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Company name (Japanese):	TDK <i>Kabushiki-Kaisha</i>
Company name (English):	TDK CORPORATION
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Place where the document to be filed is available for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)

A. COMPANY INFORMATION

I. Overview of the Company

1. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	115th term	116th term	117th term	118th term	119th term
Accounting period	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012	From April 1, 2012 to March 31, 2013	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015
Net sales (Millions of yen)	862,492	802,534	841,847	984,525	1,082,560
Income from continuing operations before income taxes (Millions of yen)	64,519	14,668	19,765	39,772	74,517
Net income (loss) attributable to TDK (Millions of yen)	45,264	(2,454)	1,195	16,288	49,440
Comprehensive income (loss) attributable to TDK (Millions of yen)	(623)	(16,406)	73,028	87,439	129,761
TDK stockholders' equity (Millions of yen)	534,273	498,159	561,169	635,327	738,861
Net assets (Millions of yen)	539,766	512,046	580,616	652,243	758,007
Total assets (Millions of yen)	1,060,853	1,072,829	1,169,642	1,239,589	1,404,282
TDK stockholders' equity per share (Yen)	4,141.78	3,957.20	4,460.79	5,049.72	5,864.56
Net income (loss) attributable to TDK per share (Yen)	350.90	(19.06)	9.50	129.47	392.78
Diluted net income (loss) attributable to TDK per share (Yen)	350.57	(21.42)	5.36	120.97	377.98
Stockholders' equity ratio (%)	50.4	46.4	48.0	51.3	52.6
Return on stockholders' equity (%)	8.4	(0.5)	0.2	2.7	7.2
Price earnings ratio (PER) (Times)	14.0	—	344.2	33.3	21.7
Net cash provided by operating activities (Millions of yen)	101,879	55,334	108,942	127,308	142,850
Net cash used in investing activities (Millions of yen)	(61,341)	(29,898)	(90,156)	(55,438)	(127,312)
Net cash provided by (used in) financing activities (Millions of yen)	(31,860)	12,929	4,395	(56,118)	(35,243)
Cash and cash equivalents at end of term (Millions of yen)	129,091	167,015	213,687	250,848	265,104
Number of employees (Person)	87,809	79,175	79,863	83,581	88,076

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

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

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

Term	115th term	116th term	117th term	118th term	119th term
Accounting period	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012	From April 1, 2012 to March 31, 2013	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015
Net sales (Millions of yen)	106,586	126,769	115,674	92,621	99,005
Current income (loss) (Millions of yen)	12,213	(2,558)	(11,658)	(12,064)	(8,379)
Net income (loss) (Millions of yen)	10,630	(8,580)	2,074	19,603	(5,045)
Capital stock (Millions of yen)	32,641	32,641	32,641	32,641	32,641
Total number of issued shares (Thousands of shares)	129,591	129,591	129,591	129,591	129,591
Net assets (Millions of yen)	359,097	327,864	320,124	336,543	331,036
Total assets (Millions of yen)	650,028	678,971	711,749	742,758	767,313
Net assets per share (Yen)	2,774.05	2,593.15	2,534.28	2,664.93	2,617.73
Cash dividends per share (Yen)	80.00	80.00	70.00	70.00	90.00
[Interim dividends per share] (Yen)	[40.00]	[40.00]	[40.00]	[30.00]	[40.00]
Net income (loss) per share (Yen)	82.42	(66.65)	16.49	155.82	(40.08)
Diluted net income per share (Yen)	82.34	—	16.46	155.56	—
Equity ratio [%]	55.1	48.1	44.8	45.1	43.0
Return on equity [ROE] [%]	3.0	(2.5)	0.6	6.0	(1.5)
Price earnings ratio [PER] [Times]	59.6	—	198.3	27.7	—
Dividend payout ratio [%]	97.1	—	424.6	44.9	—
Number of employees [Person]	3,405	3,324	3,600	3,652	3,763

Notes:

1. Net sales do not include consumption taxes, etc.
2. Diluted net income per share in the 116th and 119th terms are not presented because, although there were potentially dilutive shares, net losses per share were reported.

2. Description of business operations

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

As of March 31, 2015, the TDK Group (“TDK”) is comprised of TDK Corporation (the “Company”), 117 consolidated subsidiaries and 8 equity-method affiliates. Segment categories are manufacturing and sales of “Passive Components,” “Magnetic Application Products,” “Film Application Products” and “Other” (not included in the other three segments).

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

Category	Main products	Major companies
Passive Components	Ceramic capacitors, Aluminum electrolytic capacitors, Film capacitors, Inductive devices (Coils/Ferrite cores/Transformers), High-frequency components, Piezoelectric materials and circuit protection components, and Sensors	The Company TDK-EPC Corporation EPCOS AG TDK Europe GmbH TDK Hong Kong Co., Ltd. 57 other companies (Domestic: 5, Overseas:52) (Total: 62 companies)
Magnetic Application Products	Recording devices, Power supplies, Magnets	The Company SAE Magnetics (H.K.) Ltd. Magnecomp Precision Technology Public Co., Ltd. Headway Technologies, Inc. SAE Magnetics (Dongguan) Ltd. 34 other companies (Domestic: 3, Overseas: 31) (Total: 39 companies)
Film Application Products	Energy devices (Rechargeable batteries), Applied films	The Company Amperex Technology Ltd. 15other companies (Domestic:-, Overseas: 15) (Total: 17 companies)
Other	Mechatronics (production equipment), other	The Company TDK Corporation of America 29 other companies (Domestic: 10, Overseas: 19) (Total: 31 companies)

3. Status of subsidiaries and affiliates

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
(Consolidated subsidiaries – Overseas)					
SAE Magnetics (H.K.) Ltd. *1, *2	Hong Kong, China	HK\$ 50,000	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
Amperex Technology Ltd.*1 *3	Hong Kong, China	US\$ 277,588,100	Film Application Products	88.9 (50.2)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Hong Kong Co., Ltd.*1	Hong Kong, China	HK\$ 25,500,000	Passive Components and Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
EPCOS Ltd.	Hong Kong, China	HK\$ 2,000,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: No
Dongguan Amperex Technology Ltd. *1	Dongguan, China	RMB 485,509,727	Film Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
Ningde Amperex Technology Ltd. *1	Ningde, China	RMB 839,909,052	Film Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Xiamen Co., Ltd. *1	Xiamen, China	RMB 681,074,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK (Shanghai) International Trading Co., Ltd.	Shanghai, China	RMB 1,659,160	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: No
SAE Magnetics (Dongguan) Ltd	Dongguan, China	RMB 341,480,000	Magnetic Application Products	100 (100)	Sales of TDK products Interlocking directorate: No
EPCOS Technology (Wuxi) Co., Ltd. *1	Wuxi, China	RMB 311,496,225	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK China Co., Ltd. *1	Shanghai, China	RMB 260,973,200	Investment in and financing to subsidiaries and affiliates and their management	100	————— Interlocking directorate: Yes
EPCOS Pte Ltd.	Singapore	EUR 8,275,117	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
Magnecomp Precision Technology Public Co., Ltd. *1	Ayutthaya, Thailand	US\$ 96,333,296	Magnetic Application Products	99.8	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Taiwan Corporation	Taipei, Taiwan	NT\$ 424,125,200	Passive Components	95.4 (95.4)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Philippines Corporation *1	Laguna, Philippines	US\$ 65,313,150	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Singapore (Pte) Ltd.	Singapore	US\$ 126,050	Passive Components and Magnetic Application Products	100 (100)	Sales of TDK products Interlocking directorate: No
TDK U.S.A. Corporation	New York, U.S.A.	US\$ 850	Investment in and financing to subsidiaries and affiliates and their management	100	————— Interlocking directorate: No
Lambda Holdings Inc. *1	New York, U.S.A.	US\$ 529,046,247	Investment in and financing to subsidiaries and affiliates	100 (100)	————— Interlocking directorate: Yes
TDK Corporation of America *1	Illinois, U.S.A.	US\$ 3,800,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: No
Headway Technologies, Inc. *1	California, U.S.A.	US\$ 163,161,945	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: Yes

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
TDK Europe S.A. *1	Windhof, Luxembourg	EUR 352,113,042	Investment in and financing to subsidiaries and affiliates and their management	100	Interlocking directorate: No
TDK Germany GmbH	Dusseldorf, Germany	EUR 25,000	Investment in and financing to subsidiaries and affiliates	100 (100)	Interlocking directorate: Yes
EPCOS AG *1, *4	Munich, Germany	EUR 66,682,270	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
EPCOS OHG	Deutschlandsberg, Austria	EUR 14,500,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Europe GmbH *1	Dusseldorf, Germany	EUR 46,545,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: No
EPCOS Electronic Parts Ltd.	Szombathely, Hungary	EUR 9,670,320	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
(Consolidated subsidiaries – Domestic)		(Millions of yen)			
TDK-EPC Corporation *1	Minato-ku, Tokyo	2,000	Passive Components	100	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK-MCC Corporation	Nikaho City, Akita Prefecture	1,000	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
TDK Shonai Corporation	Tsuruoka City, Yamagata Prefecture	110	Passive Components and Magnetic Application Products	100 (100)	Manufacturing of TDK products Interlocking directorate: Yes
TDK-Lambda Corporation	Minato-ku, Tokyo	2,976	Magnetic Application Products	100 (46.9)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Ugo Corporation	Yurihonjo City, Akita Prefecture	106	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
TDK Service Corporation	Ichikawa City, Chiba Prefecture	34	Insurance and real estate agency	100	Consignment of insurance agency and property management for TDK Interlocking directorate: Yes
85 other companies					
(Equity-method affiliates)					
Semiconductor Energy Laboratory Co., Ltd.	Atsugi City, Kanagawa Prefecture	(Millions of yen) 4,348	Research and development of semiconductor products	30.4	Consignment of research and development Interlocking directorate: No
7 other companies					

- Notes: 1. Descriptions in the “Principal business” column are names of business segments or other specific business activities.
2. Figures in parentheses in the “Holding rate of voting rights” column indicate indirect holding rates included in the figures outside the parentheses.
3. *1:Applies to specific subsidiaries.
4. *2:Net sales of SAE Magnetics (H.K.) Ltd. exceeded 10% of the consolidated net sales.
The major items of income are as follows:
- | | |
|--------------------------------|-------------------|
| i. Net sales | ¥261,871 million |
| ii. Income before income taxes | ¥13,784 million |
| iii. Net income | ¥12,999 million |
| iv. Net assets | ¥ 217,304 million |
| v. Total assets | ¥251,238 million |
5. *3:Net sales of Amperex Technology Ltd. exceeded 10% of the consolidated net sales.
The major items of income are as follows:
- | | |
|--------------------------------|------------------|
| i. Net sales | ¥134,097 million |
| ii. Income before income taxes | ¥4,059 million |
| iii. Net Income | ¥3,391 million |
| iv. Net assets | ¥48,009 million |
| v. Total assets | ¥90,227 million |
6. *4:Net sales of EPCOS AG exceeded 10% of the consolidated net sales.
The major items of income (International Financial Reporting Standards) are as follows:
- | | |
|--------------------------------|------------------|
| i. Net sales | ¥207,377 million |
| ii. Income before income taxes | ¥9,538 million |
| iii. Net Income | ¥6,046 million |
| iv. Net assets | ¥53,425 million |
| v. Total assets | ¥206,398 million |

4. Status of employees

(1) Status of consolidated companies

(As of March 31, 2015)

Name of business segment	Number of employees (Person)
Passive Components	42,809
Magnetic Application Products	23,991
Film Application Products	17,024
Other	2,672
Corporate (Common)	1,580
Total	88,076

(2) Status of filing company (TDK Corporation)

(As of March 31, 2015)

Number of employees (Person)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
3,763	43.0	20.3	7,906,579

Name of business segment	Number of employees (Person)
Magnetic Application Products	1,156
Film Application Products	225
Other	871
Corporate (Common)	1,511
Total	3,763

- Notes:
1. The number of employees indicates the number of working employees.
 2. Average annual salary includes bonuses and surplus wages.
 3. The number of employees shown as Corporate (Common) is the number of employees who belong to the administrative departments.

(3) Status of labor union

The filing company and some of its subsidiaries have labor unions.

II. Review of operations

1. Overview of operating results

(1) Operating results

Looking at the world economy in the fiscal year ended March 31, 2015 (“Fiscal 2015”), overall there was an ongoing recovery despite the impact of a drop in crude oil prices and exchange rate fluctuation. The U.S. economy continued to grow, mainly supported by expanding employment and firm personal spending. The European economy also continued to recover gradually, supported by continued firm personal spending. The economies of emerging countries such as China and India, while showing some slightly lower economic growth rates, continued to maintain growth rates higher than those of industrialized countries.

In Japan, a gradual recovery continues, supported by expansion in demand, including growth in corporate earnings jump started by the yen's depreciation, and signs of a recovery in capital expenditure.

Under these world economic conditions, the electronics market, which has a large bearing on the consolidated performance of TDK, showed production levels differ by finished product. Production of smartphones was much higher than in fiscal 2014, mainly due to growing demand in the Chinese market and the launch of new mobile handsets by major manufacturers. Production of automobiles rose year on year, driven mainly by solid automobile sales in the U.S. Production of PCs remained at the same level year on year, as firm replacement demand for PCs spurred by the end of support for Windows XP continued after April 2014 until the end of the year.

Production of hard disk drives (HDDs) was almost on a par with the previous fiscal year, upsetting initial market expectations of a decline, in line with higher demand for PCs and game consoles, along with gradual expansion in the data center market..

Under these market conditions, TDK recorded consolidated net sales of ¥1,082,560 million, up 10.0% from ¥984,525 million in fiscal 2014. TDK recorded operating income of ¥72,459 million, up 97.9% from ¥36,616 million in fiscal 2014. TDK also recorded income from continuing operations before income taxes of ¥74,517 million, up 87.4% from ¥39,772 million in fiscal 2014. Furthermore, TDK recorded net income attributable to TDK of ¥49,440 million, up 203.5% from ¥16,288 million in fiscal 2014. Basic net income attributable to TDK per common share was ¥392.78, compared with ¥129.47 in fiscal 2014.

Average exchange rates for the U.S. dollar and euro during fiscal 2015 were ¥109.84 and ¥138.88, respectively, as the yen depreciated 9.6% versus the U.S. dollar and 3.3% against the euro year on year. This increased net sales by approximately ¥79.7 billion and operating income by approximately ¥15.0 billion.

TDK's business segments are aggregated into three reportable segments, “Passive Components,” “Magnetic Application Products” and “Film Application Products,” and businesses not belonging to either of these segments are classified under “Other.”

The Passive Components segment is made up of: (1) capacitors business; (2) inductive devices business; and (3) other passive components. Segment consolidated net sales were ¥541,205 million, up 14.7% year on year from ¥471,673 million. The segment reported profit of ¥37,891 million, up 145.3% year on year from ¥15,449 million in the previous fiscal year. An overview of sales results by business for this segment is provided below.

The capacitors business is made up of ceramic capacitors, aluminum electrolytic capacitors, and film capacitors. Sales in the capacitors business were ¥148,960 million, up 6.7% year on year from ¥139,615 million. Sales of ceramic capacitors increased to the automotive market, and sales of aluminum electrolytic capacitors and film capacitors were higher in both the automotive and industrial equipment markets.

Sales of the inductive devices business increased 9.9% year on year from ¥140,309 million to ¥154,223 million. TDK recorded an increase in sales for use in automobiles and the information and communications technology (ICT) markets.

Other passive components include high-frequency devices, piezoelectric material products, circuit protection components, and sensors. Sales of other passive components increased 24.1% year on year from ¥191,749 million to ¥238,022 million.

Sales of high-frequency devices, piezoelectric material products and circuit protection components increased to the automotive and the ICT markets.

Sensor sales increased to the automotive market.

The Magnetic Application Products segment is made up of: (1) recording devices business; and (2) other magnetic application products. Segment consolidated net sales increased 1.4% year on year from ¥364,291 million to ¥369,221 million. Segment profit increased 2.0% from ¥28,120 million in the previous fiscal year to ¥28,692 million..

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

The recording devices business is comprised mainly of HDD heads and HDD suspension assemblies. It recorded sales of ¥260,506 million, up 1.5% year on year from ¥256,703 million. Sales of HDD heads rose in monetary terms, despite a slight decrease in sales volume. The higher monetary sales reflected an improved product mix as demand started to grow for HDD heads for data centers, and the impact of the weaker yen against the U.S. dollar.

Other magnetic application products include power supplies and magnets. Sales increased 1.0% year on year from ¥107,588 million to ¥108,715 million. Sales of power supplies increased to the industrial equipment market. Sales of magnets decreased to the automotive market.

The Film Application Products segment includes energy devices (rechargeable batteries) and applied films. Segment consolidated net sales increased 17.0% year on year from ¥129,304 million to ¥151,275 million. Segment profit increased 83.9% from ¥13,352 million in the previous fiscal year to ¥24,558 million. Sales of energy devices increased to the ICT markets.

The Other segment, businesses which do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. Net sales for the Other segment increased 8.3% from the ¥19,257 million recorded in the previous fiscal year to ¥20,859 million, and the segment earnings changed from a loss of ¥3,196 million in the previous fiscal year to segment income of ¥275 million in fiscal 2015.

An overview of sales results by region is provided below.

In the Japan region, net sales decreased 0.8% year on year from ¥94,005 million to ¥93,212 million. Net sales for the Magnetic Application Products segment decreased.

In the Americas region, net sales increased 8.3% year on year from ¥82,966 million to ¥89,871 million. Net sales for the Passive Components segment and the Magnetic Application Products segment increased.

In the Europe region, net sales increased 4.5% year on year from ¥139,716 million to ¥146,016 million. Net sales for the Passive Components segment increased.

In the China region, net sales increased 14.9% year on year from ¥491,975 million to ¥565,257 million. Net sales for the Passive Components segment, the Magnetic Application Products segment and the Film Application Products segment all increased.

In the Asia and others region, net sales increased 7.0% year on year from ¥175,863 million to ¥188,204 million. Net sales for the Passive Components segment and the Film Application Products segment increased.

As a result, overseas sales increased 11.1% year on year from ¥890,520 million to ¥989,348 million. Overseas sales accounted for 91.4% of consolidated net sales, a 0.9 percentage point increase from 90.5% in fiscal 2014.

(2) Cash flows

An overview of cash flows is provided below.

Cash flows from operating activities

Operating activities provided net cash of ¥142,850 million, a year-on-year increase of ¥15,542 million. This was mainly due to an increase in net income.

Cash flows from investing activities

Investing activities used net cash of ¥127,312 million, a year-on-year increase of ¥71,874 million. The main contributing factors were increases in capital expenditures and disbursement for loans made by TDK.

Cash flows from financing activities

Financing activities used net cash of ¥35,243 million, a year-on-year decrease of ¥20,875 million. This was mainly due to a decline in repayment of long-term debt and a smaller decrease in short-term debt, net compared with the previous fiscal year.

As a result of adding in the effects of currency fluctuations, cash and cash equivalents at the end of fiscal 2015 was ¥265,104 million, ¥14,256 million higher than at the end of fiscal 2014.

2. Status of production, orders received and sales

(1) Production results

A breakdown of production results by business segment for fiscal 2015 is given below.

(Millions of yen)

Name of business segment	Production Results	YoY Increase/ Decrease (%)
Passive Components	545,867	14.3
Magnetic Application Products	371,130	1.7
Film Application Products	156,583	23.3
Other	24,579	30.9
Total	1,098,159	11.2

Notes: 1. Amounts are calculated by the sales price.

2. Consumption taxes, etc. are not included in the above figures.

(2) Status of orders received

A breakdown of orders received by business segment for fiscal 2015 is given below.

(Millions of yen)

Name of business segment	Amount of orders received (Millions of yen)	YoY Increase/ Decrease (%)	Balance of orders received (Millions of yen)	YoY Increase/ Decrease (%)
Passive Components	565,062	15.8	106,162	15.9
Magnetic Application Products	362,896	0.6	33,547	(3.7)
Film Application Products	238,359	52.5	38,888	89.9
Other	21,033	33.0	3,260	116.6
Total	1,187,350	16.3	181,857	22.5

Notes: Amounts are calculated by the sales price.

(3) Sales results

A breakdown of sales results by business segment for fiscal 2015 is given below.

(Millions of yen)

Name of business segment	Sales Results	YoY Increase/ Decrease (%)
Passive Components	541,205	14.7
Magnetic Application Products	369,221	1.4
Film Application Products	151,275	17.0
Other	20,859	8.3
Total	1,082,560	10.0

Notes: Consumption taxes, etc. are not included in the above figures.

3. Pressing issues

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

(1) Medium- and Long-Term Management Strategy

TDK has formulated a three-year, medium-term management plan, with the fiscal year ending March 31, 2016 as the inaugural year, with the aim of further increasing corporate value by sustained growth. The Group's basic policy is to evolve inter-Group links to achieve further growth. On this basis, TDK is pursuing a zero-defect quality strategy based on advanced technological capabilities, along with working to truly globalize its operations by speedy management.

Turning to TDK's businesses, TDK is continuing to accelerate sales expansion through new businesses as well as through the three segments of passive components, magnetic application products, and film application products, thereby boosting profitability. In addition to investing in core businesses, over the medium term TDK aims to achieve an operating margin of 10% or more, and ROE of 10% or more, while efficiently investing in new product development and new businesses. At the same time, as regards shareholder returns, TDK's policy is to continue paying stable dividends by leveraging the impact of these investments by growing earnings per share.

In line with the Corporate Governance Code that was applied to listed companies from June 2015 with the aim of achieving sustained growth and improving medium- and long-term corporate value, TDK will endeavor to implement.

(2) Pressing Issues of TDK

Overall, the world economy is experiencing a recovery sustained by an expanding U.S. economy. Nevertheless, there are concerns about slowdowns in the Chinese market and drops in the economies of resource-rich nations due to falls in crude oil prices. The automotive market and electronics markets such as smartphones are also expanding firmly, while there continues to be an increasing sophistication and thinness of the products, and an increasing strictness in their safety standards. In these circumstances, customers are becoming steadily more demanding as regards the levels of quality and performance of electronics components, particularly those used in automobiles.

In this situation, TDK recognizes the importance of a quick implementation of its zero-defect quality strategy. TDK is pushing forward with further strengthening its production process with a management that unifies all stages from raw materials to manufacturing. Furthermore, TDK is accelerating the achievement of a complete reformation in manufacturing around the implementation of the three core targets of improving quality, innovating procurement and energy efficiency, and reducing costs.

TDK, which has started its three-year, medium-term management plan and entered the significant stage of steering toward growth, is further strengthening its earnings base by implementing its growth strategies for the five businesses (inductive devices, high-frequency components, piezoelectric material products, circuit protection components, recording devices (HDD heads), and energy devices (rechargeable batteries) that have been positioned as core businesses. Moreover, TDK is also accelerating the expansion of the thin-film devices business, thereby maximizing the application of TDK's thin-film technologies developed to date in high-precision sensors for automobiles and industrial equipment, and enabling the development of lighter, thinner and more compact wearable devices. At the same time, TDK is making an effort to steadily implement fundamental measures and achieve transformation to a high-earnings structure in some of its business lines in a short term period.

In order to support these various business developments, it is imperative to develop technologies and products with a medium- to long-term vision. The headquarter development function, which is responsible for doing this, is being reorganized into three development centers for information and communication device development, energy device development, and materials development, and TDK is building a development system that suits the characteristics of the various market sectors. TDK will also strengthen its research and development functions in the U.S., Europe and China in order to implement development activities that are even more suitable to the characteristics of each region.

Speedy management achieved by the delegation of authority is strongly required in the rapidly changing electronics market. To this end, TDK is reforming headquarter functions along with strengthening the headquarter functions for each overseas region, in order to realize headquarter functions appropriate for a global company.

In reinforcing its businesses, TDK will also take into account the environment. The Group will supply products that meet customer demands and that respond to social concerns such as energy conservation, legal and regulatory compliance, and safety, and will also take further steps to reduce the environmental impact of its business activities, by cutting CO2 emissions and other measures. As a corporate citizen, TDK will reaffirm the importance of prospering together with society and will ensure that laws and regulations are observed in Japan and other countries as it seeks to strengthen its corporate governance.

TDK Corporation will celebrate the 80th anniversary of its founding in December 2015. Taking advantage of this opportunity, TDK asks every individual employee in TDK to hearken back to its founding spirit, namely, its resolve to "contribute to culture and industry through creativity," while at the same time TDK is working to foster a corporate culture that continues to strive for growth.

4. Business risks

Listed below are items that, among those relating to the review of operations and accounting, etc. stated in the Annual Securities Report, may significantly influence investor decisions. The following includes forward-looking statements based on judgments current as of the filing date of the Annual Securities Report on June 26, 2015.

(1) Risks concerning changes in economic trends

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

(2) Risks concerning fluctuations in currency exchange

TDK conducts business activities globally. Indeed, more than 90% of net sales are accounted for by overseas sales, and many transactions are conducted in currencies other than the yen, such as the U.S. dollar or euro. A sudden appreciation of the yen against these currencies could affect earnings such as by reducing net sales and operating income. In order to mitigate these risks, TDK is working to purchase more raw materials in foreign currencies and increase the local procurement of supplies consumed overseas. Foreign currency fluctuations also give rise to conversion differences with respect to our investments in overseas assets and liabilities, which are converted into Japanese yen in our consolidated financial statements. Measures are taken against fluctuations in foreign currency exchange rates, including procuring foreign currency-denominated funds and concluding forward foreign exchange contracts; however, significant fluctuations in foreign currency exchange rates beyond our expectations could have a significant adverse effect on TDK's financial position and business results.

(3) Risks concerning overseas operations

TDK conducts operations globally and selects the most suitable locations in terms of market, product lineup, logistics and other standpoints. Overseas sales account for more than 90% of total sales on a consolidated basis.

In many of our target markets and emerging countries that are expected to see economic development going forward, TDK may be exposed to international political risks such as war, terrorism or other events, economic risks such as fluctuations in currency exchange or trade imbalance, and social risks including labor problems stemming from differences in cultures and customs, and diseases. Such risks may give rise to changes of a far greater magnitude than we anticipate. There may be unknown risks in building relationships with trading partners due to differences in commercial and business customs. If these risks materialize, they could reduce or halt manufacturing activities, force the stagnation of sales activities and in turn have a significant adverse effect on business results.

