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Company name (Japanese):	TDK <i>Kabushiki-Kaisha</i>
Company name (English):	TDK CORPORATION
Title and name of representative:	Shigenao Ishiguro, President and Representative Director
Location of head office:	3-9-1, Shibaura, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6852-7116
Contact person:	Tetsuji Yamanishi, Director and Corporate Officer
Place of contact:	3-9-1, Shibaura, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6852-7116
Contact person:	Tetsuji Yamanishi, Director and Corporate Officer
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	116th term	117th term	118th term	119th term	120th term
Accounting period	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	From April 1, 2015 to March 31, 2016
Net sales (Millions of yen)	802,534	841,847	984,525	1,082,560	1,152,255
Income from continuing operations before income taxes (Millions of yen)	14,668	19,765	39,772	74,517	91,839
Net income (loss) attributable to TDK (Millions of yen)	(2,454)	1,195	16,288	49,440	64,828
Comprehensive income (loss) attributable to TDK (Millions of yen)	(16,406)	73,028	87,439	129,761	(34,469)
TDK stockholders' equity (Millions of yen)	498,159	561,169	635,327	738,861	675,361
Net assets (Millions of yen)	512,046	580,616	652,243	758,007	684,633
Total assets (Millions of yen)	1,072,829	1,169,642	1,239,589	1,404,282	1,450,585
TDK stockholders' equity per share (Yen)	3,957.20	4,460.79	5,049.72	5,864.56	5,354.79
Net income (loss) attributable to TDK per share (Yen)	(19.06)	9.50	129.47	392.78	514.23
Diluted net income (loss) attributable to TDK per share (Yen)	(21.42)	5.36	120.97	377.98	504.66
Stockholders' equity ratio (%)	46.4	48.0	51.3	52.6	46.6
Return on stockholders' equity (%)	(0.5)	0.2	2.7	7.2	9.2
Price earnings ratio (PER) (Times)	—	344.2	33.3	21.7	12.2
Net cash provided by operating activities (Millions of yen)	55,334	108,942	127,308	142,850	151,563
Net cash used in investing activities (Millions of yen)	(29,898)	(90,156)	(55,438)	(127,312)	(140,585)
Net cash provided by (used in) financing activities (Millions of yen)	12,929	4,395	(56,118)	(35,243)	29,305
Cash and cash equivalents at end of term (Millions of yen)	167,015	213,687	250,848	265,104	285,468
Number of employees (Person)	79,175	79,863	83,581	88,076	91,648

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.

3. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") No. 205-20, "Presentation of Financial Statements-Discontinued Operations", the operating results relating to the data tape business and Blu-ray business are separately presented as discontinued operations in the consolidated statement of income for the 118th term. Reclassifications are also made to the figures for the terms before the 118th term to conform to the presentation used for the 118th term.

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

Term	116th term	117th term	118th term	119th term	120th term
Accounting period	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	From April 1, 2015 to March 31, 2016
Net sales (Millions of yen)	126,769	115,674	92,621	99,005	264,304
Current loss (Millions of yen)	(2,558)	(11,658)	(12,064)	(8,379)	(14,376)
Net income (loss) (Millions of yen)	(8,580)	2,074	19,603	(5,045)	(26,447)
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)	327,864	320,124	336,543	331,036	284,544
Total assets (Millions of yen)	678,971	711,749	742,758	767,313	751,913
Net assets per share (Yen)	2,593.15	2,534.28	2,664.93	2,617.73	2,246.11
Cash dividends per share (Yen)	80.00	70.00	70.00	90.00	120.00
[Interim dividends per share] (Yen)	[40.00]	[40.00]	[30.00]	[40.00]	[60.00]
Net income (loss) per share (Yen)	(66.65)	16.49	155.82	(40.08)	(209.79)
Diluted net income per share (Yen)	—	16.46	155.56	—	—
Equity ratio [%]	48.1	44.8	45.1	43.0	37.7
Return on equity [ROE] [%]	(2.5)	0.6	6.0	(1.5)	(8.6)
Price earnings ratio [PER] [Times]	—	198.3	27.7	—	—
Dividend payout ratio [%]	—	424.6	44.9	—	—
Number of employees [Person]	3,324	3,600	3,652	3,763	4,542

Notes:

1. Net sales do not include consumption taxes, etc.
2. Diluted net income per share in the 116th, 119th and 120th 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, 2016, the TDK Group (“TDK”) is comprised of TDK Corporation (the “Company”), 129 consolidated subsidiaries and 7 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 Europe GmbH EPCOS AG TDK Hong Kong Co., Ltd. TDK-MCC Corporation 56 other companies (Domestic: 3, Overseas:53) (Total: 61 companies)
Magnetic Application Products	HDD Heads, HDD suspension assemblies, Power supplies, Magnets	The Company SAE Magnetics (H.K.) Ltd. Magnecomp Precision Technology Public Co., Ltd. Headway Technologies, Inc. SAE Magnetics (Dongguan) Ltd. 38 other companies (Domestic: 3, Overseas: 35) (Total: 43 companies)
Film Application Products	Energy devices (Rechargeable batteries), Applied films	The Company Amperex Technology Ltd. 12 other companies (Domestic:-, Overseas: 12) (Total: 14 companies)
Other	Mechatronics (production equipment), other	The Company TDK Corporation of America 31 other companies (Domestic: 11, Overseas: 20) (Total: 33 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	97.3 (57.5)	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: Yes
Ningde Amperex Technology Ltd. *1	Ningde, China	RMB 839,909,052	Film Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
Dongguan Amperex Technology Ltd. *1	Dongguan, China	RMB 485,509,727	Film Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
EPCOS Technology (Wuxi) Co., Ltd. *1	Wuxi, China	RMB 387,384,585	Passive Components	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: Yes
SAE Magnetics (Dongguan) Ltd *1	Dongguan, China	RMB 341,480,000	Magnetic Application Products	100 (100)	Manufacturing of TDK products Interlocking directorate: Yes
EPCOS (Zhuhai FTZ) Co., Ltd.	Zhuhai, China	RMB 29,390,675	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
Navitasys Technology Ltd. *1	Hong Kong, China	US\$ 86,160,571	Film Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
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: Yes
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: Yes
TDK Singapore (Pte) Ltd.	Singapore	US\$ 126,050	Passive Components and Magnetic Application Products	100 (100)	Sales of TDK products Interlocking directorate: No
TDK Corporation of America	Illinois, U.S.A.	US\$ 3,800,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
EPCOS Inc.	New Jersey, U.S.A	US\$ 1,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
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
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: Yes
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 Europe S.A. *1	Windhof, Luxembourg	EUR 352,113,042	Investment in and financing to subsidiaries and affiliates and their management	100	_____ Interlocking directorate: Yes
TDK Germany GmbH	Dusseldorf, Germany	EUR 25,000	Investment in and financing to subsidiaries and affiliates	100 (100)	_____ Interlocking directorate: Yes
EPCOS AG *1	Munich, Germany	EUR 66,682,270	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
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, *4	Munich, 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
Micronas Semiconductor Holding AG	Zurich, Switzerland	CHF 1,488,000	Investment in and financing to subsidiaries and affiliates and their management	93.5 (93.5)	_____ Interlocking directorate: No
(Consolidated subsidiaries – Domestic)		(Millions of yen)			
TDK-EPC Corporation	Minato-ku, Tokyo	100	Investment in and financing to subsidiaries and affiliates and their management	100	_____ 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	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
93 other companies					
(Equity-method affiliates)		(Millions of yen)			
Semiconductor Energy Laboratory Co., Ltd.	Atsugi City, Kanagawa Prefecture	4,348	Research and development of semiconductor products	30.4	Consignment of research and development Interlocking directorate: No
6 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. Descriptions of “Interlocking directorate” include corporate officers of the Company.
4. *1:Applies to specific subsidiaries.
5. *2:Net sales of SAE Magnetics (H.K.) Ltd. exceeded 10% of net sales of TDK.

The major items of income are as follows:

i. Net sales	¥217,923 million
ii. Income before income taxes	¥7,149 million
iii. Net income	¥6,618 million
iv. Net assets	¥ 202,959 million
v. Total assets	¥229,023 million

6. *3:Net sales of Amperex Technology Ltd. exceeded 10% of net sales of TDK.

The major items of income are as follows:

i. Net sales	¥165,001 million
ii. Income before income taxes	¥1,467 million
iii. Net Income	¥1,454 million
iv. Net assets	¥46,521 million
v. Total assets	¥107,231 million

7. *4:Net sales of TDK Europe GmbH exceeded 10% of net sales of TDK.

