TDK

Consolidated Financial Statements

for the three-month-period ended December 31, 2009 and December 31, 2008 (in English)

On February 15, 2010, this report in the Japanese version was filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to Japan's Financial Instruments and Exchange Act.

[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]

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and December 31, 2008 (in English)

1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions) Decmber 31, 2009	March 31, 2009
Current assets:		
Cash and cash equivalents	**¥ 140,259**	165,705
Short-term investments	**62,393**	23,993
Marketable securities (Note 2)	**12,946**	17,968
Net trade receivables	**163,298**	122,711
Inventories (Note 3)	**101,106**	105,684
Other current assets	**42,733**	45,096
Total current assets	**522,735**	481,157
Investments in securities (Note 2)	**36,941**	35,047
Net property, plant and equipment	**328,733**	348,645
Goodwill and other intangible assets (Note 10)	**137,456**	143,136
Other assets	**82,633**	93,051
	¥ 1,108,498	1,101,036

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Yen (Millions) December 31, 2009	March 31, 2009
Current liabilities:		
Short-term debt	**¥ 74,990**	71,049
Current installments of long-term debt	**9,385**	3,497
Trade payables	**82,373**	50,970
Accrued expenses (Note 9)	**57,605**	63,314
Other current liabilities	**10,543**	10,791
Total current liabilities	**234,896**	199,621
Long-term debt, excluding current installments	**203,973**	210,083
Retirement and severance benefits	**99,451**	98,007
Other noncurrent liabilities	**29,759**	30,284
Total liabilities	**568,079**	537,995
Stockholders' equity (Note 11) :		
Common stock Authorized 480,000,000 shares; issued 129,590,659 shares at December 31, 2009 and March 31, 2009	**32,641**	32,641
Additional paid-in capital	**61,276**	64,257
Legal reserve	**21,677**	20,772
Retained earnings	**603,003**	605,622
Accumulated other comprehensive income (loss) (Note 12)	**(177,384)**	(162,741)
Treasury stock at cost; 598,687 shares at December 31, 2009 and 611,272 shares at March 31, 2009	**(6,191)**	(6,333)
Total stockholders' equity	**535,022**	554,218
Noncontrolling interests (Note 11)	**5,397**	8,823
Total equity (Note 11)	**540,419**	563,041
	¥ 1,108,498	1,101,036

2) Consolidated statements of operations (Unaudited)

	Yen (Millions)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Net sales	**¥ 597,513**	588,316
Cost of sales	**460,598**	461,983
Gross profit	**136,915**	126,333
Selling, general and administrative expenses	**117,376**	113,454
Restructuring cost (Note 9)	**2,044**	3,607
Operating income	**17,495**	9,272
Other income (deductions):		
Interest and dividend income	**1,260**	3,470
Interest expense	**(3,293)**	(1,339)
Gain (loss) on securities, net	**(1,292)**	(6,293)
Foreign exchange gain (loss)	**(1,107)**	(6,293)
Other - net	**(2,231)**	880
	(6,663)	(9,575)
Income (loss) before income taxes	**10,832**	(303)
Income taxes	**1,428**	2,571
Net income (loss) (Note 12)	**9,404**	(2,874)
Less:Net income (loss) attributable to noncontrolling interests (Note 12)	**(562)**	(425)
Net income (loss) attributable to TDK Corp. (Note 12)	**¥ 9,966**	(2,449)

Amounts per share:

	Yen	
Net income (loss) attributable to TDK Corp. per share (Note 13):		
Basic	**¥ 77.26**	(18.99)
Diluted	**77.21**	(18.99)
Cash dividends paid during the period	**¥ 90.00**	140.00

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Net sales	**¥ 211,662**	191,779
Cost of sales	**158,167**	154,427
Gross profit	**53,495**	37,352
Selling, general and administrative expenses	**41,535**	38,854
Restructuring cost (Note 9)	**(133)**	3,607
Operating income (loss)	**12,093**	(5,109)
Other income (deductions):		
Interest and dividend income	**336**	1,293
Interest expense	**(923)**	(1,061)
Gain (loss) on securities, net	**(1,037)**	(5,251)
Foreign exchange gain (loss)	**641**	(4,535)
Other - net	**(1,231)**	(466)
	(2,214)	(10,020)
Income (loss) before income taxes	**9,879**	(15,129)
Income taxes	**1,054**	(667)
Net income (loss) (Note 12)	**8,825**	(14,462)
Less:Net income (loss) attributable to noncontrolling interests (Note 12)	**(1)**	(145)
Net income (loss) attributable to TDK Corp. (Note 12)	**¥ 8,826**	(14,317)

