042</b>	<b>4.9</b>	<b>715</b>
Exercisable at end of year	<b>491,900</b>	<b>7,408</b>	<b>5.0</b>	<b>623</b>
Expected to vest after end of year	<b>179,500</b>	<b>6,040</b>	<b>4.8</b>	<b>92</b>
<b>2009</b>				
Outstanding at beginning of year	626,100	¥ 7,790		
Granted	123,300	5,473		
Exercised	24,300	4,499		
Forfeited or Expired	31,400	6,760		
Outstanding at end of year	693,700	7,540	4.4	285
Exercisable at end of year	499,400	6,796	4.2	285
Expected to vest after end of year	194,300	9,453	4.8	—
<b>2008</b>				
Outstanding at beginning of year	653,000	¥ 7,191		
Granted	113,300	10,528		
Exercised	121,600	7,165		
Forfeited or Expired	18,600	7,538		
Outstanding at end of year	626,100	7,790	4.4	351
Exercisable at end of year	432,400	6,533	4.3	351
Expected to vest after end of year	193,700	10,597	4.8	—

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of ¥6,220 (\$66.88) of our common stock on March 31, 2010, ¥3,650 on March 31, 2009 and ¥5,890 on March 31, 2008.



	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
<b>2010</b>				
Outstanding at beginning of year	<b>693,700</b>	<b>\$ 81.08</b>		
Granted	<b>120,300</b>	<b>37.82</b>		
Exercised	<b>15,500</b>	<b>0.01</b>		
Forfeited or Expired	<b>127,100</b>	<b>78.32</b>		
Outstanding at end of year	<b>671,400</b>	<b>75.72</b>	<b>4.9</b>	<b>7,688</b>
Exercisable at end of year	<b>491,900</b>	<b>79.66</b>	<b>5.0</b>	<b>6,699</b>
Expected to vest after end of year	<b>179,500</b>	<b>64.95</b>	<b>4.8</b>	<b>989</b>

Information about stock options outstanding at March 31, 2010 is as follows:

Range of exercise prices	Options Outstanding			
	Number outstanding at March 31, 2010	Weighted average remaining contractual term	Weighted average exercise price	
Yen		(years)	Yen	U.S. Dollars
1	<b>100,200</b>	17.9	1	0.01
5,110	<b>82,800</b>	5.3	5,110	54.95
6,837	<b>96,700</b>	4.3	6,837	73.52
8,134	<b>74,100</b>	1.3	8,134	87.46
8,147	<b>137,500</b>	0.3	8,147	87.60
9,072	<b>85,300</b>	2.3	9,072	97.55
12,098	<b>94,800</b>	3.3	12,098	130.09
1 to 12,098	<b>671,400</b>	4.9	7,042	75.72

The fair value of these stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

**The Stock Acquisition Rights – the exercise price is equal to or greater than the market price of the stock on the grant date**

	2010	2009	2008 (1)
Grant-date fair value	¥ 1,491 (\$ 16.03)	955	2,011
Expected life	4.0 years	4.0 years	4.0 years
Risk-free interest rate	0.53%	0.95%	1.33%
Expected volatility	38.85%	27.40%	26.09%
Expected dividend yield	1.66%	1.19%	0.97%

(1) Grant-date fair value and Expected volatility are weighted average figures of assumptions for options granted on July 11 and July 20, 2007.

**The Stock Acquisition Rights – the exercise price is less than the market price of the stock on the grant date**

	2010	2009	2008
Grant-date fair value	¥ 4,021 (\$ 43.24)	5,967	11,014
Expected life	9.4 years	6.6 years	5.5 years
Risk-free interest rate	1.28%	1.36%	1.59%
Expected volatility	40.62%	33.06%	31.25%
Expected dividend yield	1.18%	1.04%	0.95%

## 12. Equity

Net income attributable to TDK and transfers (to) from noncontrolling interest for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2010	2009	2008	2010
Net income (loss) attributable to TDK	<b>¥ 13,520</b>	(63,160)	71,461	<b>\$ 145,376</b>
Increase in TDK's additional paid-in capital for purchase of 7,200,000 TDK Philippines Corporation common shares	<b>94</b>	-	-	<b>1,011</b>
Decrease in TDK's additional paid-in capital for purchase of 2,000 TDK-Lambda (Thailand) Co., Ltd. common shares	<b>(24)</b>	-	-	<b>(258)</b>
Increase in TDK's additional paid-in capital for allocation of 4,150 TDK Micro Device Corporation new common shares to a third party	<b>8</b>	-	-	<b>86</b>
Decrease in TDK's additional paid-in capital for purchase of 2,785,206 EPCOS AG common shares	<b>(3,306)</b>	-	-	<b>(35,548)</b>
Net transfers (to) from noncontrolling interest	<b>(3,228)</b>	-	-	<b>(34,709)</b>
Change from net income (loss) attributable to TDK and transfers (to) from noncontrolling interest	<b>¥ 10,292</b>	(63,160)	71,461	<b>\$ 110,667</b>

### 13. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) for the years ended March 31, 2010, 2009 and 2008 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Foreign currency translation adjustments:			
Balance at beginning of period	¥ (114,491)	(72,445)	(16,688) \$ (1,231,086)
Adjustments for period	(21,794)	(42,046)	(55,757) (234,344)
Balance at end of period	(136,285)	(114,491)	(72,445) (1,465,430)
Net unrealized gains (losses) on securities:			
Balance at beginning of period	(1,631)	(1,527)	1,769 (17,537)
Adjustments for period	3,614	(104)	(3,296) 38,860
Balance at end of period	1,983	(1,631)	(1,527) 21,323
Pension liability adjustments:			
Balance at beginning of period	(46,619)	(7,611)	(2,927) (501,280)
Adjustments for period	8,829	(39,008)	(4,684) 94,936
Balance at end of period	(37,790)	(46,619)	(7,611) (406,344)
Total accumulated other comprehensive income (loss):			
Balance at beginning of period	(162,741)	(81,583)	(17,846) (1,749,903)
Adjustments for period	(9,351)	(81,158)	(63,737) (100,548)
Balance at end of period	¥ (172,092)	(162,741)	(81,583) \$ (1,850,451)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2010, 2009 and 2008, are as follows:

	Yen (Millions)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2010</b>			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	¥ (22,193)	17	(22,176)
Reclassification adjustments for the portion of gains and losses realized upon sale and liquidation of investments in foreign entities	382	-	382
Net foreign currency translation adjustments	(21,811)	17	(21,794)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	4,570	(1,701)	2,869
Reclassification adjustments for (gains) losses realized in net income	1,253	(508)	745
Net unrealized gains (losses)	5,823	(2,209)	3,614
Pension liability adjustments	16,571	(7,742)	8,829
Other comprehensive income (loss)	¥ 583	(9,934)	(9,351)
<b>2009</b>			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	¥ (42,096)	(145)	(42,241)
Reclassification adjustments for the portion of gains and losses realized upon sale and liquidation of investments in foreign entities	195	-	195
Net foreign currency translation adjustments	(41,901)	(145)	(42,046)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	(6,430)	2,874	(3,556)
Reclassification adjustments for (gains) losses realized in net income	5,687	(2,235)	3,452
Net unrealized gains (losses)	(743)	639	(104)
Pension liability adjustments	(65,902)	26,894	(39,008)
Other comprehensive income (loss)	¥ (108,546)	27,388	(81,158)

2008

Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	¥ (56,565)	(103)	(56,668)
Reclassification adjustments for the portion of gains and losses realized upon sale and liquidation of investments in foreign entities	911	-	911
Net foreign currency translation adjustments	(55,654)	(103)	(55,757)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	(6,343)	2,145	(4,198)
Reclassification adjustments for (gains) losses realized in net income	1,513	(611)	902
Net unrealized gains (losses)	(4,830)	1,534	(3,296)
Pension liability adjustments	(8,080)	3,396	(4,684)
Other comprehensive income (loss)	¥ (68,564)	4,827	(63,737)

	U.S. Dollars (Thousands)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
<b>2010</b>			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	\$ (238,635)	183	(238,452)
Reclassification adjustments for the portion of gains and losses realized upon sale and liquidation of investments in foreign entities	4,108	-	4,108
Net foreign currency translation adjustments	(234,527)	183	(234,344)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	49,140	(18,291)	30,849
Reclassification adjustments for (gains) losses realized in net income	13,473	(5,462)	8,011
Net unrealized gains (losses)	62,613	(23,753)	38,860
Pension liability adjustments	178,183	(83,247)	94,936
Other comprehensive income (loss)	\$ 6,269	(106,817)	(100,548)

#### 14. Leases

TDK occupies offices and other facilities under various cancellable lease agreements expiring in 2011 through 2012. Lease deposits made under such agreements, aggregating ¥1,105 million (\$11,882 thousand), at March 31, 2010 is included in other assets on the accompanying consolidated balance sheets.