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

(4) Risks concerning price competition

TDK supplies electronic components in a broad range of fields in an electronics industry where competition is intensifying. These fields include next-generation information technology represented by fast-growing smartphones and tablet devices, the automobiles field, where use of onboard electronics is increasing, and energy related fields such as solar and wind power generation. Price is one of the main competitive factors differentiating us from other companies in the industry in which leading Japanese companies and Asian companies in South Korea, Taiwan and China have fueled intense price competition.

TDK is working to promote ongoing cost-cutting initiatives and increase profitability to counter this market competition. However, as downward pressure from the market on prices continues to intensify, in the event that the fall in prices far exceeds our expectations or becomes protracted, there could be a significant effect on business results.

(5) Risks concerning technological innovation and new product development

In TDK, the launch of new products imbuing value on a timely basis helps boost our profitability. We also believe ongoing new product development is key to our survival. The Group believes that our ability to increase sales by developing appealing, innovative products has an important role to play in our growth. We are therefore engaged in new product development as an important element of our management strategies. However, it is extremely difficult to predict future demand in the rapidly changing electronics industry. TDK may fail to continue to develop and supply in a timely manner attractive, new products with innovative technologies for this industry and our markets. As one strategy to avoid these risks, research and development divisions in TDK continuously reshape the framework based on analysis of market trends, along with conducting development management to promote the prioritization of development themes. Nevertheless, there is a risk that a loss of sales opportunities could result in the loss of future markets, as well as existing markets. This may have a significant adverse effect on business results and growth prospects.

(6) Risks concerning product quality

TDK conducts quality control of various products at domestic and overseas manufacturing bases in accordance with ISO (International Organization for Standardization) quality management standards (ISO 9001) and the strict standards required by customers in the remarkably technologically innovative electronics industry. Furthermore, TDK utilizes proprietary quality technologies and past data concerning quality issues to create a quality assurance system for building in quality from the earliest development stage, so as to ensure that reliability and safety stand up to normal product use. This is achieved through design inspections, internal quality audits, supplier surveys and guidance, process management and in other ways at each product stage including planning, design, prototyping and manufacturing.

However, TDK cannot be fully certain that defects in quality (including cases where products contained restricted substances) and recalls due to those defects will not occur. Should a recall or a product liability claim against us occur, it could result in recall costs or damage claims and lower sales. Furthermore, it is assumed that a defect in quality in one of TDK's name-bearing products would have a negative impact on our reputation and brand, and endanger the continued existence of the company. In such a way, a major quality problem could have a significant effect on business results.

(7) Risks concerning intellectual property

TDK is working hard to strengthen and use its patent portfolio by managing and acquiring patents, licenses and other intellectual property rights covering TDK's products' functions, designs and so forth (hereinafter "intellectual property rights"), as a strategic intellectual property activity that contributes to business earnings.

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

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

Significant disputes over intellectual property rights could have a significant effect on business development and business results.

(8) Risks concerning securing personnel and training personnel

TDK generates a high percentage of total sales overseas and overseas production also accounts for a high proportion of production. Furthermore, in recent years, we have accelerated the overseas relocation of design and production bases, and at the same time increased the number of employees globally as TDK Group companies have increased rapidly. In order to continuously develop business in the fast-changing electronics industry, we believe that we must continuously promote efforts to secure and develop personnel who possess various advanced technical skills, and personnel with excellent management capabilities, such as those necessary for formulating strategy and managing organizations.

TDK therefore actively hires university graduates and employs experienced people throughout the year in order to continuously develop its businesses. Moreover, we are working to retain and develop employees by putting in place frameworks for increasing their motivation. This includes enhancing fair evaluation and remuneration systems based on a target-based management system, improving and extending various training programs for developing employees that can act independently and globally, and passing on the "DNA" of our manufacturing.

However, competition to continuously recruit the necessary employees is intense. Moreover, in Japan, the employment environment is changing rapidly because of the falling birthrate, the aging population, and the declining workforce. A similar change is occurring at our overseas bases in China and other countries. The inability to recruit and train personnel as planned could have a significant effect on business development, business results and growth prospects from a long-term perspective.

(9) Risks concerning raw material procurement

TDK's manufacturing system is premised on securing raw materials and other supplies in adequate quality and quantity in a timely manner from multiple external suppliers. However, for major raw materials, we may rely on a limited number of difficult-to-replace suppliers. Because of this, there may be cases where supplies of raw materials and other products to us are interrupted by a disaster, an accident or some other event at a supplier, supply is suspended due to quality or other issues, or there is a shortage of supply due to a rapid increase in demand for finished products. Moreover, there may be cases where local procurement necessitated by increased overseas production is affected by overseas circumstances. If any of these situations becomes protracted, it could have a significant, adverse effect on production and prevent us from fulfilling our responsibilities to supply products to our customers. If the supply-demand balance in the market is disrupted, it may considerably increase costs of manufacturing through steep run-ups in the prices we pay for raw materials and rises in fuel prices, including oil. We are implementing various measures to counter these risks, such as reviewing our suppliers on a timely basis. However, in cases where the situation is beyond our expectations, there could be a significant effect on business results.

(10) Risks concerning government regulations

TDK is subject to and required to comply with various regulations in Japan and other countries where we conduct business. These include approval for conducting business and making investments, the safety of electric and electronic products, national security between nations, and export/import-related, as well as commercial, antitrust, patent, product liability, environmental, consumer and taxation laws and regulations.

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

In this way, the strengthening of government laws and regulations in their various forms could have a significant adverse effect on business results.

(11) Risks concerning interest rate fluctuation

TDK has financial assets, such as cash deposits and government bonds, and financial liabilities such as loans from banks, corporate bonds, and lease obligations. Fluctuations in interest rates beyond our expectations could affect the interest income, and interest expense, and the value of financial assets and liabilities, which could have a significant effect on TDK's financial position and business results.

(12) Risks concerning business-to-business transactions

TDK is developing business-to-business transactions on a global scale, whereby we supply electronic components to customers in the electronics and automotive markets.

We work to reduce risk by conducting transactions with a variety of customers and take measures such as setting transactions terms and conditions based on our evaluation of a customer's credit risk. However, our business may be significantly affected by various factors that are beyond our control, such as changes in each customer's business results and management strategies. In addition, a decline in purchasing demand due to a customer's poor business results, increase discounting pressure from customers due to changes in their purchasing policies and policies, the unexpected termination of contracts or other occurrences could result in excess inventory or a reduction in profit margins.

In the event that our customers go through reorganizations caused by mergers and acquisitions effected by enterprises of different business types or by competitors domestically or abroad, this situation could have a significant effect on TDK's sales, including a marked decline in orders or the cancellation of all business transactions.

(13) Risks concerning natural disasters, electricity supply and pandemics

TDK has many production factories and research and development facilities in Japan and overseas. These facilities and plants have taken disaster-protection and infection-control measures and purchased their own power generation facilities to cope with electricity shortages in preparation for unexpected natural disasters and infection outbreaks. However, significant damage could be incurred at these facilities and plants due to a force majeure event beyond business continuity planning (BCP) assumptions, such as a large earthquake, tsunami, typhoon, flood or volcanic eruption; a large-scale blackout caused by a disaster or electricity shortages; or an outbreak of an unknown infectious disease such as a new strain of influenza. In the event of interruption to manufacturing, disruption of transportation routes, damage to or disconnection of information and communications infrastructure, impairment of central functions, or significant damage to our customers themselves due to the impact of such an occurrence, orders and supply could be affected for a long period of time. This situation could have a significant effect on business results.

(14) Risks concerning environmental regulations

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

TDK has complied with environmental regulations prescribed by law and is engaged in a wide range of environmental conservation activities. If a situation occurs where we are forced to withdraw from certain business activities when the adoption of such laws and regulations exceeds our ability to respond or social trust in TDK is lost due to our delay in responding to such adoption, it could have a significant effect on business results.

(15) Risks concerning M&A

TDK basically believes that the necessary technologies and other elements for continuously increasing corporate value in the increasingly competitive electronics field should be cultivated internally. However, we conduct M&As as necessary if it is an effective means to accelerate business growth or major synergies can be expected in terms of establishing a competitive edge in the market in a short space of time.

When conducting M&As, we take sufficiently into account market trends, customer needs, the business results, financial position, technological advantage and market competitiveness of the target company, TDK's business portfolio and other factors.

However, if there are tumultuous changes in the market and competitive environment, the acquired business fails to develop as planned, the investment cannot be recovered or additional expenses are incurred, TDK's business results, growth prospects and business development among others could be significantly affected.

(16) Risks concerning information security

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

In such an event, TDK could suffer a lowering of credibility and be liable for huge costs relating to the compensation payment to the parties suffering damage. It could also have a significant effect on business results.

5. Important operational contracts, etc.

No items to report

6. Research and development activities

In its R&D activities, TDK is working to continuously strengthen and expand the development of new products that respond to diversification in the electronics field. In particular, the Group is concentrating on the information and communications field, the automotive field, and the industrial equipment and energy field. By taking full advantage of its strengths in terms of manufacturing capabilities, TDK has helped to upgrade the functionality, drive the miniaturization, and raise the energy efficiency of electronic devices.

Looking at Head Office research and development functions, TDK flexibly reshapes the research and development framework to ensure that its highly specialized engineers in their respective market sectors are able to conduct research and development based on creative ideas. While honing the fundamental technologies shared by the entire Company, TDK is focused on development activities aimed at commercializing products over the medium and long terms. Guided by the slogan, "Delivering Technology for Tomorrow's Society," TDK is pushing ahead with development activities that will benefit customers in preparation for tomorrow's society. In doing so, we aim to put our technologies at the service for customers.

In the Passive Components field, TDK has developed next-generation multilayer ceramic chip capacitors and inductors, commercialized EMC components such as EMC filters, composite magnetic sheet "Flexield," and electromagnetic absorbers for anechoic chambers, and increased the functionality of radio wave anechoic chamber testing facilities. Moreover, TDK is strengthening its hand in modules, where high-frequency applications are becoming prevalent.

In the Magnetic Application Products field, TDK is strengthening the development of rare earth-free magnets, next-generation ferrite magnets and high recording density next-generation heads, and devices for hybrid and electric vehicles. TDK aims to develop highly efficient power supplies appropriate to the societal trend towards low energy consumption. TDK has allocated development resources to the reduction of the amount of rare earth elements and the development of magnets that do not contain rare earth elements. Through these efforts, TDK aims to avoid sales price rises caused by soaring prices of raw materials for rare earth elements.

In the Applied Film Products field, TDK is developing materials for next-generation lithium batteries and new functional films.

In terms of worldwide R&D activities, TDK is advancing R&D activities through collaboration with leading universities in the U.S. and Europe, and overseas R&D subsidiaries are escalating their use of local technological resources. Moreover, in China, where TDK is aiming to establish and develop an operating base for the future, R&D activities related to electronic devices are being carried out. In terms of R&D activities at other consolidated subsidiaries, TDK continues to develop next-generation heads for HDDs at U.S.-based consolidated subsidiary Headway Technologies, Inc.

Furthermore, in its R&D activities, The Company's basic policy is to recruit and train outstanding talent and introduce cutting-edge theoretical research, as well as source technologies that the Company does not possess. Under this policy, TDK is proactively forming industry-government-academic alliances with public institutions, universities and research institutions around the world. Notably, TDK has concluded an organizational alliance agreement with the Tokyo Institute of Technology that includes advanced joint research based on magnetic and magnet technology. Under this agreement, joint research is being advanced with the aim of achieving highly original development results.

R&D expenses in fiscal 2015 increased 11.5% year on year to ¥70,644 million, 6.5% of net sales.

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

The forward looking statements in this report are based on judgment current as of the end of fiscal 2015.

(1) Significant accounting policies

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

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

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

Impairment of long-lived assets

As of March 31, 2014 and 2015, the aggregate of TDK's property, plant and equipment and amortized intangible assets was ¥420,787 million and ¥467,893 million, which accounted for 33.9% and 33.3% of total assets, respectively. TDK believes that impairment of long-lived assets is critical to TDK's financial statements because the recoverability of the amounts or lack thereof, could significantly affect its results of operations.

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

Valuation of inventories

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

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

Business combination

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

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

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

Goodwill and other intangible assets

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

are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations.

Pension benefit costs

Employee pension benefit costs and obligations are dependent on assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, retirement rates and mortality rates which are based upon current statistical data, as well as salary growth, long-term return on plan assets and other factors. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect TDK's recognized expense and recorded obligation in future periods. While TDK believes that its assumptions used are appropriate, differences in actual experience or changes in assumptions may affect TDK's benefit obligations and future expense.

In preparing its financial statements for fiscal 2015, TDK established discount rates of 1.3% and 2.3% for domestic and overseas pension plans, respectively, and expected long-term rates of return of 2.3% and 6.9% on domestic and overseas plan assets, respectively. In estimating the discount rate, TDK uses available information about rates of return on long-term corporate bonds currently available and expected to be available during the period to the maturity of the pension benefits. TDK established the expected long-term rate of return on plan assets based on management's expectations in respect of the long-term returns of the various plan asset categories in which it invests. Management developed expectations with respect to each plan asset category based on actual historical returns and its current expectations for future returns.

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

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

Deferred tax assets

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

(2) Analysis of business results for the fiscal year

Overview of consolidated operating results

In fiscal 2015, TDK posted consolidated net sales of ¥1,082,560 million, up 10.0% from fiscal 2014. TDK recorded operating income of ¥72,459 million, an increase of 97.9% year on year. TDK recorded net income attributable to TDK of ¥49,440 million, an increase of 3.0 times compared to fiscal 2014.

As already mentioned in this report, operating results relating to the data tape business and Blu-ray business are separately presented as discontinued operations in consolidated statements of income for fiscal 2014.

The electronics market, which has a large bearing on the consolidated performance of TDK, showed production levels differ by finished product. Production of smartphones was much higher than in fiscal 2014, mainly due to growing demand in the Chinese market and the launch of new mobile handsets by major manufacturers.

Production of automobiles rose year on year, driven mainly by solid automobile sales in the U.S. Production of PCs remained at the same level year on year, as firm replacement demand for PCs spurred by the end of support for Windows XP continued after April 2014 until the end of the year.

Production of hard disk drives (HDDs) was almost on a par with the previous fiscal year, upsetting initial market expectations of a decline, in line with higher demand for PCs and game consoles, along with gradual expansion in the data center market.

As a result, orders increased for the automotive market and the ICT markets, mainly smartphones. Meanwhile in HDD heads, the weaker yen against the U.S. dollar lifted sales in monetary terms and demand started to grow for HDD heads for data centers improved product mix. Consequently, the Group's sales increased year on year in monetary terms.

Under these market conditions, TDK has positioned the Automotive, the ICT and the Industrial Equipment / Energy fields as its three priority markets. It also sees the five priority businesses of inductive devices, high-frequency components, piezoelectric material products, HDD heads and rechargeable batteries as its five core growth drivers targeting each of these priority markets. Accordingly, TDK has concentrated resources on each of these priority businesses in an effort to achieve further improvement in earnings power.

Effect of foreign exchange fluctuations

In fiscal 2015, overseas sales accounted for 91.4% of consolidated net sales, an increase of 0.9 percentage points compared to fiscal 2014. During fiscal 2015, the yen's value depreciated 9.6% versus the U.S. dollar, and 3.3% versus the euro, based on average exchange rates in markets. Overall, exchange rate fluctuations had the effect of increasing net sales by approximately ¥79.7 billion and operating income by approximately ¥15.0 billion in fiscal 2015.

By geographic area based on the location of TDK Group entities, foreign exchange fluctuations increased sales in Japan by approximately ¥15.1 billion, in Asia (excluding Japan) and Oceania by approximately ¥74.4 billion, in the Americas by approximately ¥8.4 billion, and in Europe by approximately ¥17.7 billion. The effect of foreign exchange fluctuations on consolidated net sales after the elimination of intersegment transactions between and among TDK Corporation and its consolidated subsidiaries was an approximate ¥79.7 billion increase.

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

Cost and net income

The cost of sales increased 5.1% to ¥802.2 billion in fiscal 2015 from ¥763.6 billion in fiscal 2014 due primarily to higher sales; however, the cost of sales ratio decreased 3.5 percentage points from 77.6% to 74.1% of net sales. Despite cost increases driven by higher labor costs in China and other emerging markets, and strong pressure for price discounts on products, the cost of sales ratio decreased due to contributions from improvements in productivity and discounts on the cost of raw materials, lower costs due to the effect of structural reforms, improvements to the product mix from terminating unprofitable product lines, and an increase in sales volumes. As a result, gross profit increased ¥59.4 billion (26.9%) year on year in fiscal 2015. The gross profit ratio was 25.9%.

Selling, general and administrative expenses increased by ¥23.6 billion from ¥184.3 billion in fiscal 2014 to ¥207.9 billion in fiscal 2015. Moreover, the ratio to net sales increased 0.5 percentage points from 18.7% to 19.2%. The main factors in the increase in expenses include an increase of ¥11.2 billion due to the effects of an upturn in currency translation adjustments as a result of the yen's depreciation and an increase in sales expansion drive costs. Research and development expenses included in selling, general and administrative expenses for the fiscal year under review climbed 11.5% from ¥63.4 billion in the previous fiscal year to ¥70.6 billion. There was a ¥2.7 billion increase in expenses due to the effect of currency translation adjustments as a result of the yen's depreciation, as well as higher expenses due to the implementation of development themes in principal businesses. Meanwhile, efforts to improve development efficiency through the selection of development themes held the ratio of R&D expenses to net sales at 6.5%, only up 0.1 of a percentage point from the previous fiscal year.

Other income (deductions) deteriorated by ¥1.1 billion from fiscal 2014. The main reason was that equity in earnings of affiliates worsened by ¥0.7 billion from fiscal 2014.

Net income attributable to noncontrolling interests was ¥3.3 billion, an increase of ¥1.4 billion from ¥1.9 billion in fiscal 2014. This increase was mainly attributable to the absence of a loss attributable to noncontrolling interests associated with withdrawal from a discontinued operation, which was recorded in fiscal 2014.

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TDK posted net income attributable to TDK of ¥49.4 billion, resulting in diluted net income attributable to TDK per common share of ¥377.98. Return on equity improved from 2.7% to 7.2%.

Cash dividends per share paid during fiscal 2015 was ¥80. This dividend was the sum of the year-end dividend of ¥40 paid out in June 2014 and the interim dividend of ¥40 paid out in December 2014. Shareholders recorded in the shareholders' registry as of March 31, 2015, will receive a cash dividend of ¥50 per share on June 29, 2015

(3) Financial position

Total assets amounted to ¥1,404.3 billion as of March 31 2015 a ¥164.7 billion increase from ¥1,239.6 billion at the end of fiscal 2014.

Liquidity increased by ¥27.0 billion, with cash and cash equivalents increasing by ¥14.3 billion, short-term investments increasing by ¥11.4 billion and marketable securities increasing by ¥1.3 billion. Net trade receivables increased by ¥31.6 billion due to higher sales, and property, plant and equipment increased by ¥53.2 billion.

Total liabilities increased by ¥59.0 billion from ¥587.3 billion as of March 31, 2014 to ¥646.3 billion as of March 31, 2015.

Current installments of long-term debt declined by ¥36.4 billion, while long-term debt increased by ¥33.9 billion, trade payables increased by ¥15.9 billion, accrued salaries and wages increased by ¥9.4 billion, and accrued expenses increased by ¥22.3 billion.

Total TDK stockholders' equity within net assets increased by ¥103.6 billion from ¥635.3 billion at the end of the previous fiscal year to ¥738.9 billion.

There was an improvement in foreign currency translation adjustments from March 31, 2014, as a result of a continuation in the yen's depreciation during fiscal 2015. This resulted in an ¥81.3 billion increase in accumulated other comprehensive income (loss).

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(4) Liquidity and fund resources

Demand for operating funds

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

Capital expenditures

For details of capital expenditures, please refer to "1. Outline of capital expenditures" under "III. Facilities."

Procurement of funds

TDK regards cash and deposits with banks, etc. (cash, deposits with banks, short-term investments, short-term marketable securities) as liquid funds, and its policy has long been to maintain its liquidity level at 2.0 months or more of monthly consolidated sales. The balance of liquid funds amounted to ¥286.5 billion at the end of fiscal 2015, which was equal to approximately 3.2 average months of annual sales. TDK considers this level of liquidity sufficient for current needs.

TDK held long-term debt of ¥115.2 billion excluding straight bonds and lease obligations, straight bonds of ¥13.0 billion and short-term debt of ¥132.2 billion as of the end of the previous fiscal year. However, long-term debt excluding straight bonds and lease obligations decreased by ¥2.4 billion primarily due to repayment, and short-term debt increased by ¥3.9 billion due to the effects of currency fluctuations and other factors during fiscal 2015. Net cash of ¥127.3 billion was used in investing activities of TDK in fiscal 2015 under review.

For details of the debt of the Group, please refer to Notes to Consolidated Financial Statements, Note 5 Short-Term and Long-Term Debt.

Fund management

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

III. Facilities

1. Outline of capital expenditures

In fiscal 2015, TDK spent ¥102,525 million on capital expenditures to accurately respond to the rapid technological innovation and the intensified sales competition in the electronics market to which TDK belongs.

Capital expenditures in the Passive Components segment totaled ¥45,235 million. These expenditures were mainly for the purpose of increasing the production capacity of high-frequency components and inductive devices. Capital expenditures in the Magnetic Application Products segment totaled ¥16,552 million, mainly for the development and production of high-density next-generation heads for HDDs at SAE Magnetics (H.K.) Ltd.

Capital expenditures in the Film Application Products segment totaled ¥34,324 million, mainly to boost production of lithium-ion polymer batteries at Amperex Technology Ltd.

Capital expenditures in the Other totaled ¥1,439 million.

Capital expenditures for the R&D divisions at the headquarters totaled ¥4,975 million mainly for investment in internal IT infrastructure construction and fundamental development research.

2. Main facilities

Main facilities of TDK are as follows.

(1) Passive Components

a. Filing company (TDK Corporation)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m ²)	Lease assets	Construction in progress	Total	
Akita Plant (Nikaho City, Akita Pref.) 3 other plants in the Pref.	Manufacturing passive components	8,639	188	2,655 (464)	—	7	11,490	—

Notes: 1. Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

2. Akita Plant is mainly an asset leased to TDK-EPC Corporation.

b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m ²)	Construction in progress	Total	
TDK-EPC Corporation (Minato-ku, Tokyo and other locations)	Manufacturing passive components	7,262	24,407	—	1,185	32,854	885
TDK Shonai Corporation (Tsuruoka City, Yamagata Pref. and other locations)	Manufacturing passive components	2,354	106	1,067 (83)	4	3,531	750
TDK Ugo Corporation (Yurihonjo City, Akita Pref. and other locations)	Manufacturing passive components	2,783	27	398 (64)	—	3,208	799

c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m ²)	Construction in progress	Total	
EPCOS AG (Germany)	Manufacturing passive components	941	26,017	1 (0)	530	27,489	1,750
TDK Xiamen Co., Ltd. (China)	Manufacturing passive components	5,078	15,227	—	2,014	22,319	8,740
EPCOS Pte Ltd. (Singapore)	Manufacturing passive components	—	13,522	—	1,097	14,619	1,434
EPCOS Technology (Wuxi) Co., Ltd. (China)	Manufacturing passive components	949	8,678	—	2,319	11,946	1,280
EPCOS Electronic Parts Ltd. (Hungary)	Manufacturing passive components	2,221	3,825	332 (32)	2,336	8,714	1,572
Becromal Iceland ehfa (Iceland)	Manufacturing passive components	2,599	5,588	—	145	8,332	109
TDK Dalian Corporation (China)	Manufacturing passive components	1,844	4,123	—	1,964	7,931	1,463

(2) Magnetic Application Products

a. Filing company (TDK Corporation)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m ²)	Lease assets	Construction in progress	Total	
Narita Plant (Narita City, Chiba Pref.) 1 other plant in Shizuoka Pref.	Manufacturing magnetic application products	2,286	2,411	3,302 (253)	—	33	8,033	563
Asama Techno Plant (Saku City, Nagano Pref.)	Manufacturing magnetic application products	2,455	2,795	870 (95)	—	525	6,647	589

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

b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m ²)	Construction in progress	Total	
TDK-Lambda Corporation (Minato-ku, Tokyo and other locations)	Manufacturing magnetic application products	1,110	123	363 (64)	—	1,596	614

c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m ²)	Construction in progress	Total	
Magnecomp Precision Technology Public Co., Ltd. (Thailand)	Manufacturing magnetic application products	3,275	8,027	510 (136)	1,458	13,270	6,686
SAE Magnetics (H.K.) Ltd. (China (Hong Kong))	Manufacturing magnetic application products	1,743	7,438	—	257	9,438	652
Headway Technologies, Inc. (U.S.A.)	Manufacturing magnetic application products	973	4,882	—	392	6,247	545

(3) Film Application Products

a. Filing company (TDK Corporation)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m ²)	Lease assets	Construction in progress	Total	
Mikumagawa Plant (Hita City, Oita Pref.)	Manufacturing film application products	1,002	477	700 (101)	—	7	2,187	230

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

b. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m ²)	Construction in progress	Total	
Ningde Amperex Technology Ltd. (China)	Manufacturing film application products	21,484	27,600	—	33,616	82,700	4,572

(4) Corporate (Common) and Other

a. Filing company (TDK Corporation)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m ²)	Lease assets	Construction in progress	Total	
Technical Center (Ichikawa City, Chiba Pref.) 1 other plant in Yamanashi Pref.	Corporate (Common) and Other	9,407	5,082	2,304 (172)	382	332	17,510	1,406

Notes: 1. Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."
2. Technical Center is mainly a corporate (common) facility, but it also includes business segments which are classified as Other. However, due to difficulties in drawing such distinctions, it is displayed under "corporate (common) and other".

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

TDK conducts a broad range of operations in Japan and overseas. At the end of fiscal 2015, plans of new constructions and expansions of facilities for these operations had not been decided for each individual project. For this reason, figures are disclosed by each business segment. Capital expenditure plans (new constructions and expansions) within the one year period following fiscal 2015 are ¥130,000 million and the breakdown by business segment is as follows.