Amounts per share:

	Yen	
Net income (loss) attributable to TDK Corp. per share (Note 13):		
Basic	**¥ 68.42**	(111.00)
Diluted	**68.37**	(111.00)
Cash dividends paid during the period	**¥ 30.00**	70.00

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Cash flows from operating activities:		
Net income (loss)	**¥ 9,404**	(2,874)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**62,711**	61,189
Loss (gain) on securities, net	**1,292**	6,293
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Decrease (increase) in trade receivables	**(45,983)**	28,985
Decrease (increase) in inventories	**2,480**	(12,057)
Increase (decrease) in trade payables	**34,637**	(15,851)
Increase (decrease) in accrued expenses	**2,674**	(5,666)
Increase (decrease) in changes in other assets and liabilities, net	**6,866**	(14,671)
Other - net	**4,556**	6,124
Net cash provided by operating activities	**78,637**	51,472
Cash flows from investing activities:		
Capital expenditures	**(48,335)**	(86,783)
Proceeds from sale and maturity of short-term investments	**81,352**	5,330
Payment for purchase of short-term investments	**(121,444)**	(13,365)
Proceeds from sale and maturity of investments in securities	**15,254**	4,319
Payment for purchase of investments in securities	**(11,275)**	(826)
Acquisition of subsidiaries, net of cash acquired	**-**	(131,301)
Repayment of deposits for investments	**6,912**	-
Other - net	**7**	2,026
Net cash used in investing activities	**(77,529)**	(220,600)
Cash flows from financing activities:		
Repayment of long-term debt	**(5,140)**	(1,590)
Increase (decrease) in short-term debt, net	**2,756**	218,040
Dividends paid	**(11,609)**	(18,056)
Acquisition of noncontrolling interests	**(7,228)**	(166)
Other - net	**1,214**	470
Net cash provided by (used in) financing activities	**(20,007)**	198,698
Effect of exchange rate changes on cash and cash equivalents	**(6,547)**	(18,468)
Net increase (decrease) in cash and cash equivalents	**(25,446)**	11,102
Cash and cash equivalents at beginning of period	**165,705**	166,105
Cash and cash equivalents at end of period	**¥ 140,259**	177,207

See accompanying notes to consolidated financial statements.

4) Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

TDK 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 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").

(b) Consolidation Policy

The consolidated financial statements include the accounts of TDK, its subsidiaries and those variable interest entities where TDK is the primary beneficiary under 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.

(c) Adoption of New Accounting Standards

"Generally Accepted Accounting Principles"

TDK adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 105, "Generally Accepted Accounting Principles" during the second quarter beginning on July 1, 2009. ASC 105 establishes ASC as the sole source for authoritative U.S. GAAP, except for rules and interpretive releases issued by U.S. Securities and Exchange Commission ("SEC"). Accordingly, the references to accounting standards in Notes to Consolidated Financial Statements are based on ASC. The adoption of ASC 105 did not have a material impact on TDK's financial position and results of operations.

"Business Combinations"

TDK adopted FASB ASC 805 "Business Combinations" (Former FASB Statement of Financial Accounting Standards ("SFAS") No.141(R), "Business Combinations") on April 1, 2009. 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 acquired. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. The adoption of ASC 805 did not have a material impact on TDK's financial position and results of operations.

"Noncontrolling Interests in Consolidated Financial Statements"

TDK adopted FASB ASC 810 "Consolidation" (Former FASB SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51") on April 1, 2009. 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. 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 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 has changed the presentation of its consolidated statements of operations and consolidated statements of cash flows. Certain reclassifications have been made to the prior year's consolidated financial statements to conform to the presentation used for the nine-month and three-month ended December 31, 2009. The adoption of ASC 810 did not have a material impact on TDK's financial position and results of operations.

"Fair Value Measurements"

FASB ASC 820 "Fair Value Measurements and Disclosures" (Former FASB Staff Positions No. FAS 157-2 ("FSP FAS 157-2"), "Effective Date of FASB Statement No. 157") delayed the effective date of ASC 820 for one year for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis, until the beginning of the first quarter of the year ending March 31, 2010.