The major items of income are as follows:

i. Net sales	¥138,385 million
ii. Income before income taxes	¥1,294 million
iii. Net Income	¥1,027 million
iv. Net assets	¥4,971 million
v. Total assets	¥44,213 million

4. Status of employees

(1) Status of consolidated companies

(As of March 31, 2016)

Name of business segment	Number of employees (Person)
Passive Components	44,386
Magnetic Application Products	22,515
Film Application Products	20,149
Other	2,829
Corporate (Common)	1,769
Total	91,648

(2) Status of filing company (the Company)

(As of March 31, 2016)

Number of employees (Person)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
4,542	43.3	20.5	8,089,269

Name of business segment	Number of employees (Person)
Passive Components	816
Magnetic Application Products	1,079
Film Application Products	163
Other	815
Corporate (Common)	1,669
Total	4,542

- 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 global economy in the year ended March 31, 2016 (“fiscal 2016”), overall it maintained a gradual recovery due to growth in developed nations such as the U.S. and Europe together with the Asia region, despite the impact of a drop in crude oil prices and exchange rate fluctuation. However, growth of the economies of emerging countries centered on China began to show signs of slowing down, and this has begun to have a ripple effect on the economies of developed countries. Since low crude oil prices and the slowdown in the economies of emerging countries continues, there is a growing risk that the world economy will decline due to the deterioration of corporate and consumer sentiment.

The electronics market, which has a large bearing on the consolidated performance of TDK, saw production levels differ by finished product. Production of smartphones increased from fiscal 2015, driven by sustained growth in demand in the Chinese market. Production in the automobile market was slightly higher than the level of fiscal 2015, driven mainly by solid automobile sales in the U.S. Meanwhile, production of PCs declined compared to fiscal 2015 when there had been firm demand for replacement of PCs spurred by the end of support for Windows XP. Production of hard disk drives (HDDs) declined substantially compared to fiscal 2015 due to the decreased demand for PCs and the continued replacement of the HDDs inside PCs by solid state drives (SSDs), despite demand for data center applications continuing to hold firm.

Under these market conditions, TDK recorded net sales of ¥1,152,255 million, up 6.4% from ¥1,082,560 million in fiscal 2015. TDK recorded operating income of ¥93,414 million, up 28.9% from ¥72,459 million in fiscal 2015. TDK also recorded income from continuing operations before income taxes of ¥91,839 million, up 23.2% from ¥74,517 million in fiscal 2015. Furthermore, TDK recorded net income attributable to TDK of ¥64,828 million, up 31.1% from ¥49,440 million in fiscal 2015. Basic net income attributable to TDK per common share was ¥514.23, compared with ¥392.78 in fiscal 2015.

Average exchange rates for the U.S. dollar and euro during fiscal 2016, were ¥120.13 and ¥132.67, respectively, as the yen depreciated 9.4% versus the U.S. dollar and appreciated 4.5% against the euro year on year. This increased net sales by approximately ¥85.3 billion and operating income by approximately ¥17.3 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.” In accordance with the reorganization in fiscal 2016, certain products of Inductive devices, Other Passive Components and Other Magnetic Application Products were reclassified into Other. The figures for fiscal 2015 were also reclassified to conform to the new segmentation.

The Passive Components segment is made up of: (1) capacitors business; (2) inductive devices business; and (3) other passive components. Segment net sales were ¥575,746 million, up 8.2% year on year from ¥531,998 million. The segment reported profit of ¥66,404 million, up 81.4% year on year from ¥36,611 million in fiscal 2015.

An overview of net 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. Net sales in the capacitors business were ¥150,402 million, up 1.0% year on year from ¥148,960 million. Net sales of ceramic capacitors increased to the automotive market, and net sales of aluminum electrolytic capacitors and film capacitors also increased to the automotive market.

Net sales of the inductive devices business increased 1.3% year on year from ¥147,282 million to ¥149,229 million. TDK recorded an increase in net sales for use in automobiles.

Other passive components include high-frequency devices, piezoelectric material products, circuit protection components, and sensors. Net sales of other passive components increased 17.1% year on year from ¥235,756 million to ¥276,115 million.

Net sales of high-frequency devices increased significantly to the information and communications technology (ICT) market. Net sales of piezoelectric material products and circuit protection components increased to the ICT market. Net sales of sensor increased to the automotive and the industrial equipment markets.

The Magnetic Application Products segment is made up of: (1) recording devices business; and (2) other magnetic application products. Segment net sales decreased 13.2% year on year from ¥363,347 million to ¥315,322 million. Segment profit decreased 55.5% from ¥29,676 million in fiscal 2015 to ¥13,194 million.