Name of business segment	Projected amount at the end of fiscal 2015 (Millions of yen)	Main contents and objectives of facilities, etc.	Capital resource
Passive Components	46,000	Production capacity increase of inductive devices and high-frequency components	Own capital
Magnetic Application Products	20,000	Developing and manufacturing facilities of high-density next-generation heads for HDD	Own capital
Film Application Products	53,000	Production capacity increase of lithium-ion polymer batteries and rationalization of facilities	Own capital
Other	5,000	–	Own capital
HQ/R&D divisions	6,000	Establishment of internal IT system and basic research and development	Own capital
Total	130,000	–	–

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

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

IV. Filing company

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

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

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

b. Number of shares issued

Class	Number of issued shares (As of March 31, 2015)	Number of issued shares (As of the date of filing: June 26, 2015)	Name of financial instruments exchange where the stock of TDK Corporation is traded or the name of authorized financial instruments firms association where TDK Corporation is registered	Details
Common stock	129,590,659	129,590,659	Tokyo Stock Exchange (First Section)	Share unit number 100 shares
Total	129,590,659	129,590,659	—	—

Notes: The number of shares issued by exercise of stock acquisition rights (including exercise of conversion rights of convertible bonds and stock acquisition rights of bonds with stock acquisition rights issued pursuant to the former Japanese Commercial Code) between June 1, 2015 and the date of filing of this Annual Securities Report, is not included in "Number of shares issued (as of the date of filing: June 26, 2015)".

(2) Status of stock acquisition rights

Stock Acquisition Rights, Etc., Granted to the Company's Directors and Company Auditors as of the End of the Business Year Under Review in Consideration for the Performance of Their Duties

a. Stock-Linked Compensation Stock Acquisition Rights

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Amount to be paid for stock acquisition rights (issue price)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Company Auditors' holdings	
						Directors (excluding Outside Directors)	Company Auditors
2005	June 29, 2005	26	2,600 shares of common stock	Free of charge	From July 1, 2005 to June 30, 2025	1 person, 26 rights	—
2007 (Issued at Fair Value to Directors)	May 15, 2007	27	2,700 shares of common stock	¥11,014 (fair value)	From July 8, 2007 to July 7, 2027	1 person, 7 rights	—
2007 (Issued Free of Charge to Corporate Officers)	June 28, 2007	4	400 shares of common stock	Free of charge	From July 8, 2007 to July 7, 2027	—	—
2008 (Issued at Fair Value to Directors)	May 28, 2008	74	7,400 shares of common stock	¥5,967 (fair value)	From July 6, 2008 to July 5, 2028	1 person, 37 rights	—
2008 (Issued Free of Charge to Corporate Officers)	June 27, 2008	35	3,500 shares of common stock	Free of charge	From July 6, 2008 to July 5, 2028	—	—
2009	May 27, 2009	233	23,300 shares of common stock	¥4,021 (fair value)	From July 5, 2009 to July 4, 2029	3 people, 82 rights	—
2010	May 26, 2010	241	24,100 shares of common stock	¥4,213 (fair value)	From July 4, 2010 to July 3, 2030	3 people, 93 rights	—
2011	May 25, 2011	385	38,500 shares of common stock	¥3,925 (fair value)	From July 3, 2011 to July 2, 2031	4 people, 133 rights	—
2012	June 21, 2012	375	37,500 shares of common stock	¥2,770 (fair value)	From July 8, 2012 to July 7, 2032	4 people, 176 rights	—
2013	June 19, 2013	363	36,300 shares of common stock	¥3,112 (fair value)	From July 7, 2013 to July 6, 2033	4 people, 176 rights	—
2014	June 18, 2014	346	34,600 shares of common stock	¥4,136 (fair value)	From July 6, 2014 to July 5, 2034	4 people, 176 rights	—

b. Stock Acquisition Rights

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Exercise price (per share)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Company Auditors' holdings	
						Directors (excluding Outside Directors)	Company Auditors
8th	July 30, 2009	306	30,600 shares of common stock	¥5,110	From August 1, 2011 to July 31, 2015	—	—
9th	July 29, 2010	536	53,600 shares of common stock	¥5,292	From August 1, 2012 to July 31, 2016	—	1 person, 5 rights
10th	July 28, 2011	520	52,000 shares of common stock	¥4,567	From August 1, 2013 to July 31, 2017	—	—
11th	July 31, 2012	666	66,600 shares of common stock	¥3,550	From August 1, 2014 to July 31, 2018	—	—
12th	July 31, 2013	1,188	118,800 shares of common stock	¥3,836	From August 1, 2015 to July 31, 2019	—	—

Notes: 1. The exercise price of stock-linked compensation stock acquisition rights is ¥1 per share.

2. Stock acquisition rights are issued free of charge.

3. Stock acquisition rights held by Directors include stock acquisition rights granted when they were Corporate Officers of the Company.

4. Stock acquisition rights held by Company Auditor was granted when employed at the Company.

(Reference) Stock acquisition rights, etc., held by Directors, Company Auditors, Corporate Officers and employees, etc., of the Company and its subsidiaries as of March 31, 2015

	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Percentage of the number of stock acquisition rights in the total number of the issued shares
Stock-Linked Compensation Stock Acquisition Rights	2,109	210,900 shares of common stock	0.16%
Stock Acquisition Rights	3,216	321,600 shares of common stock	0.25%
Total	5,325	532,500 shares of common stock	0.41%

(3) Status of exercise of moving strike convertible bonds (MSCB), etc.

No items to report

(4) Details of rights plan

No items to report

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

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

Note: Decrease due to cancellation of treasury stock.

(6) Shareholder composition

(As of March 31, 2015)

Category	Shareholder composition (Number of shares consisting one unit: 100)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	–	91	54	228	612	19	19,670	20,674	–
Number of shares held (Share units)	–	479,656	64,784	14,178	607,500	60	129,240	1,295,418	48,859
Holding rate of shares (%)	–	37.03	5.00	1.09	46.90	0.00	9.98	100.00	–

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

2. 3,603,187 treasury shares of which 36,031 share units are included in "Individuals, etc." and 87 shares are included in "Shares less than one unit."

(7) Status of major shareholders

(As of March 31, 2015)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	15,105	11.66
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	9,976	7.70
JP Morgan Chase Bank 380055 (Standing proxy: Mizuho Bank, Ltd.)	New York, USA (4-16-13, Tsukishima, Chuo-ku, Tokyo, Japan)	4,356	3.36
BNP Paribas Securities (Japan) Limited	1-9-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,704	2.09
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	2,475	1.91
SOCIETE GENERALE PARIS MRC/OPT (Standing proxy: Societe Generale Securities, Tokyo Branch)	Paris, France (1-12-32, Akasaka, Minato-ku, Tokyo, Japan)	1,812	1.40
Japan Trustee Services Bank, Ltd. (Trust account 9)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	1,754	1.35
THE BANK OF NEW YORK MELLON SA/NV 10 (Standing proxy: The Bank of Tokyo-Mitsubishi UFJ, Ltd.)	Brussels, Belgium (2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)	1,742	1.34
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,640	1.27
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	Massachusetts, USA (4-16-13, Tsukishima, Chuo-ku, Tokyo, Japan)	1,619	1.25
Total	—	43,181	33.32

Notes: 1. Other than the above, the Company holds 3,603 thousand shares of treasury stock.

2. As a copy of Change Report dated June 5, 2014, was sent from Sumitomo Mitsui Trust Bank, Limited and its two joint holders, TDK Corporation acknowledges it has received the report pertaining to the share possession by each shareholder as of May 30, 2015, as detailed below. However, as TDK Corporation cannot confirm the numbers of such shares substantially held as of the end of fiscal 2015, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates held (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	4,307,100	3.32
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1, Shiba, Minato-ku, Tokyo, Japan	592,200	0.46
Nikko Asset Management Co., Ltd	9-7-1 Akasaka, Minato-ku, Tokyo, Japan	4,366,800	3.37
Total	—	9,266,100	7.15

3. As a copy of Change Report Pertaining Report of Possession of Large Volume dated September 4, 2014, was sent from Nomura Securities Co., Ltd. and its three joint holders, TDK Corporation acknowledges it has received the report pertaining to the share possession by each shareholder as of August 29, 2014, as detailed below. However, as TDK Corporation cannot confirm the numbers of such shares substantially held as of the end of fiscal 2015, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates held (%)
Nomura Securities Co., Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	99,809	0.08
NOMURA INTERNATIONAL PLC	London, United Kingdom	27,725	0.02
Nomura Asset Management Deutschland KAG mbH	Frankfurt, Germany	170,991	0.13
Nomura Asset Management Co., Ltd.	1-12-1, Nihonbashi, Chuo-ku, Tokyo, Japan	10,541,500	8.13
Total	—	10,840,025	8.36

4. As a copy of Report of Possession of Large Volume dated September 19, 2014, was sent from BlackRock Japan Co., Ltd. and its seven joint holders, TDK Corporation acknowledges it has received the report pertaining to the share possession by each shareholder as of September 15, 2014, as detailed below. However, as TDK Corporation cannot confirm the numbers of such shares substantially held as of the end of fiscal 2015, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,735,600	1.34
BlackRock Investment Management, LLC	New Jersey, USA	144,243	0.11
BlackRock Life Limited	London, UK	352,404	0.27
BlackRock Asset Management Ireland Limited	Dublin, Ireland	618,231	0.48
BlackRock Advisors (UK) Limited	London, UK	213,046	0.16
BlackRock Fund Advisors	San Francisco, USA	1,293,900	1.00
BlackRock International Limited	London, UK	471,100	0.36
BlackRock Institutional Trust Company, N.A.	San Francisco, USA	1,654,871	1.28
Total	-	6,483,395	5.00

5. As a copy of Change Report dated January 9, 2015, was sent from Capital Research and Management Company and its two joint holders, TDK Corporation acknowledges it has received the report pertaining to the share possession by each shareholder as of December 31, 2014, as detailed below. However, as TDK corporation cannot confirm the numbers of such shares substantially held as of the end of fiscal 2015, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
Capital Research and Management Company	Los Angeles, USA	4,616,400	3.56
Capital International Limited	London, United Kingdom	454,600	0.35
The Capital Group Companies, Inc.	2-1-1 Marunouchi, Chiyoda-ku, Tokyo, Japan	454,600	0.35
Total	-	5,525,600	4.26

6. As a copy of Change Report dated March 30, 2015, was sent from Mitsubishi UFJ Financial Group, Inc., TDK Corporation acknowledges it has received the report pertaining to the share possession by each shareholder as of March 23, 2015, as detailed below. However, as TDK Corporation cannot confirm the numbers of such shares substantially held as of the end of fiscal 2015, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	540,372	0.42
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	3,131,700	2.42
Mitsubishi UFJ Asset Management Co., Ltd.	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,012,700	1.55
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	242,287	0.19
Total	-	5,927,059	4.57

(8) Status of voting rights

a. Issued shares

(As of March 31, 2015)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Content
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	Common stock 3,603,100	–	–
Shares with full voting rights (Other)	Common stock 125,938,700	1,259,387	–
Shares less than one unit	Common stock 48,859	–	–
Total number of issued shares	129,590,659	–	–
Total number of voting rights	–	1,259,387	–

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

b. Treasury stock, etc.

(As of March 31, 2015)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of total number of shares held in the total number of issued shares (%)
TDK Corporation	3-9-1, Shibaura, Minato-ku, Tokyo, Japan	3,603,100	–	3,603,100	2.78
Total	–	3,603,100	–	3,603,100	2.78

2. Status of acquisition, etc. of treasury stock

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

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

No items to report

(2) Acquisition by resolution of the Board of Directors

No items to report

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

a. Acquisitions that fall under Article 155, item (VII) of the Companies Act

Category	Number of shares (Shares)	Total value (Yen)
Treasury stock acquired during the fiscal year ended March 31, 2015	1,161	7,258,610
Treasury stock acquired during the period under review	166	1,446,720

Note: Shares acquired by the purchase of shares less than one unit between June 1, 2015 and the date of filing of this Annual Securities Report are not included in the "Treasury stock acquired during the period under review."

b. Acquisitions that fall under Article 155, item (XIII) of the Companies Act

Category	Number of shares (Shares)	Total value (Yen)
Treasury stock acquired during the fiscal year ended March 31, 2015	—	—
Treasury stock acquired during the period under review	600	5,184,000

Note: These acquisitions are due to demands to purchase shares by opposing shareholders regarding the absorption-type corporate split executed between TDK Corporation and TDK-EPC Corporation in accordance with the provisions of Article 797, Paragraph 1 of the Companies Act.

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

Category	Fiscal year ended March 31, 2015		Period under review	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Treasury stock acquired, for which subscription was offered	—	—	—	—
Treasury stock acquired, which were disposed	—	—	—	—
Treasury stock acquired, which were transferred for merger, share exchange or company split	—	—	—	—
Other (Note 1)	174,295	894,707,332	24,100	123,734,512
Treasury stock held	3,603,187	—	3,579,853	—

- Notes:
1. The components of "Fiscal year ended March 31, 2015" consist of disposals due to exercises of stock acquisition rights (number of shares: 174,200 shares; total disposal value: ¥894,219,680) and sales due to requests to sell shares less than one unit (number of shares: 95 shares; total disposal value: ¥487,652). Also, "Period under review" consists of disposals due to exercises of stock acquisition rights.
 2. Shares disposed of between June 1, 2015 and the date of filing of this Annual Securities Report are not included in treasury stock disposed of during the period under review.
 3. Shares acquired or disposed of between June 1, 2015 and the date of filing of this Annual Securities Report are not included in "Treasury stock held" during the period under review.

3. Dividend policy

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

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

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

Dividends from surplus for the 118th term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution of the Board of Directors held on October 31, 2014	5,034	40
The General Meeting of Shareholders held on June 26, 2015	6,299	50

4. Trends in share price

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

Term	115th term	116th term	117th term	118th term	119th term
Accounting period	From April 1, 2010 to March 31, 2011	From April 1, 2011 to March 31, 2012	From April 1, 2012 to March 31, 2013	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015
Highest (Yen)	6,590	4,990	4,840	5,360	9,260
Lowest (Yen)	4,225	2,404	2,719	3,095	4,045

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

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

Month	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015
Highest (Yen)	6,290	7,290	7,900	7,620	8,430	9,260
Lowest (Yen)	5,330	6,430	7,100	6,860	7,390	8,230

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

5. Status of Directors and Company Auditors

Men: 12 Women: — (Percentage of women among directors and company auditors: —%)

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Representative Director	President and CEO, General Manager of Humidifier Countermeasures HQ and General Manager of Technology HQ	Takehiro Kamigama	Jan. 12, 1958	<p>Apr. 1981: Entered the Company</p> <p>Apr. 2001: General Manager in charge of strategic technology of Recording Device Business Group of the Company</p> <p>Oct. 2001: General Manager of Head Business Group of the Company</p> <p>Jun. 2002: Corporate Officer of the Company</p> <p>Jun. 2003: Senior Vice President of the Company</p> <p>Jun. 2004: Director & Executive Vice President of the Company</p> <p>Jun. 2006: President & Representative Director of the Company (present post)</p> <p>Jun. 2012: General Manager of Electronic Components Sales & Marketing Group of the Company</p> <p>Apr. 2013: General Manager of Humidifier Countermeasures HQ of the Company (present post)</p> <p>Oct. 2014: General Manager of Technology HQ of the Company (present post)</p>	Note: 3	73
Director	General Manager of Magnet Product Business Group	Atsuo Kobayashi	Jan. 7, 1960	<p>Nov. 1989: Entered the Company</p> <p>Apr. 2004: General Manager of Japan Operation of the HDD Head Business Unit of the Head Business Group of the Company</p> <p>Jul. 2006: Deputy General Manager of the Head Business Group of the Company</p> <p>Apr. 2007: General Manager of the Head Business Group of the Company</p> <p>Jun. 2008: Corporate Officer of the Company</p> <p>Sep. 2008: Vice Chairman of SAE Magnetics (Hong Kong) Limited</p> <p>Jun. 2010: Senior Vice President of the Company</p> <p>Jun. 2012: Director & Executive Vice President of the Company (present post) General Manager of Corporate Planning Group & General Manager of Corporate Planning Department of Corporate Planning Group of the Company</p> <p>Apr. 2013: General Manager of Corporate Strategy HQ & Deputy General Manager of Humidifier Countermeasures HQ of the Company</p> <p>Jun. 2013: In charge of Power Systems Business Group, Magnet Products Business Group, Data Storage & Thin Film Technology Components Business Group, Applied Films Business Division, Flash Memory Applied Device Business Division and EMC & RF Engineering Business Division of the Company</p> <p>Jun. 2014: In charge of Applied Films Business Division, Flash Memory Applied Device Business Division, EMC & RF Engineering Business Division of the Company General Manager of Magnet Product Business Group (present post) and General Manager of Power Systems Business Group of the Company</p>	Note: 3	10

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Director	CEO of the Electronic Components Business Company and General Manager of the Ceramic Capacitors Business Group of the Electronics Components Business Company	Hiroyuki Uemura	Apr. 26, 1955	<p>Apr. 1974: Entered the Company</p> <p>Apr. 2004: Wire-Wound EMC General Manager of the Inductor Group of Circuit Device Business Group of the Company</p> <p>Nov. 2008: Deputy General Manager of Magnetics Business Group of the Company</p> <p>Apr 2009: General Manager of the Magnetics Business Group of the Company</p> <p>Jun. 2009: Corporate Officer of the Company</p> <p>Jun. 2010: Senior Vice President of the Company</p> <p>Nov. 2011: General Manager of the Ceramic Capacitors Business Group of the Company</p> <p>Jun. 2012: Director & Executive Vice President of the Company (present post)</p> <p>President & CEO of TDK-EPC Corporation</p> <p>Apr. 2015: CEO of the Electronic Components Business Company of the Company (present post) and General Manager of the Ceramic Capacitors Business Group of the Electronics Components Business Company of the Company (present post)</p>	Note: 3	37
Director	General Manager of the Corporate Strategy HQ	Noboru Saito	Sep.10 1966	<p>Apr. 1989: Entered the Company</p> <p>May.2006: President of TDK Electronics Europe GmbH</p> <p>Jan.2007: General Manager of the Europe Sales Division of the Electronic Components Sales & Marketing Group of the Company</p> <p>Oct.2009: Deputy General Manager of the Europe Sales Division of the Electronic Components Sales & Marketing Group of TDK-EPC Corporation</p> <p>Jun.2011: Corporate Officer of the Company Deputy General Manager of the Electronic Components Sales & Marketing Group of TDK-EPC Corporation</p> <p>Oct.2012: Deputy General Manager of the Electronic Components Sales & Marketing Group of the Company</p> <p>Apr.2013: General Manager of the Electronic Components Sales & Marketing Group of the Company</p> <p>Jun.2013: Senior Vice President of the Company(present post)</p> <p>Apr.2014: General Manager of the Electronic Components Sales & Marketing Group of the Company General Manager of the ICT Group of the Electronic Components Sales & Marketing Group of the Company</p> <p>Apr.2015: General Manager of the Corporate Strategy HQ of the Company (present post)</p> <p>Jun.2015: Director of the Company (present post)</p>	Note: 3	11

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Director		Makoto Sumita	Jan. 6, 1954	<p>Apr. 1980: Entered Nomura Research Institute, Ltd.</p> <p>Jun. 1996: Director of INNOTECH CORPORATION</p> <p>Apr. 2005: Executive Vice President & Representative Director of the said company</p> <p>Jun. 2005: Director of IT Access Co., Ltd. (present post)</p> <p>Apr. 2007: President & CEO of INNOTECH CORPORATION</p> <p>Jun. 2011: Outside Company Auditor of the Company</p> <p>Apr. 2013: Chairman & CEO of INNOTECH CORPORATION (present post)</p> <p>Jun. 2013: Resigned Outside Company Auditor of the Company Outside Director of the Company (present post)</p> <p>Feb. 2015: Chairman & CEO of INNOTECH FRONTIER, Inc. (present post)</p>	Note: 3	—
Director		Kazumasa Yoshida	Aug. 20, 1958	<p>Oct. 1984: Entered Intel Corporation</p> <p>Oct. 1999: Manager of Technology/OEM Alliance Business Strategy of Enterprise Service Group of the said company</p> <p>Mar. 2000: General Manager of Communication Product Group of Intel K.K.</p> <p>May 2002: General Manager of Intel Architecture Business of the said Company</p> <p>Jun. 2003: Representative Director and President of the said company</p> <p>Dec. 2004: Vice President of Sales and Marketing Group of Intel Corporation</p> <p>Jun. 2012: Outside Director of Onkyo Corporation (present post)</p> <p>Feb. 2013: Outside Director of Gibson Brands, Inc. (present post)</p> <p>Jun. 2013: Outside Director of CYBERDYNE Inc. (present post)</p> <p>Oct. 2013: Advisor of Intel K.K.</p> <p>Jun. 2014: Outside Director of the Company (present post)</p> <p>Jun. 2015: Outside Director of Mamezou Holdings Co., LTD (present post)</p>	Note: 3	—
Director		Kazuhiko Ishimura	Sep.18, 1954	<p>Apr.1979 Entered Asahi Glass Co., Ltd.</p> <p>Jan.2006 Executive Officer of the said company</p> <p>Jan.2007 Senior Executive Officer and GM of Electronics & Energy General Division of the said company</p> <p>Mar.2008 President & COO & Representative Director of the said company</p> <p>Jan.2010 President & CEO & Representative Director of the said company</p> <p>Jan.2015 Chairman & Representative Director of the said company (present post)</p> <p>Jun.2015 Outside Director of the Company (present post)</p>	Note: 3	—
Full-time Company Auditor		Osamu Yotsui	Jan. 28, 1956	<p>Apr. 1979: Entered the Company</p> <p>May 1991: Accounting Manager of TDK Recording Media Europe S.A</p> <p>Jul. 1999: Manager of Managerial Analysis Division of Finance and Accounting Department of the Company</p> <p>Apr. 2008: General Manager of Management Review & Support Department of the Company</p> <p>Jun. 2011: Full-time Company Auditor of the Company (present post)</p>	Note: 4	22

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Full-time Company Auditor		Junji Yoneyama	Mar. 16, 1955	<p>Mar. 1984: Entered the Company</p> <p>Jan. 2002: President & CEO of TDK Philippines Corporation</p> <p>Jul. 2003: General Manager of the General Affairs Department of Ichikawa Technical Center of the Administration Group of the Company</p> <p>Apr. 2005: President of TDK Taiwan Corporation</p> <p>Oct. 2006: General Manager of the Human Resources Department of the Administration Group of the Company</p> <p>Jun. 2008: Corporate Officer of the Company</p> <p>Jun. 2010: Director of the Company General Manager of the Administration Group of the Company</p> <p>Apr. 2013: General Manager of Administration HQ of the Company</p> <p>Jun. 2013: Senior Vice President of the Company</p> <p>Jun. 2014: In charge of Corporate Systems Reformation, Human Resources, General Affairs, Legal, CSR Promotion of the Company</p> <p>Apr.2015: In charge of Corporate Systems Reformation of the Company</p> <p>Jun.2015: Full-time Company Auditor of the Company (present post)</p>	Note: 4	20
Company Auditor		Kazunori Yagi	Apr 1, 1949	<p>Apr. 1972: Entered Yokogawa Electric Corporation</p> <p>Oct. 1999: Vice President (Officer) and General Manager of Finance & Business Planning, in charge of Corporate Marketing of the said company</p> <p>Apr. 2001: Senior Vice President and General Manager of Finance & Business Planning of the said company</p> <p>Jun. 2001: Director, Senior Vice President and General Manager of Finance & Business Planning of the said company</p> <p>Jul. 2002: Director, Executive Vice President and General Manager of Finance & Business Planning of the said company</p> <p>Jul. 2005: Director, Executive Vice President and General Manager of Management Administration Headquarters of the said company</p> <p>Jun. 2011: Advisor to the said company Outside Company Auditor of Yokogawa Bridge Holdings Corporation</p> <p>Jun. 2012: Outside Director of JSR Corporation (present post)</p> <p>Jun. 2013: Outside Company Auditor of the Company (present post)</p> <p>Mar. 2014: Outside Director of OYO Corporation (present post)</p>	Note: 4	—
Company Auditor		Toru Ishiguro	Jun.19, 1954	<p>Apr. 1980: Registered as lawyer Joined the law firm of Hamada & Matsumoto</p> <p>Apr. 1984: Registered as lawyer in New York, the United States of America</p> <p>Jan. 1985: Partner of the law firm of Hamada & Matsumoto</p> <p>Sep.1987: Resident Partner of the London office of the law firm of Hamada & Matsumoto</p> <p>Jun. 2000: Outside Company Auditor of Monex Securities Ltd.</p> <p>Dec.2002: Partner of the law firm of Mori Hamada & Matsumoto (present post)</p> <p>Jun. 2015: Outside Company Auditor of the Company (present post)</p>	Note: 4	—

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Company Auditor		Kiyoshi Fujimura	Nov.3, 1949	<p>Apr.1972: Entered Mitsubishi Corporation</p> <p>Feb.2002: Member of the Board, President and CEO of Mitsubishi Corporation Financial & Management Services (Japan) Ltd.</p> <p>Jun. 2003: Senior Corporate Auditor of Mitsubishi Corporation</p> <p>Jun. 2007: Senior Vice President of the said company, CIO & CISO and Senior Assistant to person in charge of Work Restructuring & Internal Control System</p> <p>Apr. 2008: Executive Vice President of the said company, CIO, Work Restructuring & Internal Control System</p> <p>Jun. 2008: Member of the Board, Executive Vice President of the said company, CIO, Work Restructuring & Internal Control System</p> <p>Apr. 2009: Member of the Board, Executive Vice President of the said company, Work Restructuring & Internal Control System, IT Service Business Development, CIO</p> <p>Apr. 2010: Member of the Board, Executive Vice President of the said company, Audit & Internal Control System</p> <p>Jun. 2012: Adviser of the said Company Outside Corporate Auditor of AJINOMOTO CO., INC. (present post)</p> <p>Jun. 2015: Outside Company Auditor of the Company (present post)</p>	Note: 4	-
Total						204

- Notes:
1. Directors Makoto Sumita, Kazumasa Yoshida and Kazuhiko Ishimura are Outside Directors.
 2. Company Auditors Kazunori Yagi, Toru Ishiguro and Kiyoshi Fujimura are Outside Company Auditors.
 3. One year from the closing date of the Ordinary General Meeting of Shareholders held on June 26, 2015.
 4. Four years from the closing date of the Ordinary General Meeting of Shareholders held on June 26, 2015.
 5. TDK Corporation, aiming to boost execution of duties and improve management efficiency, has introduced a Corporate Officer System. TDK Corporation has 19 Corporate Officers.