The amount of assets under capital leases and the related accumulated depreciation and amortization included in property, plant and equipment and intangible assets on the consolidated balance sheets as of March 31, 2010 are as follows. Please note that the amount of assets under capital leases and the related accumulated depreciation and amortization as of March 31, 2009 are omitted here due to their immateriality.

	Yen (Millions)	U.S. Dollars (Thousands)
Land	¥ 1,217	\$ 13,086
Buildings - cost	2,397	25,774
Machinery and equipment - cost	1,432	15,398
Intangible assets - cost	592	6,365
Accumulated depreciation and amortization	(1,062)	(11,419)
Net leased assets	¥ 4,576	\$ 49,204

The depreciation and amortization expense for assets under capital leases is included in the cost of sales and selling, general and administrative expenses on the consolidated statements of operations.

The following is a schedule by years of future minimum lease payments required under capital leases and operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 2010:

Year ending March 31,	Yen (Millions)		U.S. Dollars (Thousands)	
	Capital leases	Operating leases	Capital leases	Operating leases
2011	¥ 1,015	¥ 5,306	\$ 10,914	\$ 57,055
2012	989	4,212	10,634	45,290
2013	752	3,468	8,086	37,290
2014	648	2,299	6,968	24,720
2015	621	1,887	6,677	20,290
Later years	11,073	3,430	119,065	36,882
Total minimum lease payments	¥ 15,098	¥ 20,602	\$ 162,344	\$ 221,527
Amounts representing interest	10,096		108,559	
Present value of net minimum lease payments	5,002		53,785	
Current portion	522		5,613	
Long-term lease liabilities (Excluding current portion)	¥ 4,480		\$ 48,172	



## 15. Commitments and Contingent Liabilities

Commitments outstanding for the purchase of property, plant and equipment at March 31, 2010 and 2009 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Commitments outstanding for the purchase of property, plant and equipment	¥ 11,751	17,303	\$ 126,355

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

The maximum amount of undiscounted payments TDK would have to make in the event of default at March 31, 2010 and 2009 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Guarantees to third parties on bank loans of employees	¥ 3,800	4,374	\$ 40,860

As of March 31, 2010, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangements is not material.

Several claims against TDK are pending. Provision has been made for the estimated liabilities for the items. In the opinion of management, based upon discussion with counsel, any additional liability not currently provided for will not materially affect the consolidated financial position and results of operations of TDK.

## 16. Risk Management Activities and Derivative Financial Instruments

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

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

Notional amounts of derivative financial instruments at March 31, 2010 and 2009 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Forward foreign exchange contracts	¥ 28,141	44,226	\$ 302,591
Currency swaps	15,584	912	167,570
Interest rate swaps	-	5,113	-
Commodity forward transactions	85	4,944	914
	¥ 43,810	55,195	\$ 471,075

Fair value of derivative financial instruments at March 31, 2010 and 2009 are as follows:

	Yen (Millions)	
	Account	Fair value
<b>2010</b>		
Assets:		
Forward foreign exchange contracts	Prepaid expense and other current assets	¥ 138
Currency swaps	Prepaid expense and other current assets	171
Commodity forward transactions	Prepaid expense and other current assets	9
Assets total		¥ 318
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 520
Currency swaps	Other noncurrent liabilities	134
Liabilities total		¥ 654

	Yen (Millions)	
	Account	Fair value
<b>2009</b>		
Assets:		
Forward foreign exchange contracts	Prepaid expense and other current assets	¥ 1,146
Currency swaps	Prepaid expense and other current assets	143
Commodity forward transactions	Prepaid expense and other current assets	292
Assets total		¥ 1,581
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 807
Interest rate swaps	Other noncurrent liabilities	164
Commodity forward transactions	Other current liabilities	1,042
Liabilities total		¥ 2,013

U.S. Dollars (Thousands)		
<b>2010</b>		
	Account	Fair value
<b>Assets:</b>		
Forward foreign exchange contracts	Prepaid expense and other current assets	<b>\$ 1,484</b>
Currency swaps	Prepaid expense and other current assets	<b>1,838</b>
Commodity forward transactions	Prepaid expense and other current assets	<b>97</b>
Assets total		<b>\$ 3,419</b>
<b>Liabilities:</b>		
Forward foreign exchange contracts	Other current liabilities	<b>\$ 5,591</b>
Currency swaps	Other noncurrent liabilities	<b>1,441</b>
Liabilities total		<b>\$ 7,032</b>

The effect of derivative financial instruments on the consolidated statements of operations for the years ended March 31, 2010 and 2009 are as follows:

		Yen (Millions)	2009	U.S. Dollars (Thousands)
	Account	<b>2010</b>		<b>2010</b>
Forward foreign exchange contracts	Foreign exchange gain (loss)	<b>¥ (527)</b>	218	<b>\$ (5,667)</b>
Currency option contracts	Foreign exchange gain (loss)	-	(18)	-
Currency swaps	Foreign exchange gain (loss)	<b>478</b>	(95)	<b>5,140</b>
Interest rate swaps	Interest expense	<b>128</b>	(157)	<b>1,376</b>
Commodity forward transactions	Cost of sales	<b>167</b>	744	<b>1,796</b>
		<b>¥ 246</b>	692	<b>\$ 2,645</b>

## 17. Fair Value of Financial Instruments

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

**(a) Cash and cash equivalents, Short-term investments, Trade receivables, Income tax receivables, Prepaid expenses and other current assets, Short-term debt, Trade payables, Accrued salaries and wages, Accrued expenses, Income taxes payables and Other current liabilities**

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

**(b) Marketable securities and Investments in securities**

The fair values of marketable securities and investments in securities are primarily estimated based on quoted market prices for these instruments. For a part of investments in securities for which there are no quoted market prices, a reasonable estimate of fair values could not be made without incurring excessive costs.

**(c) Long-term debt**

The fair value of TDK's long-term debt is estimated based on the amount of future cash flows associated with the instrument discounted using TDK's current borrowing rate for 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 at March 31, 2010 and 2009, are summarized as follows:

<b><u>As of March 31, 2010</u></b>	<b>Yen (Millions)</b>	
	<b>Carrying amount</b>	<b>Estimated fair value</b>
Assets:		
Marketable securities for which it is: Practicable to estimate fair value	<b>¥ 22,405</b>	<b>22,405</b>
Investments in securities and other assets for which it is: Practicable to estimate fair value	<b>25,387</b>	<b>25,387</b>
Not practicable to estimate fair value	<b>692</b>	<b>-</b>
Liability:		
Long-term debt, including current portion	<b>(190,108)</b>	<b>(192,233)</b>

<b><u>As of March 31, 2009</u></b>	<b>Yen (Millions)</b>	
	<b>Carrying amount</b>	<b>Estimated fair value</b>
Assets:		
Marketable securities for which it is: Practicable to estimate fair value	<b>¥ 17,968</b>	<b>17,968</b>
Investments in securities and other assets for which it is: Practicable to estimate fair value	<b>26,830</b>	<b>26,830</b>
Not practicable to estimate fair value	<b>588</b>	<b>-</b>
Liability:		
Long-term debt, including current portion	<b>(213,580)</b>	<b>(213,290)</b>

<b><u>As of March 31, 2010</u></b>	<b>U.S. Dollars (Thousands)</b>	
	<b>Carrying amount</b>	<b>Estimated fair value</b>
Assets:		
Marketable securities for which it is: Practicable to estimate fair value	<b>\$ 240,914</b>	<b>240,914</b>
Investments in securities and other assets for which it is: Practicable to estimate fair value	<b>272,978</b>	<b>272,978</b>
Not practicable to estimate fair value	<b>7,441</b>	<b>-</b>
Liability:		
Long-term debt, including current portion	<b>(2,044,172)</b>	<b>(2,067,022)</b>

Derivative financial instruments are presented in Note 16 of the Notes to Consolidated Financial Statements.

