



Consolidated Financial Statements
for the three-month period ended September 30, 2013
and September 30, 2014 (in English)

On November 12, 2014, the Japanese version of this report 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]

Document to be filed:	Quarterly Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	November 12, 2014
Business year:	2nd quarter of 119th term (from July 1, 2014 to September 30, 2014)
Company name (Japanese):	<i>TDK Kabushiki-Kaisha</i>
Company name (English):	TDK CORPORATION
Title and name of representative:	Takehiro Kamigama, President & Representative Director
Location of head office:	3-9-1, Shibaura, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6852-7116
Contact person:	Takakazu Momozuka, Corporate Officer
Place of contact:	3-9-1, Shibaura, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6852-7116
Contact person:	Takakazu Momozuka, Corporate Officer
Places where the document to be filed is available for public inspection:	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)

TABLE OF CONTENTS

Consolidated Financial Statements for the three-month period ended
September 30, 2013 and September 30, 2014 (in English)

- 1) Consolidated balance sheets (Unaudited)
- 2) Consolidated statements of income and Consolidated statements of comprehensive income (Unaudited)
- 3) Consolidated statements of cash flows (Unaudited)
- 4) Notes to Consolidated Financial Statements (Unaudited)

1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	March 31, 2014	September 30, 2014
Current assets:		
Cash and cash equivalents	¥ 250,848	¥ 244,241
Short-term investments	8,691	14,077
Net trade receivables	206,472	239,187
Inventories (Note 3)	136,387	149,966
Other current assets	50,887	54,956
Total current assets	653,285	702,427
Investments in securities (Note 2)	38,401	41,462
Net property, plant and equipment	374,032	396,160
Goodwill and other intangible assets (Note 9)	118,105	115,856
Other assets	55,766	56,352
Total assets	¥ 1,239,589	¥ 1,312,257

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Yen (Millions)	
	March 31, 2014	September 30, 2014
Current liabilities:		
Short-term debt	¥ 132,237	¥ 114,899
Current installments of long-term debt	37,147	36,171
Trade payables	95,688	115,605
Accrued expenses	86,664	98,924
Other current liabilities	22,045	20,995
Total current liabilities	373,781	386,594
Long-term debt, excluding current installments	97,623	116,230
Retirement and severance benefits	93,777	95,490
Other noncurrent liabilities	22,165	21,852
Total liabilities	587,346	620,166
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares; issued 129,590,659 shares at March 31, 2014 and September 30, 2014 outstanding 125,814,338 shares at March 31, 2014 and 125,858,895 shares at September 30, 2014	32,641	32,641
Additional paid-in capital	57,635	47,435
Legal reserve	26,651	26,998
Retained earnings	624,919	637,652
Accumulated other comprehensive income (loss) (Notes 10 and 11)	(87,134)	(51,891)
Treasury stock at cost; 3,776,321 shares at March 31, 2014 and 3,731,764 shares at September 30, 2014	(19,385)	(19,156)
Total TDK stockholders' equity	635,327	673,679
Noncontrolling interests (Notes 10 and 11)	16,916	18,412
Total equity	652,243	692,091
Total liabilities and equity	¥ 1,239,589	¥ 1,312,257

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

For the six-month ended September 30, 2013 and 2014

Consolidated statements of income

	Yen (Millions)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Net sales	¥ 483,784	¥ 502,275
Cost of sales	377,546	376,145
Gross profit	106,238	126,130
Selling, general and administrative expenses	89,203	98,208
Operating income	17,035	27,922
Other income (deductions):		
Interest and dividend income	1,403	2,229
Interest expense	(1,678)	(1,447)
Foreign exchange gain (loss)	179	(1,276)
Other - net	1,142	(72)
Total other income (deductions):	1,046	(566)
Income from continuing operations before income taxes	18,081	27,356
Income taxes	7,276	7,769
Income from continuing operations	10,805	19,587
Loss from discontinued operations (Note 13)	(3,779)	-
Net income	7,026	19,587
Less: Net income attributable to noncontrolling interests	622	1,447
Net income attributable to TDK	¥ 6,404	¥ 18,140