6. Status of corporate governance, etc.

(1) Status of corporate governance

Corporate governance system of the TDK is as follows:

1. Systems for ensuring the execution of duties by Directors of TDK Corporation comply with laws and regulations and the Articles of Incorporation:

TDK Corporation was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has unremittingly pursued originality and increased corporate value through provisions of products and services which have created new value, based on the founding spirit "Contribute to culture and industry through creativity" as its Corporate Motto. In addition, TDK will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees, and communities, among others), continue to be helpful by resolving social issues and contribute to the development of a more sustainable society. TDK clearly declares as its "Corporate Charter of Business Behavior" that TDK will continue to respect human rights; comply with relevant laws, regulations, and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All members of TDK seek to behave in strict compliance with the "Corporate Standards of Business Conduct" prescribed by the "TDK Code of Conduct".

In addition, TDK aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, TDK will be accountable to stakeholders through comprehensive, accurate, timely, and impartial disclosure of information.

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

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

TDK Corporation has adopted the Company Auditor System pursuant to the Companies Act of Japan and has appointed independent Outside Company Auditors who are disinterested in TDK to strengthen the supervision of TDK's management.

② Strengthening the Function of the Board of Directors and Increasing the Accountability of Directors:

TDK Corporation has a small number of Directors to expedite the management decision-making process. At the same time, TDK Corporation has appointed disinterested, independent Outside Directors in order to enhance the supervision of TDK's management. In addition, the Directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every business year.

③ Adoption of a Corporate Officer System for Expeditious Business Execution:

TDK Corporation has adopted a Corporate Officer system that separates the management decision making and Director supervisory functions of the Board of Directors from the execution of business. Corporate Officers are in charge of business execution and carrying out decisions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

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

The aim of the Business Ethics & CSR Committee is to ensure compliance with the TDK Corporate Motto, understanding of corporate ethics, and improvement of awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Company Auditors, Corporate Officers and all other members of TDK are made fully aware of the "TDK Code of Conduct", which stipulates concrete standards of business conduct in compliance with TDK's management philosophy, including the TDK Corporate Motto, Corporate Principle, and social norms, including relevant laws, regulations, and international rules and the spirit thereof.

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

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

The Nomination Advisory Committee, which is chaired by an Outside Director of TDK Corporation, reviews the conditions expected for the post of Director, Company Auditor, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Company Auditors, and Corporate Officers, and provides transparency in the decision-making process.

Under the foregoing corporate systems, the Company Auditors in charge of supervising management, ensure soundness, compliance, and transparency in TDK's business operations by executing their duties pursuant to the Regulations of the Board of Company Auditors and the Code of Company Auditors' Auditing Standards, and by auditing whether the Directors' performance is appropriately and reasonably in compliance with relevant laws and regulations and the Articles of Incorporation.

Similarly, Directors in charge of management decision-making and supervision of business execution ensure soundness, compliance, and transparency in TDK's business operations by executing their duties pursuant to the Regulations of the Directors' Business and the Regulations of the Board of Directors established in accordance with relevant laws and regulations and the Articles of Incorporation. In addition, Corporate Officers in charge of business execution ensure soundness, compliance, and transparency in TDK's business operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business and the Executive Committee Regulations.

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

(i) TDK will collect, record, analyze, process, summarize, and report all information

required to be disclosed under the Securities Regulations. TDK has established an internal control system and other methods to warrant timely disclosures within the deadlines stipulated by the Securities Regulations.

(ii) TDK has established a system to ensure that TDK has procedures designed to obtain reasonable assurance that all the transactions that TDK conducts are properly authorized, that TDK's assets are protected from unauthorized or improper use, and that all trading activities are appropriately recorded and reported for the purpose of enabling TDK to prepare financial statements in accordance with applicable accounting standards.

(iii) TDK will ensure that the above-mentioned management system is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.

2. System under which information regarding the execution of business by Directors of TDK Corporation shall be preserved and controlled:

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

3. Regulations and other systems for managing the risk of loss(es) of TDK Corporation and its subsidiaries:

With respect to the company-wide treatment of factors that obstruct the achievement of the business targets and business operations of TDK, TDK has established the Enterprise Risk Management Committee under the direct control of the Executive Committee. The Enterprise Risk Management Committee is chaired by a Corporate Officer appointed by the President, and promotes enterprise risk management.

Corporate regulations, bylaws, guidelines, and departmental guidelines in each department provide for operating rules for specific risks, including legal, financial, and IT-related risks. These risks are managed by managers in charge of the particular areas of operation.

In addition, in order to prepare for unexpected situations such as natural disasters, TDK established the Crisis Management Committee, chaired by the President, which developed the Business Continuity Plan (BCP). Accordingly, if such an unexpected situation arises, TDK will assess the situation immediately and respond appropriately.

The Company Auditors and the internal audit group regularly confirm the management operations described above to ensure that a structure for receiving advice in relation to operating business execution effectively is in place. In addition, TDK will periodically seek advice from specialists, including outside legal counsel and other experts, regarding new factors that may hinder TDK.

4. System for ensuring Directors of TDK Corporation and Directors, etc. of TDK Corporation's subsidiaries execute their duties efficiently and system for reporting matters concerning the execution of duties of Directors, etc. of TDK Corporation's subsidiaries to TDK Corporation:

TDK Corporation has a small number of Directors and has adopted the Corporate Officer system to facilitate the Directors' ability to make quick and efficient management decisions.

At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing, and financing of TDK, are deliberated upon by the Executive Committee, which consists of Corporate Officers in senior positions ranking at or above the level of Senior Vice President and other Corporate Officers and General Managers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. TDK Corporation ensures efficient management via proposals to the Board of Directors and regular reports from Corporate Officers to the Executive Committee.

In addition, TDK establishes midterm management targets shared by all members of TDK and strives to inform them of such targets. TDK also establishes systems that enable it to understand the targets and implementation plans of each

department as well as the progress of each department in relation to such goals. With respect to the business management of subsidiaries, TDK Corporation establishes systems that enable it to understand their business conditions through quarterly reports submitted by each subsidiary.

5. System for ensuring performance of duties by employees of TDK Corporation and Directors, etc. and employees of TDK Corporation's subsidiaries are in compliance with laws and regulations and the Articles of Incorporation:

TDK Corporation strives to ensure that all Directors, Company Auditors, Corporate Officers, and employees are fully familiar with TDK's management philosophy, "Corporate Charter of Business Behavior", "Corporate Ethical Philosophy" and "Corporate Standards of Business Conduct" in order to ensure improved soundness, compliance, and transparency of management, as well as compliance with laws, regulations, and the Articles of Incorporation throughout TDK's business operations.

Furthermore, TDK Corporation has established a corporate ethics management system under the Business Ethics & CSR Committee, to regularly monitor TDK's compliance with corporate ethics, including TDK Corporation's subsidiaries worldwide. The Consultations and Help Lines also enable employees to directly report all relevant information and opinions concerning compliance within TDK.

6. System for ensuring proper business execution by the corporate group consisting of TDK Corporation and its subsidiaries:

Each Director, Corporate Officer and manager in charge of operations strives to achieve proper business operations by making decisions in accordance with the "TDK Code of Conduct", the Job Authority Regulations and other applicable corporate regulations for the entire TDK, in order to maintain soundness, compliance, and transparency in business operations, and to achieve the business targets of TDK.

The Company Auditors audit, on a regular basis, the condition of the business operations of each department of TDK by researching the departments, examining important documents, and attending important meetings. In addition, the internal audit group audits and supports each department of TDK in order to promote consistency in relation to business operations and management policies, appropriateness regarding management efficiency, and compliance with relevant laws and regulations.

7. Matters relating to employees who support the duties of Company Auditors of TDK Corporation when Company Auditors request such employees:

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

8. Matters regarding the independence of employees in the preceding item from Directors and the ensuring effectiveness of instructions of Company Auditors of TDK Corporation to the employees:

The Company Auditors shall directly evaluate the performance of the employees who serve as members of the Company Auditors Office, and any transfer or discipline of these employees shall be determined pursuant to the operating rules of TDK Corporation subject to the consent of the Company Auditors.

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

9. System for ensuring Directors or employees of TDK Corporation report to Company Auditors of TDK Corporation and system for ensuring Directors, Company Auditors, employees of TDK Corporation's subsidiaries or persons who have received reports from these persons report to Company Auditors of TDK Corporation:

All members of TDK provide an appropriate report immediately, if a Company Auditor requests a report regarding the execution of business. Information regarding management policies of TDK and conditions of business execution by Corporate Officers is timely provided to Company Auditors who attend important meetings such as Executive Committee meetings and business plan review meetings, and minutes of such meetings are also provided to the Company Auditors immediately. Furthermore, Company Auditors may receive explanations directly from Corporate Officers and other personnel if necessary. Company Auditors may review reports prepared by each department of TDK Corporation or TDK Group entities, and Company Auditors may thereby confirm the conditions of the business operations of TDK.

In addition, all members of TDK immediately report to Company Auditors or the Board of Company Auditors through the Consultations or Help Lines established by the Business Ethics and CSR Committee covering TDK or through report from the Ethics Councils established in each area covering all subsidiaries of TDK Corporation to the Business Ethics and CSR Committee, if any fact which may cause significant damage to TDK, such as violation of law or regulation, is discovered. Furthermore, information regarding the activities of the Enterprise Risk Management Committee and other committees is provided to Company Auditors from time to time, enabling the Company Auditors to confirm the overall status of corporate activities.

10. System for ensuring persons who have reported as provided in the preceding item will not be treated unfavorably on grounds of such reporting

TDK prohibits members of TDK who have reported to the Consultation or Help Line from being treated unfavorably on the grounds of such reporting, and stipulates to that effect in the “TDK Code of Conduct” and clearly informs all members of TDK of that fact.

11. Matters concerning policies for treatment of expenses and obligations associated with the execution of duties by Company Auditors

When Company Auditors demand payment of expenses or obligations associated with execution of their duties from TDK Corporation pursuant to Article 388 of the Companies Act of Japan, TDK Corporation shall pay such expenses or obligations immediately after deliberation at the department in charge unless the expenses or obligations concerning such demand are found to be unnecessary for the execution of such duties of the Company Auditors.

12. System for ensuring the Company Auditors of TDK Corporation conduct audits effectively

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

Furthermore, the Company Auditors and the internal audit group meet regularly and also receive regular audit reports from the Accounting Auditor. Company Auditors conduct efficient audits by sharing information regarding initial audit plans and results.

13. Overview of current system and reason for adoption

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

In addition, TDK Corporation has established 4 committees acting as subordinate organizations to the Board of Directors, namely the Business Ethics & CSR Committee and Compensation Advisory Committee formed in 2002, the Disclosure Advisory Committee formed in 2005 and the Nomination Advisory Committee formed in 2008) to exact our business ethics and fulfill our social responsibilities as well as strengthen our management supervision functions and framework for fulfilling our duty of explanation to our shareholders and investors.

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

14. Matters regarding Outside Directors and Outside Company Auditors

- Appointment of Outside Directors and Outside Company Auditors

TDK Corporation is actively inviting Outside Directors to participate in our organization for the purpose of strengthening management supervision functions, and building a management conscious of our various stakeholders including shareholders and an effective and disciplined corporate governance framework. As a result, as of March 31, 2015 and the date of filing of this Annual Securities Report, three of the seven Directors are Outside Directors and three of the five Company Auditors are Outside Company Auditors, making Outside Directors and Outside Company Auditors represent 50% of the total number of Officers.

The Outside Directors confirm significant issues that have become evident with regards to the above policy (6. (1) para items 3, 6 and 12, the same share apply hereafter) through reports from Corporate Officers and others in the Board of Directors and express their opinions as necessary to fulfill their supervisory function. Furthermore, the Outside Company Auditors confirm the details of the above policy through reports from the full-time Company Auditors and reports from the Accounting Auditors and discuss the details of such reports to fulfill their supervisory function.

- Criteria for independence of Outside Directors and Outside Company Auditors

In order to secure the independence of the Outside Directors and Outside Company Auditors it invites, TDK Corporation has established “items to be verified regarding independence” with reference to such criteria as Rule 436-2 of the Securities Listing Regulation regarding securing independent directors/auditors and Rule III. 5. (3)-2 of Guidelines Concerning Listed Company Compliance, etc., both of which are stipulated by Tokyo Stock Exchange, Inc. The outline of these items is as follows.

(1) In cases where the relevant Outside Director/Company Auditor has a business relationship with TDK

An Outside Director/Company Auditor shall be judged not to be independent if they are at present, or have been during the past five years, a party with a business relationship with TDK as described in (i) below, or a person who executes business for such party, or if (ii) below applies to them.

(i) Where it is recognized, objectively and reasonably, that such business relationship is necessary for, or has a substantial influence on, the continued operation of TDK or the other party to such business relationship (where there is a high degree of dependence in the relationship, where the relationship is the source of 2% or more of consolidated sales, and where the other party to the relationship receives money or other assets from TDK other than remuneration for officers)

(ii) Where it is recognized within TDK that the relevant Outside Director/Company Auditor is involved in the business relationship with the other party to such relationship

(2) In cases where the relevant Outside Director/Company Auditor is a consultant, an accounting professional or a law professional

An Outside Officer shall be judged not to be independent if any of the following cases apply to such person at present or have applied to such person during the past five years.

(i) Where it is recognized, objectively and reasonably, that the relevant Outside Director/Company Auditor (including candidates for such position; the same shall apply hereinafter) cannot perform duties as an Independent Outside Director/Company Auditor because they receive money or other assets from TDK other than remuneration for officers (where there is a high degree of dependence)

(ii) Where it is recognized, objectively and reasonably, that the relevant Outside Director/Company Auditor cannot perform duties as an Independent Outside Director/Company Auditor because the organization to which such person belongs (hereinafter the “Relevant Organization”) receives money or other assets from the TDK other than remuneration for officers (where this income is equivalent to 2% or more of total annual remuneration)

(iii) Where TDK has a high degree of dependence on a professional or a Relevant Organization, such as a case where services, etc. rendered by such party are essential to the corporate management of TDK or it would be difficult to find an alternative provider of the same services, etc.

(iv) Where it is recognized within TDK that the relevant Outside Director/Company Auditor is involved with the services, etc. provided by the Relevant Organization

(3) In the case of a close relative of the relevant Outside Director/Company Auditor

An Outside Director/Company Auditor shall be judged not to be independent if either of the following cases apply to their close relative at present or have applied to them during the past five years.

(i) A person to whom (1) or (2) above applies (except persons without material significance)

(ii) A person who executes business for TDK Corporation or a subsidiary of TDK Corporation (except persons without material significance)

TDK Corporation has in place a Nomination Advisory Committee as an advisory body to the Board of Directors which is chaired by an Outside Director and of which more than half of the members are composed of Outside Directors. In accordance with the “items to be verified regarding independence” shown above, the committee investigates and deliberates over the independence of the candidates for Outside Directors and Outside Company Auditors (including cases where there is a change in an Outside Director/Company Auditor’s status of independence during their current term of office). After making a comprehensive judgment on the independence of candidates, the committee reports the results of its deliberations to the Board of Directors.

Taking into account the above, TDK Corporation has notified the Tokyo Stock Exchange of all of its Outside Directors, namely Mr. Makoto Sumita, Mr. Kazumasa Yoshida, and Mr. Kazuhiko Ishimura and its Outside Company Auditors, namely Mr. Kazunori Yagi and Mr. Kiyoshi Fujimura, who serve as independent directors/auditors pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

- Activities during the fiscal year under review.

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

Yukio Yanase (Outside Director):	All 13 meetings of the Board of Directors, 3 meetings of the Nomination Advisory Committee, 3 meetings of the Compensation Advisory Committee
Makoto Sumita (Outside Director):	All 13 meetings of the Board of Directors, 3 meetings of the Nomination Advisory Committee, 12 meetings of the Compensation Advisory Committee
Kazumasa Yoshida (Outside Director):	All 10 meetings of the Board of Directors, 9 meetings of the Compensation Advisory Committee (Appointed as Outside Director at the closing of the 118th Ordinary General Meeting of Shareholders on June 27, 2014)
Osamu Nakamoto (Outside Company Auditor):	All 14 meetings of the Board of Company Auditors, all 13 meetings of the Board of Directors
Koichi Masuda (Outside Company Auditor):	All 14 meetings of the Board of Company Auditors, all 13 meetings of the Board of Directors
Kazunori Yagi (Outside Company Auditor):	13 of 14 meetings of the Board of Company Auditors, 12 of 13 meetings of the Board of Directors

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

15. Appointment of Company Auditors with knowledge of finance and accounting

Full-time Company Auditor Osamu Yotsui has 22 total years of experience in financing and accounting of TDK and, thus, has considerable knowledge in this field.

Outside Company Auditor Kazunori Yagi has the experience of serving for many years in the fields of accounting and corporate planning at Yokogawa Electric Corporation, and thus, possesses considerable knowledge as regards financing and accounting.

Outside Company Auditor Kiyoshi Fujimura has the experience of serving for many years in the fields of accounting at Mitsubishi Corporation, and, thus, possesses considerable knowledge as regards finance and accounting.

16. Limited liability agreements with Outside Directors and Outside Company Auditors

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

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

- Special interests between TDK and its Outside Directors and Outside Company Auditors

There are no special interests between TDK and any of its current Outside Directors and Outside Company Auditors (three Outside Directors and three Outside Company Auditors).

- Business relationships between TDK and companies where Outside Directors and Outside Company Auditors serve or have served as officers

Business relationships between TDK and companies where Outside Directors serve as officers are as follows.

- Although the Company has a business relationship relating to electronic parts and system maintenance, etc. with INNOTECH CORPORATION, where Outside Director Mr. Makoto Sumita is CEO, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2015, the ratio of sales of TDK to the INNOTECH Group represented less than 1% of the consolidated net sales of TDK, and the ratio of sales of the INNOTECH Group to TDK represented less than 1% of the INNOTECH Group's consolidated net sales.
- Although the Company has a business relationship relating to electronic parts with Onkyo Corporation, where Outside Director Mr. Kazumasa Yoshida serves as Outside Director, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2015, the ratio of sales of TDK to the Onkyo Group represented less than 1% of the consolidated net sales of TDK.
- Although the Company has a business relationship relating to electronic parts with Asahi Glass Co., Ltd., where Outside Director Mr. Kazuhiko Ishimura is a representative director, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2015, the ratio of sales of TDK to the Asahi Glass Group represented less than 1% of the consolidated net sales of TDK.

18. Number of Directors

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

19. Resolution requirements for election and dismissal of Directors

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

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

1) Acquisition of treasury stock

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

2) Interim dividend

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

21. Requirements of special resolution of the General Meeting of Shareholders

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

22. Details of Director and Company Auditor Remunerations

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

Officer category	Total amount of remuneration and other payments (Millions of yen)	Total amount of remuneration and other payments by type (Millions of yen)			Number of eligible officers
		Basic remuneration	Results-linked bonus	Stock-linked compensation stock options	
Directors (Excluding Outside Directors)	335	176	86	73	4
Outside Directors	40	40			4
Company Auditors (Excluding Outside Company Auditors)	58	58			2
Outside Company Auditors	27	27			3

Although there were three Outside Directors and three Outside Company Auditors as of March 31, 2015, in the table above, the number of eligible officers, the total amount of remuneration and other payments and the basic remuneration in the breakdown thereof include remuneration and other payments paid to one Outside Director who retired at the closing of the 118th Ordinary General Meeting of Shareholders held on June 27, 2014.

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

Name	Officer category	Company category	Total amount of remuneration and other payments by type (Millions of yen)			Total amount of remuneration and other payments (Millions of yen)
			Basic remuneration	Results-linked bonus	Stock-linked compensation stock options	
Takehiro Kamigama	Representative Director, President and CEO	Filing company	72	41	29	142

23. Policy and determination method regarding the amounts of remuneration and other payments for Directors and Company Auditors of the Company and its method of calculation

1) Policy on remuneration

(1) Purpose of remuneration system

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

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

(2) Remuneration level

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

(3) Composition of remuneration

a. Remuneration for Directors who execute business

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

b. Remuneration for Directors who do not execute business

Composed of basic remuneration and stock-linked compensation stock options

c. Remuneration for Outside Directors

Basic remuneration only

d. Remuneration for Company Auditors

Basic remuneration only

(4) Results linkage system

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

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

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

Stock-linked compensation stock options are granted with the number of shares calculated based on their value at the time of grant depending on the amount of stock option remuneration determined for each position. This is an effective stock option grant similar to the disbursement of actual TDK Corporation's stock whereby recipients have the same advantage of a rising TDK Corporation's stock value and the same risk of it falling as regular shareholders. Furthermore, TDK Corporation has attached performance conditions to the conditions for exercising certain stock options. This is intended to further align Directors' compensation with TDK's medium and long-term business performance and corporate value. TDK Corporation has established Corporate Stock Ownership Guidelines. TDK Corporation makes an effort to ensure that eligible Directors hold at least a certain number of shares in TDK Corporation pursuant to their rank, including stock-linked compensation stock options.

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

In order to achieve the purpose of the aforementioned remuneration system, TDK Corporation has in place a "Compensation Advisory Committee" acting as an advisory body to the Board of Directors, composed of Outside Directors (among whom one is committee chairman) and an officer in charge of personnel. The Committee deliberates on the system and level of remuneration for TDK Corporation's Directors and Executive Officers and examines the transparency of the remuneration determination process as well as the adequacy of individual remuneration from the perspective of corporate results, individual results and general public levels, among other factors.

24. Share ownership

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

24 issues	¥23,726 million
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- 2) Issues, number of shares, balance sheet amounts and holding purpose of investment stock whose holding purpose is other than for net investment

As of March 31, 2014

Specified investment stocks

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Tabuchi Electric Co., Ltd.	8,000,000	5,768	Maintaining and Strengthening business to business transactions
Imation Corporation	4,812,390	2,858	Maintaining and Strengthening business to business transactions
Mabuchi Motor Co., Ltd.	300,000	2,028	Maintaining and Strengthening business to business transactions
TOSHIBA CORPORATION	3,839,000	1,677	Maintaining and Strengthening business to business transactions
ALPS LOGISTICS CO., LTD.	1,402,200	1,458	Maintaining and Strengthening business to business transactions
Fukuda Denshi Co., Ltd.	269,100	1,225	Maintaining and Strengthening business to business transactions
NIKKO COMPANY	2,500,000	312	Maintaining and Strengthening business to business transactions
SIIX Corporation	30,082	50	Maintaining and Strengthening business to business transactions
IBIDEN CO., LTD.	11,288	22	Maintaining and Strengthening business to business transactions
FIDEA Holdings Co. Ltd.	32,541	6	Maintaining and Strengthening business to business transactions

Regarded as holding shares

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
OMRON Corporation	364,000	1,550	Maintaining and Strengthening business to business transactions
KYOCERA Corporation	210,000	977	Maintaining and Strengthening business to business transactions
Mitsubishi Electric Corporation	700,000	813	Maintaining and Strengthening business to business transactions
Foster Electric Company, Limited	587,000	737	Maintaining and Strengthening business to business transactions
TODA KOGYO CORP.	1,994,000	516	Maintaining and Strengthening business to business transactions
Sony Corporation	220,000	433	Maintaining and Strengthening business to business transactions
Tokio Marine Holdings, Inc.	129,500	401	Maintaining and Strengthening business to business transactions
Shinko Shoji Co., Ltd.	349,000	328	Maintaining and Strengthening business to business transactions
SUMIDA CORPORATION	329,500	188	Maintaining and Strengthening business to business transactions
Mitsubishi UFJ Financial Group, Inc.	260,000	147	Maintaining and Strengthening business to business transactions
Ricoh Company, Ltd.	108,000	128	Maintaining and Strengthening business to business transactions
ANRITSU CORPORATION	77,000	91	Maintaining and Strengthening business to business transactions
ADVANTEST CORPORATION	63,000	70	Maintaining and Strengthening business to business transactions
DENKYOSHA CO., LTD.	111,000	63	Maintaining and Strengthening business to business transactions
CASIO COMPUTER CO., LTD.	50,000	61	Maintaining and Strengthening business to business transactions
Sumitomo Mitsui Trust Holdings, Inc.	103,000	47	Maintaining and Strengthening business to business transactions
MITSUMI ELECTRIC CO., LTD.	52,000	38	Maintaining and Strengthening business to business transactions
PIONEER CORPORATION	162,000	35	Maintaining and Strengthening business to business transactions
Resona Holdings, Inc.	61,300	30	Maintaining and Strengthening business to business transactions
Hitachi Kokusai Electric Inc.	12,000	14	Maintaining and Strengthening business to business transactions

Note: Specified investment stocks and regarded as holding shares are not combined when selecting the top issues by balance sheet amount.

As of March 31, 2015

Specified investment stocks

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Tabuchi Electric Co., Ltd.	8,000,000	10,976	Maintaining and Strengthening business to business transactions
Mabuchi Motor Co., Ltd.	600,000	3,822	Maintaining and Strengthening business to business transactions
Imation Corporation	4,812,390	2,329	Maintaining and Strengthening business to business transactions
ALPS LOGISTICS CO., LTD.	1,402,200	2,145	Maintaining and Strengthening business to business transactions
TOSHIBA CORPORATION	3,839,000	1,935	Maintaining and Strengthening business to business transactions
Fukuda Denshi Co., Ltd.	269,100	1,821	Maintaining and Strengthening business to business transactions
NIKKO COMPANY	2,500,000	310	Maintaining and Strengthening business to business transactions
SIIX Corporation	32,364	96	Maintaining and Strengthening business to business transactions
IBIDEN CO., LTD.	13,306	26	Maintaining and Strengthening business to business transactions
FIDEA Holdings Co. Ltd.	32,541	7	Maintaining and Strengthening business to business transactions

Regarded as holding shares

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
OMRON Corporation	364,000	1,972	Maintaining and Strengthening business to business transactions
Foster Electric Company, Limited	587,000	1,761	Maintaining and Strengthening business to business transactions
KYOCERA Corporation	210,000	1,384	Maintaining and Strengthening business to business transactions
Mitsubishi Electric Corporation	700,000	999	Maintaining and Strengthening business to business transactions
TODA KOGYO CORP.	1,994,000	863	Maintaining and Strengthening business to business transactions
Tokio Marine Holdings, Inc.	129,500	587	Maintaining and Strengthening business to business transactions
Shinko Shoji Co., Ltd.	349,000	424	Maintaining and Strengthening business to business transactions
SUMIDA CORPORATION	329,500	214	Maintaining and Strengthening business to business transactions
Mitsubishi UFJ Financial Group, Inc.	260,000	193	Maintaining and Strengthening business to business transactions
Ricoh Company, Ltd.	108,000	141	Maintaining and Strengthening business to business transactions
CASIO COMPUTER CO., LTD.	50,000	113	Maintaining and Strengthening business to business transactions
ADVANTEST CORPORATION	63,000	95	Maintaining and Strengthening business to business transactions
DENKYOSHA CO., LTD.	111,000	68	Maintaining and Strengthening business to business transactions
ANRITSU CORPORATION	77,000	64	Maintaining and Strengthening business to business transactions
Sumitomo Mitsui Trust Holdings, Inc.	103,000	51	Maintaining and Strengthening business to business transactions
MITSUMI ELECTRIC CO., LTD.	52,000	46	Maintaining and Strengthening business to business transactions
Resona Holdings, Inc.	61,300	36	Maintaining and Strengthening business to business transactions
PIONEER CORPORATION	162,000	35	Maintaining and Strengthening business to business transactions
Hitachi Kokusai Electric Inc.	12,000	19	Maintaining and Strengthening business to business transactions
YE DATA INC.	63,000	15	Maintaining and Strengthening business to business transactions

Note: Specified investment stocks and regarded as holding shares are not combined when selecting the top issues by balance sheet amount.