### *Limitations*

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

### **18. Fair Value Measurements**

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

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

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

Assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2010 and 2009 are as follows:

<u>As of March 31, 2010</u>	Yen (Millions)			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Marketable securities (Debt securities):				
U.S. Treasury	¥ 22,405	-	-	¥ 22,405
Derivative contracts:				
Forward foreign exchange contracts	-	138	-	138
Currency swaps	-	171	-	171
Commodity forward transaction	-	9	-	9
Investments (Debt securities):				
Government bonds	998	-	-	998
Commercial papers	-	929	-	929
Public-utility bonds	5	-	-	5
Investments (Equity securities):				
Manufacturing companies	11,372	-	-	11,372
Other	1,338	-	-	1,338
Investments (Mutual funds)	857	-	-	857
Rabbi trust investments	3,715	-	-	3,715
<b>Total</b>	<b>¥ 40,690</b>	<b>1,247</b>	<b>-</b>	<b>¥ 41,937</b>
<b>Liabilities:</b>				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	520	-	¥ 520
Currency swaps	-	134	-	134
<b>Total</b>	<b>¥ -</b>	<b>654</b>	<b>-</b>	<b>¥ 654</b>
<u>As of March 31, 2009</u>	Yen (Millions)			Total
	Level 1	Level 2	Level 3	
<b>Assets:</b>				
Short-term investments	¥ 57	-	-	¥ 57
Marketable securities	17,968	-	-	17,968
Derivative contracts	-	1,581	-	1,581
Long-term marketable securities	9,728	838	-	10,566
<b>Total</b>	<b>¥ 27,753</b>	<b>2,419</b>	<b>-</b>	<b>¥ 30,172</b>
<b>Liabilities:</b>				
Derivative contracts	¥ -	2,013	-	¥ 2,013
<b>Total</b>	<b>¥ -</b>	<b>2,013</b>	<b>-</b>	<b>¥ 2,013</b>

<b>As of March 31, 2010</b>	U.S. Dollars (Thousands)			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Marketable securities (Debt securities):				
U.S. Treasury	<b>\$ 240,914</b>	-	-	<b>\$ 240,914</b>
Derivative contracts:				
Forward foreign exchange contracts	-	<b>1,484</b>	-	<b>1,484</b>
Currency swaps	-	<b>1,838</b>	-	<b>1,838</b>
Commodity forward transaction	-	<b>97</b>	-	<b>97</b>
Investments (Debt securities):				
Government bonds	<b>10,731</b>	-	-	<b>10,731</b>
Commercial papers	-	<b>9,989</b>	-	<b>9,989</b>
Public-utility bonds	<b>54</b>	-	-	<b>54</b>
Investments (Equity securities):				
Manufacturing companies	<b>122,280</b>	-	-	<b>122,280</b>
Other	<b>14,387</b>	-	-	<b>14,387</b>
Investments (Mutual funds)	<b>9,215</b>	-	-	<b>9,215</b>
Rabbi trust investments	<b>39,946</b>	-	-	<b>39,946</b>
Total	<b>\$ 437,527</b>	<b>13,408</b>	-	<b>\$ 450,935</b>
<b>Liabilities:</b>				
Derivative contracts:				
Forward foreign exchange contracts	\$ -	<b>5,591</b>	-	<b>\$ 5,591</b>
Currency swaps	-	<b>1,441</b>	-	<b>1,441</b>
Total	<b>\$ -</b>	<b>7,032</b>	-	<b>\$ 7,032</b>

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

Level 2 derivative contracts include forward foreign exchange contracts, currency swaps and commodity forward transactions and are valued based on quotes obtained from counterparties and are verified using observable market inputs, such as foreign currency exchange rates and inputs from commodities markets. Investments consist of commercial papers and the fair values thereof are based on the third-party assessment using observable market data.



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

Assets and liabilities that are measured at fair value on a nonrecurring basis as of March 31, 2010 and 2009 are as follows:

<u>As of March 31, 2010</u>	Yen (Millions)				Total gains (losses) for 2010
	Carrying amount	Level 1	Level 2	Level 3	
Assets:					
Investments (Equity securities)	¥ 449	-	-	449	(91)
Property, plant and equipment	1,940	-	-	1,940	(4,403)
Intangible assets	26	-	-	26	(271)
		Total			(4,765)

<u>As of March 31, 2009</u>	Yen (Millions)				Total gains (losses) for 2009
	Carrying amount	Level 1	Level 2	Level 3	
Assets:					
Nonmarketable securities	¥ 572	-	-	572	(188)
Investments in affiliates	5,817	5,817	-	-	(17,419)
		Total			(17,607)

<u>As of March 31, 2010</u>	U.S. Dollars (Thousands)				Total gains (losses) for 2010
	Carrying amount	Level 1	Level 2	Level 3	
Assets:					
Investments (Equity securities)	\$ 4,828	-	-	4,828	(979)
Property, plant and equipment	20,860	-	-	20,860	(47,344)
Intangible assets	280	-	-	280	(2,914)
		Total			(51,237)

For the year ended March 31, 2010, investments which consist of nonmarketable securities valued using the cost method with the book value of ¥540 million (\$5,806 thousand) was impaired to the fair value of ¥449 million (\$4,828 thousand). These nonmarketable securities are classified as Level 3 because their fair value was calculated using unobservable inputs. Mainly based on the discounted future cash flows expected from the use of each of the assets, the book value of property, plant and equipment of ¥6,343 million (\$68,204 thousand) was written down to its fair value of ¥1,940 million (\$20,860 thousand), with the book value of intangible assets of ¥297 million (\$3,194 thousand) written down to its fair value of ¥26 million (\$280 thousand), as a result of the impairment. Because unobservable inputs were used for each respective fair value, they are classified as Level 3.

As a result of the above, the impairment of ¥4,765 million (\$51,237 thousand) caused by other-than-temporary declines in fair values at March 31, 2010 is included in consolidated statements of operations.

For the year ended March 31, 2009, nonmarketable securities valued using the cost method with the book value of ¥760 million was impaired to the fair value of ¥572 million. These nonmarketable securities are classified as Level 3 because their fair value was calculated using unobservable inputs. And Investment in an affiliate listed in the U.S. is impaired to the fair value of ¥5,817 million. This investment is valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. See Note 5 “Investments in Affiliates” for judgments relating to the impairment.

As a result of the above, the impairment of ¥17,607 million caused by other-than-temporary declines in fair values at March 31, 2009 was included in consolidated statements of operations.

## 19. Restructuring Cost

For the year ended March 31, 2009, TDK experienced a sharp deterioration in earnings due to falling orders and a lower capacity utilization rate. Under these circumstances, TDK established in November 2008 an internal “Earnings Structure Reform Committee” as an emergency measure. The Committee had formulated measures to reform TDK’s earnings structure and implemented them steadily after obtaining the required approvals, while particularly deliberating the revision and rationalization of operating and production systems in response to falling orders. TDK recorded impairment mainly on manufacturing facilities and began reducing personnel. In line with these actions, TDK recorded an impairment, expenses related to workforce reductions and others totaled to ¥15,884 million for the year ended March 31, 2009. A breakdown includes ¥4,802 million for the Passive Components segment, ¥10,462 million for the Magnetic Application Products segment, ¥381 million for the Other and ¥239 million for the head office function section included in Corporate.

For the year ended March 31, 2010, TDK continued to deliberate the revision and rationalization of operations and production systems as part of structural reforms, and implemented them steadily. As a result, TDK recorded an impairment, expenses related to workforce reductions and others totaled to ¥4,922 million (\$52,925 thousand). A breakdown includes ¥3,764 million (\$40,473 thousand) for the Passive Components segment, ¥948 million (\$10,194 thousand) for the Magnetic Application Products segment, ¥137 million (\$1,473 thousand) for the Other and ¥73 million (\$785 thousand) for the head office function section included in Corporate.

The impact of the restructuring activities for the years ended March 31, 2010 and 2009 are as follows:

	Yen (Millions)			
	Workforce reduction obligations	Impairment	Others	Total
<b>March 31, 2008</b>	¥ -	-	-	-
Costs and expenses	3,532	9,763	2,589	15,884
Payments	3,219	-	480	3,699
Noncash adjustments	-	9,763	892	10,655
<b>March 31, 2009</b>	313	-	1,217	1,530
Costs and expenses	<b>2,091</b>	<b>1,630</b>	<b>1,201</b>	<b>4,922</b>
Payments	<b>1,893</b>	-	<b>1,445</b>	<b>3,338</b>
Noncash adjustments	<b>84</b>	<b>1,630</b>	<b>705</b>	<b>2,419</b>
<b>March 31, 2010</b>	¥ <b>427</b>	-	<b>268</b>	<b>695</b>

	U.S. Dollars (Thousands)			
<b>March 31, 2009</b>	<b>\$ 3,365</b>	<b>-</b>	<b>13,087</b>	<b>16,452</b>
Costs and expenses	22,484	17,527	12,914	52,925
Payments	20,355	-	15,538	35,893
Noncash adjustments	903	17,527	7,581	26,011
<b>March 31, 2010</b>	<b>\$ 4,591</b>	<b>-</b>	<b>2,882</b>	<b>7,473</b>

A breakdown of costs and expenses recorded as others mainly relates to removal costs of property and equipment and contract termination fees for both years ended March 31, 2010 and 2009.

Liabilities relate to the restructuring were mainly included in accrued expenses in the consolidated balance sheets as of March 31, 2010. TDK expects that most of the accrued liabilities of ¥695 million (\$7,473 thousand) recognized at March 31, 2010 will be paid by March 31, 2011.

## 20. Impairment of Long-Lived Assets

For the years ended March 31, 2010 and 2009, an impairment of ¥3,044 million (\$32,731 thousand) and ¥8,159 million, respectively, are recorded mainly with respect to the property, plant and equipment of the Passive Components and Magnetic Application Products segments. These are the result of a reduction of the carrying value of the long-lived assets to the fair value because of a reduction in profitability derived from lower demand and the inability to predict salability of these assets.