Amounts per share:

	Yen	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Net income attributable to TDK per share (Note 12):		
Basic	50.90	144.17
Diluted	48.32	140.45
Cash dividends paid during the period	30.00	40.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Net income	¥ 7,026	¥ 19,587
Other comprehensive income (loss), net of taxes (Note 11):		
Foreign currencies translation adjustments	28,756	37,228
Pension liability adjustments	1,091	(2,372)
Net unrealized gains (losses) on securities	3,131	1,305
Total other comprehensive income (loss)	32,978	36,161
Comprehensive income (Note 10)	40,004	55,748
Comprehensive income attributable to noncontrolling interests	1,439	2,653
Comprehensive income attributable to TDK	¥ 38,565	¥ 53,095

See accompanying notes to consolidated financial statements.

For the three-month ended September 30, 2013 and 2014
Consolidated statements of income

	Yen (Millions)	
	Three months ended September 30, 2013	Three months ended September 30, 2014
Net sales	¥ 249,385	¥ 264,813
Cost of sales	191,944	196,151
Gross profit	57,441	68,662
Selling, general and administrative expenses	44,932	50,335
Operating income	12,509	18,327
Other income (deductions):		
Interest and dividend income	760	1,093
Interest expense	(819)	(618)
Foreign exchange gain (loss)	(94)	(1,587)
Other - net	540	(214)
Total other income (deductions):	387	(1,326)
Income from continuing operations before income taxes	12,896	17,001
Income taxes	3,611	3,701
Income from continuing operations	9,285	13,300
Loss from discontinued operations (Note 13)	(3,339)	-
Net income	5,946	13,300
Less: Net income (loss) attributable to noncontrolling interests	(86)	914
Net income attributable to TDK	¥ 6,032	¥ 12,386

Amounts per share:

	Yen	
	Three months ended September 30, 2013	Three months ended September 30, 2014
Net income attributable to TDK per share (Note 12):		
Basic	47.95	98.43
Diluted	46.60	95.16
Cash dividends paid during the period	-	-

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three months ended September 30, 2013	Three months ended September 30, 2014
Net income	¥ 5,946	¥ 13,300
Other comprehensive income (loss), net of taxes (Note 11):		
Foreign currencies translation adjustments	(1,182)	47,368
Pension liability adjustments	504	(2,739)
Net unrealized gains (losses) on securities	584	1,458
Total other comprehensive income (loss)	(94)	46,087
Comprehensive income (Note 10)	5,852	59,387
Comprehensive income (loss) attributable to noncontrolling interests	(227)	2,371
Comprehensive income attributable to TDK	¥ 6,079	¥ 57,016

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Cash flows from operating activities:		
Net income	¥ 7,026	¥ 19,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,305	39,183
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(6,922)	(18,634)
Decrease (increase) in inventories	(3,915)	(8,925)
Increase (decrease) in trade payables	11,430	9,660
Increase (decrease) in accrued expenses	3,649	1,125
Decrease (increase) in other assets and liabilities, net	2,503	(3,608)
Other - net	2,233	5,527
Net cash provided by operating activities	57,309	43,915
Cash flows from investing activities:		
Capital expenditures	(29,288)	(42,802)
Proceeds from sale and maturity of short-term investments	13,160	6,369
Payment for purchase of short-term investments	(10,218)	(10,898)
Payment for purchase of securities	(955)	(225)
Proceeds from sales of tangible and intangible assets	2,027	1,727
Other - net	2,318	817
Net cash used in investing activities	(22,956)	(45,012)
Cash flows from financing activities:		
Proceeds from long-term debt	33,597	18,650
Repayment of long-term debt	(3,370)	(1,538)
Increase (decrease) in short-term debt, net	(33,292)	(18,826)
Dividends paid	(3,776)	(5,033)
Acquisition of noncontrolling interests	(13,981)	(14,995)
Other - net	(578)	2,817
Net cash used in financing activities	(21,400)	(18,925)
Effect of exchange rate changes on cash and cash equivalents	8,792	13,415
Net increase (decrease) in cash and cash equivalents	21,745	(6,607)
Cash and cash equivalents at beginning of period	213,687	250,848
Cash and cash equivalents at end of period	¥ 235,432	¥ 244,241

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 the generally accepted accounting principles in 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 balances 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 of accounting. All significant intercompany profits from these affiliates have been eliminated.