TDK adopted ASC 820 for all nonfinancial assets and nonfinancial liabilities in the first quarter for the year ending March 31, 2010. The adoption of ASC 820 did not have a material impact on TDK's consolidated financial position and results of operations. The required disclosures in accordance with ASC 820 are presented in Note 8 of the Notes to Consolidated Financial Statements.

"Subsequent Events"

TDK adopted FASB ASC 855 "Subsequent Events" (Former FASB SFAS No. 165, "Subsequent Events") during the first quarter beginning on April 1, 2009. ASC 855 requires 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. TDK has evaluated subsequent events through the date and time the financial statements were issued on February 15, 2010.

(d) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements and quarterly consolidated financial statements to conform to the presentation used for the nine-month and the three-month ended December 31, 2009.

2. Marketable Securities and Investments in Securities

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

	Yen (Millions)	
	December 31, 2009	March 31, 2009
Marketable securities	**¥ 12,946**	17,968
Investments in securities:		
Long-term marketable securities	**15,011**	10,566
Nonmarketable securities	**1,069**	990
Investments in affiliates	**20,861**	23,491
Total investments in securities	**36,941**	35,047
	¥ 49,887	53,015

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

As of December 31, 2009

Yen (Millions):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Equity securities	**¥ 10,021**	**2,403**	**198**	**12,226**
Debt securities	**14,733**	**125**	**3**	**14,855**
Investment trusts	**845**	**31**	**-**	**876**
	¥ 25,599	**2,559**	**201**	**27,957**

As of March 31, 2009

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

Debt securities classified as available-for-sale at December 31, 2009 have a weighted average remaining term of 0.8 years.

The proceeds from sale and maturity of available-for-sale securities are ¥15,254 million and ¥14,197 million for the nine-month and the three-month ended December 31, 2009, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥247 million and ¥189 million for the nine-month and the three-month ended December 31, 2009, respectively. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥1,418 million and ¥1,105 million on certain available-for-sale securities and nonmarketable securities representing other-than-temporary declines in the fair value for the nine-month and the three-month ended December 31, 2009, respectively.

At December 31, 2009, 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 December 31, 2009 totaled ¥1,069 million and those securities as of December 31, 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 December 31, 2009, certain debt securities in the amount of ¥997 million were pledged as collateral for extended custom duty payments to Tokyo Customs.

3. Inventories

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

	Yen (Millions)	
	December 31, 2009	March 31, 2009
Finished goods	**¥ 43,160**	50,473
Work in process	**25,222**	25,440
Raw materials	**32,724**	29,771
	¥ 101,106	105,684

4. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the nine-month ended December 31, 2009 and December 31, 2008 consisted of the following components:

	Yen (Millions)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Service cost-benefits earned during the period	**¥ 5,257**	4,999
Interest cost on projected benefit obligation	**4,448**	3,730
Expected return on plan assets	**(2,576)**	(3,946)
Recognized actuarial loss	**4,022**	940
Amortization of unrecognized prior service benefit	**(1,524)**	(1,518)
Curtailment charge	**54**	-
Settlement loss	**117**	-
	¥ 9,798	4,205

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended December 31, 2009 and December 31, 2008 consisted of the following components:

	Yen (Millions)	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Service cost-benefits earned during the period	**¥ 1,774**	1,747
Interest cost on projected benefit obligation	**1,478**	1,485
Expected return on plan assets	**(850)**	(1,352)
Recognized actuarial loss	**1,416**	306
Amortization of unrecognized prior service benefit	**(508)**	(507)
Curtailment charge	**54**	-
Settlement loss	**117**	-
	¥ 3,481	1,679

5. Contingent Liabilities

TDK and certain of its subsidiaries provide 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 amounts of undiscounted payments TDK would have to make in the event of default at December 31, 2009 and March 31, 2009, are as follows:

	Yen (Millions)	
	December 31, 2009	March 31, 2009
Contingent liabilities for guarantees of loans of TDK's employees	**¥ 3,901**	4,374

As of December 31, 2009, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangement is not material.

Several claims against TDK and certain subsidiaries 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.

6. Risk Management Activities and Derivative Financial Instruments

TDK and its subsidiaries operate 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 and its subsidiaries assess these risks by continuously monitoring changes in the exchange rates, interest rates and raw material prices and by evaluating hedging opportunities. TDK and its subsidiaries utilize derivative financial instruments to reduce these risks. TDK and its subsidiaries do not hold or issue derivative financial instruments for trading purposes. TDK and its subsidiaries are 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 and so on. The credit exposure of these derivative 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 etc.