Impairment is included in selling, general and administrative expenses in the consolidated statements of operations.

For the years ended March 31, 2010 and 2009, a breakdown of the impairment includes ¥132 million (\$1,419 thousand) and ¥1,906 million, respectively, for the Passive Components segment, ¥1,664 million (\$17,892 thousand) and ¥6,212 million, respectively, for the Magnetic Application Products segment and ¥1,248 million (\$13,419 thousand) and ¥41 million, respectively, for the head office function section included in Corporate.

See Note 19 "Restructuring Cost" for details on impairment recognized as part of the Earnings Structure Reform.

## 21. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2010 and 2009 are as follows:

	Yen (Millions)		
	<b>2010</b>		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
<b>Amortized intangible assets:</b>			
Patent	¥ 42,177	13,213	28,964
Customer relationships	23,124	8,452	14,672
Software	15,468	7,797	7,671
Unpatented technologies	27,476	10,958	16,518
Other	5,281	1,214	4,067
Total	<b>113,526</b>	<b>41,634</b>	<b>71,892</b>
<b>Unamortized intangible assets</b>			
Trademark	7,565		7,565
Other	530		530
Total	<b>¥ 8,095</b>		<b>8,095</b>
	Yen (Millions)		
	<b>2009</b>		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
<b>Amortized intangible assets:</b>			
Patent	¥ 39,629	10,395	29,234
Customer relationships	24,932	6,178	18,755
Software	11,903	7,141	4,762
Unpatented technologies	30,467	8,621	21,846
Other	6,227	1,822	4,405
Total	113,158	34,157	79,002
<b>Unamortized intangible assets</b>			
Trademark	7,705		7,705
Other	1,231		1,231
Total	¥ 8,936		8,936

U.S. Dollars (Thousands)			
<b>2010</b>			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	<b>\$ 453,516</b>	<b>142,075</b>	<b>311,441</b>
Customer relationships	<b>248,645</b>	<b>90,882</b>	<b>157,763</b>
Software	<b>166,323</b>	<b>83,839</b>	<b>82,484</b>
Unpatented technologies	<b>295,441</b>	<b>117,828</b>	<b>177,613</b>
Other	<b>56,785</b>	<b>13,054</b>	<b>43,731</b>
Total	<b>1,220,710</b>	<b>447,678</b>	<b>773,032</b>
Unamortized intangible assets			
Trademark	<b>81,344</b>		<b>81,344</b>
Other	<b>5,699</b>		<b>5,699</b>
Total	<b>\$ 87,043</b>		<b>87,043</b>

Intangible assets acquisitions for the year ended March 31, 2009 primarily represent the intangible assets acquired in connection with the acquisition of EPCOS AG in the amount of ¥32,508 million (Note 23).

No significant intangible assets excluding goodwill were acquired in the year ended March 31, 2010.

Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives to their estimated residual value of zero. The useful lives are 3 years to 18 years for Patent, 5 to 17 years for Customer relationships, 2 to 10 years for Internal-use Software, 3 years to 20 years for Unpatented technologies and 5 to 15 years for Other intangible assets.

Aggregate amortization expense for the years ended March 31, 2010, 2009 and 2008 was ¥13,972 million (\$150,237 thousand), ¥11,766 million and ¥5,771 million, respectively. Estimated amortization expense for the next five years is: ¥13,650 million in 2011, ¥12,183 million in 2012, ¥9,812 million in 2013, ¥8,528 million in 2014 and ¥6,553 million in 2015.

The changes in the carrying amount of goodwill by segment for the years ended March 31, 2010 and 2009 are as follows:

	Yen (Millions)			
	Passive Components	Magnetic Application Products	Other	Total
<b>March 31 , 2008</b>				
Goodwill	¥ 683	26,010	3,327	30,020
Accumulated impairment losses	-	-	-	-
	683	26,010	3,327	30,020
Acquisitions	31,428	7	-	31,435
Impairments	-	(1,530)	-	(1,530)
Others	(221)	(254)	-	(475)
Translation adjustment	(2,935)	(1,327)	10	(4,252)
<b>March 31 , 2009</b>				
Goodwill	28,955	24,436	3,337	56,728
Accumulated impairment losses	-	(1,530)	-	(1,530)
	28,955	22,906	3,337	55,198
Acquisitions	-	-	-	-
Impairments	-	-	-	-
Others	(80)	(303)	-	(383)
Translation adjustment	(1,390)	(1,208)	(177)	(2,775)
<b>March 31 , 2010</b>				
Goodwill	27,485	22,925	3,160	53,570
Accumulated impairment losses	-	(1,519)	-	(1,519)
	¥ 27,485	21,406	3,160	52,051

	U.S. Dollars (Thousands)			
	Passive Components	Magnetic Application Products	Other	Total
<b>March 31 , 2009</b>				
Goodwill	\$ 311,344	262,752	35,882	609,978
Accumulated impairment losses	-	(16,451)	-	(16,451)
	311,344	246,301	35,882	593,527
Acquisitions	-	-	-	-
Impairments	-	-	-	-
Others	(860)	(3,258)	-	(4,118)
Translation adjustment	(14,946)	(12,989)	(1,904)	(29,839)
<b>March 31 , 2010</b>				
Goodwill	295,538	246,505	33,978	576,021
Accumulated impairment losses	-	(16,333)	-	(16,333)
	\$ 295,538	230,172	33,978	559,688

Goodwill acquisitions for the year ended March 31, 2009 primarily relate to the acquisition of EPCOS AG in the amount of ¥31,097 million (Note 23).

Goodwill was tested for impairment and TDK recognized an impairment of ¥1,530 million for goodwill in the Magnetic Application Products segment during the year ended March 31, 2009. The impairment charge was derived from a decline in the fair value of certain reporting unit. The fair value of the reporting unit was estimated using the present value of expected future cash flow.

## 22. Net Income (Loss) attributable to TDK per Share

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

	2010	Yen (Millions) 2009	2008	U.S. Dollars (Thousands) 2010
Net income (loss) attributable to TDK available to common stockholders	<b>¥ 13,520</b>	(63,160)	71,461	<b>\$ 145,376</b>
	Number of shares (Thousands)			
	<b>2010</b>	2009	2008	
Weighted average common shares outstanding - Basic	<b>128,987</b>	128,974	129,525	
Effect of dilutive stock options	<b>97</b>	-	124	
Weighted average common shares outstanding - Diluted	<b>129,084</b>	128,974	129,649	
	2010	Yen 2009	2008	U.S. Dollars 2010
Net income (loss) attributable to TDK per share:				
Basic	<b>¥ 104.82</b>	(489.71)	551.72	<b>\$ 1.13</b>
Diluted	<b>104.74</b>	(489.71)	551.19	<b>1.13</b>

For the years ended March 31, 2010, 2009 and 2008, stock options to purchase 571,200 shares, 615,500 shares and 193,700 shares, respectively, were excluded from the calculation of diluted earnings attributable to TDK per share as the effect would have been antidilutive.

## 23. Acquisition

### (1) EPCOS AG

On October 17, 2008 ("acquisition date"), TDK acquired 36.0 percent of the issued and outstanding common shares of EPCOS AG ("EPCOS") by a public tender offer ("Offer") in accordance with Business Combination Agreement ("BCA") that TDK and EPCOS concluded on July 31, 2008.

As a result of the Offer and the acquisitions of shares outside the Offer, TDK obtained 55,993 thousand shares (84.3 percent equity interest) in EPCOS at the acquisition date, and EPCOS became a consolidated subsidiary of TDK.



EPCOS is headquartered in Munich, Germany, and is a leading manufacturer of electronic components, modules and systems. With its broad portfolio, EPCOS offers a comprehensive range of products and focuses on fast-growing and technologically demanding markets, in particular in the areas of information and communication technology, as well as automotive, industrial and consumer electronics. EPCOS and its subsidiaries have design and manufacturing locations and sales offices in Europe, Asia, and in North and South America.

TDK and EPCOS are both engaged in the electronic components business, but there is little overlap in terms of product fields or markets, and TDK expects to capture powerful synergies.

TDK acquired 23,890 thousand shares (36.0 percent equity interest) at a cost of ¥63,560 million through the Offer. Prior to the conclusion of the Offer, TDK had acquired 32,103 thousand shares of EPCOS in the market, giving it 48.3 percent equity interest at a cost of ¥79,466 million. As of the acquisition date, TDK held 55,993 thousand shares (84.3 percent equity interest) in EPCOS at a total cost of ¥143,026 million.

As a result of the successful Offer, TDK conducted an additional public tender offer from October 14, 2008 through October 27, 2008 (“Additional Offer”) in accordance with the German regulations. TDK acquired an additional 7,904 thousand shares (11.5 percent equity interest) for ¥17,858 million including shares acquired outside of the Additional Offer.

As of March 31, 2009, TDK held 63,897 thousand shares (95.8 percent equity interest) in EPCOS at a total cost of ¥163,727 million, which was paid in cash. The total cost includes direct costs of ¥2,843 million.