(c) Subsequent Events

TDK has evaluated the subsequent events through November 11, 2014, the date on which the consolidated financial statements are available to be issued.

(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 six-month and the three-month ended September 30, 2014.

Additionally, results of discontinued operations are separately presented under discontinued operations in the consolidated statements of income. Except for otherwise mentioned, figures pertaining to discontinued operations are excluded from the figures disclosed in the Notes to Consolidated Financial Statements.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at March 31, 2014 and September 30, 2014, are as follows:

	Yen (Millions)	
	March 31, 2014	September 30, 2014
Investments in securities:		
Long-term marketable securities	¥ 20,335	¥ 23,815
Nonmarketable securities	1,449	1,288
Investments in affiliates	16,617	16,359
Total	¥ 38,401	¥ 41,462

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities at March 31, 2014 and September 30, 2014, is as follows:

As of March 31, 2014	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Investments (Debt securities):				
Government bonds	¥ 1,302	¥ -	¥ 0	¥ 1,302
Commercial papers	64	61	-	125
Public-utility bonds	3	-	-	3
Investments (Equity securities):				
Manufacturing companies	8,391	7,728	12	16,107
Other	1,166	348	-	1,514
Investments (Mutual funds)	1,155	129	-	1,284
Total	¥ 12,081	¥ 8,266	¥ 12	¥ 20,335

As of September 30, 2014	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Investments (Debt securities):				
Government bonds	¥ 1,302	¥ 0	¥ 0	¥ 1,302
Commercial papers	68	68	-	136
Public-utility bonds	3	-	-	3
Investments (Equity securities):				
Manufacturing companies	8,421	11,615	940	19,096
Other	1,169	647	-	1,816
Investments (Mutual funds)	1,287	175	-	1,462
Total	¥ 12,250	¥ 12,505	¥ 940	¥ 23,815

Debt securities classified as available-for-sale at September 30, 2014 have a weighted average remaining term of 1.3 years.

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. The proceeds from sale and maturity of available-for-sale securities and nonmarketable securities are ¥135 million and ¥34 million for the six-month and the three-month ended September 30, 2014. 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 gross realized gains on the sale and settlement of available-for-sale securities and nonmarketable securities are ¥14 million for the six-month ended September 30, 2014. The cost of available-for-sale securities and nonmarketable securities sold were determined on average cost basis. 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. TDK recorded an impairment of ¥150 million on certain nonmarketable securities representing other-than-temporary declines in the fair value for the six-month ended September 30, 2014.

As of September 30, 2014, 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, 2014 and September 30, 2014 totaled ¥1,449 million and ¥1,288 million, respectively.

As of September 30, 2014, certain debt securities in the amount of ¥1,302 million were pledged as collateral for extended custom duty payments to Tokyo Customs and other customs.

3. Inventories

Inventories at March 31, 2014 and September 30, 2014, are summarized as follows:

	Yen (Millions)	
	March 31, 2014	September 30, 2014
Finished goods	¥ 59,746	¥ 62,773
Work in process	31,434	35,803
Raw materials	45,207	51,390
Total	¥ 136,387	¥ 149,966

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, 2013 and September 30, 2014 consist of the following components:

	Yen (Millions)	
	Six months ended September 30, 2013	Six months ended September 30, 2014
Service cost-benefits earned during the period	¥ 3,519	¥ 3,453
Interest cost on projected benefit obligation	2,418	2,683
Expected return on plan assets	(1,758)	(2,040)
Amortization of actuarial loss	2,334	1,991
Amortization of prior service cost (benefit)	(1,009)	(1,009)
Curtailment/settlement loss	138	-
Net periodic benefit cost	¥ 5,642	¥ 5,078