TDK and its subsidiaries use forward foreign exchange contracts in order to offset foreign exchange gain (loss) mainly arising from foreign-currency denominated assets and liabilities. TDK and its subsidiaries use currency and interest rate swaps in order to control the fluctuation risks of foreign exchange rates and interest rates. Also, TDK and its subsidiaries use 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 and its subsidiaries consider 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 December 31, 2009 and March 31, 2009, are as follows:

	Yen (Millions)	
	December 31, 2009	March 31, 2009
Forward foreign exchange contracts	**¥ 36,518**	44,226
Currency swaps	**15,154**	912
Interest rate swaps	**-**	5,113
Commodity forward transactions	**489**	4,944
	¥ 52,161	55,195

Fair value of derivative financial instruments at December 31, 2009 and March 31, 2009 are as follows:

	Yen (Millions)	
	As of December 31, 2009	
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Other current assets	**¥ 287**
Currency swaps	Other current assets	**547**
Currency swaps	Other assets	**5**
Commodity forward transactions	Other current assets	**44**
Total assets		**¥ 883**
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	**501**
Currency swaps	Other noncurrent liabilities	**8**
Commodity forward transactions	Other current liabilities	**1**
Total liabilities		**¥ 510**

	Yen (Millions)	
	As of March 31, 2009	
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Other current assets	¥ 1,146
Currency swaps	Other current assets	143
Commodity forward transactions	Other current assets	292
Total assets		¥ 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
Total liabilities		¥ 2,013

The effect of derivative financial instruments on the consolidated statements of operations for the nine-month and the three-month ended December 31, 2009 are as follows:

	Nine months ended December 31, 2009	
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	**¥ 481**
Currency swaps	Foreign exchange gain (loss)	**(91)**
Interest rate swaps	Interest expense	**33**
Commodity forward transactions	Cost of sales	**(155)**

	Three months ended December 31, 2009	
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	**¥ (154)**
Currency swaps	Foreign exchange gain (loss)	**125**
Commodity forward transactions	Cost of sales	**(115)**

7. 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, Other current assets, Short-term debt, Trade payables, Accrued expenses and Other current liabilities

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 December 31, 2009 and March 31, 2009, are summarized as follows:

As of December 31, 2009	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities for which it is:		
Practicable to estimate fair value	**¥ 12,946**	**12,946**
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	**23,417**	**23,417**
Not practicable to estimate fair value	**1,228**	**-**
Liability:		
Long-term debt, including current portion	**(213,358)**	**(215,607)**

As of March 31, 2009	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities for which it is:		
Practicable to estimate fair value	¥ 17,968	17,968
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	26,830	26,830
Not practicable to estimate fair value	588	-
Liability:		
Long-term debt, including current portion	(213,580)	(213,290)

Derivative financial instruments are presented in Note 6 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.

8. 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 December 31, 2009 are as follows:

As of December 31, 2009	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities:				
Debt securities	**¥ 12,946**	**-**	**-**	**¥ 12,946**
Derivative contracts	**-**	**883**	**-**	**883**
Long-term marketable securities:				
Debt securities	**1,003**	**906**	**-**	**1,909**
Equity securities	**12,226**	**-**	**-**	**12,226**
Investment trusts	**876**	**-**	**-**	**876**
Trust investments	**3,613**	**-**	**-**	**3,613**
Total	**¥ 30,664**	**1,789**	**-**	**¥ 32,453**
Liabilities:				
Derivative contracts	**¥ -**	**510**	**-**	**¥ 510**
Total	**¥ -**	**510**	**-**	**¥ 510**

Level 1 marketable securities and long-term marketable securities that are mainly listed shares are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Trust investments included in other assets in which a part of employees' salary is deposited is valued using unadjusted quoted prices in active markets same as above.

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. Long-term marketable securities 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 December 31, 2009 are as follows:

As of December 31, 2009	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current assets	¥ -	2,600	-	¥ 2,600
Total	¥ -	2,600	-	¥ 2,600

The asset group that relates to a certain business classified as held for sale in the three months period ended December 31, 2009 is included in other current assets. This asset group is classified in level 2 because it is measured at fair value using the input that is observable based on the price of actual transaction.

