



Consolidated Financial Statements
for the three-month-period ended September 30, 2012
and September 30, 2013 (in English)

On November 12, 2013, 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.]

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1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	March 31, 2013	September 30, 2013
Current assets:		
Cash and cash equivalents	¥ 213,687	235,432
Short-term investments	9,830	7,113
Marketable securities (Note 2)	900	900
Net trade receivables	190,080	205,819
Inventories (Note 3)	137,868	146,891
Other current assets	58,263	56,405
Total current assets	610,628	652,560
Investments in securities (Note 2)	32,213	36,917
Net property, plant and equipment	365,901	367,609
Goodwill and other intangible assets (Note 9)	114,042	114,693
Other assets	46,858	48,904
	¥ 1,169,642	1,220,683

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Yen (Millions)	
	March 31, 2013	September 30, 2013
Current liabilities:		
Short-term debt	¥ 146,624	113,716
Current installments of long-term debt	51,515	49,598
Trade payables	85,015	101,513
Accrued expenses	76,649	84,941
Other current liabilities	18,132	18,525
Total current liabilities	<u>377,935</u>	<u>368,293</u>
Long-term debt, excluding current installments	97,481	131,226
Retirement and severance benefits	94,521	97,861
Other noncurrent liabilities	19,089	19,864
Total liabilities	<u>589,026</u>	<u>617,244</u>
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares; issued 129,590,659 shares at March 31, 2013 and September 30, 2013 outstanding 125,800,320 shares at March 31, 2013 and 125,809,648 shares at September 30, 2013	32,641	32,641
Additional paid-in capital	64,199	56,084
Legal reserve	25,426	25,878
Retained earnings	617,377	619,576
Accumulated other comprehensive income (loss) (Notes 10 and 11)	(159,016)	(126,121)
Treasury stock at cost; 3,790,339 shares at March 31, 2013 and 3,781,011 shares at September 30, 2013	(19,458)	(19,409)
Total TDK stockholders' equity	<u>561,169</u>	<u>588,649</u>
Noncontrolling interests (Notes 10 and 11)	19,447	14,790
Total equity	<u>580,616</u>	<u>603,439</u>
	<u>¥ 1,169,642</u>	<u>1,220,683</u>

**2) Consolidated statements of income
and Consolidated statements of comprehensive income (Unaudited)**

For the six-month ended September 30, 2012 and 2013

Consolidated statements of income

	Yen (Millions)	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Net sales	¥ 412,038	484,728
Cost of sales	321,104	378,516
Gross profit	90,934	106,212
Selling, general and administrative expenses (Note 13)	70,638	89,442
Operating income	20,296	16,770
Other income (deductions):		
Interest and dividend income	1,456	1,403
Interest expense	(1,459)	(1,678)
Foreign exchange gain (loss)	(275)	201
Other - net	(1,632)	1,024
	(1,910)	950
Income from continuing operations before income taxes	18,386	17,720
Income taxes	6,773	7,143
Income from continuing operations	11,613	10,577
Loss from discontinued operations (Note 14)	(101)	(3,551)
Net income	11,512	7,026
Less: Net income attributable to noncontrolling interests	1,787	622
Net income attributable to TDK	¥ 9,725	6,404

Amounts per share:

	Yen	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Net income attributable to TDK per share (Note 12):		
Basic	¥ 77.25	50.90
Diluted	75.00	48.32
Cash dividends paid during the period	¥ 40.00	30.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Net income	¥ 11,512	7,026
Other comprehensive income (loss), net of taxes (Note 11):		
Foreign currencies translation adjustments	(33,010)	28,756
Pension liability adjustments	928	1,091
Net unrealized gains (losses) on securities	(1,931)	3,131
Total other comprehensive income (loss)	(34,013)	32,978
Comprehensive income (loss) (Note 10)	(22,501)	40,004
Comprehensive income attributable to noncontrolling interests	1,188	1,439
Comprehensive income (loss) attributable to TDK	¥ (23,689)	38,565

See accompanying notes to consolidated financial statements.