Net periodic benefit cost (including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the three-month ended September 30, 2013 and September 30, 2014 consist of the following components:

	Yen (Millions)	
	Three months ended September 30, 2013	Three months ended September 30, 2014
Service cost-benefits earned during the period	¥ 1,778	¥ 1,722
Interest cost on projected benefit obligation	1,212	1,338
Expected return on plan assets	(879)	(1,025)
Amortization of actuarial loss	1,174	985
Amortization of prior service cost (benefit)	(505)	(505)
Net periodic benefit cost	¥ 2,780	¥ 2,515

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, 2014 and September 30, 2014, are as follows:

	Yen (Millions)	
	March 31, 2014	September 30, 2014
Guarantees to third parties on bank loans of employees	¥ 1,870	¥ 1,696

As of September 30, 2014, 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 the consolidated financial position or results of operations of TDK.

6. Risk Management Activities and Derivative Financial Instruments

TDK operates internationally and is 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 are not 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, 2014 and September 30, 2014, are as follows:

	Yen (Millions)	
	March 31, 2014	September 30, 2014
Forward foreign exchange contracts	¥ 94,707	¥ 84,960
Currency swaps	34,022	36,893
Commodity forward transactions	1,297	586
	¥ 130,026	¥ 122,439

Fair value of derivative financial instruments at March 31, 2014 and September 30, 2014 are as follows:

		Yen (Millions)	
		As of March 31, 2014	
		Account	Fair value
Assets:			
Forward foreign exchange contracts	Other current assets		¥ 654
Currency swaps	Other current assets		349
Currency swaps	Other assets		183
Commodity forward transactions	Other current assets		60
Assets total			¥ 1,246
Liabilities:			
Forward foreign exchange contracts	Other current liabilities		¥ 359
Currency swaps	Other current liabilities		371
Commodity forward transactions	Other current liabilities		14
Liabilities total			¥ 744
		Yen (Millions)	
		As of September 30, 2014	
		Account	Fair value
Assets:			
Forward foreign exchange contracts	Other current assets		¥ 740
Currency swaps	Other current assets		1,493
Currency swaps	Other assets		190
Commodity forward transactions	Other current assets		44
Assets total			¥ 2,467
Liabilities:			
Forward foreign exchange contracts	Other current liabilities		¥ 1,590
Currency swaps	Other current liabilities		18
Currency swaps	Other noncurrent liabilities		24
Liabilities total			¥ 1,632

The effect of derivative financial instruments on the consolidated statements of income for the six-month ended September 30, 2013 and September 30, 2014 are as follows:

		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)
		Six months ended September 30, 2014	
		Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)		¥ (1,665)
Currency swaps	Foreign exchange gain (loss)		2,256
Commodity forward transactions	Cost of sales		64
			¥ 655

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended September 30, 2013 and September 30, 2014 are as follows:

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
		<u>¥ (104)</u>
Three months ended September 30, 2014		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (2,162)
Currency swaps	Foreign exchange gain (loss)	2,042
Commodity forward transactions	Cost of sales	15
		<u>¥ (105)</u>

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.

(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 the 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, 2014 and September 30, 2014, are summarized as follows:

As of March 31, 2014	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Investments in securities and other assets	¥ 34,519	¥ 34,519
Liability:		
Long-term debt, including current portion (excluding lease obligation)	(128,185)	(129,382)
As of September 30, 2014	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Investments in securities and other assets	¥ 39,155	¥ 39,155
Liability:		
Long-term debt, including current portion (excluding lease obligation)	(145,477)	(146,795)

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

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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, 2014 and September 30, 2014 are as follows:

As of March 31, 2014	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 654	¥ -	¥ 654
Currency swaps	-	532	-	532
Commodity forward transactions	-	60	-	60
Investments (Debt securities):				
Government bonds	1,302	-	-	1,302
Commercial papers	-	125	-	125
Public-utility bonds	3	-	-	3
Investments (Equity securities):				
Manufacturing companies	16,107	-	-	16,107
Other	1,514	-	-	1,514
Investments (Mutual funds)	1,284	-	-	1,284
Rabbi trust investments	5,746	-	-	5,746
Total	¥ 25,956	¥ 1,371	¥ -	¥ 27,327
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 359	¥ -	¥ 359
Currency swaps	-	371	-	371
Commodity forward transactions	-	14	-	14
Total	¥ -	¥ 744	¥ -	¥ 744
As of September 30, 2014				
	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 740	¥ -	¥ 740
Currency swaps	-	1,683	-	1,683
Commodity forward transactions	-	44	-	44
Investments (Debt securities):				
Government bonds	1,302	-	-	1,302
Commercial papers	-	136	-	136
Public-utility bonds	3	-	-	3
Investments (Equity securities):				
Manufacturing companies	19,096	-	-	19,096
Other	1,816	-	-	1,816
Investments (Mutual funds)	1,462	-	-	1,462
Rabbi trust investments	6,361	-	-	6,361
Total	¥ 30,040	¥ 2,603	¥ -	¥ 32,643
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,590	¥ -	¥ 1,590
Currency swaps	-	42	-	42
Total	¥ -	¥ 1,632	¥ -	¥ 1,632

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 that are valued based on quotes obtained from counterparties and are verified using observable market inputs, such as foreign currency exchange rates and raw material price. Investments consist of commercial papers and the fair values thereof are based on third-party assessments using observable market data.

Assets and liabilities that are measured at fair value on a nonrecurring basis

The fair values measured on a nonrecurring basis for the six-month ended September 30, 2014 is as follows:

Six months ended September 30, 2014	Yen (Millions)			
	Total gains (losses)	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	¥ (150)	¥ -	¥ -	¥ -
Intangible assets	(368)	-	-	279

For the six-month ended September 30, 2014, investments which consist of nonmarketable securities valued using the cost method with the book value of ¥150 million was fully written down due to impairment. For the six-month and three-month ended September 30, 2014, the book value of intangible assets of ¥647 million was written down to its fair value of ¥279 million mainly based on discounted future cash flows expected from the use of each of the assets. These fair values are classified as Level 3 because they were determined using unobservable inputs.

As a result of the above, impairment loss of ¥518 million caused by other-than-temporary declines in fair values during the six-month ended September 30, 2014 was included in the consolidated statements of income.

9. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2014 and September 30, 2014 are as follows:

As of March 31, 2014	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
Amortized intangible assets:			
Patent	¥ 40,887	¥ 26,087	¥ 14,800
Customer relationships	25,862	18,550	7,312
Software	27,306	14,022	13,284
Unpatented technologies	34,234	28,252	5,982
Other	6,839	1,462	5,377
Total	¥ 135,128	¥ 88,373	¥ 46,755
Unamortized intangible assets:			
Trademark	¥ 7,216		¥ 7,216
Other	243		243
Total	¥ 7,459		¥ 7,459
As of September 30, 2014	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
Amortized intangible assets:			
Patent	¥ 30,894	¥ 17,432	¥ 13,462
Customer relationships	25,767	19,043	6,724
Software	27,943	14,731	13,212
Unpatented technologies	34,705	29,877	4,828
Other	6,643	1,465	5,178
Total	¥ 125,952	¥ 82,548	¥ 43,404
Unamortized intangible assets:			
Trademark	¥ 7,137		¥ 7,137
Other	243		243
Total	¥ 7,380		¥ 7,380

No significant intangible assets other than goodwill were acquired in the six-month ended September 30, 2013 and September 30, 2014.

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, 2014 was ¥5,558 million.

There are no significant changes in the carrying amount of goodwill for the six-month ended September 30, 2014.

10. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the six-month ended September 30, 2013 and September 30, 2014 are as follows:

	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2013	¥ 561,169	¥ 19,447	¥ 580,616
Equity transaction of consolidated subsidiaries and other	(7,311)	(5,970)	(13,281)
Comprehensive income (loss):			
Net income	6,404	622	7,026
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	27,944	812	28,756
Pension liability adjustments	1,086	5	1,091
Net unrealized gains (losses) on securities	3,131	(0)	3,131
Total other comprehensive income (loss)	32,161	817	32,978
Comprehensive income	38,565	1,439	40,004
Dividends	(3,774)	(126)	(3,900)
September 30, 2013	¥ 588,649	¥ 14,790	¥ 603,439
	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2014	¥ 635,327	¥ 16,916	¥ 652,243
Equity transaction of consolidated subsidiaries and other	(9,710)	(1,016)	(10,726)
Comprehensive income (loss):			
Net income	18,140	1,447	19,587
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	36,022	1,206	37,228
Pension liability adjustments	(2,372)	(0)	(2,372)
Net unrealized gains (losses) on securities	1,305	-	1,305
Total other comprehensive income (loss)	34,955	1,206	36,161
Comprehensive income	53,095	2,653	55,748
Dividends	(5,033)	(141)	(5,174)
September 30, 2014	¥ 673,679	¥ 18,412	¥ 692,091

Net income attributable to TDK and transfers (to) from noncontrolling interests for the six-month ended September 30, 2013 and September 30, 2014 are as follows:

	Yen (Millions)	
	Six months ended	
	September 30,	
	2013	2014
Net income attributable to TDK	¥ 6,404	¥ 18,140
Decrease in TDK's additional paid-in capital for purchase of Becromal Iceland ehf's common shares from third parties	(1,125)	-
Decrease in TDK's additional paid-in capital for purchase of Amperex Technology Ltd.'s common shares from third parties	(7,769)	(9,061)
Decrease in TDK's additional paid-in capital for issue of Amperex Technology Ltd.'s common shares to third parties	-	(2,284)
Increase in TDK's additional paid-in capital for purchase of Magnecomp Precision Public Technology Co., Ltd.'s common shares from third parties	-	9
Net transfers (to) from noncontrolling interests	(8,894)	(11,336)
Change from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ (2,490)	¥ 6,804

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 (loss) 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 (loss)	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 changes in the carrying amount of accumulated other comprehensive income (loss) for the six-month ended September 30, 2014 are as follows:

	Yen (Millions)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2014	¥ (54,046)	¥ (39,528)	¥ 6,440	¥ (87,134)
Equity transaction of consolidated subsidiaries and other	288	-	-	288
Other comprehensive income (loss) before reclassifications	37,256	(3,092)	1,305	35,469
Amounts reclassified from accumulated other comprehensive income (loss)	(28)	720	-	692
Other comprehensive income (loss)	37,228	(2,372)	1,305	36,161
Other comprehensive income (loss) attributable to noncontrolling interests	1,206	(0)	-	1,206
September 30, 2014	¥ (17,736)	¥ (41,900)	¥ 7,745	¥ (51,891)

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 *1	(48)	-	(48)
Net foreign currency translation adjustments	28,756	0	28,756
Pension liability adjustments:			
Amount arising during the period	78	(24)	54
Reclassification adjustments for amortization and curtailment/settlement *2	1,379	(342)	1,037
Net pension liability adjustments	1,457	(366)	1,091
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	4,129	(1,040)	3,089
Reclassification adjustments *3	62	(20)	42
Net unrealized gains (losses)	4,191	(1,060)	3,131
Other comprehensive income (loss)	¥ 34,404	¥ (1,426)	¥ 32,978

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the six-month ended September 30, 2014 are as follows:

For the six-month ended September 30, 2014	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	¥ 37,256	¥ 0	¥ 37,256
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities *1	(28)	-	(28)
Net foreign currency translation adjustments	37,228	0	37,228
Pension liability adjustments:			
Amount arising during the period	(3,092)	-	(3,092)
Reclassification adjustments for amortization and curtailment/settlement *2	972	(252)	720
Net pension liability adjustments	(2,120)	(252)	(2,372)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	3,336	(2,031)	1,305
Net unrealized gains (losses)	3,336	(2,031)	1,305
Other comprehensive income (loss)	¥ 38,444	¥ (2,283)	¥ 36,161

*1 The line items in consolidated statements of income affected by “Before tax amount” are “Other - net” and “Selling, general and administrative expenses” for the six-month ended September 30, 2013 and September 30, 2014, respectively.