9. 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 immediate countermeasure. The committee had put together urgent action plans to reform TDK's earnings structure and had steadily implemented the plans after obtaining the required approval. The committee had looked closely at the realignment and rationalization of operating and production frameworks in response to falling orders. TDK recorded impairment mainly on manufacturing facilities and began reducing personnel mainly at subsidiaries during the year ended March 31, 2009.

For the nine-month ended December 31, 2009, TDK also recorded restructuring cost of ¥2,044 million related to workforce reductions in the electronic materials and components segment mainly at subsidiaries in Europe and Americas. TDK had already paid ¥1,695 million by December 31, 2009.

The impact of the restructuring activities from the year ended March 31, 2009 (when TDK started this restructuring activities) to the nine-month ended December 31, 2009 is as follows:

	Yen (Millions)			
	Workforce reduction obligations	Impairment	Other liabilities	Total
March 31, 2008	¥ -	-	-	¥ -
Costs and expenses	3,532	9,763	2,589	15,884
Payments	3,219	-	480	3,699
Non-cash adjustments	-	9,763	892	10,655
March 31, 2009	**¥ 313**	**-**	**1,217**	**¥ 1,530**
Costs and expenses	**1,583**	**-**	**461**	**2,044**
Payments	**1,717**	**-**	**1,104**	**2,821**
Non-cash adjustments	**54**	**-**	**6**	**60**
December 31, 2009	**¥ 125**	**-**	**568**	**¥ 693**

Liabilities of ¥693 million relate to restructuring were included in Accrued expenses in the consolidated balance sheets as of December 31, 2009, and TDK expects that most of the accrued liabilities recognized at December 31, 2009 will be paid by March 31, 2010.

10. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at December 31, 2009 and March 31, 2009 are as follows:

	Yen (Millions)		
	As of December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	**¥ 42,471**	**12,203**	**¥ 30,268**
Customer relationships	**23,724**	**7,759**	**15,965**
Software	**13,756**	**7,505**	**6,251**
Unpatented technologies	**28,774**	**10,521**	**18,253**
Other	**5,220**	**1,165**	**4,055**
Total	**¥ 113,945**	**39,153**	**¥ 74,792**
Unamortized intangible assets:			
Trademark	**¥ 7,766**		**¥ 7,766**
Other	**1,224**		**1,224**
Total	**¥ 8,990**		**¥ 8,990**

	Yen (Millions)		
	As of March 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
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
Unamortized intangible assets:			
Trademark	¥ 7,705		¥ 7,705
Other	1,231		1,231
Total	¥ 8,936		¥ 8,936

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 nine-month ended December 31, 2009 was ¥10,505 million. Estimated amortization expense for the next five years is: ¥13,109 million in 2010, ¥12,179 million in 2011, ¥10,578 million in 2012, ¥8,349 million in 2013, and ¥7,173 million in 2014.

The changes in the carrying amount of goodwill by segment for the nine-month ended December 31, 2009 is as follows:

	Yen (Millions)		
	Electronic materials and components	Recording media	Total
March 31, 2009	**¥ 55,198**	**-**	**¥ 55,198**
Acquisitions	**-**	**-**	**-**
Impairments	**-**	**-**	**-**
Others	**(374)**	**-**	**(374)**
Translation adjustment	**(1,150)**	**-**	**(1,150)**
December 31, 2009	**¥ 53,674**	**-**	**¥ 53,674**

11. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the nine-month ended December 31, 2009 and December 31, 2008 are as follows:

	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2009	**¥ 554,218**	**8,823**	**¥ 563,041**
Equity transaction of consolidated subsidiaries and other	**(2,910)**	**(2,554)**	**(5,464)**
Comprehensive income (loss):			
Net income (loss)	**9,966**	**(562)**	**9,404**
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	**(18,908)**	**(183)**	**(19,091)**
Pension liability adjustments	**1,208**	**(12)**	**1,196**
Net unrealized gains (losses) on securities	**3,057**	**-**	**3,057**
Other comprehensive income (loss), net of tax	**(14,643)**	**(195)**	**(14,838)**
Total comprehensive income (loss), net of tax:	**(4,677)**	**(757)**	**(5,434)**
Dividends	**(11,609)**	**(115)**	**(11,724)**
December 31, 2009	**¥ 535,022**	**5,397**	**¥ 540,419**