For the three-month ended September 30, 2012 and 2013
Consolidated statements of income

	Yen (Millions)	
	Three months ended September 30, 2012	Three months ended September 30, 2013
Net sales	¥ 205,026	249,800
Cost of sales	159,848	192,364
Gross profit	45,178	57,436
Selling, general and administrative expenses (Note 13)	34,050	45,046
Operating income	11,128	12,390
Other income (deductions):		
Interest and dividend income	749	760
Interest expense	(742)	(819)
Foreign exchange gain (loss)	(437)	(82)
Other - net	(1,176)	481
	(1,606)	340
Income from continuing operations before income taxes	9,522	12,730
Income taxes	3,025	3,576
Income from continuing operations	6,497	9,154
Loss from discontinued operations (Note 14)	(67)	(3,208)
Net income	6,430	5,946
Less: Net income (loss) attributable to noncontrolling interests	1,176	(86)
Net income attributable to TDK	¥ 5,254	6,032

Amounts per share:

	Yen	
	Three months ended September 30, 2012	Three months ended September 30, 2013
Net income attributable to TDK per share (Note 12):		
Basic	¥ 41.74	47.95
Diluted	40.28	46.60
Cash dividends paid during the period	¥ -	-

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three months ended September 30, 2012	Three months ended September 30, 2013
Net income	¥ 6,430	5,946
Other comprehensive income (loss), net of taxes (Note 11):		
Foreign currencies translation adjustments	(6,566)	(1,182)
Pension liability adjustments	568	504
Net unrealized gains (losses) on securities	(642)	584
Total other comprehensive income (loss)	(6,640)	(94)
Comprehensive income (loss) (Note 10)	(210)	5,852
Comprehensive income (loss) attributable to noncontrolling interests	1,000	(227)
Comprehensive income (loss) attributable to TDK	¥ (1,210)	6,079

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Cash flows from operating activities:		
Net income	¥ 11,512	7,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,226	41,305
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(8,368)	(6,922)
Decrease (increase) in inventories	(7,015)	(3,915)
Increase (decrease) in trade payables	4,210	11,430
Increase (decrease) in accrued expenses	5,448	3,649
Decrease (increase) in other assets and liabilities, net	3,601	2,503
Other - net	(1,944)	2,233
Net cash provided by operating activities	<u>43,670</u>	<u>57,309</u>
Cash flows from investing activities:		
Capital expenditures	(43,982)	(29,288)
Proceeds from sale and maturity of short-term investments	3,757	13,160
Payment for purchase of short-term investments	(6,876)	(10,218)
Payment for purchase of securities	(266)	(955)
Proceeds from sales of tangible and intangible assets	3,594	2,027
Acquisition of subsidiaries, net of cash acquired	(5,633)	-
Other - net	(953)	2,318
Net cash used in investing activities	<u>(50,359)</u>	<u>(22,956)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	39,886	33,597
Repayment of long-term debt	(33,657)	(3,370)
Increase (decrease) in short-term debt, net	5,702	(33,292)
Dividends paid	(5,037)	(3,776)
Acquisition of noncontrolling interests	-	(13,981)
Other - net	(133)	(578)
Net cash provided by (used in) financing activities	<u>6,761</u>	<u>(21,400)</u>
Effect of exchange rate changes on cash and cash equivalents	(9,211)	8,792
Net increase (decrease) in cash and cash equivalents	<u>(9,139)</u>	<u>21,745</u>
Cash and cash equivalents at beginning of period	167,015	213,687
Cash and cash equivalents at end of period	<u>¥ 157,876</u>	<u>235,432</u>

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 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 in 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 (“U.S. GAAP”).

(b) 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 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

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2013-02 “Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income”. This amendment requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. TDK adopted FASB ASU 2013-02 on April 1, 2013. The disclosure required by the amendment is presented in Note 11 of the Notes to Consolidated Financial Statements.

The adoption of FASB ASU 2013-02 did not have a material impact on TDK’s financial position or results of operations.

(d) Change in Depreciation Method

Previously, TDK used the declining-balance method for calculating the depreciation of property, plant and equipment located in Japan and certain foreign subsidiaries. Effective April 1, 2013, TDK changed it to the straight-line method as a result of reviewing the depreciation method per change in business structure. Concurrently, estimated useful lives for certain assets were also changed. Because TDK thinks that the straight-line method better reflects the pattern of consumption of estimated future benefits to derive from those assets being depreciated and provides a better matching of cost and revenues over the assets’ estimated useful lives. The effect of change in depreciation method is recognized prospectively as a change in accounting estimate in conformity with the FASB Accounting Standard Codification (“ASC”) 250, “Accounting Changes and Error Corrections”. The change in depreciation did not have a material impact on TDK’s financial statements for the six-month and the three-month ended September 30, 2013.