25. Circumstances of accounting audit

TDK Corporation has an auditing agreement with KPMG AZSA LLC for this company to conduct the accounting audit of TDK.

The three certified public accountants who conducted the accounting audit of TDK were Hiroyuki Sakai, Junichi Obi and Hiroto Yamane, and all were Designated Limited Liability Partners and Engagement Partners affiliated with KPMG AZSA LLC. The number of years of continued audits is seven years or less.

In addition, working to assist the above accountants in conducting the accounting audit of TDK were 12 certified public accountants, 11 assistant certified public accountants, and 11 other people.

(2) Audit fees, etc.

a. Details of fees to auditors

(Millions of yen)

Category	FY2014		FY2015	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	295	–	294	–
Consolidated subsidiaries	141	–	139	–
Total	436	–	433	–

b. Details of other material fees

In fiscal 2014 and fiscal 2015, principal overseas consolidated subsidiaries of TDK Corporation pay audit fees to member firms of KPMG to which KPMG AZSA LLC, TDK Corporation's auditors, belong.

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

No items to report

d. Policy of deciding audit fees

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

V. Consolidated Financial Statements and Notes to Consolidated Financial Statements

Consolidated statements of income

For the years ended March 31, 2013, 2014 and 2015

	Yen			U.S. Dollars
	(Millions)			(Thousands)
	2013	2014	2015	2015
Net sales	¥ 841,847	¥ 984,525	¥ 1,082,560	\$ 9,021,333
Cost of sales	668,258	763,572	802,225	6,685,208
Gross profit	173,589	220,953	280,335	2,336,125
Selling, general and administrative expenses	149,974	184,337	207,876	1,732,300
Production realignment costs (Note 24)	1,561	-	-	-
Operating income	22,054	36,616	72,459	603,825
Other income (deductions):				
Interest and dividend income	2,893	3,365	4,075	33,958
Interest expense	(2,842)	(3,457)	(2,992)	(24,933)
Gain (loss) on securities, net (Note 3)	(714)	2,136	1,272	10,600
Equity in earnings of affiliates (Note 4)	(2,388)	1,444	725	6,042
Foreign exchange gain (loss)	(136)	(1,302)	(1,846)	(15,383)
Other - net	898	970	824	6,866
	(2,289)	3,156	2,058	17,150
Income from continuing operations before income taxes	19,765	39,772	74,517	620,975
Income taxes (Note 7)				
Current	9,137	18,412	18,729	156,075
Deferred	5,479	(476)	3,009	25,075
	14,616	17,936	21,738	181,150
Income from continuing operations	5,149	21,836	52,779	439,825
Discontinued operations (Note 22):				
Loss from discontinued operations	(907)	(5,580)	-	-
Income taxes	(288)	(1,978)	-	-
Loss from discontinued operations	(619)	(3,602)	-	-
Net income	4,530	18,234	52,779	439,825
Less: Net income attributable to noncontrolling interests	3,335	1,946	3,339	27,825
Net income attributable to TDK	¥ 1,195	¥ 16,288	¥ 49,440	\$ 412,000

Amounts per share:

	Yen			U.S. Dollars
				(Note 2)
Income from continuing operations				
attributable to TDK (Note 20):				
Basic	¥ 14.48	¥ 150.55	¥ 392.78	\$ 3.27
Diluted	10.33	142.01	377.98	3.15
Loss from discontinued operations				
attributable to TDK (Note 20):				
Basic	(4.98)	(21.08)	-	-
Diluted	(4.98)	(21.08)	-	-
Net income attributable to TDK (Note 20):				
Basic	9.50	129.47	392.78	3.27
Diluted	5.36	120.97	377.98	3.15
Cash dividends paid during the year (Note 9)	¥ 80.00	¥ 60.00	¥ 80.00	\$ 0.67

Consolidated statements of comprehensive income

For the years ended March 31, 2013, 2014 and 2015

	Yen			U.S. Dollars
	(Millions)			(Thousands)
	2013	2014	2015	2015
Net income	¥ 4,530	¥ 18,234	¥ 52,779	\$ 439,825
Other comprehensive income (loss), net of taxes:				
Foreign currencies translation adjustments	76,712	60,544	92,481	770,675
Pension liability adjustments	(1,957)	7,187	(13,804)	(115,033)
Net unrealized gains (losses) on securities	(557)	4,722	4,463	37,192
Total other comprehensive income (loss)	74,198	72,453	83,140	692,834
Comprehensive income	78,728	90,687	135,919	1,132,659
Comprehensive income attributable to noncontrolling interests	5,700	3,248	6,158	51,317
Comprehensive income attributable to TDK	¥ 73,028	¥ 87,439	¥ 129,761	\$ 1,081,342

See accompanying notes to consolidated financial statements.

Consolidated balance sheets

As of March 31, 2014 and 2015

U.S. Dollars
(Thousands)

	Yen (Millions)		U.S. Dollars (Thousands) (Note 2)
ASSETS	2014	2015	2015
Current assets:			
Cash and cash equivalents	¥ 250,848	¥ 265,104	\$ 2,209,200
Short-term investments	8,691	20,091	167,425
Marketable securities (Note 3)	-	1,301	10,842
Trade receivables:			
Notes	6,751	9,311	77,592
Accounts	201,411	231,141	1,926,175
Allowance for doubtful receivables	(1,690)	(2,363)	(19,692)
Net trade receivables	206,472	238,089	1,984,075
Inventories (Note 5)	136,387	151,012	1,258,433
Income tax receivables	5,311	4,766	39,717
Deferred income taxes (Note 7)	10,138	8,341	69,508
Prepaid expenses and other current assets	35,438	51,537	429,475
Total current assets	653,285	740,241	6,168,675
Investments in securities (Notes 3 and 4)	38,401	45,733	381,108
Property, plant and equipment, at cost (Note 18):			
Land	23,828	23,566	196,383
Buildings	239,881	252,103	2,100,858
Machinery and equipment	765,617	828,355	6,902,959
Construction in progress	25,623	64,159	534,658
	1,054,949	1,168,183	9,734,858
Less accumulated depreciation	(680,917)	(740,929)	(6,174,408)
Net property, plant and equipment	374,032	427,254	3,560,450
Goodwill (Note 19)	63,891	63,230	526,917
Intangible assets (Note 19)	54,214	47,776	398,133
Deferred income taxes (Note 7)	28,563	24,085	200,708
Other assets (Note 21)	27,203	55,963	466,359
Total assets	¥ 1,239,589	¥ 1,404,282	\$ 11,702,350

See accompanying notes to consolidated financial statements.

	Yen (Millions)		U.S. Dollars (Thousands) (Note 2)
LIABILITIES AND EQUITY	2014	2015	2015
Current liabilities:			
Short-term debt (Note 6)	¥ 132,237	¥ 136,098	\$ 1,134,150
Current installments of long-term debt (Note 6)	37,147	751	6,258
Trade payables:			
Notes	19,643	28,763	239,692
Accounts	76,045	82,828	690,233
Accrued salaries and wages	42,299	51,721	431,008
Accrued expenses (Note 8)	44,365	66,615	555,125
Income taxes payables (Note 7)	7,922	6,510	54,250
Other current liabilities (Note 7)	14,123	14,591	121,592
Total current liabilities	<u>373,781</u>	<u>387,877</u>	<u>3,232,308</u>
Long-term debt, excluding current installments (Note 6)	97,623	131,483	1,095,692
Retirement and severance benefits (Note 8)	93,777	105,687	880,725
Deferred income taxes (Note 7)	5,202	5,422	45,183
Other noncurrent liabilities (Note 7)	16,963	15,806	131,717
Total liabilities	<u>587,346</u>	<u>646,275</u>	<u>5,385,625</u>
 Commitments and contingent liabilities (Notes 13 and 14)			
TDK stockholders' equity:			
Common stock			
Authorized 480,000,000 shares;			
issued 129,590,659 shares in 2014 and 2015;			
outstanding 125,814,338 shares in 2014			
and 125,987,472 shares in 2015	32,641	32,641	272,008
Additional paid-in capital (Note 11)	57,635	39,755	331,292
Legal reserve (Note 9)	26,651	29,685	247,375
Retained earnings (Note 9)	624,919	661,159	5,509,658
Accumulated other comprehensive income (loss) (Note 12)	(87,134)	(5,882)	(49,017)
Treasury stock at cost; 3,776,321 shares in 2014			
and 3,603,187 shares in 2015	(19,385)	(18,497)	(154,141)
Total TDK stockholders' equity	<u>635,327</u>	<u>738,861</u>	<u>6,157,175</u>
Noncontrolling interests	16,916	19,146	159,550
Total equity	<u>652,243</u>	<u>758,007</u>	<u>6,316,725</u>
Total liabilities and equity	<u>¥ 1,239,589</u>	<u>¥ 1,404,282</u>	<u>\$ 11,702,350</u>

Consolidated statements of equity

For the years ended March 31, 2013, 2014 and 2015

Yen (Millions)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 11	Note 9	Note 9	Note 12			Note 11	
Balance at March 31, 2012	¥ 32,641	¥ 63,927	¥ 23,803	¥ 627,861	¥ (230,849)	¥ (19,224)	¥ 498,159	¥ 13,887	¥ 512,046
Equity transaction of consolidated subsidiaries and other							-	(2)	(2)
Cash dividends				(10,070)			(10,070)	(180)	(10,250)
Transferred to legal reserve			1,623	(1,623)			-		-
Comprehensive income									
Net income				1,195			1,195	3,335	4,530
Other comprehensive income					71,833		71,833	2,365	74,198
Total comprehensive income							73,028	5,700	78,728
Acquisition of treasury stock						(277)	(277)		(277)
Sale of treasury stock				(0)		1	1		1
Compensation expenses related to stock options		328					328	42	370
Exercise of stock options		(56)		14		42	0		0
Balance at March 31, 2013	¥ 32,641	¥ 64,199	¥ 25,426	¥ 617,377	¥ (159,016)	¥ (19,458)	¥ 561,169	¥ 19,447	¥ 580,616
Equity transaction of consolidated subsidiaries and other		(8,875)			731		(8,144)	(5,798)	(13,942)
Cash dividends				(7,548)			(7,548)	(394)	(7,942)
Transferred to legal reserve			1,225	(1,225)			-		-
Comprehensive income									
Net income				16,288			16,288	1,946	18,234
Other comprehensive income					71,151		71,151	1,302	72,453
Total comprehensive income							87,439	3,248	90,687
Acquisition of treasury stock						(5)	(5)		(5)
Sale of treasury stock				(0)		1	1		1
Compensation expenses related to stock options		2,415					2,415	413	2,828
Exercise of stock options		(104)		27		77	-		-
Balance at March 31, 2014	¥ 32,641	¥ 57,635	¥ 26,651	¥ 624,919	¥ (87,134)	¥ (19,385)	¥ 635,327	¥ 16,916	¥ 652,243
Equity transaction of consolidated subsidiaries and other		(19,065)			931		(18,134)	(3,812)	(21,946)
Cash dividends				(10,067)			(10,067)	(372)	(10,439)
Transferred to legal reserve			3,034	(3,034)			-		-
Comprehensive income									
Net income				49,440			49,440	3,339	52,779
Other comprehensive income					80,321		80,321	2,819	83,140
Total comprehensive income							129,761	6,158	135,919
Acquisition of treasury stock						(7)	(7)		(7)
Sale of treasury stock		(0)				0	0		0
Compensation expenses related to stock options		1,325					1,325	256	1,581
Exercise of stock options		(140)		(99)		895	656		656
Balance at March 31, 2015	¥ 32,641	¥ 39,755	¥ 29,685	¥ 661,159	¥ (5,882)	¥ (18,497)	¥ 738,861	¥ 19,146	¥ 758,007

See accompanying notes to consolidated financial statements.

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

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 11	Note 9	Note 9	Note 12			Note 11	
Balance at March 31, 2014	\$ 272,008	\$ 480,292	\$ 222,092	\$ 5,207,658	\$ (726,117)	\$ (161,542)	\$ 5,294,391	\$ 140,967	\$ 5,435,358
Equity transaction of consolidated subsidiaries and other		\$ (158,875)			7,758		(151,117)	(31,767)	(182,884)
Cash dividends				(83,892)			(83,892)	(3,100)	(86,992)
Transferred to legal reserve			25,283	(25,283)			-		-
Comprehensive income									
Net income				412,000			412,000	27,825	439,825
Other comprehensive income					669,342		669,342	23,492	692,834
Total comprehensive income							1,081,342	51,317	1,132,659
Acquisition of treasury stock						(58)	(58)		(58)
Sale of treasury stock		(0)				0	0		0
Compensation expenses related to stock options		11,042					11,042	2,133	13,175
Exercise of stock options		(1,167)		(825)		7,459	5,467		5,467
Balance at March 31, 2015	\$ 272,008	\$ 331,292	\$ 247,375	\$ 5,509,658	\$ (49,017)	\$ (154,141)	\$ 6,157,175	\$ 159,550	\$ 6,316,725

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended March 31, 2013, 2014 and 2015

	Yen (Millions)		U.S. Dollars (Thousands) (Note 2)	
	2013	2014	2015	2015
Cash flows from operating activities:				
Net income	¥ 4,530	¥ 18,234	¥ 52,779	\$ 439,825
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	77,938	83,109	80,249	668,742
Loss (gain) on sale or disposal of property, plant and equipment	1,203	(1,519)	860	7,166
Impairment loss on long-lived assets	1,275	6,149	5,376	44,800
Deferred income taxes	5,110	(1,215)	3,009	25,075
Loss (gain) on securities, net	714	(2,136)	(1,272)	(10,600)
Equity in earnings of affiliates, net of dividends received	2,393	(1,424)	(669)	(5,575)
Impairment loss on goodwill	-	-	2,705	22,542
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	14,487	4,349	4,919	40,992
Decrease (increase) in inventories	13,493	13,011	(4,368)	(36,400)
Decrease (increase) in other current assets	12,596	1,965	568	4,733
Increase (decrease) in trade payables	(20,327)	(1,446)	(12,375)	(103,125)
Increase (decrease) in accrued expenses	1,264	3,589	7,892	65,767
Increase (decrease) in income taxes payables, net	(1,081)	2,967	(1,682)	(14,017)
Increase (decrease) in other current liabilities	(1,775)	(569)	(2,769)	(23,075)
Increase (decrease) in retirement and severance benefits, net	(202)	2,053	536	4,467
Other - net	(2,676)	191	7,092	59,100
Net cash provided by operating activities	108,942	127,308	142,850	1,190,417
Cash flows from investing activities:				
Capital expenditures	(85,606)	(68,606)	(102,525)	(854,375)
Proceeds from sale and maturity of short-term investments	12,363	21,844	21,828	181,900
Payment for purchase of short-term investments	(14,496)	(20,232)	(30,861)	(257,175)
Proceeds from sale and maturity of securities	2,335	5,269	707	5,892
Payment for purchase of securities	(748)	(1,746)	(248)	(2,067)
Proceeds from sales of tangible and intangible assets	4,246	5,206	7,698	64,150
Disbursement for loans made by TDK	(3,126)	(1,414)	(26,321)	(219,341)
Acquisition of subsidiaries, net of cash acquired	(5,633)	(922)	-	-
Other - net	509	5,163	2,410	20,083
Net cash used in investing activities	(90,156)	(55,438)	(127,312)	(1,060,933)
Cash flows from financing activities:				
Proceeds from long-term debt	40,416	33,747	34,777	289,808
Repayment of long-term debt	(37,710)	(51,867)	(37,320)	(311,000)
Increase (decrease) in short-term debt, net	12,124	(16,634)	(916)	(7,633)
Dividends paid	(10,070)	(7,554)	(10,069)	(83,908)
Acquisition of noncontrolling interests	-	(13,981)	(24,633)	(205,275)
Proceed from noncontrolling interest shareholders	-	550	2,690	22,416
Other - net	(365)	(379)	228	1,900
Net cash provided by (used in) financing activities	4,395	(56,118)	(35,243)	(293,692)
Effect of exchange rate changes on cash and cash equivalents	23,491	21,409	33,961	283,008
Net increase in cash and cash equivalents	46,672	37,161	14,256	118,800
Cash and cash equivalents, beginning of year	167,015	213,687	250,848	2,090,400
Cash and cash equivalents, end of year	¥ 213,687	¥ 250,848	¥ 265,104	\$ 2,209,200

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

(1) Nature of Operations

TDK Corporation, a Tokyo-based company founded in 1935 to accomplish the world's first commercialization of a magnetic material called ferrite, and its subsidiaries (collectively "TDK") have always been a multinational developer, manufacturer and distributor of unique and diverse products, including ferrite cores, inductive devices, ceramic capacitors, magnetic heads, magnets and other items created by pursuing core technologies.

TDK's three basic reportable segments, Passive Components, Magnetic Application Products and Film Application Products, and the "Other" unrelated to the aforementioned three segments, accounted for 50.0%, 34.1%, 14.0%, and 1.9% of net sales, respectively, for the year ended March 31, 2015.

These three segments and the Other consist of the following businesses:

(i) Passive Components:

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

(ii) Magnetic Application Products:

Recording devices, Power supplies, Magnets

(iii) Film Application Products:

Energy devices (Rechargeable batteries), Applied films

(iv) Other:

Mechatronics (Production equipment), other

(2) 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 its subsidiaries, to present the financial position, results of operations and cash flows in conformity with U.S. generally accepted accounting principles ("U.S. GAAP").

(3) Consolidation Policy

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

The investments in affiliates 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.

(4) Cash Equivalents and Short-term Investments

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

(5) Allowance for Doubtful Receivables

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

(6) Investments in Securities

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

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. As of March 31, 2014 and 2015, TDK did not hold any trading or held-to-maturity securities. Available-for-sale securities, which mature or are expected to be sold in less than one year, are classified as marketable securities.

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

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

(7) Inventories

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

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

(8) Property, Plant and Equipment

Depreciation of property, plant and equipment is principally calculated using the straight-line method over the following estimated useful lives:

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

(9) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

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

The financial statement impact of tax positions are recognized when it is more likely than not that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement with the tax authorities.

(10) Stock Option Plan

TDK measures the expenses of employee services received in exchange for equity awards based on the grant date fair value of the awards and use the straight-line attribution method to recognize compensation expenses related to stock options over the requisite service period. TDK will continue to use the simplified method to estimate expected remaining term until TDK has the historical data necessary to provide reasonable estimates of the expected term.

(11) Research and Development Expenses

Research and development expenses are expensed as incurred.

(12) Advertising Costs

Advertising costs are expensed as incurred.

(13) Shipping and Handling Fees and Costs

Shipping and handling fees and costs amounted to ¥13,186 million, ¥15,154 million and ¥16,524 million (\$137,700 thousand) for the years ended March 31, 2013, 2014 and 2015, respectively, and are included in selling, general and administrative expenses in the consolidated statements of income.

(14) Foreign Currency Translation

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

(15) Use of Estimates

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

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

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

(17) Goodwill and Other Intangible Assets

Goodwill is not amortized, but instead is tested for impairment at least annually, except for a case in which it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. The test is conducted more frequently if certain indicators arise.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives. Intangible assets determined to have indefinite useful lives are not amortized, but instead are tested for impairment annually or more frequently if certain indicators arise until the useful life is determined to no longer be indefinite except TDK determines that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount.

(18) Derivative Financial Instruments

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

The required disclosures in accordance with FASB ASC 815 "Derivatives and Hedging" are presented in Note 15 of the Notes to Consolidated Financial Statements.

(19) Net Income attributable to TDK per Share

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

(20) Revenue Recognition

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

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

Warranties offered on TDK's products are insignificant.

(21) Subsequent Events

TDK has evaluated the subsequent events through July 17, 2015, the date on which the consolidated financial statements are available to be issued.

(22) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2015.

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. Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen, the functional currency of TDK. Supplementally, the Japanese yen amounts as of and for the year ended March 31, 2015, have also been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥120=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2015. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Marketable Securities and Investments in Securities

Marketable securities and investments in securities as of March 31, 2014 and 2015 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Marketable securities	¥ -	¥ 1,301	\$ 10,842
Investments in securities:			
Long-term marketable securities	20,335	26,695	222,458
Nonmarketable securities	1,449	548	4,567
Investments in affiliates (Note 4)	16,617	18,490	154,083
Total investments in securities	38,401	45,733	381,108
Total	¥ 38,401	¥ 47,034	\$ 391,950

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities as of March 31, 2014 and 2015 is as follows:

As of March 31, 2014

Yen (Millions):	Cost	Gross	Gross	Fair Value
		Unrealized Holding Gains	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 March 31, 2015

Yen (Millions):	Cost	Gross	Gross	Fair Value
		Unrealized Holding Gains	Unrealized Holding Losses	
Marketable securities (Debt securities):				
Government bonds	¥ 1,301	¥ 0	¥ -	¥ 1,301
Investments (Debt securities):				
Commercial papers	66	73	-	139
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	8,407	14,684	33	23,058
Other	1,175	1,032	-	2,207
Investments (Mutual funds)	996	293	-	1,289
Total	¥ 11,947	¥ 16,082	¥ 33	¥ 27,996

As of March 31, 2015

	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
U.S. Dollars (Thousands):				
Marketable securities (Debt securities):				
Government bonds	\$ 10,842	\$ 0	\$ -	\$ 10,842
Investments (Debt securities):				
Commercial papers	550	608	-	1,158
Public-utility bonds	17	-	-	17
Investments (Equity securities):				
Manufacturing companies	70,058	122,367	275	192,150
Other	9,791	8,600	-	18,391
Investments (Mutual funds)	8,300	2,442	-	10,742
Total	\$ 99,558	\$ 134,017	\$ 275	\$ 233,300

Debt securities classified as available-for-sale as of March 31, 2015 have a weighted average remaining term of 0.8 year.

The proceeds from sale and maturity of available-for-sale securities are ¥2,335 million, ¥5,269 million and ¥707 million (\$5,892 thousand) for the years ended March 31, 2013, 2014 and 2015, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥476 million, ¥2,583 million and ¥1,422 million (\$11,850 thousand) for the years ended March 31, 2013, 2014 and 2015, respectively. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥1,190 million, ¥447 million, and ¥150 million (\$1,250 thousand) on certain available-for-sale securities or nonmarketable securities representing other-than-temporary declines in the fair value for the years ended March 31, 2013, 2014 and 2015, respectively.

As of March 31, 2015, 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 as of March 31, 2014 and 2015 totaled ¥1,449 million and ¥548 million (\$4,567 thousand), respectively. As of March 31, 2014 and 2015, certain debt securities in the amount of ¥1,302 million and ¥1,301 million (\$10,842 thousand), respectively, were pledged as collateral for extended custom duty payments to Tokyo Customs and other customs.

4. Investments in Affiliates

As of March 31, 2015, investments in affiliates accounted for by the equity method consist of 30.4 percent of the common stock of Semiconductor Energy Laboratory Co., Ltd., a research and development company, 34.0 percent of the common stock of Toppan TDK Label Co., Ltd., a magnetic products manufacturing company, and six other affiliated companies, collectively, which are not significant, as of March 31, 2014 and 2015. As of March 31, 2014 and 2015, the difference between TDK's carrying value of investments in affiliates and its share of the underlying net equity in such affiliates substantially consists of unamortized amounts of equity method goodwill of ¥980 million and ¥980 million (\$8,167 thousand), respectively.

5. Inventories

Inventories as of March 31, 2014 and 2015, are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Finished goods	¥ 59,746	¥ 64,176	\$ 534,800
Work in process	31,434	37,680	314,000
Raw materials	45,207	49,156	409,633
	¥ 136,387	¥ 151,012	\$ 1,258,433

6. Short-Term and Long-Term Debt

Short-term debt and weighted average interest rates as of March 31, 2014 and 2015 are as follows:

	2014		2015		2015
	Yen (Millions)	Weighted average interest rate	Yen (Millions)	Weighted average interest rate	U.S. Dollars (Thousands)
Short-term bank loans - unsecured	¥ 132,237	0.57%	¥ 136,098	0.67%	\$ 1,134,150

Long-term debt as of March 31, 2014 and 2015 are set forth below:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Loans from banks, unsecured (weighted average: 2014-0.57%, 2015-0.56%)	¥ 115,185	¥ 112,768	\$ 939,734
Unsecured Bonds due 2019—2.038%	13,000	13,000	108,333
Lease obligation (weighted average: 2014—10.66%, 2015— 11.77%)	6,585	6,466	53,883
	134,770	132,234	1,101,950
Less current installments	37,147	751	6,258
	¥ 97,623	¥ 131,483	\$ 1,095,692

The aggregate annual maturities of long-term debt outstanding as of March 31, 2015 are as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2016	¥ 324	\$ 2,700
2017	34,560	288,000
2018	36,723	306,025
2019	54,126	451,050
2020	9	75
2021 and thereafter	26	217
	<u>¥ 125,768</u>	<u>\$ 1,048,067</u>

The aggregate annual maturities of long-term debt outstanding as of March 31, 2015 do not include lease obligation. A schedule by years of future minimum lease payments is presented in Note 13 of the Notes to Consolidated Financial Statements.

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

As of March 31, 2014 and 2015, property, plant and equipment having a net book value of ¥2,349 million and ¥2,086 million (\$17,383 thousand), respectively, were pledged as collateral for lease obligation.