	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2008	¥ 716,577	3,684	¥ 720,261
Acquisition of subsidiaries and other	397	5,539	5,936
Comprehensive income (loss):			
Net income (loss)	(2,449)	(425)	(2,874)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(59,261)	(304)	(59,565)
Pension liability adjustments	(1,994)	8	(1,986)
Net unrealized gains (losses) on securities	229	-	229
Other comprehensive income (loss), net of tax	(61,026)	(296)	(61,322)
Total comprehensive income (loss), net of tax:	(63,475)	(721)	(64,196)
Dividends	(18,056)	(33)	(18,089)
December 31, 2008	¥ 635,443	8,469	¥ 643,912

Net income attributable to TDK Corp. and transfers (to) from noncontrolling interest for the nine-month ended December 31, 2009 is as follows:

	Yen (Millions)
	Nine months ended December 31, 2009
Net income attributable to TDK Corp.	**¥ 9,966**
Increase in TDK Corp.'s paid-in capital for purchase of 7,200,000 TDK Philippines Corp. common shares	**94**
Decrease in TDK Corp.'s paid-in capital for purchase of 2,000 TDK-Lambda (Thailand) Co., Ltd. common shares	**(24)**
Increase in TDK Corp.'s paid-in capital for allocation of 4,150 TDK Micro Devices Corp. new common shares to a third party	**8**
Decrease in TDK Corp.'s paid-in capital for purchase of 2,785,206 EPCOS AG common shares	**(3,242)**
Net transfers (to) from noncontrolling interest	**(3,164)**
Change from net income attributable to TDK Corp. and transfers (to) from noncontrolling interest	**¥ 6,802**

12. Comprehensive Income (Loss)

Comprehensive income (loss) for the nine-month ended December 31, 2009 and December 31, 2008 are as follows:

	Yen (Millions)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Net income (loss)	**¥ 9,404**	(2,874)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	**(19,091)**	(59,565)
Pension liability adjustments	**1,196**	(1,986)
Net unrealized gains (losses) on securities	**3,057**	229
Other comprehensive income (loss), net of tax	**(14,838)**	(61,322)
Comprehensive income (loss)	**(5,434)**	(64,196)
Comprehensive income (loss) attributable to non-controlling interests	**(757)**	(721)
Comprehensive income (loss) attributable to TDK Corp.	**¥ (4,677)**	(63,475)

Comprehensive income (loss) for the three-month ended December 31, 2009 and December 31, 2008 are as follows:

	Yen (Millions)	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Net income (loss)	**¥ 8,825**	(14,462)
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	**8,092**	(68,630)
Pension liability adjustments	**805**	(1,680)
Net unrealized gains (losses) on securities	**834**	511
Other comprehensive income (loss), net of tax	**9,731**	(69,799)
Comprehensive income (loss)	**18,556**	(84,261)
Comprehensive income (loss) attributable to non-controlling interests	**54**	(484)
Comprehensive income (loss) attributable to TDK Corp.	**¥ 18,502**	(83,777)

13. Net Income (Loss) Attributable to TDK Corp. per Share

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) attributable to TDK Corp. per share computations are as follows:

	Yen (Millions)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Net income (loss) attributable to TDK Corp.	**¥ 9,966**	(2,449)

	Number of shares (Thousands)	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Weighted average common shares outstanding – Basic	**128,986**	128,972
Effect of dilutive stock options	**95**	-
Weighted average common shares outstanding – Diluted	**129,081**	128,972

	Yen	
	Nine months ended December 31, 2009	Nine months ended December 31, 2008
Net income (loss) attributable to TDK Corp. per share:		
Basic	**¥ 77.26**	(18.99)
Diluted	**¥ 77.21**	(18.99)

	Yen (Millions)	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Net income (loss) attributable to TDK Corp.	**¥ 8,826**	(14,317)

	Number of shares (Thousands)	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Weighted average common shares outstanding – Basic	**128,992**	128,980
Effect of dilutive stock options	**102**	-
Weighted average common shares outstanding – Diluted	**129,094**	128,980

	Yen	
	Three months ended December 31, 2009	Three months ended December 31, 2008
Net income (loss) attributable to TDK Corp. per share:		
Basic	**¥ 68.42**	(111.00)
Diluted	**¥ 68.37**	(111.00)

14. Acquisition

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 as of September 30, 2009 was completed in accordance with German Stock Corporation Act, and TDK acquired 2,785 thousand shares of EPCOS in the three months period ended December 31, 2009 at a total cost of ¥6,912 million. 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 nine-month ended December 31, 2009.