(e) Subsequent Events

TDK has evaluated the subsequent events through November 8, 2013, the date on which the financial statements are available to be issued.

(f) 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 six-month and the three-month ended September 30, 2013.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at March 31, 2013 and September 30, 2013, are as follows:

	Yen (Millions)	
	March 31, 2013	September 30, 2013
Marketable securities	¥ 900	900
Investments in securities:		
Long-term marketable securities	14,456	19,686
Nonmarketable securities	1,098	1,127
Investments in affiliates	16,659	16,104
Total investments in securities	32,213	36,917
Total	¥ 33,113	37,817

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities at March 31, 2013 and September 30, 2013, is as follows:

As of March 31, 2013	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
Government bonds	¥ 899	1	-	900
Investments (Debt securities):				
Commercial papers	57	40	-	97
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	10,205	2,738	957	11,986
Other	1,163	183	-	1,346
Investments (Mutual funds)	961	64	-	1,025
Total	¥ 13,287	3,026	957	15,356

As of September 30, 2013	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
Government bonds	¥ 899	1	-	900
Investments (Debt securities):				
Government bonds	898	-	0	898
Commercial papers	59	47	-	106
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	10,214	6,448	638	16,024
Other	1,164	295	-	1,459
Investments (Mutual funds)	1,106	91	-	1,197
Total	¥ 14,342	6,882	638	20,586

Debt securities classified as available-for-sale at September 30, 2013 have a weighted average remaining term of 1.3 years.

The proceeds from sale and maturity of available-for-sale securities are ¥827 million and ¥4 million for the six-month and the three-month ended September 30, 2012, respectively. The proceeds from sale and maturity of available-for-sale securities are ¥98 million and ¥94 million for the six-month and the three-month ended September 30, 2013, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥18 million for the six-month and the three-month ended September 30, 2013. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥1,067 million and ¥937 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the six-month and the three-month ended September 30, 2012, respectively. TDK recorded an impairment of ¥80 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the six-month and the three-month ended September 30, 2013.

At September 30, 2013, all of the available-for-sale securities with unrealized losses were 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, 2013 and September 30, 2013 totaled ¥1,098 million and ¥1,127 million, respectively. A part of those securities as of March 31, 2013 and all of those securities as of September 30, 2013 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 September 30, 2013, certain debt securities in the amount of ¥1,798 million were pledged as collateral for extended custom duty payments to Tokyo and other customs.

3. Inventories

Inventories at March 31, 2013 and September 30, 2013, are summarized as follows:

	Yen (Millions)	
	March 31, 2013	September 30, 2013
Finished goods	¥ 60,141	65,090
Work in process	31,016	32,338
Raw materials	46,711	49,463
Total	¥ 137,868	146,891

4. Cost for Retirement and Severance Benefits

Net periodic benefit cost (including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the six-month ended September 30, 2012 and September 30, 2013 consist of the following components:

	Yen (Millions)	
	Six months ended September 30, 2012	Six months ended September 30, 2013
Service cost-benefits earned during the period	¥ 3,170	3,519
Interest cost on projected benefit obligation	2,453	2,418
Expected return on plan assets	(1,722)	(1,758)
Amortization of actuarial loss	2,384	2,334
Amortization of prior service benefit	(1,016)	(1,009)
Curtailment/settlement loss	-	138
Net periodic benefit cost	¥ 5,269	5,642

Net periodic benefit cost(including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the three-month ended September 30, 2012 and September 30, 2013 consist of the following components:

	Yen (Millions)	
	Three months ended September 30, 2012	Three months ended September 30, 2013
Service cost-benefits earned during the period	¥ 1,573	1,778
Interest cost on projected benefit obligation	1,218	1,212
Expected return on plan assets	(852)	(879)
Amortization of actuarial loss	1,188	1,174
Amortization of prior service benefit	(508)	(505)
Net periodic benefit cost	¥ 2,619	2,780

5. Contingent Liabilities

TDK provides guarantees to third parties on bank loans of its employees. The guarantees on behalf of the employees are made for their housing loans. 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, 2013 and September 30, 2013, are as follows:

	Yen (Millions)	
	March 31, 2013	September 30, 2013
Guarantees to third parties on bank loans of employees	¥ 2,306	2,086

As of September 30, 2013, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangement is not material.

Several claims against TDK are pending. A provision has been made for the estimated liabilities for the items. In the opinion of TDK management, based on discussions with legal counsel, any additional liability not currently provided for will not materially affect TDK's financial position or results of operations.