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

TDK enters into the contracts with financial institutions regarding lines of credit and overdrafts. As of March 31, 2014 and 2015, unused lines of credit and overdrafts amounted to ¥187,748 million and ¥201,417 million (\$1,678,475 thousand), respectively.

7. Income Taxes

TDK Corporation and its domestic subsidiaries are subject to a national corporate tax of 28.05 percent, an inhabitants tax of between 4.4 percent and 5.3 percent and a deductible enterprise tax of between 7.7 percent and 8.0 percent, which in the aggregate resulted in a statutory rate of approximately 37.8 percent for the years ended March 31, 2013 and 2014, and a national corporate tax of 25.5 percent, an inhabitants tax of between 4.4 percent and 5.3 percent and a deductible enterprise tax of between 7.7 percent and 8.1 percent, which in the aggregate resulted in statutory rate of approximately 35.5 percent for the year ended March 31, 2015.

On March 31, 2015, amendments to Japanese tax regulations and surtaxes were enacted, which will reduce the national corporate tax rate for annual reporting periods beginning on or after April 1, 2015.

Accordingly, the domestic statutory tax rate will be changed in decremental steps from the previous 35.5 percent to 33.1 percent for the years ending March 31, 2016 and 32.5 percent for the year ending March 31, 2017. Effect of the changes in tax rates on deferred tax assets and liabilities, in the amount of ¥1,537 million (\$12,808 thousand), was recognized in earnings of the year ended March 31, 2015.

The effective tax rates of TDK for the years ended March 31, 2013, 2014 and 2015, are reconciled with the Japanese statutory tax rate in the following table:

	2013	2014	2015
Japanese statutory tax rate for income from continuing operations, before income taxes	37.8%	37.8%	35.5%
Difference in statutory tax rates of foreign subsidiaries	(43.6)	(25.3)	(17.1)
Expenses not deductible for tax purposes	28.0	17.1	4.7
Nontaxable income	(9.7)	(3.0)	(2.3)
Change in valuation allowance	36.7	21.3	9.0
Investment tax credit	(16.3)	(7.1)	(4.0)
Research and development tax credit	(2.1)	(4.7)	(1.1)
Prior-year tax adjustments	(1.7)	3.0	(0.1)
Impact of change in Japanese statutory tax rate	-	-	2.1
Undistributed earnings of subsidiaries and affiliates	45.0	5.5	0.7
Unrealized gains (losses) on subsidiaries' and affiliates' securities	-	1.2	0.8
Other	(0.2)	(0.7)	1.0
Effective tax rate of continuing operations	73.9%	45.1%	29.2%

Total income taxes for the years ended March 31, 2013, 2014 and 2015 are allocated as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2013	2014	2015	2015
Income from continuing operations, before income taxes attributable to TDK	¥ 14,616	¥ 17,936	¥ 21,738	\$ 181,150
Loss from discontinued operations attributable to TDK	(288)	(1,978)	-	-
TDK stockholders' equity, accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	0	0	231	1,925
Pension liability adjustments	89	2,951	369	3,075
Net unrealized gains (losses) on securities	(29)	1,457	3,347	27,892
Total income taxes	¥ 14,388	¥ 20,366	¥ 25,685	\$ 214,042

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of March 31, 2014 and 2015 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Deferred tax assets:			
Inventories	¥ 2,952	¥ 2,142	\$ 17,850
Accrued expenses	8,144	9,643	80,358
Retirement and severance benefits	36,822	29,958	249,650
Net operating loss carryforwards	60,746	66,715	555,958
Tax credit carryforwards	5,681	6,494	54,117
Property, plant and equipment, and Intangible assets	9,178	10,314	85,950
Other	5,075	3,612	30,100
Total gross deferred tax assets	128,598	128,878	1,073,983
Less valuation allowance	(78,626)	(83,093)	(692,441)
Net deferred tax assets	¥ 49,972	¥ 45,785	\$ 381,542
Deferred tax liabilities:			
Marketable securities and investments adjustments	¥ (4,507)	¥ (6,917)	\$ (57,642)
Undistributed earnings of foreign subsidiaries and affiliated companies	(4,872)	(6,036)	(50,300)
Acquired intangible assets	(5,804)	(4,574)	(38,117)
Other	(3,181)	(2,462)	(20,516)
Total gross deferred tax liabilities	(18,364)	(19,989)	(166,575)
Net deferred tax assets	¥ 31,608	¥ 25,796	\$ 214,967

The net changes in total valuation allowance were an increase of ¥14,357 million for the year ended March 31, 2014 and an increase of ¥4,467 million (\$37,225 thousand) for the year ended March 31, 2015. Major components of the increase in valuation allowance for the years ended March 31, 2014 and 2015 were the additional valuation allowances recorded on deferred tax assets for net operating loss carryforwards at certain subsidiaries.

In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax carryforwards are utilized. TDK considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, TDK believes it is more likely than not that TDK will realize the benefits of these deductible differences and tax carryforwards, net of the existing valuation allowance as of March 31, 2015.

As of March 31, 2015, TDK Corporation and its subsidiaries have net operating loss carryforwards for income tax purposes of ¥212,809 million (\$1,773,408 thousand) which are available to offset future taxable income, if any.

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

	Yen (Millions)	U.S. Dollars (Thousands)
Within 1 year	¥ 940	\$ 7,833
1 to 5 years	37,415	311,792
5 to 20 years	67,190	559,917
Indefinite periods	107,264	893,866
	<u>¥ 212,809</u>	<u>\$ 1,773,408</u>

As of March 31, 2015, TDK Corporation and its subsidiaries have tax credit carryforwards for income tax purposes of ¥6,494 million (\$54,117 thousand) which are available to reduce future income taxes, if any. Approximately ¥2,818 million (\$23,483 thousand) of the tax credit carryforwards will expire through 2034, while the remainder has an indefinite carryforward period.

Net deferred income tax assets and liabilities as of March 31, 2014 and 2015 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Deferred income taxes (current assets)	¥ 10,138	¥ 8,341	\$ 69,508
Deferred income taxes (noncurrent assets)	28,563	24,085	200,708
Other current liabilities	(1,891)	(1,208)	(10,066)
Deferred income taxes (noncurrent liabilities)	(5,202)	(5,422)	(45,183)
	<u>¥ 31,608</u>	<u>¥ 25,796</u>	<u>\$ 214,967</u>

As of March 31, 2014 and 2015, TDK did not recognize deferred tax liabilities of approximately ¥13,534 million and ¥16,007 million (\$133,392 thousand), respectively, for certain portions of undistributed earnings of foreign subsidiaries because TDK currently does not expect those unremitted earnings to reverse and become taxable to TDK in the foreseeable future.

A deferred tax liability will be recognized when TDK expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 31, 2014 and 2015, the undistributed earnings of these subsidiaries are approximately ¥412,108 million and ¥429,850 million (\$3,582,083 thousand), respectively.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for the years ended March 31, 2014 and 2015 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Balance at beginning of year	¥ 6,888	¥ 7,488	\$ 62,400
Additions for tax positions of the current year	267	274	2,283
Additions for tax positions of prior years	37	161	1,342
Reductions for tax positions of prior years	(169)	(1,102)	(9,183)
Settlements with taxing authorities during the period	-	(2,513)	(20,942)
Other	465	34	283
Balance at end of year	¥ 7,488	¥ 4,342	\$ 36,183

The total amount of unrecognized tax benefits that, if recognized, would reduce the effective tax rate as of March 31, 2014 and 2015 are ¥5,498 million and ¥2,485 million (\$20,708 thousand), respectively.

Although TDK believes its estimates and assumptions used to identify unrecognized tax benefits are reasonable, there is an uncertainty about the final determination of tax audit settlements and any related litigation which could affect the effective tax rate in the future periods. As of March 31, 2015, TDK is not aware of any significant changes in its unrecognized tax benefits over the next 12 months.

TDK classifies interest and penalties related to unrecognized tax benefits as interest expense and other deductions-other, respectively, in the consolidated statements of income. Interest and penalties accrued which are recorded in other current liabilities as of March 31, 2015 as well as interest and penalties recorded in interest expense and other deductions-other for the year then ended are not material.

TDK files income tax returns in Japan and various foreign tax jurisdictions. In Japan, TDK is no longer subject to regular income tax examinations by the tax authority for years ended on or before March 31, 2007. While there has been no specific indication by the tax authority that TDK will be subject to a transfer pricing examination in the near future, the tax authority could conduct a transfer pricing examination for years ended on or after March 31, 2005. In other major foreign tax jurisdictions, including the U.S. and Hong Kong, TDK is no longer subject to income tax examinations by tax authorities for years ended on or before March 31, 2003 with few exceptions. The tax authorities are currently conducting income tax examinations of TDK's income tax returns for certain years ended on or after March 31, 2004 in major foreign tax jurisdictions.

8. Retirement and Severance Benefits

1. Defined Benefit Pension Plans

TDK sponsors contributory and noncontributory retirement and severance plans that provide for pension or lump-sum benefit payments, based on length of service, employee salary and certain other factors, to substantially all employees who retire or terminate their employment for reasons other than dismissal for cause. These pension plans are recognized in accordance with FASB ASC 715 “Compensation—Retirement Benefits”.

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

	Yen (Millions)			
	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Change in benefit obligations:				
Benefit obligations at beginning of period	¥ 187,485	¥ 55,416	¥ 184,372	¥ 66,117
Service cost	5,284	1,786	4,931	2,189
Interest cost	2,608	2,326	3,014	2,266
Actuarial (gain) loss	(3,581)	1,481	11,173	18,075
Benefits paid	(7,424)	(2,315)	(7,206)	(2,384)
Plan amendments	-	39	-	(3,186)
Curtailement/settlement	-	(575)	-	-
Translation adjustment	-	7,959	-	(397)
Benefit obligations at end of period	184,372	66,117	196,284	82,680
Change in plan assets:				
Fair value of plan assets at beginning of period	133,512	14,254	139,189	16,197
Actual return on plan assets	7,190	1,282	14,151	1,024
Employer contributions	5,911	2,214	5,334	2,635
Benefits paid	(7,424)	(2,315)	(7,206)	(2,384)
Curtailement/settlement	-	(601)	-	-
Translation adjustment	-	1,363	-	2,162
Fair value of plan assets at end of period	139,189	16,197	151,468	19,634
Funded status	¥ (45,183)	¥ (49,920)	¥ (44,816)	¥ (63,046)

	U.S. Dollars (Thousands)	
	2015	
	Japanese plans	Foreign plans
Change in benefit obligations:		
Benefit obligations at beginning of period	\$ 1,536,433	\$ 550,975
Service cost	41,092	18,242
Interest cost	25,117	18,883
Actuarial (gain) loss	93,108	150,625
Benefits paid	(60,050)	(19,867)
Plan amendments	-	(26,550)
Translation adjustment	-	(3,308)
Benefit obligations at end of period	<u>1,635,700</u>	<u>689,000</u>
Change in plan assets:		
Fair value of plan assets at beginning of period	1,159,908	134,975
Actual return on plan assets	117,925	8,533
Employer contributions	44,450	21,959
Benefits paid	(60,050)	(19,867)
Translation adjustment	-	18,017
Fair value of plan assets at end of period	<u>1,262,233</u>	<u>163,617</u>
Funded status	<u>\$ (373,467)</u>	<u>\$ (525,383)</u>

Amounts recognized in the consolidated balance sheets as of March 31, 2014 and 2015 consist of:

	Yen (Millions)			
	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Other assets	¥ -	¥ 308	¥ -	¥ 246
Accrued expenses	(1,325)	(1,776)	(1,629)	(1,983)
Retirement and severance benefits	(43,858)	(48,452)	(43,187)	(61,309)
	<u>¥ (45,183)</u>	<u>¥ (49,920)</u>	<u>¥ (44,816)</u>	<u>¥ (63,046)</u>

	U.S. Dollars (Thousands)	
	2015	
	Japanese plans	Foreign plans
Other assets	\$ -	\$ 2,050
Accrued expenses	(13,575)	(16,525)
Retirement and severance benefits	(359,892)	(510,908)
	<u>\$ (373,467)</u>	<u>\$ (525,383)</u>

Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2014 and 2015 consist of:

	Yen (Millions)			
	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss	¥ 57,250	¥ 14,247	¥ 54,476	¥ 31,164
Prior service cost (benefit)	(9,355)	28	(7,328)	(3,013)
	¥ 47,895	¥ 14,275	¥ 47,148	¥ 28,151

	U.S. Dollars (Thousands)	
	2015	
	Japanese plans	Foreign plans
Net actuarial loss	\$ 453,967	\$ 259,700
Prior service cost (benefit)	(61,067)	(25,108)
	\$ 392,900	\$ 234,592

Accumulated benefit obligations for all defined benefit plans are as follows:

	Yen (Millions)			
	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Accumulated benefit obligations	¥ 177,461	¥ 60,092	¥ 188,947	¥ 76,444

	U.S. Dollars (Thousands)	
	2015	
	Japanese plans	Foreign plans
Accumulated benefit obligations	\$ 1,574,558	\$ 637,033

The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	Yen (Millions)			
	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	¥ 184,372	¥ 65,429	¥ 196,284	¥ 81,998
Fair value of plan assets	139,189	15,201	151,468	18,706
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	¥ 177,461	¥ 59,440	¥ 188,947	¥ 75,785
Fair value of plan assets	139,189	15,201	151,468	18,706

	U.S. Dollars (Thousands)	
	2015	
	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	\$ 1,635,700	\$ 683,317
Fair value of plan assets	1,262,233	155,883
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	\$ 1,574,558	\$ 631,542
Fair value of plan assets	1,262,233	155,883

Net periodic benefit cost (including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the years ended March 31, 2013, 2014 and 2015 consist of the following components. Prior service cost (benefit) is amortized by the straight-line method over the average remaining service period of current employees.

	Yen (Millions)					
	2013		2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Service cost-benefits earned during the year	¥ 4,991	¥ 1,390	¥ 5,284	¥ 1,786	¥ 4,931	¥ 2,189
Interest cost on projected benefit obligation	3,158	1,872	2,608	2,326	3,014	2,266
Expected return on plan assets	(2,786)	(726)	(2,664)	(878)	(2,934)	(1,203)
Amortization of actuarial loss	3,821	961	3,495	1,203	2,730	1,337
Amortization of prior service cost (benefit)	(2,030)	9	(2,029)	60	(2,027)	(145)
Curtailement/settlement loss	-	3	-	235	-	-
Net periodic benefit cost	¥ 7,154	¥ 3,509	¥ 6,694	¥ 4,732	¥ 5,714	¥ 4,444

	U.S. Dollars (Thousands)	
	2015	
	Japanese plans	Foreign plans
Service cost-benefits earned during the year	\$ 41,092	\$ 18,242
Interest cost on projected benefit obligation	25,117	18,883
Expected return on plan assets	(24,450)	(10,025)
Amortization of actuarial loss	22,750	11,141
Amortization of prior service cost (benefit)	(16,892)	(1,208)
Curtailement/settlement loss	-	-
Net periodic benefit cost	\$ 47,617	\$ 37,033

Amounts recognized in pension liability adjustment that is a part of other comprehensive income (loss) mainly as changes in plan assets and benefit obligations for the years ended March 31, 2013, 2014 and 2015 are summarized as follows:

	Yen (Millions)					
	2013		2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	¥ 2,793	¥ 1,679	¥ (8,107)	¥ 1,077	¥ (44)	¥ 18,254
Plan amendments	126	-	-	39	-	(3,186)
Amortization of actuarial loss	(3,821)	(961)	(3,495)	(1,203)	(2,730)	(1,337)
Amortization of prior service cost (benefit)	2,030	(9)	2,029	(60)	2,027	145
Curtailement/settlement loss	-	(11)	-	(145)	-	-
Amount recognized in other comprehensive income (loss)	1,128	698	(9,573)	(292)	(747)	13,876
Total of net periodic benefit cost and amount recognized in other comprehensive income (loss)	¥ 8,282	¥ 4,207	¥ (2,879)	¥ 4,440	¥ 4,967	¥ 18,320

	U.S. Dollars (Thousands)	
	2015	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	\$ (367)	\$ 152,117
Plan amendments	-	(26,550)
Amortization of actuarial loss	(22,750)	(11,141)
Amortization of prior service cost (benefit)	16,892	1,208
Curtailement/settlement loss	-	-
Amount recognized in other comprehensive income (loss)	(6,225)	115,634
Total of net periodic benefit cost and amount recognized in other comprehensive income (loss)	\$ 41,392	\$ 152,667

The estimated net actuarial loss and prior service cost (benefit) for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Amortization of actuarial loss	¥ 2,613	¥ 2,603	\$ 21,775	\$ 21,692
Amortization of prior service cost (benefit)	(2,028)	(291)	(16,900)	(2,425)

Assumptions

Weighted average assumptions used to determine benefit obligations as of March 31:

	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	1.6%	3.7%	1.3%	2.3%
Assumed rate of increase in future compensation levels	3.1%	2.9%	3.1%	2.9%

Weighted average assumptions used to determine net periodic benefit cost for the years ended March 31:

	2013		2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	1.8%	4.2%	1.4%	3.9%	1.6%	3.7%
Assumed rate of increase in future compensation levels	3.0%	2.9%	3.1%	2.9%	3.1%	2.9%
Expected long-term rate of return on plan assets	2.5%	6.3%	2.2%	5.9%	2.3%	6.9%

TDK determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. TDK considers the current expectations for future returns and the actual historical returns of each plan asset category.

Plan assets

TDK's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, TDK formulates a "model" portfolio comprised of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the "model" portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. TDK evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the "model" portfolio. TDK revises the "model" portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

As of March 31, 2015, the asset portfolio of TDK's Japanese plans is divided into three main asset categories with approximately 33% consisting of equity securities, approximately 32% of debt securities and approximately 35% of other assets such as cash and cash equivalents. The asset portfolio of TDK's foreign plans is also divided into three main asset categories with approximately 48% consisting of equity securities, approximately 39% of debt securities and approximately 13% of other assets such as cash and cash equivalents. As of March 31, 2015, there is no significant deviation between the target allocations and actual results.

Shares in Japanese companies included in equity securities mainly consist of shares listed on stock exchanges and over-the-counter markets. They are selected after a thorough examination and analysis of the operations of investment target companies and are appropriately diversified with respect to business categories and issues. Bonds of Japanese companies among debt securities mainly consist of corporate bonds, government bonds and public bonds. They are selected after a thorough examination and analysis of issuance conditions such as bond ratings, coupons, maturity dates, etc. and are appropriately diversified with respect to issuers and remaining periods. Regarding investments in foreign issues, target countries and currencies are selected after a thorough examination of political and economic stability, market characteristics such as clearing systems and taxation systems. For other assets, which include a life insurance company general account, pooled funds and real estate investment trusts, among others, diversified investment is carried out after a thorough examination and analysis of general economic conditions and investment target assets. A life insurance company general account is a product of life insurance companies in which individual insurance funds, corporate plan assets and other funds are jointly managed.

The fair value of TDK's plan assets as of March 31, 2014 and 2015 by asset type are as follows:

	Yen (Millions)							
	2014							
	Japanese plans			Foreign plans				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	¥ 5,861	¥ -	¥ -	¥ 5,861	¥ 1,820	¥ -	¥ -	¥ 1,820
Equity securities:								
Listed shares	6,778	-	-	6,778	2,700	-	-	2,700
Mutual funds	-	28,182	-	28,182	1,072	1,717	-	2,789
Pooled funds	-	3,036	-	3,036	-	2,110	-	2,110
Debt securities:								
Government bonds, public bonds, corporate bonds	5,852	-	-	5,852	740	1,507	-	2,247
Mutual funds	-	20,076	-	20,076	1,293	2,611	-	3,904
Pooled funds	-	16,735	-	16,735	-	34	-	34
Other assets:								
Life insurance company general account	-	14,077	-	14,077	-	88	-	88
Mutual funds	-	28,250	-	28,250	306	-	-	306
Pooled funds	-	1,231	-	1,231	-	-	-	-
Real estate investment trusts	-	2,819	-	2,819	-	-	-	-
Others	-	50	6,242	6,292	-	199	-	199
Total plan assets	¥ 18,491	¥ 114,456	¥ 6,242	¥ 139,189	¥ 7,931	¥ 8,266	¥ -	¥ 16,197

Yen (Millions)

	2015							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	¥ 2,935	¥ -	¥ -	¥ 2,935	¥ 1,898	¥ -	¥ -	¥ 1,898
Equity securities:								
Listed shares	9,195	-	-	9,195	3,178	-	-	3,178
Mutual funds	-	34,174	-	34,174	2,001	1,360	-	3,361
Pooled funds	-	6,234	-	6,234	-	2,938	-	2,938
Debt securities:								
Government bonds, public bonds, corporate bonds	6,668	-	-	6,668	868	2,472	-	3,340
Mutual funds	-	17,051	-	17,051	1,226	3,007	-	4,233
Pooled funds	-	24,185	-	24,185	-	67	-	67
Other assets:								
Life insurance company general account	-	14,599	-	14,599	-	68	-	68
Mutual funds	-	26,822	-	26,822	258	-	-	258
Pooled funds	-	2,935	-	2,935	-	-	-	-
Real estate investment trusts	-	-	-	-	-	-	-	-
Others	-	43	6,627	6,670	-	293	-	293
Total plan assets	¥ 18,798	¥ 126,043	¥ 6,627	¥ 151,468	¥ 9,429	¥ 10,205	¥ -	¥ 19,634

U.S. Dollars (Thousands)

	2015							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	\$ 24,458	\$ -	\$ -	\$ 24,458	\$ 15,817	\$ -	\$ -	\$ 15,817
Equity securities:								
Listed shares	76,625	-	-	76,625	26,483	-	-	26,483
Mutual funds	-	284,783	-	284,783	16,675	11,333	-	28,008
Pooled funds	-	51,950	-	51,950	-	24,484	-	24,484
Debt securities:								
Government bonds, public bonds, corporate bonds	55,567	-	-	55,567	7,233	20,600	-	27,833
Mutual funds	-	142,092	-	142,092	10,217	25,058	-	35,275
Pooled funds	-	201,542	-	201,542	-	558	-	558
Other assets:								
Life insurance company general account	-	121,658	-	121,658	-	567	-	567
Mutual funds	-	223,517	-	223,517	2,150	-	-	2,150
Pooled funds	-	24,458	-	24,458	-	-	-	-
Real estate investment trusts	-	-	-	-	-	-	-	-
Others	-	358	55,225	55,583	-	2,442	-	2,442
Total plan assets	\$ 156,650	\$ 1,050,358	\$ 55,225	\$ 1,262,233	\$ 78,575	\$ 85,042	\$ -	\$ 163,617

Level 1 assets are mainly equity securities and debt securities that are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Level 2 assets include mainly mutual funds and pooled funds that invest in equity securities and debt securities. They are valued based on quoted prices obtained from asset management agencies and are verified using observable market inputs. Level 3 assets are insurance products that are valued based on unobservable inputs regarding the assets and the relevant liabilities.

Change in TDK's plan assets that are classified as Level 3 assets for the years ended March 31, 2014 and 2015 are as follows:

	Yen (Millions)	
	2014	2015
	Insurance products	
Balance at beginning of year	¥ 3,897	¥ 6,242
Net change due to purchase, sale, etc.	2,000	-
Gain (loss) on assets held at end of year	345	385
Balance at end of year	¥ 6,242	¥ 6,627

	U.S. Dollars (Thousands)	
	2015	
	Insurance products	
Balance at beginning of year	\$ 52,017	
Net change due to purchase, sale, etc.	-	
Gain (loss) on assets held at end of year	3,208	
Balance at end of year	\$ 55,225	

Contributions

TDK expects to contribute ¥8,637 million (\$71,975 thousand) to its Japanese defined benefit plans and ¥1,309 million (\$10,908 thousand) to its foreign defined benefit plans for the year ending March 31, 2016.

Estimated future benefit payments

The benefits are expected to be paid from the pension plans in each year 2016 through 2025 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Year ending March 31,				
2016	¥ 7,413	¥ 2,536	\$ 61,775	\$ 21,133
2017	7,015	2,682	58,458	22,350
2018	7,008	2,768	58,400	23,067
2019	7,658	2,820	63,817	23,500
2020	7,523	3,038	62,692	25,317
2021 - 2025 total	41,420	19,208	345,167	160,067

2. Deferred Compensation Plans

Certain subsidiaries of TDK Corporation have deferred compensation plans under which employees place a portion of their compensation in a pension fund and contributions can be received with interest at the time of retirement. Estimated future benefit payments to retirees are determined by actuarial calculation. Liabilities relating to these plans are recorded as either the market value of plan assets or the present value of estimated future benefit payments, whichever is greater. As of March 31, 2014 and 2015, the amount of ¥1,467 million and ¥1,191 million (\$9,925 thousand) are recorded as retirement and severance benefits, respectively.

Amount recognized in pension liability adjustment that is a part of other comprehensive income (loss) mainly as changes in plan assets and benefit obligations for the years ended March 31, 2014 and 2015 are summarized as follows:

	Yen (Millions)			
	2014		2015	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	¥ -	¥ (49)	¥ -	¥ 295
Plan amendments	-	(212)	-	-
Amortization of actuarial loss	-	(12)	-	(12)
Amortization of prior service cost (benefit)	-	-	-	23
Amount recognized in other comprehensive income (loss)	¥ -	¥ (273)	¥ -	¥ 306

	U.S. Dollars (Thousands)	
	2015	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	\$ -	\$ 2,458
Plan amendments	-	-
Amortization of actuarial loss	-	(100)
Amortization of prior service cost (benefit)	-	191
Amount recognized in other comprehensive income (loss)	\$ -	\$ 2,549

3. Defined Contribution Pension Plans

Expenses for defined contribution pension plan recognized by TDK Corporation and certain subsidiaries for the years ended March 31, 2013, 2014 and 2015 were ¥1,138 million, ¥1,811 million and ¥1,996 million (\$16,633 thousand), respectively.

9. Legal Reserve and Dividends

The Japanese Companies Act provides that an amount equal to 10 percent of cash dividends and other distributions from retained earnings paid by TDK Corporation and its domestic subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25 percent of their respective stated capital. The Japanese Companies Act also provides that additional paid-in capital and the legal reserve are available for appropriations by the resolution of the shareholders. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries. Cash dividends and appropriations to the legal reserve charged to retained earnings in accordance with Japanese Companies Act for the years ended March 31, 2013, 2014 and 2015 represent dividends paid out during those years and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the dividend taken up at the Ordinary General Meeting of Shareholders of ¥50 (\$0.42) per share aggregating ¥6,299 million (\$52,492 thousand) in respect of the year ended March 31, 2015.