15. Subsequent Events

On June 29, 2005, TDK received from the Tokyo Regional Taxation Bureau (the "Bureau") the correction notices based on the transfer pricing taxation that resulted in ¥21,302 million of incremental income amount, and was imposed the additional tax amounted to ¥11,960 million including the corporation tax and regional taxes. On August 26 of the same year, TDK filed a request for reinvestigation with the Bureau, and on June 29, 2007, it received a reinvestigation decision from the Bureau, rescinding ¥3,073 million of the incremental income assessed. As the result, TDK received the refund of ¥1,677 million of the corporation tax including regional taxes.

However, because the portion not permitted by the bureau still remained, TDK filed a request for reconsideration on July 26, 2007 with the National Tax Tribunal (the "Tribunal"), seeking rescission of the full amount of the portion not permitted by the Bureau. On February 1, 2010, TDK came to receive the Tribunal's decision on the request rescinding ¥14,092 million of the incremental income assessed. As a result of the decision, TDK expects to receive a tax refund of approximately ¥9.4 billion of the total corporation tax including regional taxes by March 31, 2010, which will be recorded in consolidated statements of operations for the year ending March 31, 2010.

16. Segment Information

(a) Industry segment information

Three months ended December 31, 2009

	Yen (Millions)				
	Electronic materials & components	Recording media	Sub total	Eliminations and corporate	Total
Net sales					
External sales	**¥ 207,230**	**4,432**	**211,662**	**-**	**¥ 211,662**
Intersegment	**-**	**-**	**-**	**-**	**-**
Total	**207,230**	**4,432**	**211,662**	**-**	**211,662**
Operating expenses	**194,184**	**5,385**	**199,569**	**-**	**199,569**
Operating income (loss)	**¥ 13,046**	**(953)**	**12,093**	**-**	**¥ 12,093**

Three months ended December 31, 2008

	Yen (Millions)				
	Electronic materials & components	Recording media	Sub total	Eliminations and corporate	Total
Net sales					
External sales	¥ 186,835	4,944	191,779	-	¥ 191,779
Intersegment	-	-	-	-	-
Total	186,835	4,944	191,779	-	191,779
Operating expenses	191,303	5,585	196,888	-	196,888
Operating income (loss)	¥ (4,468)	(641)	(5,109)	-	¥ (5,109)

Nine months ended December 31, 2009

	Yen (Millions)				
	Electronic materials & components	Recording media	Sub total	Eliminations and corporate	Total
Net sales					
External sales	**¥ 585,316**	**12,197**	**597,513**	**-**	**¥ 597,513**
Intersegment	**-**	**-**	**-**	**-**	**-**
Total	**585,316**	**12,197**	**597,513**	**-**	**597,513**
Operating expenses	**565,280**	**14,738**	**580,018**	**-**	**580,018**
Operating income (loss)	**¥ 20,036**	**(2,541)**	**17,495**	**-**	**¥ 17,495**

Nine months ended December 31, 2008

	Yen (Millions)				
	Electronic materials & components	Recording media	Sub total	Eliminations and corporate	Total
Net sales					
External sales	¥ 571,079	17,237	588,316	-	¥ 588,316
Intersegment	-	-	-	-	-
Total	571,079	17,237	588,316	-	588,316
Operating expenses	559,532	19,512	579,044	-	579,044
Operating income (loss)	¥ 11,547	(2,275)	9,272	-	¥ 9,272

(Notes) 1. Segment classification

Segments are classified by the similarity of the products, the product’s character, the manufacturing method and the selling market.

2. Principal products in each segment
   Electronic materials and components:
      Multilayer ceramic chip capacitors, Rare-earth magnets, Ferrite cores, Inductive devices (Coils, Transformers), Switching power supplies, HDD heads, Energy devices (Rechargeable batteries), and products manufactured and sold by the EPCOS and its subsidiaries
   Recording media:
      Optical media (Blu-ray discs) and Tape-based data storage media for computers

(b) Geographic segment information

Three months ended December 31, 2009

	Yen (Millions)						
	Japan	Americas	Europe	Asia and others	Sub total	Elimina-tions and corporate	Total
Net sales							
External sales	**¥ 31,889**	**13,672**	**32,512**	**133,589**	**211,662**	**-**	**¥ 211,662**
Intersegment	**45,365**	**2,764**	**7,853**	**22,902**	**78,884**	**(78,884)**	**-**
Total	**77,254**	**16,436**	**40,365**	**156,491**	**290,546**	**(78,884)**	**211,662**
Operating expenses	**75,615**	**21,104**	**45,073**	**136,762**	**278,554**	**(78,985)**	**199,569**
Operating income (loss)	**¥ 1,639**	**(4,668)**	**(4,708)**	**19,729**	**11,992**	**101**	**¥ 12,093**