6. Risk Management Activities and Derivative Financial Instruments

TDK operates internationally and are exposed to the risk of changes in foreign exchange rates and changes in raw material prices. TDK assesses these risks by continuously monitoring changes in the exchange 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. 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 an economic viewpoint. The fair values of these undesignated contracts are recognized as income or expenses as earned or incurred.

Notional amounts of derivative financial instruments at March 31, 2013 and September 30, 2013, are as follows:

	Yen (Millions)	
	March 31, 2013	September 30, 2013
Forward foreign exchange contracts	¥ 60,877	79,619
Currency swaps	32,130	33,470
Commodity forward transactions	-	1,026
	<u>¥ 93,007</u>	<u>114,115</u>

Fair value of derivative financial instruments at March 31, 2013 and September 30, 2013 are as follows:

Yen (Millions)		
As of March 31, 2013		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Other current assets	¥ 416
Currency swaps	Other current assets	799
Currency swaps	Other assets	209
Assets total		¥ 1,424
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 993
Currency swaps	Other current liabilities	46
Currency swaps	Other noncurrent liabilities	58
Liabilities total		¥ 1,097

Yen (Millions)		
As of September 30, 2013		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Other current assets	¥ 807
Currency swaps	Other current assets	485
Currency swaps	Other assets	319
Commodity forward transactions	Other current assets	34
Assets total		¥ 1,645
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 336
Currency swaps	Other current liabilities	494
Commodity forward transactions	Other current liabilities	10
Liabilities total		¥ 840

The effect of derivative financial instruments on the consolidated statements of income for the six-month ended September 30, 2012 and September 30, 2013 are as follows:

Six months ended September 30, 2012		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 517
Currency swaps	Foreign exchange gain (loss)	366
		¥ 883

Six months ended September 30, 2013		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (587)
Currency swaps	Foreign exchange gain (loss)	(321)
Commodity forward transactions	Cost of sales	32
		¥ (876)

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended September 30, 2012 and September 30, 2013 are as follows:

	Three months ended September 30, 2012	
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 170
Currency swaps	Foreign exchange gain (loss)	(1,245)
		¥ (1,075)
		¥ (1,075)
	Three months ended September 30, 2013	
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 444
Currency swaps	Foreign exchange gain (loss)	(600)
Commodity forward transactions	Cost of sales	52
		¥ (104)
		¥ (104)

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

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 long-term debt is classified as level 2, one of three levels of fair value hierarchy that is discussed in Note 8 of the Notes to Consolidated Financial Statements.

The carrying amounts and estimated fair values of TDK's financial instruments at March 31, 2013 and September 30, 2013, are summarized as follows:

<u>As of March 31, 2013</u>	<u>Yen (Millions)</u>	
	<u>Carrying amount</u>	<u>Estimated fair value</u>
Assets:		
Marketable securities for which it is:		
Practicable to estimate fair value	¥ 900	900
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	27,582	27,582
Not practicable to estimate fair value	1,099	-
Liability:		
Long-term debt, including current portion	(148,996)	(151,006)
<u>As of September 30, 2013</u>	<u>Yen (Millions)</u>	
	<u>Carrying amount</u>	<u>Estimated fair value</u>
Assets:		
Marketable securities for which it is:		
Practicable to estimate fair value	¥ 900	900
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	32,710	32,710
Not practicable to estimate fair value	1,128	-
Liability:		
Long-term debt, including current portion	(180,824)	(182,005)

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. FASB 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, 2013 and September 30, 2013 are as follows:

<u>As of March 31, 2013</u>	Yen (Millions)			Total
	Level 1	Level 2	Level 3	
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 900	-	-	¥ 900
Derivative contracts:				
Forward foreign exchange contracts	-	416	-	416
Currency swaps	-	1,008	-	1,008
Investments (Debt securities):				
Commercial papers	-	97	-	97
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	11,986	-	-	11,986
Other	1,346	-	-	1,346
Investments (Mutual funds)	1,025	-	-	1,025
Rabbi trust investments	4,813	-	-	4,813
Total	¥ 20,072	1,521	-	¥ 21,593
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	993	-	¥ 993
Currency swaps	-	104	-	104
Total	¥ -	1,097	-	¥ 1,097
<u>As of September 30, 2013</u>	Yen (Millions)			Total
	Level 1	Level 2	Level 3	
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 900	-	-	¥ 900
Derivative contracts:				
Forward foreign exchange contracts	-	807	-	807
Currency swaps	-	804	-	804
Commodity forward transactions	-	34	-	34
Investments (Debt securities):				
Government bonds	898	-	-	898
Commercial papers	-	106	-	106
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	16,024	-	-	16,024
Other	1,459	-	-	1,459
Investments (Mutual funds)	1,197	-	-	1,197
Rabbi trust investments	5,212	-	-	5,212
Total	¥ 25,692	1,751	-	¥ 27,443
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	336	-	¥ 336
Currency swaps	-	494	-	494
Commodity forward transactions	-	10	-	10
Total	¥ -	840	-	¥ 840