On October 22, 2009, the squeeze out of the shares of noncontrolling interests (4.2 percent of the issued stocks) of EPCOS was completed in accordance with German Stock Corporation Act, and TDK acquired 2,785 thousand shares of EPCOS for the year ended March 31, 2010 at a total cost of ¥6,912 million (\$74,323 thousand). As a result, EPCOS became a TDK’s wholly owned subsidiary.

The acquisition has been accounted for by the purchase method of accounting. TDK applied equity method of accounting prior to the acquisition date.

TDK has included the results of operations of EPCOS and its subsidiaries in its consolidated financial statements since the acquisition date.

There are no significant changes in goodwill for the year ended March 31, 2010.

The preliminary allocation of the total purchase price of EPCOS to the assets acquired and liabilities assumed as of acquisition date is as follows:

	Yen (Millions)
Current assets	¥ 113,429
Property, plant and equipment	92,247
Intangible assets	32,508
Goodwill	31,097
Other assets	18,554
Total assets acquired	<u>287,835</u>
Current liabilities	(70,381)
Noncurrent liabilities	(46,654)
Minority interests	(7,073)
Total liabilities assumed	<u>(124,108)</u>
Net assets acquired	<u>¥ 163,727</u>

For the year ended March 31, 2010, allocation of the total purchase price of EPCOS was completed. The final allocation of total purchase price of EPCOS was not materially difference from the preliminary allocation of the total purchase price.

Of the ¥32,508 million of acquired intangible assets, ¥4,149 million was assigned to registered trademarks that are not subject to amortization and ¥799 million was assigned to in-process research and development assets that were written off at the acquisition date. Those write-offs are included in selling, general and administrative expenses. In-process research and development assets are defined as those projects that had not reached technological feasibility and had no alternative future use when acquired. The remaining ¥27,560 million of acquired intangible assets have a weighted average useful life of approximately 5.7 years. The intangible assets that make up that amount include technology of ¥12,698 million (7.0-year weighted average useful life), customer relationship of ¥12,084 million (4.5-year weighted average useful life), patents and licenses of ¥2,220 million (6.0-year weighted average useful life), order backlog of ¥434 million (0.3-year weighted average useful life) and other intangible assets of ¥124 million. The ¥31,097 million of goodwill is expected to be nondeductible for tax purposes.

#### Pro Forma Results

The following unaudited Pro Forma result presents the combined results of operations of TDK and EPCOS as if the acquisition had occurred at the beginning of the reporting period being presented. The unaudited Pro Forma result is not intended to represent or be indicative of TDK's consolidated results of operations that would have been reported had the acquisition been completed as of the beginning of the periods presented and should not be taken as indicative of the TDK's future consolidated results of operations.

(Unaudited)	Yen (Millions)	
	2009	2008
Net sales	¥ 849,250	1,103,696
Net income (loss) attributable to TDK	(64,180)	75,469
	Yen	
	2009	2008
Net income (loss) per share attributable to TDK:		
Basic	¥ (497.62)	582.66
Diluted	(497.62)	577.45

#### (2) Magnecomp Precision Technology Public Company Limited

On November 7, 2007 ("acquisition date"), TDK acquired 1,549,551 thousand shares, or 74.3 percent of the outstanding shares (inclusive of the option noted below), of Thailand-based Magnecomp Precision Technology Public Company Limited ("MPT") from Magnecomp International Limited presently known as InnoTek Limited ("InnoTek"), a Singapore-based company, for total purchase price, including direct cost, of ¥14,962 million. MPT became a subsidiary of TDK as a result of the acquisition.

TDK holds an option to purchase from InnoTek and InnoTek holds an option to put to TDK 208,486 thousand shares in 18 months from the acquisition date. The option was considered to be a part of the purchase consideration and was included in the total purchase price, all of which was paid in cash, with the exception of \$16,500 thousand which will be paid upon settlement of the option.

In December 2007, TDK acquired an additional 513,963 thousand shares in MPT by a tender offer. TDK also purchased an additional 1,164 thousand shares in a series of open market transactions. The total purchase price to acquire these additional shares was ¥5,902 million.

As a result of these transactions, TDK's interest in MPT has increased to 99.0 percent by March 31, 2008.

MPT has technological strengths and expertise in the design and manufacture of suspension assemblies, a key component of HDD magnetic heads. TDK believes the acquisition of MPT will help TDK to strengthen the competitiveness of its HDD magnetic heads business.

TDK has included the results of operations of MPT and its subsidiaries in its consolidated financial statements since the acquisition date.

The purchase price has been allocated based on the fair value of the net assets acquired, including identifiable intangible assets and liabilities assumed, at the date of acquisition. The excess of the purchase price over the net of amounts assigned to the fair value of the tangible and identifiable intangible assets acquired and the liabilities assumed is recorded as goodwill.

As a result of the purchase price allocation, TDK recognized goodwill of ¥10,143 million and intangible assets, primarily consisting of unpatented technologies with a weighted average useful life of approximately 3.5 years, of ¥ 3,240 million. Goodwill is not deductible for tax purposes.

TDK expedited the purchase of shares in MPT from InnoTek specified in the option agreement and paid in cash during the year ended March 31, 2009.

For the year ended March 31, 2009, TDK acquired an additional 15,686 thousand shares in MPT in a series of open market transactions for total purchase price, including direct cost, of ¥166 million.

For the year ended March 31, 2010, TDK acquired an additional 1,549 thousand shares in MPT in a series of open market transactions for total purchase price, including direct cost, of ¥12 million (\$129 thousand).

As a result of these transactions, TDK's interest in MPT has increased to 99.8 percent by March 31, 2010.

#### **24. Additional acquisition**

On November 15, 2007, TDK acquired an additional 37.5 percent of the issued and outstanding common shares of DENSEI-LAMBDA by a tender offer. TDK had initially acquired 58.7 percent of the outstanding shares on October 1, 2005, and DENSEI-LAMBDA has been a consolidated subsidiary of TDK since the initial acquisition. TDK purchased 8,111 thousands shares for approximately ¥14,525 million in total by the tender offer increasing TDK's interest in DENSEI-LAMBDA to 96.3 percent.

DENSEI-LAMBDA engages mainly in the power supply business including the manufacture and sale of switching power supplies and uninterruptible power supplies. The recent market environment in connection with the power supply business and the electronic materials and components businesses is growing and expanding not only within the existing field of industrial equipment but also into new fields, such as automobile and digital home appliances. In order to pursue the business growth under such environment, TDK completed the tender offer to turn DENSEI-LAMBDA into a wholly owned subsidiary.

On February 29, 2008, TDK purchased an additional 775 thousands of common shares subject to class-wide call (3.7 percent of issued and outstanding common stock) for ¥1,330 million in total. As a result of this transaction, DENSEI-LAMBDA became a wholly owned subsidiary of TDK.

As a result of the purchase price allocation, the purchase price has been allocated based on the fair value of the net assets acquired, including identifiable intangible assets and liabilities assumed, at the date of acquisition. The excess of the purchase price over the net of amounts assigned to the fair value of the tangible and identifiable intangible assets acquired and the liabilities assumed are recorded as goodwill. Goodwill is not deductible for tax purposes.

The acquired intangible assets which are being amortized have a weighted average useful life of approximately 12 years. The intangible assets include customer relationships of ¥1,485 million (15-year weighted average useful life), technologies of ¥743 million (12-year weighted average useful life), and other intangible assets of ¥361 million (2-year weighted average useful life). The acquired intangible assets which are not being amortized include trademarks of ¥1,403 million. Goodwill recorded with respect to the above step-acquisitions was ¥3,074 million.

On October 1, 2008, DENSEI-LAMBDA changed its name to TDK-Lambda Corporation.

## **25. Sale of Business to Imation Corp.**

On August 1, 2007, pursuant to a definitive agreement between TDK and Imation dated April 19, 2007, TDK transferred substantially all of the assets relating to TDK branded world wide recording media business and use of the TDK brand name for current and future recording media products to Imation. TDK entered into this transaction to strengthen and grow its recording media products sales business by partnering with Imation. TDK retained its research and development, manufacturing and OEM recording media operations to improve competitiveness of the recording media operations.

Under the terms of the agreement, TDK has transferred all the shares of its 6 subsidiaries and certain assets and liabilities relating to the recording media business of its 3 subsidiaries to Imation. The transaction was closed on August 1, 2007 for \$250 million. The total consideration included Imation common stock constituting 16.6 percent (6,826 thousands shares) of Imation's common stock and cash of \$29 million. TDK recognized ¥15,340 million on the consolidated statements of operations as "Gain on sale of business to Imation Corp." for the year ended March 31, 2008, which includes the excess of the target working capital amount under the contractual provision. TDK may receive additional cash of up to \$70 million contingent on future financial performance compared to targeted gross margin for three years from December 2007 until December 2010. However, TDK does not receive any additional cash till March 31, 2010.