Cash dividends per common share are computed based on dividends paid for the year.

10. Stock Option Plan

Compensation expenses related to stock options that TDK Corporation and one of its subsidiaries recognized for the years ended March 31, 2013, 2014 and 2015 were ¥370 million, ¥2,828 million and ¥1,581 million (\$13,175 thousand), respectively.

Moreover, compensation expenses for the years ended March 31, 2014 and 2015 includes additional compensation expenses of ¥2,712 million and ¥1,176 million (\$9,800 thousand) arising from the below-mentioned modification of the stock option plans at a subsidiary.

The tax benefits related to these compensation expenses for the years ended March 31, 2013, 2014 and 2015 were ¥39 million, ¥42 million and ¥49 million (\$408 thousand), respectively. The tax benefits realized from stock options exercised for the years ended March 31, 2013, 2014 and 2015 were ¥13 million, ¥34 million and ¥47 million (\$392 thousand), respectively.

1. TDK Corporation Stock Option Plans

TDK Corporation has two types of stock option plans, the Ordinary-Type Stock Options and the Share-based Compensation Type Stock Options. Under the Ordinary-Type Stock Options, stock options, each representing a right to purchase 100 shares of common stock of TDK Corporation, are granted to the senior executives of TDK Corporation and to the directors and senior executives of its subsidiaries. The stock options are vested based on 2 years of continuous service after the grant date and have the exercise period of 4 years. The exercise price of the stock options is equal to or greater than the fair market value of TDK Corporation's common stock on the grant date.

Under the Share-based Compensation Type Stock Options, stock options, each representing a right to purchase 100 shares of common stock of TDK Corporation, are granted to the directors and corporate officers of TDK Corporation. The stock options are fully vested on the grant date and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of the stock options is set at ¥1 (\$0.01) per share of common stock.

A summary of the status of TDK Corporation's stock options as of March 31, 2013, 2014 and 2015, and of the activity for the years ended on those dates, is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (1)
		Yen	Years	Yen (Millions)
2013				
Outstanding at beginning of year	666,800	¥ 5,406		
Granted	159,800	2,675		
Exercised	8,300	1		
Forfeited or Expired	<u>102,100</u>	8,612		
Outstanding at end of year	<u>716,200</u>	4,402	6.7	598
Exercisable at end of year	507,700	4,573	7.4	598
Expected to vest after end of year	208,500	3,987	4.9	-
2014				
Outstanding at beginning of year	716,200	¥ 4,402		
Granted	159,100	2,915		
Exercised	14,700	1		
Forfeited or Expired	<u>101,000</u>	10,245		
Outstanding at end of year	<u>759,600</u>	3,399	6.9	1,036
Exercisable at end of year	522,700	3,266	7.8	890
Expected to vest after end of year	236,900	3,694	4.8	146
2015				
Outstanding at beginning of year	759,600	¥ 3,399		
Granted	36,400	1		
Exercised	174,200	3,701		
Forfeited or Expired	<u>89,300</u>	6,356		
Outstanding at end of year	<u>532,500</u>	2,573	8.4	3,178
Exercisable at end of year	413,700	2,210	9.5	2,619
Expected to vest after end of year	118,800	3,836	4.3	559

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of ¥3,270 of common stock on March 31, 2013, ¥4,310 on March 31, 2014 and ¥8,540 (\$71.17) on March 31, 2015.

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
2015				
Outstanding at beginning of year	759,600	\$ 28.33		
Granted	36,400	0.01		
Exercised	174,200	30.84		
Forfeited or Expired	89,300	52.97		
Outstanding at end of year	532,500	21.44	8.4	26,483
Exercisable at end of year	413,700	18.42	9.5	21,825
Expected to vest after end of year	118,800	31.97	4.3	4,658

As of March 31, 2015, all outstanding stock options were vested or expected to be vested. The total intrinsic value of stock options exercised for the years ended March 31, 2013, 2014 and 2015 was ¥27 million, ¥60 million and ¥413 million (\$3,442 thousand), respectively. Cash received from stock options exercised for the years ended March 31, 2013, 2014 and 2015 was ¥0 million, ¥0 million and ¥656 million (\$5,467 thousand).

Information about stock options outstanding as of March 31, 2015 is as follows:

Range of exercise prices	Options Outstanding			
	Number outstanding at March 31, 2015	Weighted average remaining contractual term	Weighted average exercise price	
Yen		(years)	Yen	U.S. Dollars
1	210,900	16.7	¥ 1	\$ 0.01
3,550	66,600	3.3	3,550	29.58
3,836	118,800	4.3	3,836	31.97
4,567	52,000	2.3	4,567	38.06
5,110	30,600	0.3	5,110	42.58
5,292	53,600	1.3	5,292	44.10
1 to 5,292	532,500	8.4	2,573	21.44

A summary of the status of TDK Corporation's nonvested stock options as of March 31, 2013, 2014 and 2015, and of the activity for the years ended on those dates, is as follows:

	2013		2014		2015		
	Number of shares	Weighted average grant-date fair value Yen	Number of shares	Weighted average grant-date fair value Yen	Number of shares	Weighted average grant-date fair value Yen	U.S. Dollars
Nonvested at beginning of year	191,500	¥ 885	208,500	¥ 807	236,900	¥ 880	\$ 7.33
Granted	159,800	1,376	159,100	1,386	36,400	4,136	34.47
Vested	137,700	1,575	125,300	1,405	154,000	1,680	14.00
Forfeited	5,100	846	5,400	774	500	840	7.00
Nonvested at end of year	208,500	807	236,900	880	118,800	840	7.00

As of March 31, 2015, TDK Corporation had ¥17 million (\$142 thousand) of total unrecognized compensation expenses related to stock options that will be recognized over the weighted average period of 0.3 year. The total fair value of stock options vested for the years ended March 31, 2013, 2014 and 2015 was ¥217 million, ¥176 million and ¥259 million (\$2,158 thousand), respectively.

The fair value of these stock options was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Ordinary-Type Stock Options – the exercise price is equal to or greater than the market price of the stock on the grant date

	2013	2014
Grant-date fair value	¥ 920	¥ 840
Expected term	4.0 years	4.0 years
Risk-free interest rate	0.16%	0.23%
Expected volatility	41.88%	35.72%
Expected dividend yield	1.95%	1.79%

Share-based Compensation-Type Stock Options – the exercise price is less than the market price of the stock on the grant date

	2013	2014	2015
Grant-date fair value	¥ 2,770	¥ 3,112	¥ 4,136 (\$ 34.47)
Expected term	10.3 years	10.1 years	9.6 years
Risk-free interest rate	0.82%	0.86%	0.54%
Expected volatility	35.55%	35.12%	34.54%
Expected dividend yield	1.42%	1.53%	1.67%

2. Subsidiary Stock Option Plans

One of TDK Corporation's subsidiaries has two types of stock option plans. Under the plans, stock options, each representing a right to purchase one share of common stock of the subsidiary, are granted to the directors and senior executives of the subsidiary and its affiliates. Under one of the plans (Class A), the stock options are gradually vested over 5 years after the grant date. Under the other plan (Class B), 50% of the stock options are vested when a certain performance condition is achieved and the remaining 50% are gradually vested over 3 years after the date of achievement.

Compensation expenses related to Class B were not recognized and the disclosure is omitted for the years ended March 31, 2013, 2014 and 2015, as it was not considered probable as of March 31, 2013, 2014 and 2015 that the performance condition would be achieved. These stock options have the exercise period of 8 years after the grant date, and will become exercisable when a certain performance condition is achieved.

In September 2013, the subsidiary modified its stock option plans. For Class A that vested prior to March 31, 2013, these options were cancelled and new graded-vesting options which would be vested and become exercisable through May 2014 were concurrently granted. Class A that has not been vested as of March 31, 2013 was not modified and the original vesting conditions of Class A still apply. With regard to Class B, 2/5 of the options were modified to service condition with graded-vesting schedule through May 2014. The modified options are exercisable upon vesting. The remaining 3/5 of Class B were not modified. Stock options subsequent to these changes of conditions are referred to as "Class A (modified)" and "Class B (modified)", respectively, and had an exercise period until December 31, 2014. These modifications affect 537 directors and senior executives of the subsidiary and its affiliates.

The subsidiary shall issue new shares upon stock option exercised.

As the subsidiary is a nonpublic company, the fair value is estimated based on valuation techniques using assumptions.

A summary of the status of the subsidiary's stock options as of March 31, 2013, 2014 and 2015, and of the activity for the years ended on those dates is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
2013				
Outstanding at beginning of year	144,000,000	\$ 0.00128		
Granted	-	-		
Exercised	-	-		
Forfeited or Expired	-	-		
Outstanding at end of year	<u>144,000,000</u>	0.00128	5.8	\$ 78,152
Exercisable at end of year	-	-	-	-
Vested at end of year	57,600,000	0.00128	5.8	31,261
Expected to be vested after end of year	86,400,000	0.00128	5.8	46,891
2014				
Outstanding at beginning of year	144,000,000	\$ 0.00128		
Granted	-	-		
Exercised	-	-		
Forfeited or Expired	-	-		
Modified	<u>57,600,000</u>	0.00128		
Outstanding at end of year	<u>86,400,000</u>	0.00128	4.8	\$ 86,661
Exercisable at end of year	-	-	-	-
Vested at end of year	28,800,000	0.00128	4.8	28,887
Expected to be vested after end of year	57,600,000	0.00128	4.8	57,774
2015				
Outstanding at beginning of year	86,400,000	\$ 0.00128		
Granted	-	-		
Exercised	-	-		
Forfeited or Expired	-	-		
Modified	-	-		
Outstanding at end of year	<u>86,400,000</u>	0.00128	3.8	\$ 91,387
Exercisable at end of year	-	-	-	-
Vested at end of year	57,600,000	0.00128	3.8	60,925
Expected to be vested after end of year	28,800,000	0.00128	3.8	30,462

A summary of the status of the subsidiary's nonvested stock options for the years ended March 31, 2013, 2014 and 2015, and of the activity for the years ended on those dates, is as follows:

	2013		2014		2015	
	Number of shares Thousands	Weighted average grant-date fair value U.S. Dollars	Number of shares Thousands	Weighted average grant-date fair value U.S. Dollars	Number of shares Thousands	Weighted average grant-date fair value U.S. Dollars
Nonvested at beginning of year	115,200	\$ 0.06204	86,400	\$ 0.06204	57,600	\$ 0.06204
Granted	-	-	-	-	-	-
Vested	28,800	0.06204	28,800	0.06204	28,800	0.06204
Forfeited	-	-	-	-	-	-
Nonvested at end of year	86,400	0.06204	57,600	0.06204	28,800	0.06204

As of March 31, 2015, the subsidiary had \$1,498 thousand of total unrecognized compensation expenses related to Class A plan that will be recognized over the weighted average period of 0.8 year. The total fair value of stock options vested for the years ended March 31, 2013, 2014 and 2015 were \$1,787 thousand.

The fair value of Class A plan was estimated on the grant date using the Binomial model with the following assumptions:

	2012
Grant-date fair value	\$ 0.06204
Expected term	5.95 years
Risk-free interest rate	2.48%
Expected volatility	50.00%

A summary of the status of the subsidiary's stock options "Class A (modified)" as of March 31, 2014 and 2015, and of the activity for the years ended on those dates is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
2014				
Outstanding at beginning of year	-	\$ -		
Granted	-	-		
Exercised	-	-		
Forfeited or Expired	-	-		
Modified	57,600,000	0.00128		
Outstanding at end of year	57,600,000	0.00128	0.75	\$ 57,774
Exercisable at end of year	40,320,000	0.00128	0.75	40,442
Vested at end of year	40,320,000	0.00128	0.75	40,442
Expected to be vested after end of year	17,280,000	0.00128	0.75	17,332
2015				
Outstanding at beginning of year	57,600,000	\$ 0.00128		
Granted	-	-		
Exercised	57,600,000	0.00128		
Forfeited or Expired	-	-		
Modified	-	-		
Outstanding at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-
Vested at end of year	-	-	-	-
Expected to be vested after end of year	-	-	-	-

A summary of the status of the subsidiary's stock options "Class B (modified)" as of March 31, 2014 and 2015, and of the activity for the years ended on those dates is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		H.K. Dollars	Years	H.K. Dollars (Thousands)
2014				
Outstanding at beginning of year	-	HK\$ -		
Granted	-	-		
Exercised	-	-		
Forfeited or Expired	-	-		
Modified	103,535,200	1.36035		
Outstanding at end of year	103,535,200	1.36035	0.75	HK\$ 665,612
Exercisable at end of year	72,474,640	1.36035	0.75	465,928
Vested at end of year	72,474,640	1.36035	0.75	465,928
Expected to be vested after end of year	31,060,560	1.36035	0.75	199,684
2015				
Outstanding at beginning of year	103,535,200	HK\$ 1.36035		
Granted	-	-		
Exercised	103,535,200	1.36035		
Forfeited or Expired	-	-		
Modified	-	-		
Outstanding at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-
Vested at end of year	-	-	-	-
Expected to be vested after end of year	-	-	-	-

A summary of the status of the subsidiary's nonvested stock options "Class A (modified)" and "Class B (modified)" for the years ended March 31, 2014 and 2015, and of the activity for the years ended on those dates, is as follows:

	2014			
	Class A (modified)		Class B (modified)	
	Number of shares	Weighted average grant-date fair value	Number of shares	Weighted average grant-date fair value
	U.S. Dollars		H.K. Dollars	
Nonvested at beginning of year	-	-	-	-
Modification	57,600,000	\$ 0.37584	103,535,200	HK\$ 1.57591
Vested	40,320,000	0.37584	72,474,640	1.57591
Forfeited	-	-	-	-
Nonvested at end of year	17,280,000	0.37584	31,060,560	1.57591

	2015			
	Class A (modified)		Class B (modified)	
	Number of shares	Weighted average grant-date fair value	Number of shares	Weighted average grant-date fair value
	U.S. Dollars		H.K. Dollars	
Nonvested at beginning of year	17,280,000	\$ 0.37584	31,060,560	HK\$ 1.57591
Modification	-	-	-	-
Vested	17,280,000	0.37584	31,060,560	1.57591
Forfeited	-	-	-	-
Nonvested at end of year	-	-	-	-

As of March 31, 2015, there were no unrecognized compensation expenses at the subsidiary relating to unvested "Class A (modified)" and "Class B (modified)" stock options. The total fair values of "Class A (modified)" and "Class B (modified)" stock options vested in the year ended March 31, 2015 were \$6,495 thousand and HK\$48,949 thousand, respectively.

The fair values of "Class A (modified)" and "Class B (modified)" stock options at the time of changing of the condition were estimated using the Black-Scholes option pricing model based on the following assumptions.

	2014	
	Class A (modified)	Class B (modified)
Modify-date fair value	\$ 0.37584	HK\$ 1.57591
Expected term	0.81 years	0.81 years
Risk-free interest rate	0.279%	0.279%
Expected volatility	35.00%	35.00%

11. Equity

Net income attributable to TDK and transfers (to) from noncontrolling interest for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen (Millions)			U.S. Dollars
	2013	2014	2015	(Thousands)
Net income attributable to TDK	¥ 1,195	¥ 16,288	¥ 49,440	\$ 412,000
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	-	(7,758)	(17,209)	(143,409)
Decrease in TDK's additional paid-in capital for issue of Amperex Technology Ltd.'s common shares to third parties	-	-	(2,284)	(19,033)
Increase in TDK's additional paid-in capital for purchase of Magnecomp Precision Technology Public Co., Ltd.'s common shares from third parties	-	-	9	75
Increase in TDK's additional paid-in capital for purchase of TDK (Shanghai) Electro-Energy Co., Ltd.'s common shares from third parties	-	-	419	3,492
Net transfers (to) from noncontrolling interest	-	(8,883)	(19,065)	(158,875)
Change from net income attributable to TDK and transfers (to) from noncontrolling interest	¥ 1,195	¥ 7,405	¥ 30,375	\$ 253,125

12. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen (Millions)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
2013				
March 31, 2012	¥ (188,379)	¥ (44,745)	¥ 2,275	¥ (230,849)
Other comprehensive income (loss) before reclassifications	76,660	(3,998)	(999)	71,663
Amounts reclassified from accumulated other comprehensive income (loss)	52	2,041	442	2,535
Other comprehensive income (loss)	76,712	(1,957)	(557)	74,198
Other comprehensive income (loss) attributable to noncontrolling interests	2,360	5	(0)	2,365
March 31, 2013	¥ (114,027)	¥ (46,707)	¥ 1,718	¥ (159,016)
2014				
	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	731	-	-	731
Other comprehensive income (loss) before reclassifications	60,535	5,005	6,249	71,789
Amounts reclassified from accumulated other comprehensive income (loss)	9	2,182	(1,527)	664
Other comprehensive income (loss)	60,544	7,187	4,722	72,453
Other comprehensive income (loss) attributable to noncontrolling interests	1,294	8	(0)	1,302
March 31, 2014	¥ (54,046)	¥ (39,528)	¥ 6,440	¥ (87,134)

2015

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	931	-	-	931
Other comprehensive income (loss) before reclassifications	92,509	(15,187)	4,464	81,786
Amounts reclassified from accumulated other comprehensive income (loss)	(28)	1,383	(1)	1,354
Other comprehensive income (loss)	92,481	(13,804)	4,463	83,140
Other comprehensive income (loss) attributable to noncontrolling interests	2,819	(0)	-	2,819
March 31, 2015	¥ 36,547	¥ (53,332)	¥ 10,903	¥ (5,882)

2015

U.S. Dollars (Thousands)

	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2014	\$ (450,383)	\$ (392,400)	\$ 53,666	\$ (726,117)
Equity transaction of consolidated subsidiaries and other	7,758	-	-	7,758
Other comprehensive income (loss) before reclassifications	770,908	(126,558)	37,200	681,550
Amounts reclassified from accumulated other comprehensive income (loss)	(233)	11,525	(8)	11,284
Other comprehensive income (loss)	770,675	(115,033)	37,192	692,834
Other comprehensive income (loss) attributable to noncontrolling interests	23,492	(0)	-	23,492
March 31, 2015	\$ 304,558	\$ (444,433)	\$ 90,858	\$ (49,017)

The reclassifications out of accumulated other comprehensive income (loss) for the year ended March 31, 2014 and 2015 are as follows:

	Amount reclassified from accumulated other comprehensive income (loss) *1			Affected line items in consolidated statements of income
	2014	2015	2015	
	Yen	(Millions)	U.S. Dollars (Thousand)	
Foreign currencies translation adjustments:				
	¥ (57)	¥ 28	\$ 233	Selling, general and administrative expenses
	48	-	-	Equity in earnings of affiliates
	-	-	-	Tax (expense) or benefit
	(9)	28	233	Net of tax
Pension liability adjustments:				
	(2,886)	(1,884)	(15,700)	*2
	704	501	4,175	Tax (expense) or benefit
	(2,182)	(1,383)	(11,525)	Net of tax
Net unrealized gains (losses) on securities:				
	2,122	1	8	Gain (loss) on securities, net
	(595)	-	-	Tax (expense) or benefit
	1,527	1	8	Net of tax
Total amount reclassified, net of tax	¥ (664)	¥ (1,354)	\$ (11,284)	

*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 that is presented in Note 8 of the Notes to Consolidated Financial Statements.

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2013, 2014 and 2015, are as follows:

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
2013			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	¥ 76,660	¥ 0	¥ 76,660
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	52	-	52
Net foreign currency translation adjustments	76,712	0	76,712
Pension liability adjustments:			
Amount arising during the year	(4,647)	649	(3,998)
Reclassification adjustments for amortization and curtailment/settlement	2,779	(738)	2,041
Net pension liability adjustments	(1,868)	(89)	(1,957)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	(1,178)	179	(999)
Reclassification adjustments for (gains) losses realized in net income	592	(150)	442
Net unrealized gains (losses)	(586)	29	(557)
Other comprehensive income (loss)	¥ 74,258	¥ (60)	¥ 74,198
2014			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	¥ 60,535	¥ 0	¥ 60,535
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	9	-	9
Net foreign currency translation adjustments	60,544	0	60,544
Pension liability adjustments:			
Amount arising during the year	7,252	(2,247)	5,005
Reclassification adjustments for amortization and curtailment/settlement	2,886	(704)	2,182
Net pension liability adjustments	10,138	(2,951)	7,187
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	8,301	(2,052)	6,249
Reclassification adjustments for (gains) losses realized in net income	(2,122)	595	(1,527)
Net unrealized gains (losses)	6,179	(1,457)	4,722
Other comprehensive income (loss)	¥ 76,861	¥ (4,408)	¥ 72,453

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
2015			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	¥ 92,740	¥ (231)	¥ 92,509
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	(28)	-	(28)
Net foreign currency translation adjustments	92,712	(231)	92,481
Pension liability adjustments:			
Amount arising during the year	(15,319)	132	(15,187)
Reclassification adjustments for amortization and curtailment/settlement	1,884	(501)	1,383
Net pension liability adjustments	(13,435)	(369)	(13,804)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	7,811	(3,347)	4,464
Reclassification adjustments for (gains) losses realized in net income	(1)	-	(1)
Net unrealized gains (losses)	7,810	(3,347)	4,463
Other comprehensive income (loss)	¥ 87,087	¥ (3,947)	¥ 83,140

	U.S. Dollars (Thousands)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax Amount
2015			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	\$ 722,833	\$ (1,925)	\$ 770,908
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	(233)	-	(233)
Net foreign currency translation adjustments	772,600	(1,925)	770,675
Pension liability adjustments:			
Amount arising during the year	(127,658)	1,100	(126,558)
Reclassification adjustments for amortization and curtailment/settlement	15,700	(4,175)	11,525
Net pension liability adjustments	(111,958)	(3,075)	(115,033)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	65,092	(27,892)	37,200
Reclassification adjustments for (gains) losses realized in net income	(8)	-	(8)
Net unrealized gains (losses)	65,084	(27,892)	37,192
Other comprehensive income (loss)	\$ 725,726	\$ (32,892)	\$ 692,834

13. Leases

TDK occupies offices and other facilities under various cancellable lease agreements expiring in 2016 through 2017.

The amount of assets under capital leases and the related accumulated depreciation included in property, plant and equipment on the consolidated balance sheets as of March 31, 2014 and 2015 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Buildings -cost	¥ 5,596	¥ 5,367	\$ 44,725
Machinery and equipment - cost	2,069	1,424	11,867
Accumulated depreciation	(1,893)	(1,860)	(15,500)
Net leased assets	¥ 5,772	¥ 4,931	\$ 41,092

The depreciation expense for assets under capital leases is included in cost of sales and selling, general and administrative expenses of the consolidated statements of income.

Operating leases expenses are ¥7,362 million, ¥7,139 million and ¥7,801 million(\$65,008 thousand) for the fiscal years ended March 31, 2013, 2014 and 2015, respectively.

The following is a schedule by year of future minimum lease payments required under capital leases and operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 2015:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Capital leases	Operating leases	Capital leases	Operating leases
Year ending March 31,				
2016	¥ 1,130	¥ 6,625	\$ 9,416	\$ 55,208
2017	1,089	4,595	9,075	38,292
2018	1,027	3,177	8,558	26,475
2019	941	2,259	7,842	18,825
2020	915	1,978	7,625	16,483
Later years	12,170	1,908	101,417	15,900
Total minimum lease payments	¥ 17,272	¥ 20,542	\$ 143,933	\$ 171,183
Amounts representing interest	10,806		90,050	
Present value of net minimum lease payments	6,466		53,883	
Current portion	427		3,558	
Long-term lease obligations (Excluding current portion)	¥ 6,039		\$ 50,325	

14. Commitments and Contingent Liabilities

Commitments outstanding for the purchase of property, plant and equipment as of March 31, 2014 and 2015 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Commitments outstanding for the purchase of property, plant and equipment	¥ 23,332	¥ 27,963	\$ 233,025

Certain overseas subsidiaries made minimum purchase agreements with suppliers for electricity necessary for production activities. As of March 31, 2014 and 2015, the minimum purchase obligations based on these agreements are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Commitments outstanding for the purchase of electricity	¥ 30,579	¥ 32,010	\$ 266,750

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 as of March 31, 2014 and 2015 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Guarantees to third parties on bank loans of employees	¥ 1,870	¥ 1,524	\$ 12,700

As of March 31, 2015, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangements is not material.

Several claims against TDK are pending. 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 and results of operations of TDK.

15. Risk Management Activities and Derivative Financial Instruments

TDK operates internationally and is exposed to the risk of changes in foreign exchange rates as well as 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 risk 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 incurred.

Notional amounts of derivative financial instruments as of March 31, 2014 and 2015 are as follows:

	Yen (Millions)		U.S. Dollars
	2014	2015	(Thousands)
Forward foreign exchange contracts	¥ 94,707	¥ 92,963	\$ 774,692
Currency swaps	34,022	40,326	336,050
Commodity forward transactions	1,297	-	-
	¥ 130,026	¥ 133,289	\$ 1,110,742

Fair value of derivative financial instruments as of March 31, 2014 and 2015 are as follows:

Yen (Millions)		
2014		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expenses and other current assets	¥ 654
Currency swaps	Prepaid expenses and other current assets	349
Currency swaps	Other assets	183
Commodity forward transactions	Prepaid expenses and 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)		
2015		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expenses and other current assets	¥ 1,452
Currency swaps	Prepaid expenses and other current assets	2,217
Currency swaps	Other assets	153
Assets total		¥ 3,822
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 1,521
Currency swaps	Other current liabilities	29
Currency swaps	Other noncurrent liabilities	19
Liabilities total		¥ 1,569

U.S. Dollars (Thousands)		
2015		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expenses and other current assets	\$ 12,100
Currency swaps	Prepaid expenses and other current assets	18,475
Currency swaps	Other assets	1,275
Assets total		\$ 31,850
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	\$ 12,675
Currency swaps	Other current liabilities	242
Currency swaps	Other noncurrent liabilities	158
Liabilities total		\$ 13,075

The effect of derivative financial instruments on the consolidated statements of income for the years ended March 31, 2013, 2014 and 2015 are as follows:

Account		Yen (Millions)			U.S. Dollars (Thousands)
		2013	2014	2015	2015
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (973)	¥ (3,078)	¥ (2,218)	\$ (18,483)
Currency swaps	Foreign exchange gain (loss)	4,278	(1,232)	7,722	64,350
Commodity forward transactions	Cost of sales	-	60	82	683
		¥ 3,305	¥ (4,250)	¥ 5,586	\$ 46,550

16. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments in cases for which it is practicable:

(a) Cash and cash equivalents, Short-term investments, Trade receivables, Income tax receivables, Prepaid expenses and other current assets, Short-term debt, Trade payables, Accrued salaries and wages, Accrued expenses, Income taxes payables and Other current liabilities

Except for derivative financial instruments, the carrying amount approximates fair value because of the short maturity of these instruments.