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 the 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 third-party assessments using observable market data.

9. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2013 and September 30, 2013 are as follows:

	Yen (Millions)		
	As of March 31, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	¥ 41,721	23,218	¥ 18,503
Customer relationships	22,621	15,628	6,993
Software	23,055	11,414	11,641
Unpatented technologies	32,030	23,066	8,964
Other	5,762	1,133	4,629
Total	¥ 125,189	74,459	¥ 50,730
Unamortized intangible assets:			
Trademark	¥ 6,622		¥ 6,622
Other	252		252
Total	¥ 6,874		¥ 6,874
	Yen (Millions)		
	As of September 30, 2013		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	¥ 40,774	24,420	¥ 16,354
Customer relationships	23,611	17,098	6,513
Software	24,774	12,175	12,599
Unpatented technologies	32,751	25,309	7,442
Other	6,093	1,254	4,839
Total	¥ 128,003	80,256	¥ 47,747
Unamortized intangible assets:			
Trademark	¥ 6,938		¥ 6,938
Other	250		250
Total	¥ 7,188		¥ 7,188

No significant intangible assets other than goodwill were acquired in the six-month ended September 30, 2012 and September 30, 2013.

Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives to their estimated residual value of zero. Aggregate amortization expense for the six-month ended September 30, 2013 was ¥5,531 million.

There are no significant changes in the carrying amount of goodwill for the six-month ended September 30, 2013.

Net income attributable to TDK and transfers (to) from noncontrolling interests for the six-month ended September 30, 2012 and September 30, 2013 are as follows:

	Yen (Millions)	
	Six months ended	
	September 30, 2012	2013
Net income attributable to TDK	¥ 9,725	6,404
Decrease in TDK's paid-in capital for purchase of Becromal Iceland ehf common shares	-	(1,125)
Decrease in TDK's paid-in capital for purchase of Ampere Technology Ltd. common shares	-	(7,769)
Net transfers (to) from noncontrolling interests	-	(8,894)
Change from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ 9,725	(2,490)

11. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the six-month ended September 30, 2013 are as follows:

	Yen (Millions)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2013	¥ (114,027)	(46,707)	1,718	¥ (159,016)
Equity transaction of consolidated subsidiaries and other	734	-	-	734
Other comprehensive income before reclassifications	28,804	54	3,089	31,947
Amounts reclassified from accumulated other comprehensive income (loss)	(48)	1,037	42	1,031
Other comprehensive income	28,756	1,091	3,131	32,978
Other comprehensive income (loss) attributable to noncontrolling interests	812	5	(0)	817
September 30, 2013	¥ (85,349)	(45,621)	4,849	¥ (126,121)

The reclassifications out of accumulated other comprehensive income (loss) for the six-month and three-month ended September 30, 2013 are as follows:

	Yen (Millions)	
For the six-month ended September 30, 2013	Amount reclassified from accumulated other comprehensive income (loss) *1	Affected line items in consolidated statements of income
Foreign currencies translation adjustments:	48	Others
	-	Tax (expense) or benefit
	<u>48</u>	Net of tax
Pension liability adjustments:	(1,379)	*2
	342	Tax (expense) or benefit
	<u>(1,037)</u>	Net of tax
Net unrealized gains (losses) on securities:	(62)	Others
	20	Tax (expense) or benefit
	<u>(42)</u>	Net of tax
Total amount reclassified, net of tax	<u>(1,031)</u>	

	Yen (Millions)	
For the three-month ended September 30, 2013	Amount reclassified from accumulated other comprehensive income (loss) *1	Affected line items in consolidated statements of income
Pension liability adjustments:	(672)	*2
	168	Tax (expense) or benefit
	<u>(504)</u>	Net of tax
Net unrealized gains (losses) on securities:	(62)	Others
	20	Tax (expense) or benefit
	<u>(42)</u>	Net of tax
Total amount reclassified, net of tax	<u>(546)</u>	

*1 Amounts in parentheses indicate losses in consolidated statements of income.