TDK recorded the investment at fair value as of the acquisition date.

As a result of the transaction, TDK became the largest shareholder in Imation and obtained the right to nominate a representative to serve on Imation's Board of Directors. TDK's ownership stake in Imation shall not exceed 22 percent on a fully diluted basis pursuant to the Investor Rights Agreement, and TDK agreed to a three-year lock-up on sales of the Imation shares acquired in this transaction.

On December 5, 2007, TDK acquired an additional 2.4 percent (915 thousands shares) of Imation's outstanding common stock for ¥2,207 million in a series of open market transaction. In addition, Imation repurchased its own stock between August 1, 2007 and December 5, 2007, which resulted in a further increase in TDK's interest in Imation by 1.1 percent.

As a result of the transactions described above, TDK's ownership in Imation increased from 16.6 percent to 20.1 percent. Accordingly, TDK changed its accounting for the investment in Imation to the equity method of accounting and has retroactively reflected the change in accounting to the initial acquisition date.

The allocation of the purchase price included acquired intangible assets, including trademarks, customer relationships and noncompetition agreements. The trademarks, customer relationships and noncompetition agreements are being amortized over respective useful lives. The excess of the purchase price over the fair value allocated to the net assets, including intangible assets, is investor level goodwill in the amount of \$32 million.

## 26. Acquisition of HDD Head Related Assets

On September 26, 2007, TDK reached an agreement with Alps Electric Co., Ltd. (“Alps”) regarding a transfer of Alps' manufacturing and other equipment and intellectual property rights such as patents and unpatented technologies with respect to its HDD head business for an aggregate of ¥34,429 million.

The purpose of this acquisition is to improve the efficiency of TDK's operation and offer enhanced technologies in its HDD head business, thereby strengthening the international competitiveness.

The acquisition of the equipment and intangible assets was recorded based on the relative fair value of each asset. The total acquisition cost was allocated to the equipment and intangible assets in the amount of ¥7,184 million and ¥27,143 million, respectively.

Amortization periods for the acquired intangible assets range from 7 to 14 years.

TDK acquired the remaining equipment during the year ended March 31, 2009. All transfer by this agreement had hereby been completed.

## 27. Related Party Transaction

Receivables and payables include the following balances with affiliated companies at March 31, 2010 and 2009:

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Due from	¥ 2,681	3,241	\$ 28,828
Due to	4,993	1,937	53,688

Payables at March 31, 2010 included lease obligation of ¥2,557 million (\$ 27,495 thousand).

Purchases, research and development expenses and patent fee and sales include the following transactions with affiliated companies for the years ended March 31, 2010, 2009 and 2008:

	Yen (Millions)			U.S. Dollars (Thousands)
	2010	2009	2008	2010
Gross purchase	¥ 20,563	28,978	42,707	\$ 221,108
Less raw materials sold with no mark-up	(13,232)	(20,157)	(32,569)	(142,280)
Net purchases	7,331	8,821	10,138	78,828
Research and development expenses and patent fee	1,634	1,786	1,626	17,570
Sales	4,448	9,253	8,645	47,828

## 28. Supplementary Information

	Yen (Millions)			U.S. Dollars (Thousands)
	2010	2009	2008	2010
<b>(a) Statement of Operations</b>				
Research and development	¥ 53,942	57,645	57,387	\$ 580,022
Rent	7,893	8,431	8,991	84,871
Maintenance and repairs	18,982	13,799	14,820	204,108
Advertising costs	2,363	3,178	3,639	25,409
<b>(b) Statement of Cash Flows</b>				
Cash paid during year for:				
Interest	¥ 4,039	2,106	227	\$ 43,430
Income taxes	(9,733)	22,539	26,613	(104,656)

### Noncash activities

For the year ended March 31, 2010, ¥3,425 million (\$36,828 thousand) of assets were acquired through capital leases.

For the year ended March 31, 2009, the acquisition of subsidiaries resulted in assuming ¥23,514 million of short-term debt and ¥14,125 million of long-term debt.

For the year ended March 31, 2008, as mentioned in Note 25, there were noncash investing activities to acquire shares of Imation common stock worth \$221 million (16.6 percent of the total outstanding Imation shares) as part of consideration for transferring the TDK brand world wide recording media business to Imation.

Also, noncash investing and financing activities related to the purchase of subsidiaries resulted in assuming ¥2,480 million of short-term debt and ¥8,769 million of long-term debt.



## 29. Segment Information

From the year ended March 31, 2010, TDK prepared segment information in accordance with FASB ASC 280 “Segment Reporting” for all periods presented except for the year ended March 31, 2008.

### **Business Segment Information**

Operating segments are components of TDK for which discrete financial information is available and whose operating results are regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance.

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

Principal businesses of each segment are as follows:

Segment	Principal businesses
Passive Components	Ceramic capacitors, Inductive devices (Coils and Transformers), High-frequency components, Piezoelectric materials and circuit protection components, Aluminum electrolytic capacitors, Film capacitors, Sensors
Magnetic Application Products	Recording devices, Power supplies, Magnets, Recording media
Other	Energy devices (Rechargeable batteries), Mechatronics (Production equipment)

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



The business segment information for the years ended March 31, 2010 and 2009 are as follows:

### Net sales

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Passive Components:			
External customers	¥ 364,805	286,489	\$ 3,922,634
Intersegment	86	196	925
Total	<u>364,891</u>	<u>286,685</u>	<u>3,923,559</u>
Magnetic Application Products:			
External customers	383,740	370,332	4,126,237
Intersegment	3,737	3,532	40,183
Total	<u>387,477</u>	<u>373,864</u>	<u>4,166,420</u>
Other:			
External customers	60,313	70,579	648,527
Intersegment	8,143	16,086	87,559
Total	<u>68,456</u>	<u>86,665</u>	<u>736,086</u>
Intersegment eliminations	<u>(11,966)</u>	<u>(19,814)</u>	<u>(128,667)</u>
Consolidated total	<u>¥ 808,858</u>	<u>727,400</u>	<u>\$ 8,697,398</u>

### Segment profit (loss)

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Passive Components	¥ (13,404)	(32,609)	\$ (144,129)
Magnetic Application Products	41,297	(15,970)	444,054
Other	1,672	448	17,978
Sub total	<u>29,565</u>	<u>(48,131)</u>	<u>317,903</u>
Corporate and Eliminations	(8,661)	(9,435)	(93,129)
Other operating income (loss)	4,870	3,261	52,366
Operating income (loss)	<u>25,774</u>	<u>(54,305)</u>	<u>277,140</u>
Other income (deductions), net	<u>(3,867)</u>	<u>(27,325)</u>	<u>(41,581)</u>
Income (loss) before income taxes	<u>¥ 21,907</u>	<u>(81,630)</u>	<u>\$ 235,559</u>

Segment profit (loss) consists of net sales less cost of sales and selling, general and administrative expenses except for those attribute to Corporate. Segment profit (loss) is determined principally using the accounting principles of countries where components of operating segments are located.

For the years ended March 31, 2010 and 2009, other operating income (loss) mainly includes adjustments relating to accounting for pension plans of ¥1,993 million (\$21,430 thousand) and ¥3,706 million and reclassification from other income (deductions) of ¥2,529 million (\$27,194 thousand) and ¥(2,389) million, respectively.

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

### Assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Passive Components	¥ 477,152	474,498	\$ 5,130,667
Magnetic Application Products	418,456	381,086	4,499,527
Other	68,342	57,972	734,860
Corporate and Eliminations	127,508	187,480	1,371,054
Consolidated total	¥ 1,091,458	1,101,036	\$ 11,736,108

Corporate mainly includes cash and cash equivalents and property, plant and equipment for general corporate use, and deferred tax assets that are not allocated to operating segments.

### Depreciation and amortization (including Intangible assets other than Goodwill)

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Passive Components	¥ 40,221	36,413	\$ 432,484
Magnetic Application Products	35,425	44,340	380,914
Other	3,657	3,335	39,322
Corporate and Eliminations	4,485	5,479	48,226
Consolidated total	¥ 83,788	89,567	\$ 900,946

### Capital expenditure

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Passive Components	¥ 29,003	50,002	\$ 311,860
Magnetic Application Products	22,997	34,481	247,280
Other	4,055	9,082	43,602
Corporate and Eliminations	8,315	4,860	89,409
Consolidated total	¥ 64,370	98,425	\$ 692,151

## **Geographic Segment Information**

The geographic segment information for the years ended March 31, 2010 and 2009 are as follows:

### **Net sales**

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Japan	¥ 103,984	116,456	\$ 1,118,108
Americas	82,065	79,164	882,419
Europe	112,167	71,778	1,206,097
China	263,558	212,650	2,833,957
Asia and others	247,084	247,352	2,656,817
Consolidated total	¥ 808,858	727,400	\$ 8,697,398

Net sales are based on the location of the customers.