*2 “Before tax amount” is included in the computation of net periodic benefit cost that is presented in Note 4 of the Notes to Consolidated Financial Statements.

*3 The line item in consolidated statements of income affected by “Before tax amount” is

“Other - net”.

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	(1,182)	-	(1,182)
Pension liability adjustments:			
Reclassification adjustments for amortization and curtailment/settlement *2	672	(168)	504
Net pension liability adjustments	672	(168)	504
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	749	(207)	542
Reclassification adjustments *3	62	(20)	42
Net unrealized gains (losses)	811	(227)	584
Other comprehensive income (loss)	¥ 301	¥ (395)	¥ (94)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the three-month ended September 30, 2014 are as follows:

For the three-month ended September 30, 2014	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	¥ 47,396	¥ 0	¥ 47,396
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities *1	(28)	-	(28)
Net foreign currency translation adjustments	47,368	0	47,368
Pension liability adjustments:			
Amount arising during the period	(3,092)	-	(3,092)
Reclassification adjustments for amortization and curtailment/settlement *2	477	(124)	353
Net pension liability adjustments	(2,615)	(124)	(2,739)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	2,310	(852)	1,458
Net unrealized gains (losses)	2,310	(852)	1,458
Other comprehensive income (loss)	¥ 47,063	¥ (976)	¥ 46,087

*1 The line item in consolidated statements of income affected by “Before tax amount” is “Selling, general and administrative expenses”.

*2 “Before tax amount” is included in the computation of net periodic benefit cost that is presented in Note 4 of the Notes to Consolidated Financial Statements.

*3 The line item in consolidated statements of income affected by “Before tax amount” is “Other - net”.

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, 2013		Six months ended September 30, 2014	
	Basic	Diluted	Basic	Diluted
Income from continuing operations attributable to TDK	¥ 9,292	¥ 8,976	¥ 18,140	¥ 17,710
Loss from discontinued operations attributable to TDK	(2,888)	(2,888)	-	-
Net income attributable to TDK	¥ 6,404	¥ 6,088	¥ 18,140	¥ 17,170
	Number of shares (Thousands)			
Weighted average common shares outstanding	125,805	125,805	125,826	125,826
Incremental shares arising from the exercise of stock option	-	197	-	264
Weighted average common shares outstanding – Total	125,805	126,002	125,826	126,090
	Yen			
Per common share:				
Income from continuing operations attributable to TDK	73.86	71.24	144.17	140.45
Loss from discontinued operations attributable to TDK	(22.96)	(22.96)	-	-
Net income attributable to TDK	50.90	48.32	144.17	140.45

	Yen (Millions)			
	Three months ended September 30, 2013		Three months ended September 30, 2014	
	Basic	Diluted	Basic	Diluted
Income from continuing operations attributable to TDK	¥ 8,527	¥ 8,368	¥ 12,386	¥ 12,003
Loss from discontinued operations attributable to TDK	(2,495)	(2,495)	-	-
Net income attributable to TDK	¥ 6,032	¥ 5,873	¥ 12,386	¥ 12,003
	Number of shares (Thousands)			
Weighted average common shares outstanding	125,809	125,809	125,836	125,836
Incremental shares arising from the exercise of stock option	-	212	-	299
Weighted average common shares outstanding – Total	125,809	126,021	125,836	126,135
	Yen			
Per common share:				
Income from continuing operations attributable to TDK	67.78	66.40	98.43	95.16
Loss from discontinued operations attributable to TDK	(19.83)	(19.83)	-	-
Net income attributable to TDK	47.95	46.60	98.43	95.16

For the six-month and the three-month ended September 30, 2013, incremental 197,000 and 212,000 shares arising from the exercise of stock options were excluded from the per share calculation of diluted loss from discontinued operations attributable to TDK 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, 2013 and September 30, 2014 were caused by a dilutive effect 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, 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, 2013 and September 30, 2014, certain 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, 2013 and September 30, 2014 as it was not probable that the performance condition would be achieved as of September 30, 2013 and September 30, 2014.