*2 This accumulated other comprehensive income (loss) component is included in the computation of net periodic benefit cost for TDK's employee retirement and severance defined benefit plans that is presented in Note 4 of the Notes to Consolidated Financial Statements.

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the six-month ended September 30, 2013 are as follows:

For the six-month ended September 30, 2013	Yen (Millions)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Amount arising during the period from investments in foreign entities	¥ 28,804	0	28,804
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	(48)	-	(48)
Net foreign currency translation adjustments	<u>28,756</u>	<u>0</u>	<u>28,756</u>
Pension liability adjustments:			
Amount arising during the period	78	(24)	54
Reclassification adjustments for amortization and curtailment/settlement	1,379	(342)	1,037
Net pension liability adjustments	<u>1,457</u>	<u>(366)</u>	<u>1,091</u>
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	4,129	(1,040)	3,089
Reclassification adjustments	62	(20)	42
Net unrealized gains (losses)	<u>4,191</u>	<u>(1,060)</u>	<u>3,131</u>
Other comprehensive income (loss)	<u>¥ 34,404</u>	<u>(1,426)</u>	<u>32,978</u>

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the three-month ended September 30, 2013 are as follows:

For the three-month ended September 30, 2013	Yen (Millions)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Amount arising during the period from investments in foreign entities	¥ (1,182)	-	(1,182)
Net foreign currency translation adjustments	<u>(1,182)</u>	<u>-</u>	<u>(1,182)</u>
Pension liability adjustments:			
Reclassification adjustments for amortization and curtailment/settlement	672	(168)	504
Net pension liability adjustments	<u>672</u>	<u>(168)</u>	<u>504</u>
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	749	(207)	542
Reclassification adjustments	62	(20)	42
Net unrealized gains (losses)	<u>811</u>	<u>(227)</u>	<u>584</u>
Other comprehensive income (loss)	<u>¥ 301</u>	<u>(395)</u>	<u>(94)</u>

12. Net Income Attributable to TDK per Share

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to TDK per share calculations is as follows:

	Yen (Millions)			
	Six months ended September 30, 2012		Six months ended September 30, 2013	
	Basic	Diluted	Basic	Diluted
Income from continuing operations attributable to TDK	¥ 9,844	9,573	9,064	8,748
Loss from discontinued operations attributable to TDK	(119)	(119)	(2,660)	(2,660)
Net income attributable to TDK	9,725	9,454	6,404	6,088
	Number of shares (Thousands)			
Weighted average common shares outstanding	125,887	125,887	125,805	125,805
Incremental shares arising from the exercise of stock option	-	171	-	197
Weighted average common shares outstanding – Total	125,887	126,058	125,805	126,002
	Yen			
Per common share:				
Income from continuing operations attributable to TDK	78.20	75.94	72.04	69.43
Loss from discontinued operations attributable to TDK	(0.95)	(0.95)	(21.14)	(21.14)
Net income attributable to TDK	77.25	75.00	50.90	48.32

	Yen (Millions)			
	Three months ended September 30, 2012		Three months ended September 30, 2013	
	Basic	Diluted	Basic	Diluted
Income from continuing operations attributable to TDK	¥ 5,328	5,152	8,396	8,237
Loss from discontinued operations attributable to TDK	(74)	(74)	(2,364)	(2,364)
Net income attributable to TDK	5,254	5,078	6,032	5,873
	Number of shares (Thousands)			
Weighted average common shares outstanding	125,886	125,886	125,809	125,809
Incremental shares arising from the exercise of stock option	-	191	-	212
Weighted average common shares outstanding – Total	125,886	126,077	125,809	126,021
	Yen			
Per common share:				
Income from continuing operations attributable to TDK	42.33	40.86	66.74	65.36
Loss from discontinued operations attributable to TDK	(0.59)	(0.59)	(18.79)	(18.79)
Net income attributable to TDK	41.74	40.28	47.95	46.60

171,000 and 191,000 incremental shares arising from the exercise of stock options were excluded from the per share calculation of diluted loss from discontinued operations attributable to TDK for the six-month and the three-month ended September 30, 2012 as the effect would have been antidilutive. Also, 197,000 and 212,000 incremental shares arising from the exercise of stock options were excluded from the per share calculation of diluted loss from discontinued operations attributable to TDK for the six-month and the three-month ended September 30, 2013 as the effect would have been antidilutive.