Major countries in each geographic area (except for Japan):

- (1) Americas ..... United States of America
- (2) Europe ..... Germany, Italy, Hungary
- (3) Asia and others ..... Thailand, Taiwan, Korea, Malaysia, Singapore

### **Property, plant and equipment**

	Yen (Millions)		U.S. Dollars (Thousands)
	2010	2009	2010
Japan	¥ 154,950	175,884	\$ 1,666,129
Americas	15,910	20,509	171,075
Europe	54,920	56,706	590,538
China	61,806	65,237	664,581
Asia and others	30,619	30,309	329,236
Total	¥ 318,205	348,645	\$ 3,421,559

Major countries in each geographic area (except for Japan):

- (1) Americas ..... United States of America
- (2) Europe ..... Germany, Austria, Italy
- (3) Asia and others ..... Thailand, Singapore

### **Sales to major customers**

For the years ended March 31, 2010 and 2009, there were two customer groups that accounted for more than 10% of consolidated net sales. The net sales to each customer group for the years ended March 31, 2010 and 2009, respectively, were approximately ¥100.0 billion (\$1,075.3 million) and ¥78.0 billion for one customer group, and approximately ¥89.0 billion (\$957.0 million) and ¥74.0 billion for the other. The net sales to each customer group is included in Passive Components segment, Magnetic Application Products segment and Other for the years ended March 31, 2010 and 2009, respectively.

## VI. Outline of filing company's business concerning shares

Business year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Number of shares consisting one unit	100 shares
Purchase demands or additional purchase requests of shares less than one unit:	
Office for handling business	(Special Account) Head office, The Chuo Mitsui Trust and Banking Company, Limited 3-33-1, Shiba, Minato-ku, Tokyo, Japan
Administrator of shareholder registry	(Special Account) The Chuo Mitsui Trust and Banking Company, Limited 3-33-1, Shiba, Minato-ku, Tokyo, Japan
Forwarding office	—
Handling charge for purchase	Amount separately specified as an amount equivalent to the fees pertaining to the entrustment of sale and purchase of shares
Method of public notice	Electronic public notice will be made. However, if TDK is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice on "The Nikkei" newspaper. Electronic public notice will be notified on TDK's website ( <a href="http://www.tdk.co.jp">http://www.tdk.co.jp</a> ).
Special benefits for shareholders	None

Note: Pursuant to the provisions of TDK's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following: (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to request to TDK in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to TDK to sell shares less than one unit.

## **VII. Reference information on filing company**

### **1. Information on filing company's parent company**

TDK does not have a parent company.

## **B. INFORMATION ON GUARANTEE COMPANIES, ETC. OF FILING COMPANY**

No items to report



## Independent Auditors' Report

The Board of Directors  
TDK Corporation:

We have audited the accompanying consolidated balance sheets of TDK Corporation and subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of operations, equity, and cash flows for each of the years in the three-year period ended March 31, 2010, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of EPCOS AG, a wholly owned subsidiary, and its subsidiaries, which statements reflect total assets constituting 17.9 percent and 15.7 percent and total revenues constituting 20.9 percent and 9.3 percent as of and for the years ended March 31, 2010 and March 31, 2009, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for EPCOS AG and its subsidiaries, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our report dated July 22, 2009, we expressed an opinion that, except for the omission of segment information, the consolidated financial statements for each of the years in the three-year period ended March 31, 2009 presented fairly, in all material respects, the financial position, results of operations and cash flows of TDK Corporation and subsidiaries in conformity with U.S. generally accepted accounting principles. As described in Note 29, during the year ended March 31, 2010 the Company adopted segment reporting guidance and revised the disclosures in its consolidated financial statements for the year ended March 31, 2009 to conform with U.S. generally accepted accounting principles. Accordingly, our present opinion on the consolidated financial statements for the year ended March 31, 2009, as presented herein, is unqualified rather than qualified.

The Company declined to present segment information for the year ended March 31, 2008. In our opinion, disclosures of segment and related information about the different types of business activities in which the Company engages and the different economic environments in which it operates are required by U.S. generally accepted accounting principles. The omission of segment information results in an incomplete presentation of the Company's consolidated financial statements.





In our opinion, based on our audits and the report of the other auditors, except for the omission of segment information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TDK Corporation and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2010, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended March 31, 2010 have been translated into United States dollars solely for convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements, expressed in Japanese yen, have been translated into United States dollars on the basis set forth in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan  
July 22, 2010



## ***Management's Annual Report on Internal Control over Financial Reporting***

### **1. Matters relating to the basic framework for internal control over financial reporting**

President & Representative Director Takehiro Kamigama of TDK Corporation (“TDK”) is responsible for designing and operating effective internal control over financial reporting of TDK and has designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting (Council Opinion)” released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

### **2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures**

The assessment of internal control over financial reporting was performed as of March 31, 2010, which is the end of the current fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis (“company-level controls”) and based on the results of this evaluation, we selected business processes to be tested. In assessing the business processes, we analyzed these selected business processes, identified key controls that may have a material impact on the reliability of TDK’s financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of TDK.

We determined the scope of assessment of internal control over financial reporting, covering TDK, consolidated subsidiaries and equity-method affiliates and deemed necessary from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls covering all locations and business units except for consolidated subsidiaries and equity-method affiliates whose materiality of such impacts were deemed immaterial, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and/or business units to be tested in descending order of sales for the previous fiscal year, and the locations and/or business units whose combined sales volume reaches approximately two thirds of consolidated sales amount were selected as “significant locations and/or business units.” We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of TDK. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management’s judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

### **3. Matters relating to the results of the assessment**

As a result of the assessment described above, as of the end of the current fiscal year, we concluded that TDK’s internal control over financial reporting was effectively maintained.

### **4. Additional notes**

Not applicable.

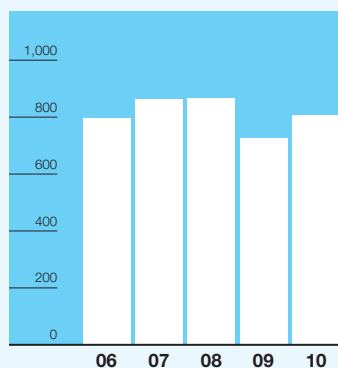
### **5. Special notes**

In the previous fiscal year, TDK conducted the assessment of internal control over financial reporting in accordance with the requirements by the Securities and Exchange Act of 1934 of the United States. However, as TDK filed for delisting its shares from the New York Stock Exchange on April 7, 2009 and completed the delisting process on April 27, 2009, TDK performed, starting from the current fiscal year, the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

## Financial Data

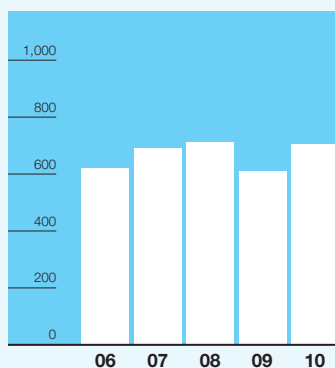
### Net Sales

(Billions of yen)



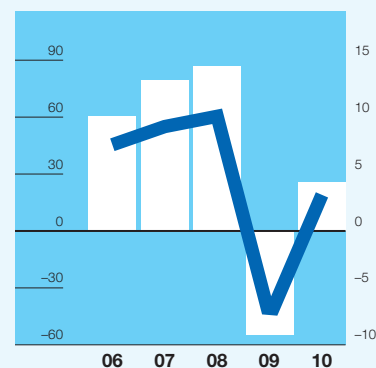
### Overseas Sales

(Billions of yen)



### Operating Income (Loss) and Ratio to Net Sales

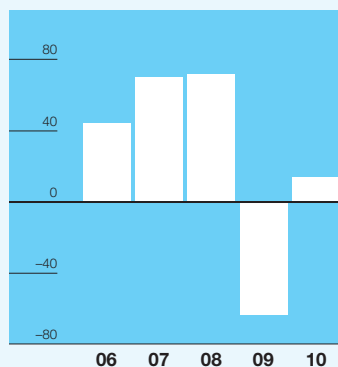
(Billions of yen, %)



□ Operating income (loss) (left scale)  
 — Ratio to net sales (right scale)

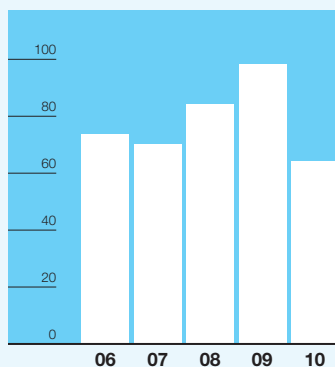
### Net Income (Loss) Attributable to TDK

(Billions of yen)



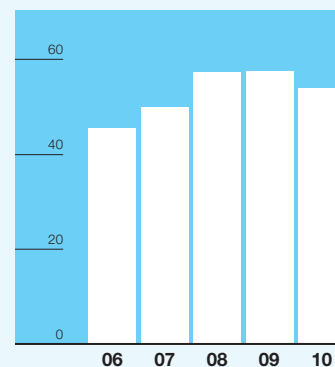
### Capital Expenditures

(Billions of yen)