(b) Marketable securities, Investments in securities and Other assets

The fair values of marketable securities and investments in securities are primarily estimated based on quoted market prices for these instruments. The fair value of TDK's long-term loans included in other assets are estimated based on the amount of future cash flows associated with the instrument discounted using borrower's current borrowing rate for similar borrowing of comparable maturity, or based on the quoted market prices for the same or similar issues. The long-term loans are classified as Level 2, one of the three levels of fair value hierarchy that is discussed in Note 17 of the Notes to Consolidated Financial Statements.

(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 17 of the Notes to Consolidated Financial Statements.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2014 and 2015 are summarized as follows:

<u>As of March 31, 2014</u>	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Investments in securities and other assets	¥ 34,519	¥ 34,519
Liabilities:		
Long-term debt, including current portion (Excluding lease obligation)	(128,185)	(129,382)
<u>As of March 31, 2015</u>	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 1,301	¥ 1,301
Investments in securities and other assets	68,328	68,328
Liabilities:		
Long-term debt, including current portion (Excluding lease obligation)	(125,768)	(126,942)
<u>As of March 31, 2015</u>	U.S. Dollars (Thousands)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	\$ 10,842	\$ 10,842
Investments in securities and other assets	569,400	569,400
Liabilities:		
Long-term debt, including current portion (Excluding lease obligation)	(1,048,067)	(1,057,850)

Derivative financial instruments are presented in Note 15 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.

17. Fair Value Measurements

FASB ASC 820 “Fair Value Measurements and Disclosures” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. ASC 820 establishes a three-level fair value hierarchy for material inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that TDK has the ability to access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

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

Assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2014 and 2015 are as follows:

As of March 31, 2014	Yen (Millions)			Total
	Level 1	Level 2	Level 3	
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

<u>As of March 31, 2015</u>	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities				
(Debt securities):				
Government bonds	¥ 1,301	¥ -	¥ -	¥ 1,301
Derivative contracts:				
Forward foreign exchange contracts	-	1,452	-	1,452
Currency swaps	-	2,370	-	2,370
Investments				
(Debt securities):				
Commercial papers	-	139	-	139
Public-utility bonds	2	-	-	2
Investments				
(Equity securities):				
Manufacturing companies	23,058	-	-	23,058
Other	2,207	-	-	2,207
Investments				
(Mutual funds)				
	1,289	-	-	1,289
Rabbi trust investments	7,309	-	-	7,309
Total	¥ 35,166	¥ 3,961	¥ -	¥ 39,127
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,521	¥ -	¥ 1,521
Currency swaps	-	48	-	48
Total	¥ -	¥ 1,569	¥ -	¥ 1,569

<u>As of March 31, 2015</u>	U.S. Dollars (Thousands)			Total
	Level 1	Level 2	Level 3	
Assets:				
Marketable securities				
(Debt securities):				
Government bonds	\$ 10,842	\$ -	\$ -	\$ 10,842
Derivative contracts:				
Forward foreign exchange contracts	-	12,100	-	12,100
Currency swaps	-	19,750	-	19,750
Investments				
(Debt securities):				
Commercial papers	-	1,158	-	1,158
Public-utility bonds	17	-	-	17
Investments				
(Equity securities):				
Manufacturing companies	192,150	-	-	192,150
Other	18,391	-	-	18,391
Investments				
(Mutual funds)	10,742	-	-	10,742
Rabbi trust investments	60,908	-	-	60,908
Total	\$ 293,050	\$ 33,008	\$ -	\$ 326,058
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	\$ -	\$ 12,675	\$ -	\$ 12,675
Currency swaps	-	400	-	400
Total	\$ -	\$ 13,075	\$ -	\$ 13,075

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 and 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 prices. 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 years ended March 31, 2014 and 2015 are as follows:

<u>2014</u>	Yen (Millions)			
	Total gains (losses) for 2014	Level 1	Level 2	Level 3
Assets:				
Long-lived assets	¥ (4,441)	¥ -	¥ -	¥ 2,257

<u>2015</u>	Yen (Millions)			
	Total gains (losses) for 2015	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	¥ (150)	¥ -	¥ -	¥ -
Long-lived assets (Property, plant and equipment)	(5,008)	-	-	3,585
Long-lived assets (Intangible assets)	(368)	-	-	279
Goodwill	(2,705)	-	-	4,417

<u>2015</u>	U.S. Dollars (Thousands)			
	Total gains (losses) for 2015	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	\$ (1,250)	\$ -	\$ -	\$ -
Long-lived assets (Property, plant and equipment)	(41,733)	-	-	29,875
Long-lived assets (Intangible assets)	(3,067)	-	-	2,325
Goodwill	(22,542)	-	-	36,808

For the year ended March 31, 2014, mainly based on the discounted future cash flows expected from the use of each of the assets, the book value of long-lived assets, which were made up of property, plant and equipment and amortizable intangible assets, of ¥6,698 million was written down to its fair value of ¥2,257 million due to impairment. These fair values are classified as Level 3 because they were determined using unobservable inputs.

As a result of the above, impairment loss of ¥4,441 million caused by other-than-temporary declines in fair values during the year ended March 31, 2014 was included in the consolidated statements of income.

For the year ended March 31, 2015, investments which consist of nonmarketable securities valued using the cost method with the book value of ¥150 million (\$1,250 thousand) was fully written down due to impairment. The book value of long-lived assets (property, plant and equipment) of ¥8,593 million (\$71,608 thousand) was written down to its fair value of ¥3,585 million (\$29,875 thousand), and the book value of long-lived assets (intangible assets) of ¥647 million (\$5,392 thousand) was written down to its fair value of ¥279 million (\$2,325 thousand) due to impairment. The fair value of these long-lived assets was determined mainly based on the discounted future cash flows expected from the use of each of the assets. According to discounted cash flow method, guideline public company method and guideline merged and acquired company method, the book value of goodwill of ¥7,122 million (\$59,350 thousand) was written down to its fair value of ¥4,417 million (\$36,808 thousand) due to impairment. These fair values are classified as Level 3 because they were determined using unobservable inputs.

As a result of the above, impairment loss of ¥8,231 million (\$ 68,592 thousand) caused by other-than-temporary declines in fair values during the year ended March 31, 2015 was included in the consolidated statements of income.

18. Impairment of Long-Lived Assets

For the years ended March 31, 2013, 2014 and 2015, impairment losses of ¥1,275 million, ¥4,441 million and ¥5,376 million (\$44,800 thousand), respectively, were recorded. These are the result of a reduction of the carrying value of the long-lived assets to the fair value because of a reduction in profitability derived from lower demand.

The impairment losses are mainly included in selling, general and administrative expenses in the consolidated statements of income.

For the year ended March 31, 2013, the impairment loss includes ¥483 million for the Passive Components segment and ¥792 million for the Magnetic Application Product segment.

For the year ended March 31, 2014, the impairment loss includes ¥843 million for the Passive Components segment, ¥1,227 million for the Magnetic Application Product segment, ¥2,335 million for the Film Application Product segment and ¥36 million for the Other.

For the year ended March 31, 2015, the impairment loss includes ¥2,171 million (\$18,092 thousand) for the Passive Components segment and ¥3,205 million (\$26,708 thousand) for the Magnetic Application Products segment.

The figures for discontinued operations are excluded from the above.

19. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill as of March 31, 2014 and 2015 are as follows:

	Yen (Millions)		
	2014		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
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
	Yen (Millions)		
	2015		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	¥ 30,921	¥18,722	¥12,199
Customer relationships	23,684	18,444	5,240
Software	28,958	14,927	14,031
Unpatented technologies	34,512	30,842	3,670
Other	7,070	1,571	5,499
Total	¥ 125,145	¥ 84,506	¥ 40,639
Unamortized intangible assets			
Trademark	¥ 6,894		¥ 6,894
Other	243		243
Total	¥ 7,137		¥ 7,137

	U.S. Dollars (Thousands)		
	2015		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	\$ 257,675	\$ 156,017	\$ 101,658
Customer relationships	197,367	153,700	43,667
Software	241,316	124,391	116,925
Unpatented technologies	287,600	257,017	30,583
Other	58,917	13,092	45,825
Total	\$ 1,042,875	\$ 704,217	\$ 338,658
Unamortized intangible assets			
Trademark	\$ 57,450		\$ 57,450
Other	2,025		2,025
Total	\$ 59,475		\$ 59,475

No significant intangible assets other than goodwill were acquired in the years ended March 31, 2013, 2014 and 2015.

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 to 18 years for Patent, 4 to 17 years for Customer relationships, 2 to 10 years for Internal-use Software, 3 to 20 years for Unpatented technologies and 2 to 7 years for Other intangible assets.

Aggregate amortization expenses for the years ended March 31, 2013, 2014 and 2015 were ¥10,998 million, ¥11,130 million and ¥10,722 million (\$89,350 thousand), respectively. Estimated amortization expense for the next five years is: ¥7,720 million in 2016, ¥6,791 million in 2017, ¥5,173 million in 2018, ¥4,358 million in 2019 and ¥3,921 million in 2020.

The changes in the carrying amount of goodwill by segment for the years ended March 31, 2014 and 2015 are as follows:

	Yen (Millions)				
	Passive Components	Magnetic Application Products	Film Application Products	Other	Total
March 31 , 2013					
Goodwill	¥ 26,684	¥ 23,125	¥ 8,164	¥ 606	¥ 58,579
Accumulated impairment losses	-	(1,535)	-	(606)	(2,141)
	26,684	21,590	8,164	-	56,438
Acquisitions	-	711	-	-	711
Impairments	-	-	-	-	-
Others	-	-	-	-	-
Translation adjustment	4,449	1,507	786	-	6,742
March 31 , 2014					
Goodwill	31,133	25,488	8,950	663	66,234
Accumulated impairment losses	-	(1,680)	-	(663)	(2,343)
	31,133	23,808	8,950	-	63,891
Acquisitions	-	-	-	-	-
Impairments	(458)	(2,247)	-	-	(2,705)
Others	-	(252)	-	109	(143)
Translation adjustment	(2,277)	2,964	1,500	-	2,187
March 31 , 2015					
Goodwill	28,855	28,481	10,450	883	68,669
Accumulated impairment losses	(457)	(4,208)	-	(774)	(5,439)
	¥ 28,398	¥ 24,273	¥ 10,450	¥ 109	¥ 63,230
U.S. Dollars (Thousands)					
	Passive Components	Magnetic Application Products	Film Application Products	Other	Total
March 31 , 2014					
Goodwill	\$ 259,442	\$ 212,400	\$ 74,583	\$ 5,525	\$ 551,950
Accumulated impairment losses	-	(14,000)	-	(5,525)	(19,525)
	259,442	198,400	74,583	-	532,425
Acquisitions	-	-	-	-	-
Impairments	(3,817)	(18,725)	-	-	(22,542)
Others	-	(2,100)	-	909	(1,191)
Translation adjustment	(18,975)	24,700	12,500	-	18,225
March 31 , 2015					
Goodwill	240,458	237,342	87,083	7,359	572,242
Accumulated impairment losses	(3,808)	(35,067)	-	(6,450)	(45,325)
	\$ 236,650	\$ 202,275	\$ 87,083	\$ 909	\$ 526,917

For the year ended March 31, 2015, an impairment loss of ¥ 2,705 million (\$22,542 thousand) on goodwill was recognized as a result of reviewing the profitability expected in future by the external environment change in power supplies market etc. The fair value was measured according to discounted cash flow method, guideline public company method and guideline merged and acquired company method. The impairment loss is included in selling, general, and administrative expenses in the consolidated statements of income.

20. 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 computations is as follows:

	Yen (Millions)					
	2013		2014		2015	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Income from continuing operations attributable to TDK	¥ 1,822	¥ 1,302	¥ 18,940	¥ 17,896	¥ 49,440	¥ 47,703
Loss from discontinued operations attributable to TDK	(627)	(627)	(2,652)	(2,652)	-	-
Net income attributable to TDK	¥ 1,195	¥ 675	¥ 16,288	¥ 15,244	¥ 49,440	¥ 47,703
	Number of shares (Thousands)					
Weighted average common shares outstanding	125,852	125,852	125,808	125,808	125,873	125,873
Incremental shares arising from the exercise of stock option	-	178	-	207	-	332
Weighted average common shares outstanding - Total	125,852	126,030	125,808	126,015	125,873	126,205
	Yen					
Per common share :						
Income from continuing operations attributable to TDK	¥ 14.48	¥ 10.33	¥ 150.55	¥ 142.01	¥ 392.78	¥ 377.98
Loss from discontinued operations attributable to TDK	(4.98)	(4.98)	(21.08)	(21.08)	-	-
Net income attributable to TDK	9.50	5.36	129.47	120.97	392.78	377.98

	U.S. Dollars (Thousands)	
	2015	
	Basic	Diluted
Income from continuing operations attributable to TDK	\$ 412,000	\$ 397,525
Loss from discontinued operations attributable to TDK	-	-
Net income attributable to TDK	\$ 412,000	\$ 397,525
	Number of shares (Thousands)	
Weighted average common shares outstanding	125,873	125,873
Incremental shares arising from the exercise of stock option	-	332
Weighted average common shares outstanding - Total	125,873	126,205
	U.S. Dollars	
Per common share :		
Income from continuing operations attributable to TDK	\$ 3.27	\$ 3.15
Loss from discontinued operations attributable to TDK	-	-
Net income attributable to TDK	3.27	3.15

For the years ended March 31, 2013 and 2014, incremental 178,000 shares and 207,000 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 years ended March 31, 2013, 2014 and 2015 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 years ended March 31, 2013 and 2014 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 years ended March 31, 2013, 2014 and 2015, 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 years ended March 31, 2013, 2014 and 2015 as it was not probable that the performance condition would be achieved as of March 31, 2013, 2014 and 2015.

21. Related Party Transaction

Receivables and payables include the following balances with affiliated companies as of March 31, 2014 and 2015:

	Yen (Millions)		U.S. Dollars
	2014	2015	(Thousands)
Due from	¥ 4,672	¥ 32,757	\$ 272,975
Due to	1,798	649	5,408

Receivables as of March 31, 2014 and 2015 include long-term loans of ¥1,409 million and ¥28,079 million (\$233,992 thousand), respectively.

Purchases, research and development expenses, patent fee, advertising costs, interest expense, rent income, etc. and sales transactions with affiliated companies for the years ended March 31, 2013, 2014 and 2015 are as follows:

	Yen (Millions)			U.S. Dollars
	2013	2014	2015	(Thousands)
Gross purchase	¥ 6,320	¥ 9,111	¥ 10,873	\$ 90,608
Less raw materials sold with no mark-up	(2,709)	(5,234)	(6,386)	(53,216)
Net purchases	3,611	3,877	4,487	37,392
Research and development expenses and patent fee	1,425	1,346	113	942
Advertising costs	-	325	174	1,450
Interest expenses	338	107	-	-
Rent income, etc.	-	-	312	2,600
Sales	1,116	2,290	1,562	13,017

22. Discontinued Operations

As a part of reviewing the entire group portfolio and concentration in core competence, TDK withdrew from the data tape business and the blu-ray business, both of which belong to the Film Application Products segment, during the year ended March 31, 2014.

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

The selected financial information for the discontinued operations for the years ended March 31, 2013 and 2014 are as follows and nil for the year ended March 31, 2015.

	Yen (Millions)	
	2013	2014
Net sales	¥ 9,728	¥ 6,409
Cost of sales and expenses (includes impairment loss ¥1,708 million in 2014)	10,635	11,989
Loss from discontinued operations	(907)	(5,580)
Income taxes	(288)	(1,978)
Net loss from discontinued operations	(619)	(3,602)
Net gain (loss) from discontinued operations attributable to noncontrolling interests	8	(950)
Net loss from discontinued operations attributable to TDK	¥ (627)	¥ (2,652)

23. 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 the year ended March 31, 2012. Their facilities and buildings were submerged, and their operations were forced to stop. TDK booked an insurance payout of ¥6,663 million that covers the damage as operating income for the year ended March 31, 2013.

24. Production realignment costs

As a part of its change in structure, TDK carried out production plant rearrangements mainly at its plants in the Tohoku region of Japan and recognized ¥1,561 million of property, plant and equipment-related losses and expenses for the year ended March 31, 2013.

The major components were ¥501 million of loss on retirement of property, plant and equipment, ¥713 million of compensation for subcontractors, and ¥347 million for others.

25. Supplementary Information

	Yen (Millions)			U.S. Dollars
	2013	2014	2015	(Thousands)
(a) Statements of Income				
Research and development	¥ 53,520	¥ 63,385	¥ 70,644	\$ 588,700
Rent	7,407	7,925	9,580	79,833
Maintenance and repairs	20,141	23,236	26,573	221,442
Advertising costs	3,110	3,513	3,506	29,217
(b) Statements of Cash Flows				
Cash paid during year for:				
Interest	¥ 2,838	¥ 3,518	¥ 3,050	\$ 25,417
Income taxes	11,331	14,031	20,922	174,350

Noncash activities

For the years ended March 31, 2013, 2014 and 2015, there were no material noncash investing and financing activities.

26. 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 data tape business and the blu-ray business, both of which became as discontinued operations in the year ended March 31, 2014, were included in the Film Application Products segment previously.

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 equipments), other

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

The business segment information for the years ended March 31, 2013, 2014 and 2015 are as follows.

Net sales and Segment profit (loss) for all years presented do not include the figures related to discontinued operations.

Net sales

	Yen (Millions)			U.S. Dollars (Thousands)
	2013	2014	2015	2015
Passive Components:				
External customers	¥ 379,614	¥ 471,673	¥ 541,205	\$ 4,510,042
Intersegment	3,272	3,038	3,024	25,200
Total	382,886	474,711	544,229	4,535,242
Magnetic Application Products:				
External customers	337,947	364,291	369,221	3,076,841
Intersegment	277	356	202	1,683
Total	338,224	364,647	369,423	3,078,524
Film Application Products:				
External customers	102,893	129,304	151,275	1,260,625
Intersegment	2,869	2,913	2,906	24,217
Total	105,762	132,217	154,181	1,284,842
Other:				
External customers	21,393	19,257	20,859	173,825
Intersegment	16,478	8,112	19,569	163,075
Total	37,871	27,369	40,428	336,900
Intersegment eliminations	(22,896)	(14,419)	(25,701)	(214,175)
Total	¥ 841,847	¥ 984,525	¥ 1,082,560	\$ 9,021,333

Segment profit (loss)

	Yen (Millions)			U.S. Dollars (Thousands)
	2013	2014	2015	2015
Passive Components	¥ (11,053)	¥ 15,449	¥ 37,891	\$ 315,758
Magnetic Application Products	37,088	28,120	28,692	239,100
Film Application Products	12,824	13,352	24,558	204,650
Other	(1,755)	(3,196)	275	2,292
Sub total	37,084	53,725	91,416	761,800
Corporate and Eliminations	(15,030)	(17,109)	(18,957)	(157,975)
Operating income	22,054	36,616	72,459	603,825
Other income (deductions), net	(2,289)	3,156	2,058	17,150
Income from continuing operations before income taxes	¥ 19,765	¥ 39,772	¥ 74,517	\$ 620,975

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.

Assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Passive Components	¥ 555,734	¥ 596,336	\$ 4,969,467
Magnetic Application Products	503,112	556,363	4,636,359
Film Application Products	158,107	240,064	2,000,533
Other	19,477	31,771	264,758
Corporate and Eliminations	3,159	(20,252)	(168,767)
Total	¥ 1,239,589	¥ 1,404,282	\$ 11,702,350

Corporate mainly includes cash and cash equivalents and property, plant and equipment that are for general corporate use, deferred tax assets that are not allocated to operating segments, investments, and assets related to discontinued operations.

Figures related to discontinued operations are included in Corporate and Eliminations as of March 31, 2014.

Depreciation and amortization (including Intangible assets other than Goodwill)

	Yen (Millions)			U.S. Dollars (Thousands)
	2013	2014	2015	2015
Passive Components	¥ 36,485	¥ 36,579	¥ 36,378	\$ 303,150
Magnetic Application Products	30,225	32,073	26,733	222,775
Film Application Products	5,731	9,143	10,859	90,492
Other	600	546	1,245	10,375
Corporate and Eliminations	4,328	4,552	5,034	41,950
Total	¥ 77,369	¥ 82,893	¥ 80,249	\$ 668,742

All years presented do not include figures related to discontinued operations.

Capital expenditure

	Yen (Millions)			U.S. Dollars (Thousands)
	2013	2014	2015	2015
Passive Components	¥ 36,789	¥ 32,499	¥ 45,235	\$ 376,959
Magnetic Application Products	29,328	14,821	16,552	137,933
Film Application Products	13,742	14,659	34,324	286,033
Other	291	1,162	1,439	11,992
Corporate and Eliminations	5,456	5,465	4,975	41,458
Total	¥ 85,606	¥ 68,606	¥ 102,525	\$ 854,375

Figures related to discontinued operations are included in Corporate and Eliminations for the years ended March 31, 2013 and 2014.

Geographic Segment Information

The geographic segment information for the years ended March 31, 2013, 2014 and 2015 are as follows.
All years presented do not include net sales related to discontinued operations.

Net sales

	Yen (Millions)			U.S. Dollars (Thousands)
	2013	2014	2015	2015
Japan	¥ 105,832	¥ 94,005	¥ 93,212	\$ 776,766
Americas	58,368	82,966	89,871	748,925
Europe	109,758	139,716	146,016	1,216,800
China	353,209	491,975	565,257	4,710,475
Asia and others	214,680	175,863	188,204	1,568,367
Total	¥ 841,847	¥ 984,525	¥ 1,082,560	\$ 9,021,333

Net sales are based on the location of the customers.

Major countries in each geographic area :

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

Property, plant and equipment

	Yen (Millions)		U.S. Dollars (Thousands)
	2014	2015	2015
Japan	¥ 112,618	¥ 105,273	\$ 877,275
Americas	13,305	14,775	123,125
Europe	71,144	65,373	544,775
China	131,471	190,283	1,585,692
Asia and others	45,494	51,550	429,583
Total	¥ 374,032	¥ 427,254	\$ 3,560,450

Major countries in each geographic area :

- (1) Americas United States of America
- (2) Europe Germany, Hungary, Iceland
- (3) Asia and others Thailand, Singapore

Sales to major customers

There were one, two and two customer groups that accounted for more than 10% of consolidated net sales for the years ended March 31, 2013, 2014 and 2015, respectively. The net sales to one customer group for the years ended March 31, 2013 and 2014 were approximately ¥98.2 billion and ¥105.8 billion, respectively, that were included mainly in the Magnetic Application Products segment.

The net sales to one of the other customer groups for the years ended March 31, 2014 and 2015 were approximately ¥107.0 billion and ¥ 117.1 billion (\$975.8 million), respectively, that were included mainly in the Magnetic Application Products segment.

The net sales to another customer group for the year ended March 31, 2015 were approximately ¥109.8 billion (\$915.0 million) that were included mainly in the Passive Components segment.

VI. Outline of filing company's business concerning shares

Business year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Number of shares consisting one unit	100 shares
Purchase demands or additional purchase requests of shares less than one unit:	
Office for handling business	(Special Account) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
Administrator of shareholder registry	(Special Account) Sumitomo Mitsui Trust Bank, Limited. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
Forwarding office	–
Handling charge for purchase	Free of charge
Method of public notice	Electronic public notice will be made. However, if TDK is unable to make an electronic public notice due to an incident or any other compelling reason, it will make an alternative public notice in “The Nikkei” newspaper. The electronic public notice will be notified on TDK’s website (http://www.tdk.co.jp).
Special benefits for shareholders	None

Notes: Pursuant to the provisions of TDK Corporation’s Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following: (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to request to TDK Corporation in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to TDK Corporation to sell shares less than one unit.

VII. Reference information on filing company

1. Information on filing company's parent company

TDK Corporation does not have a parent company.

B. INFORMATION ON GUARANTEE COMPANIES, ETC. OF FILING COMPANY

No items to report



Independent Auditors' Report

The Board of Directors
TDK Corporation:

We have audited the accompanying consolidated balance sheets of TDK Corporation and subsidiaries (the "Company") as of March 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the years in the three-year period ended March 31, 2015, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of EPCOS AG, a wholly owned subsidiary, and its subsidiaries, which financial statements reflect total assets constituting 20.0 percent and 20.9 percent as of March 31, 2015 and 2014, respectively, and total revenues constituting 22.7 percent, 25.3 percent and 21.9 percent for each of the years in the three-year period ended March 31, 2015, respectively, of the related consolidated totals. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for EPCOS AG and its subsidiaries, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TDK Corporation and subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2015, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended March 31, 2015 have been translated into United States dollars solely for the convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements, expressed in Japanese yen, have been translated into United States dollars on the basis set forth in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC

July 17, 2015
Tokyo, Japan

Management's Annual Report on Internal Control over Financial Reporting

1. Matters relating to the basic framework for internal control over financial reporting

President & Representative Director Takehiro Kamigama, and Chief Financial Officer Tetsuji Yamanishi of TDK Corporation are responsible for designing and operating effective internal control over financial reporting of TDK and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2015, which is the end of the current fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis (“company-level controls”) and based on the results of this evaluation, we selected business processes to be tested. In assessing the business processes, we analyzed these selected business processes, identified key controls that may have a material impact on the reliability of TDK’s financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of TDK.

We determined the scope of assessment of internal control over financial reporting, covering TDK Corporation, consolidated subsidiaries and equity-method affiliates and deemed necessary from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls covering all locations and business units except for consolidated subsidiaries and equity-method affiliates whose materiality of such impacts were deemed immaterial, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and/or business units to be tested in descending order of sales for the previous

fiscal year, and the locations and/or business units whose combined sales volume reaches approximately two thirds of consolidated sales amount were selected as “significant locations and/or business units.” We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of TDK. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management’s judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of the current fiscal year, we concluded that TDK’s internal control over financial reporting was effectively maintained.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.