The decline of income from continuing operations attributable to TDK and net income attributable to TDK for the six-month and the three-month ended September 30, 2012 and September 30, 2013 were caused by presuming the exercise of stock options issued by a subsidiary of TDK Corporation.

Per common share data are calculated separately for income from continuing operations attributable to TDK, loss from discontinued operations attributable to TDK and net income attributable to TDK. Consequently diluted net income attributable to TDK per share for the six-month and the three-month ended September 30, 2012 and September 30, 2013 were not equal to the sum of diluted income from continuing operations attributable to TDK per share and loss from discontinued operations attributable to TDK per share.

For the six-month and the three-month ended September 30, 2012 and September 30, 2013, some stock options issued by TDK Corporation were excluded from the diluted per share calculation of income from continuing operations attributable to TDK, loss from discontinued operations attributable to TDK, and net income attributable to TDK as the effect would have been antidilutive. The stock options issued by a subsidiary that are vested when a certain performance condition is achieved were also excluded from the diluted per share calculation of income from continuing operations attributable to TDK and net income attributable to TDK for the six-month and the three-month ended September 30, 2012 and September 30, 2013 as it was not probable that the performance condition would be achieved as of September 30, 2012 and September 30, 2013.

13. Impact of the Damage from the Flood in Thailand on TDK Group's Consolidated Performance

The Rojana plant and Wangnoi plant of TDK subsidiaries were directly affected by the major Thai floods that occurred in 2011. Their facilities and buildings were submerged, and their operations were forced to stop. However, TDK booked an insurance payout of ¥5,448 million that covers the damage as operating income for the six-month ended September 30, 2012.

14. Discontinued Operations

As a part of reviewing the entire group portfolio and concentration in core competence, TDK decided to withdraw from the data tape business which belongs to Applied films business composes Film Application Products segment.

In accordance with the provisions of FASB ASC 205-20 "Presentation of Financial Statements – Discontinued Operations", profit and loss pertaining to the data tape business are presented under discontinued operations in the consolidated statements of income.

The selected financial information for the discontinued operations for the six-month ended September 30, 2012 and September 30, 2013, are as follows:

	Yen (Millions)	
	Six months ended September 30,	
	2012	2013
Net sales	¥ 3,608	2,478
Cost of sales and expenses (includes impairment loss ¥1,708 million for the six-month ended September 30, 2013)	3,689	5,878
Loss from discontinued operations before income taxes	(81)	(3,400)
Income taxes	20	151
Loss from discontinued operations	(101)	(3,551)
Income (loss) from discontinued operations attributable to noncontrolling interests	18	(891)
Loss from discontinued operations attributable to TDK	(119)	(2,660)

The selected financial information for the discontinued operations for the three-month ended September 30, 2012 and September 30, 2013, are as follows:

	Yen (Millions)	
	Three months ended September 30,	
	2012	2013
Net sales	¥ 1,967	870
Cost of sales and expenses (includes impairment loss ¥1,708 million for the three-month ended September 30, 2013)	2,029	3,802
Loss from discontinued operations before income taxes	(62)	(2,932)
Income taxes	5	276
Loss from discontinued operations	(67)	(3,208)
Income (loss) from discontinued operations attributable to noncontrolling interests	7	(844)
Loss from discontinued operations attributable to TDK	(74)	(2,364)

15. Segment Information

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, the Magnetic Application Products segment and the Film Application Products segment. Operating segments which are not reportable segments are included in Other.

The figures related to the data tape business which was a part of Applied films of Film Application Products are excluded as discontinued operations.

Principal businesses of each segment are as follows:

Segment	Principal businesses
Passive Components	Ceramic capacitors, Aluminum electrolytic capacitors, Film capacitors, Inductive devices (Coils, Ferrite cores and Transformers), High-frequency components, Piezoelectric materials and circuit protection components, Sensors
Magnetic Application Products	Recording devices, Power supplies, Magnets
Film Application Products	Energy devices (Rechargeable batteries), Applied films
Other	Mechatronics (Production equipment), other

Intersegment transactions in operating segments are based on arm's-length prices.

