

3) Financial Position

(3-1) The following table summarizes TDK's consolidated balance sheet at December 31, 2007, compared with September 30, 2007.

Total assets	¥982,556 million	(0.5% decrease)
Total stockholders' equity	¥755,242 million	(1.5% increase)
Stockholders' equity ratio	76.9%	(1.6 point increase)

At December 31, 2007, cash and cash equivalents were ¥30,611 million lower than at September 30, 2007 and short-term investments were ¥11,465 million lower. Contrastingly, over the same period there were increases of ¥5,236 million in other current assets and ¥30,984 million in investments in securities. As a result of these and other changes, total assets decreased ¥5,144 million compared with September 30, 2007.

Total liabilities decreased ¥5,129 million from September 30, 2007. Although there were increases of ¥936 million in trade payables and ¥1,643 million in other current liabilities, accrued expenses decreased ¥7,271 million and income taxes payables decreased ¥708 million.

Total stockholders' equity increased ¥11,324 million compared with September 30, 2007. This change mainly reflected a ¥14,320 million increase in retained earnings and a ¥2,703 million increase in accumulated other comprehensive loss.

(3-2) Cash Flows

	(¥ millions)		
	Fiscal 2007 3Q	Fiscal 2008 3Q	Change
Net cash provided by operating activities	28,970	26,919	(2,051)
Net cash used in investing activities	(21,747)	(47,505)	(25,758)
Net cash used in financing activities	(6,445)	(8,052)	(1,607)
Effect of exchange rate changes on cash and cash equivalents	2,455	(1,973)	(4,428)
Net increase (decrease) in cash and cash equivalents	3,233	(30,611)	(33,844)
Cash and cash equivalents at beginning of period	264,833	229,466	(35,367)
Cash and cash equivalents at end of period	268,066	198,855	(69,211)

Operating activities provided net cash of ¥26,919 million (U.S.\$236,132 thousand), a year-on-year decrease of ¥2,051 million. Net income increased ¥2,044 million to ¥21,713 million (U.S.\$190,465 thousand) and depreciation and amortization increased ¥804 million to ¥17,584 million (U.S.\$154,246 thousand). In changes in assets and liabilities, other current assets increased ¥6,633 million and trade payables increased ¥8,714 million, while accrued expenses decreased ¥5,514 million and increase (decrease) in income taxes payables, net decrease ¥2,399 million.

Investing activities used net cash of ¥47,505 million (U.S.\$416,711 thousand), ¥25,758 million more than a year earlier. Capital expenditures increased ¥5,478 million to ¥20,600 million (U.S.\$180,702 thousand) and payment for purchase of investments in securities increased ¥4,914 million. There was also an increase of ¥17,873 million for the acquisition of subsidiaries and an increase of ¥14,070 million for the acquisition of minority interests. Partly offsetting these outflows was an increase of ¥8,490 million in cash from the sale and maturity of short-term investments, while cash outflow for the purchase of short-term investments decreased ¥9,309 million.

Financing activities used net cash of ¥8,052 million (U.S.\$70,632 thousand), ¥1,607 million more than a year earlier. There was a net decrease in short-term debt of ¥693 million and a ¥1,120 million increase in dividends paid due to a ¥10 increase in dividend per common share. On the other hand, there was a ¥463 million decrease in repayment of long-term debt.