An overview of net 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 net sales of ¥219,836 million, down 15.6% year on year from ¥260,506 million. Net sales of HDD heads and HDD suspension assemblies declined due to the lackluster HDD production level.

Other magnetic application products include power supplies and magnets. Net sales decreased 7.2% year on year from ¥102,841 million to ¥95,486 million. Net sales of power supplies increased to the industrial equipment market. Net sales of magnets decreased to the automotive market and the ICT market for use in HDDs.

The Film Application Products segment includes energy devices (rechargeable batteries) and applied films. Segment net sales increased 47.0% year on year from ¥151,275 million to ¥222,359 million. Segment profit increased 48.0% from ¥24,558 million in fiscal 2015 to ¥36,356 million. Net sales of energy devices increased significantly to the ICT market.

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 8.0% from the ¥35,940 million recorded in fiscal 2015 to ¥38,828 million, and segment profit increased 229.4% from ¥571 million in fiscal 2015 to ¥1,881 million in fiscal 2016.

An overview of net sales results by region is provided below.

In the Japan region, net sales decreased 2.3% year on year from ¥93,212 million to ¥91,052 million. Net sales for the Passive Components segment and the Magnetic Application Products segment decreased.

In the Americas region, net sales increased 13.5% year on year from ¥89,871 million to ¥101,974million. Net sales for the Passive Components segment increased.

In the Europe region, net sales decreased 0.5% year on year from ¥146,016 million to ¥145,336million. Net sales for the Passive Components segment decreased.

In the China region, net sales increased 7.2% year on year from ¥565,257 million to ¥606,045 million. Net sales for the Passive Components segment and the Film Application Products segment increased.

In the Asia and others region, net sales increased 10.4% year on year from ¥188,204 million to ¥207,848 million. Net sales for the Passive Components segment and the Film Application Products segment increased.

As a result, overseas net sales increased 7.3% year on year from ¥989,348 million to ¥1,061,203 million. Overseas net sales accounted for 92.1% of net sales, a 0.7 percentage point increase from 91.4% in fiscal 2015.

(2) Cash flows

An overview of cash flows is provided below.

Cash flows from operating activities

Operating activities provided net cash of ¥151,563 million, a year-on-year increase of ¥8,713 million mainly due to increases in net income and trade payables.

Cash flows from investing activities

Investing activities used net cash of ¥140,585 million, a year-on-year increase of ¥13,273 million mainly due to an increase in capital expenditures.

Cash flows from financing activities

Financing activities provided net cash of ¥29,305 million, a year-on-year change of ¥64,548 million mainly due to an increase in short-term debt.

As a result of adding in the effects of currency fluctuations, cash and cash equivalents as of March 31, 2016 was ¥285,468 million, ¥20,364 million larger than as of March 31, 2015.

2. Status of production, orders received and sales

(1) Production results

A breakdown of production results by business segment for fiscal 2016 is given below.

(Millions of yen)

Name of business segment	Production Results	YoY Increase/ Decrease (%)
Passive Components	577,437	5.8
Magnetic Application Products	310,335	(16.4)
Film Application Products	229,246	46.4
Other	40,691	65.6
Total	1,157,709	5.4

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 2016 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	585,958	3.7	123,308	16.2
Magnetic Application Products	305,049	(15.9)	27,124	(19.1)
Film Application Products	316,687	32.9	52,729	35.6
Other	30,532	45.2	2,368	(27.4)
Total	1,238,226	4.3	205,529	13.0

Notes: Amounts are calculated by the sales price.

(3) Sales results

A breakdown of sales results by business segment for fiscal 2016 is given below.

(Millions of yen)

Name of business segment	Sales Results	YoY Increase/ Decrease (%)
Passive Components	575,746	8.2
Magnetic Application Products	315,322	(13.2)
Film Application Products	222,359	47.0
Other	38,828	8.0
Total	1,152,255	6.4

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

3. Pressing issues

The Company was founded in 1935 to industrialize 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 formulated a three-year, medium-term management plan, with the fiscal year ended March 31, 2016 as the inaugural year, with the aim of further increasing corporate value by sustained growth. TDK'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 in June 2015 with the aim of achieving sustained growth and improving medium- and long-term corporate value, TDK will endeavor to implement appropriate information disclosure and ensure transparency to further activate its constructive engagement with shareholders and investors and fulfill the role and obligations of the Board of Directors at the same time.