The business segment information for the six-month ended September 30, 2012 and September 30, 2013 are as follows:

Net sales

	Yen (Millions)	
	Six months ended September 30,	
	2012	2013
Passive Components:		
External customers	¥ 182,096	236,431
Intersegment	1,507	1,534
	<u>183,603</u>	<u>237,965</u>
Magnetic Application Products:		
External customers	171,612	179,050
Intersegment	207	321
	<u>171,819</u>	<u>179,371</u>
Film Application Products:		
External customers	47,367	60,126
Intersegment	1,502	1,454
	<u>48,869</u>	<u>61,580</u>
Other:		
External customers	10,963	9,121
Intersegment	9,233	4,433
	<u>20,196</u>	<u>13,554</u>
Intersegment eliminations	(12,449)	(7,742)
Total	<u>¥ 412,038</u>	<u>484,728</u>

Segment profit (loss)

	Yen (Millions)	
	Six months ended September 30,	
	2012	2013
Passive Components	¥ (5,366)	9,033
Magnetic Application Products	27,728	12,436
Film Application Products	7,069	5,135
Other	(886)	(1,638)
	<u>28,545</u>	<u>24,966</u>
Corporate and eliminations	(8,249)	(8,196)
Operating income	20,296	16,770
Other income (deductions), net	(1,910)	950
Income from continuing operations before income taxes	<u>¥ 18,386</u>	<u>17,720</u>

The business segment information for the three-month ended September 30, 2012 and September 30, 2013 are as follows:

Net sales

	Yen (Millions)	
	Three months ended September 30,	
	2012	2013
Passive Components:		
External customers	¥ 90,616	119,404
Intersegment	769	675
	<u>91,385</u>	<u>120,079</u>
Magnetic Application Products:		
External customers	83,432	92,855
Intersegment	46	29
	<u>83,478</u>	<u>92,884</u>
Film Application Products:		
External customers	25,776	33,130
Intersegment	682	720
	<u>26,458</u>	<u>33,850</u>
Other:		
External customers	5,202	4,411
Intersegment	4,258	2,219
	<u>9,460</u>	<u>6,630</u>
Intersegment eliminations	(5,755)	(3,643)
Total	<u>¥ 205,026</u>	<u>249,800</u>

Segment profit (loss)

	Yen (Millions)	
	Three months ended September 30,	
	2012	2013
Passive Components	¥ (2,499)	6,211
Magnetic Application Products	13,158	7,813
Film Application Products	5,014	3,171
Other	(459)	(816)
	<u>15,214</u>	<u>16,379</u>
Corporate and eliminations	(4,086)	(3,989)
Operating income	11,128	12,390
Other income (deductions), net	(1,606)	340
Income from continuing operations before income taxes	<u>¥ 9,522</u>	<u>12,730</u>

Segment profit (loss) consists of net sales less cost of sales and selling, general and administrative expenses except for those attribute to Corporate.

Corporate mainly includes expenses associated with head office functions that are not allocated to operating segments.

Net sales and segment profit (loss) related to discontinued operations are excluded from the six-month and the three-month ended September 30, 2013. The prior year's figures are also excluded to conform to the presentation used for the six-month and the three-month ended September 30, 2013.

Geographic segment information

The geographic segment information for the six-month ended September 30, 2012 and September 30, 2013 are as follows:

Net sales

	Yen (Millions)	
	Six months ended September 30,	
	2012	2013
Japan	¥ 58,598	46,651
Americas	26,461	42,249
Europe	53,890	68,948
China	160,191	234,248
Asia and others	112,898	92,632
Total	¥ 412,038	484,728

The geographic segment information for the three-month ended September 30, 2012 and September 30, 2013 are as follows:

Net sales

	Yen (Millions)	
	Three months ended September 30,	
	2012	2013
Japan	¥ 28,515	23,429
Americas	13,238	20,910
Europe	26,325	34,556
China	84,727	124,310
Asia and others	52,221	46,595
Total	¥ 205,026	249,800

Net sales are based on the location of the customers.

The figures for the six-month and the three-month ended September 30, 2012 are restated based on current calculation method for sales by region.

Net sales related to discontinued operations are excluded from the six-month and the three-month ended September 30, 2013. The prior year's sales are also excluded to conform to the presentation used for the six-month and the three-month ended September 30, 2013.

Major countries in each geographic area:

- (1) Americas United States of America, Mexico
- (2) Europe Germany, France, Hungary
- (3) Asia and others Thailand, Taiwan, Korea, Malaysia, Philippines