Three months ended December 31, 2008

	Yen (Millions)						
	Japan	Americas	Europe	Asia and others	Sub total	Elimina-tions and corporate	Total
Net sales							
External sales	¥ 31,899	13,570	27,533	118,777	191,779	-	¥ 191,779
Intersegment	37,143	9,497	5,633	18,903	71,176	(71,176)	-
Total	69,042	23,067	33,166	137,680	262,955	(71,176)	191,779
Operating expenses	77,984	21,661	37,712	132,789	270,146	(73,258)	196,888
Operating income (loss)	¥ (8,942)	1,406	(4,546)	4,891	(7,191)	2,082	¥ (5,109)

Nine months ended December 31, 2009

	Yen (Millions)						
	Japan	Americas	Europe	Asia and others	Sub total	Elimina-tions and corporate	Total
Net sales							
External sales	**¥ 86,169**	**36,136**	**91,203**	**384,005**	**597,513**	**-**	**¥ 597,513**
Intersegment	**113,415**	**21,979**	**21,331**	**58,898**	**215,623**	**(215,623)**	**-**
Total	**199,584**	**58,115**	**112,534**	**442,903**	**813,136**	**(215,623)**	**597,513**
Operating expenses	**212,950**	**59,906**	**127,918**	**394,731**	**795,505**	**(215,487)**	**580,018**
Operating income (loss)	**¥ (13,366)**	**(1,791)**	**(15,384)**	**48,172**	**17,631**	**(136)**	**¥ 17,495**

Nine months ended December 31, 2008

	Yen (Millions)						
	Japan	Americas	Europe	Asia and others	Sub total	Elimina-tions and corporate	Total
Net sales							
External sales	¥106,591	36,835	47,976	396,914	588,316	-	¥ 588,316
Intersegment	130,879	31,764	6,609	42,170	211,422	(211,422)	-
Total	237,470	68,599	54,585	439,084	799,738	(211,422)	588,316
Operating expenses	251,937	61,414	59,889	417,268	790,508	(211,464)	579,044
Operating income (loss)	¥ (14,467)	7,185	(5,304)	21,816	9,230	42	¥ 9,272

(Notes) 1. Net sales in each geographic area are based on the location of TDK entities where the sales are generated.

2. Principal nations in each geographic segment excluding Japan:
Americas: United States of America
Europe: Germany, Austria and Hungary
Asia and others: Hong Kong, China, Singapore, Thailand and Malaysia

(c) Overseas sales

Three months ended December 31, 2009

	Yen (Millions)			
	Americas	Europe	Asia and others	Total
Sales by region	**¥ 22,808**	**29,003**	**130,624**	**¥ 182,435**
Net sales				**211,662**
Ratio of overseas sales to net sales (%)	**10.8**	**13.7**	**61.7**	**86.2**

Three months ended December 31, 2008

	Yen (Millions)			
	Americas	Europe	Asia and others	Total
Sales by region	¥ 20,673	25,718	116,706	¥ 163,097
Net sales				191,779
Ratio of overseas sales to net sales (%)	10.8	13.4	60.8	85.0

Nine months ended December 31, 2009

	Yen (Millions)			
	Americas	Europe	Asia and others	Total
Sales by region	**¥ 59,278**	**80,677**	**379,522**	**¥ 519,477**
Net sales				**597,513**
Ratio of overseas sales to net sales (%)	**9.9**	**13.5**	**63.5**	**86.9**

Nine months ended December 31, 2008

	Yen (Millions)			
	Americas	Europe	Asia and others	Total
Sales by region	¥ 65,262	49,716	381,048	¥ 496,026
Net sales				588,316
Ratio of overseas sales to net sales (%)	11.1	8.4	64.8	84.3

(Notes)

1. Overseas sales are based on the location of the customers.
2. Principal nations in each region excluding Japan:
   Americas: United States of America
   Europe: Germany, Italy, Hungary and France
   Asia and others: Hong Kong, China, Taiwan, Korea and Singapore
3. Overseas sales are net sales of TDK and its consolidated subsidiaries in the countries and regions other than Japan.