(2) Pressing Issues of TDK

Overall, the global economy is experiencing a gradual 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 generally 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.

In the first fiscal year of the three-year Medium-Term Plan, TDK focused on the three fields of Automotive, ICT, and Industrial Equipment and Energy, and pursued growth strategies in the five priority business sectors: inductive devices, high-frequency components, piezoelectric materials and circuit protection components, recording devices (HDD heads), and energy devices (rechargeable batteries). Looking ahead, TDK will accelerate the expansion of strategic growth products (sensors and actuators, energy units, next-generation electronic components), aiming to capture business opportunities in the IoT market. To this end, TDK will strengthen its framework for a wide-range of collaboration with Qualcomm Incorporated and leverage the acquisition of Micronas Semiconductor Holding AG that is headquartered in Switzerland and operates magnetic sensor businesses. Furthermore, the recording devices (HDD head) business, one of TDK's priority businesses, is expected to operate in harsh conditions due to the impact of declining PC demand together with contraction in the HDD market as they are replaced by SSDs. TDK will right-size its production scale and provide products and services leveraging advanced technologies to continue being “an entity that is relied upon by society,” even in a contracting market. At the same time, TDK is making an effort to steadily implement fundamental measures and achieve an early-stage transformation to a high-earnings structure in some of its business lines.

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, consists of three development centers for information and communication device development, energy device development, and materials development, and TDK has 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.

In reinforcing its businesses, TDK will also take into account the environment. TDK 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 contribute to preservation of environment and achieve medium- and long-term sustainable growth and increase of TDK's corporate value as it seeks to strengthen its corporate governance.

TDK celebrated the 80th anniversary of its founding in December 2015. 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 29, 2016.

(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 ICT represented by smartphones, 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 an event beyond business continuity planning (BCP) assumptions, such as a large earthquake, tsunami, typhoon, flood or volcanic eruption; a large-scale blackout or electricity shortages caused by them; 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 occurrences, 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 hacking, negligence, theft 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.

(1) Conclusion of acquisition agreement of Hutchinson Technology Incorporated (“HTI”)

The Company entered into a definitive agreement to acquire HTI that manufactures components for HDD suspension on November 1, 2015. A U.S. company that is a subsidiary of the Company will acquire 100% shares of HTI. The agreement is expected to be completed after HTI shareholders’ and regulatory approval.

i. Purpose of acquisition

TDK aims to strengthen TDK’s HDD suspension assemble business and HDD head business.

ii. Overview of HTI

Company : Hutchinson Technology Incorporated

Headquarters : Hutchinson, Minnesota, U.S.A

Representative : Richard J. Penn (CEO & President)

Main business : Design, manufacture and sales of HDD suspension and its components

(2) Conclusion of transaction agreement of Micronas Semiconductor Holding AG (“Micronas”)

The Company’s Board of Directors resolved at a meeting held on December 17, 2015 to have TDK Magnetic Field Sensor G.K.(SPC) submit a public offer for controlling shares of Micronas. Micronas supplies state-of-the art magnetic sensors and IC systems for automobiles and industrial equipment.

i. Purpose of acquisition

TDK acquired Micronas, which process Hall elements effective as magnetic sensors and excels in integrated circuit design and packaging technology, to bolster its strength in magnetic sensors and grow the magnetic sensor business further. Capitalizing on the synergies between TDK’s magnetic sensor business and Micronas will enable TDK to expand the business even more in the global market.

ii. Overview of Micronas

Company : Micronas Semiconductor Holding AG

Headquarters : Zurich, Switzerland

Representative : Matthias Bopp (CEO)

Main business : Design, manufacture and sales of magnetic sensors and IC systems for automobiles and industrial equipment

(3) Conclusion of a business alliance involving establishment of a joint venture with Qualcomm Incorporated (“Qualcomm”)

The Company’s Board of Directors resolved at a meeting held on January 13, 2016 that TDK and Qualcomm which develops communication technology for mobile communications and designs and develops semiconductors, agreed to establish a joint venture and a business alliance for the expansion of collaboration in a broad range of business fields, and the agreement was concluded on the same day. The closing of this agreement is expected to be completed by the beginning of 2017, subject to the regulatory approvals and the completion of certain conditions and procedures for establishing the joint venture.