### Research and Development

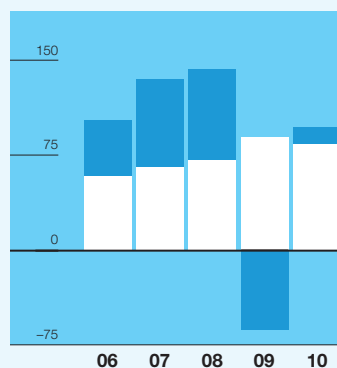
(Billions of yen)



Years ended March 31 or as of March 31	Millions of yen				
	2010	2009	2008	2007	2006
Net sales	<b>¥ 808,858</b>	727,400	866,285	862,025	795,180
Overseas sales	<b>¥ 704,874</b>	610,944	714,172	690,673	621,522
Operating income (loss) and ratio to net sales					
Operating income (loss)	<b>¥ 25,774</b>	(54,305)	87,175	79,590	60,523
Ratio to net sales (%)	<b>3.2%</b>	(7.5)	10.1	9.2	7.6
Net income (loss) attributable to TDK	<b>¥ 13,520</b>	(63,160)	71,461	70,125	44,101
Capital expenditures	<b>¥ 64,370</b>	98,425	84,312	70,440	73,911
Research and development	<b>¥ 53,942</b>	57,645	57,387	50,058	45,528

### Net Cash Flows

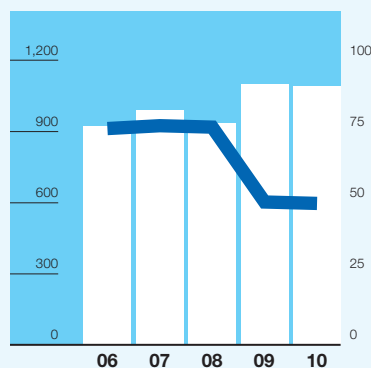
(Billions of yen)



■ Net income (loss)  
□ Depreciation and amortization

### Total Assets and Stockholders' Equity Ratio

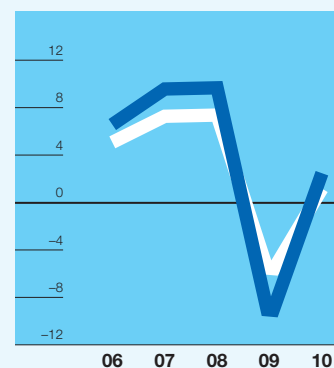
(Billions of yen, %)



□ Total assets (left scale)  
■ Stockholders' equity ratio (right scale)

### Return on Total Assets and Return on Equity

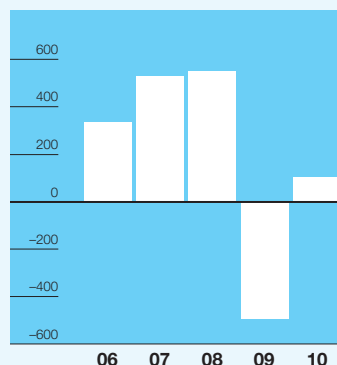
(%)



□ Return on total assets  
■ Return on equity

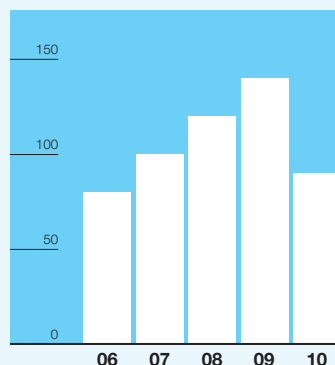
### Basic Net Income (Loss)

Attributable to TDK per Share (Yen)

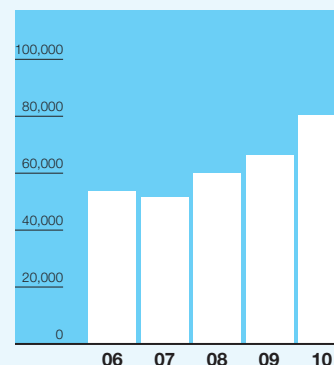


### Dividend per Share (Cash Flow Base)

(Yen)



### Number of Employees



Millions of yen

	2010	2009	2008	2007	2006
Net cash flows					
Net income (loss) attributable to TDK	¥ 13,520	(63,160)	71,461	70,125	44,101
Depreciation and amortization	83,788	89,567	71,297	65,337	58,540
Total assets and stockholders' equity ratio					
Total assets	¥1,091,458	1,101,036	935,533	989,304	923,503
Stockholders' equity ratio (%)	49.8%	50.3	76.6	77.1	76.1
Return on total assets and return on equity					
Return on total assets (%)	1.2%	(6.2)	7.4	7.3	5.1
Return on equity (%)	2.5%	(9.9)	9.7	9.6	6.6
Net income (loss) attributable to TDK per share					
Basic (Yen)	¥ 104.82	(489.71)	551.72	529.88	333.50
Diluted (Yen)	104.74	(489.71)	551.19	529.29	333.20
Dividend per share (Yen) (Cash flow base)	¥ 90.00	140.00	120.00	100.00	80.00
Number of employees	80,590	66,429	60,212	51,614	53,923

# Investor Information

(As of March 31, 2010)

## CORPORATE HEADQUARTERS

### TDK CORPORATION

1-13-1, Nihonbashi, Chuo-ku,  
Tokyo 103-8272, Japan

### DATE OF ESTABLISHMENT

December 7, 1935

### PAID-IN CAPITAL

¥32,641,976,312

### AUTHORIZED NUMBER OF SHARES

480,000,000 shares

### ISSUED NUMBER OF SHARES

129,590,659

### NUMBER OF SHAREHOLDERS

24,799

## PRINCIPAL SHAREHOLDERS (TEN LARGEST SHAREHOLDERS)

Name of shareholder	Investment in the Company Number of shares held (thousands of shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	14,097	10.93
Japan Trustee Services Bank, Ltd. (Trust account)	13,118	10.17
Panasonic Corporation	6,250	4.84
Nats Cumco	3,767	2.92
JPMorgan Securities Japan Co., Ltd.	3,255	2.52
Japan Trustee Services Bank, Ltd. (Trust account 9)	2,671	2.07
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	2,491	1.93
State Street Bank and Trust Company 505225	2,326	1.80
Nippon Life Insurance Company	2,140	1.66
Tokio Marine & Nichido Fire Insurance Co., Ltd.	2,026	1.57
<b>Total</b>	<b>52,140</b>	<b>40.42</b>

Notes: 1. The percentage of shares held is calculated deducting 598,426 shares of treasury stock.  
2. Number of shares held and percentage of shares held have been rounded to the nearest unit.

## SECURITIES TRADED

Japan: Tokyo  
Overseas: London

## ADMINISTRATOR OF SHAREHOLDERS' REGISTER

The Chuo Mitsui Trust & Banking Co., Ltd.  
3-33-1, Shiba, Minato-ku, Tokyo 105-8574 Japan

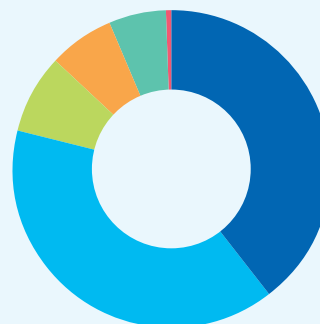
## DEPOSITARY FOR AMERICAN DEPOSITARY RECEIPTS (ADRs)

Citibank, N.A.  
111 Wall Street, 20th Floor, Zone 7  
New York, NY 10005 U.S.A.

## INDEPENDENT AUDITORS

KPMG AZSA LLC

## STATUS BY OWNERSHIP



- Foreign Institutions and Individuals 39.7%
- Japanese Financial Institutions 39.4%
- Japanese Individuals 8.0%
- Other Japanese Corporations 6.6%
- Japanese Securities Firms 5.8%
- Treasury Stock 0.5%

## FURTHER INFORMATION

For further information and additional copies of this booklet and other publications, please contact:

### ● TDK Corporation

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### ● TDK U.S.A. Corporation

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### ● TDK Electronics Europe GmbH

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Tel: +49 (211) 90770

### ● E-mail

tdkhqir@jp.tdk.com

## INTERNET ADDRESS

[http://www.tdk.co.jp/ir\\_e/](http://www.tdk.co.jp/ir_e/)

TDK provides various investor information, including its latest earnings results, in the Investor Relations section of its website.

## For inquiries concerning ADRs, please contact:

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Tel: 1-877-248-4237 CITI-ADR (toll free)  
Tel: 1-816-843-4281 (out of U.S.)  
Fax: 1-201-324-3284  
Internet: [www.citigroup.com/adr](http://www.citigroup.com/adr)  
E-mail: [citibank@shareholders-online.com](mailto:citibank@shareholders-online.com)



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