i. Purpose and Reasons for the Establishment of Joint Venture and Expansion of Collaboration

TDK determined that in order to timely provide the wireless solutions and module solutions demanded in the global market of mobile communications, it is essential to create a close-knit and swift management environment together with a semiconductor manufacturer. TDK therefore decided to establish a business alliance in a broad range of business fields, involving the establishment of a joint venture with Qualcomm, which designs and sells highly reliable state-of-the-art semiconductors with a proven track record in the global market.

ii. Outline of the Establishment of Joint Venture and Expansion of Collaboration

According to TDK's plan, EPCOS AG("EPCOS"), a subsidiary of TDK, will establish a holding company that has subsidiaries that run EPCOS's high-frequency components operations and sell the majority in the holding company to Qualcomm Global Trading PTE. Ltd. ("QGT"), which is a 100% indirect ownership subsidiary of Qualcomm. Thereafter, EPCOS and QGT will run the holding company as a joint venture. The name of the joint venture is RF360 Holdings Singapore PTE. Ltd. QGT holds 51% of the equity interest, while EPCOS holds 49%. Moreover, TDK and Qualcomm will also expand their collaboration around key technology fields, including sensors and wireless charging.

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, TDK is concentrating on the ICT 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. Based on the technology strategy capturing the market change in these 3 fields, TDK sets sensors and actuators, energy units and next-generation electric components as strategic growth products, of that future demand increase is promising. TDK puts more effort into capturing business opportunities in the IoT market. For sensors and actuators, TDK is accelerating the development of magnetic sensors for business expansion in automobile use, and aiming the development of unique actuator products by using MEMS (Micro Electro Mechanical System) structure and being combined with piezoelectric components. For energy unit, TDK is focusing on the development of energy unit using TDK's batteries, power supplies and wireless power transfer, and also focusing on magnet, of that demand is increasing for motor use. For next-generation electric components, TDK promotes to develop the high-value added products that respond to diversifying market needs by the fusion of SESUB(Semiconductor Embedded SUBstrate) technology, thin-film technology and materials technology.

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 is developing next-generation multilayer ceramic chip capacitors, inductors and EMC components with miniaturization and high performance. 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 high performance rare earth 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 allocates 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 Film Application Products field, TDK is developing materials for next-generation lithium batteries and new functional films.

For these R&D activities, TDK is pushing ahead with state-of-the art development activities in preparation for tomorrow's society with establishing research and development divisions in harmony with regional characteristics of the focus markets not only in Japan but also in overseas.

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.

Furthermore, in its R&D activities, TDK is pushing ahead to recruit and train outstanding talent and introduce cutting-edge theoretical research. Under this policy, TDK is proactively forming industry-government-academic alliances with public institutions, universities and research institutions around the world regarding source technologies that TDK does not possess. 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, the joint research is being advanced with the aim of achieving highly original development results.

R&D expenses in fiscal 2016 increased 20.2% year on year to ¥84,920 million, 7.4% 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 March 31, 2016.

(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, 2015 and 2016, the aggregate of TDK's property, plant and equipment and amortized intangible assets was ¥467,893 million and ¥526,400 million, which accounted for 33.3% and 36.3% 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 judges 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 consolidated financial statements for fiscal 2016, TDK established discount rates of 0.7% and 2.5% for domestic and overseas pension plans, respectively, and expected long-term rates of return of 2.3% and 6.6% 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. 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 2016, TDK posted consolidated net sales of ¥1,152,255 million, up 6.4% from fiscal 2015. TDK recorded operating income of ¥93,414 million, an increase of 28.9% year on year. TDK recorded net income attributable to TDK of ¥64,828 million, an increase of 31.1% compared to fiscal 2015.

The electronics market, which has a large bearing on the consolidated performance of TDK, saw production levels differ by finished product. Production of smartphones increased from fiscal 2015, driven by sustained growth in demand in the Chinese market. Production in the automobile market was slightly higher than the level of fiscal 2015, driven mainly by solid automobile sales in the U.S. Meanwhile, production of PCs declined compared to fiscal 2015 when there had been firm demand for replacement of PCs spurred by the end of support for Windows XP. Production of HDDs declined substantially compared to fiscal 2015 due to the decreased demand for PCs and the continued replacement of the HDDs inside PCs by SSDs, despite demand for data center applications continuing to hold firm.

As a result, orders increased for the ICT markets, mainly smartphones, and for the automotive market though sales in HDD heads and HDD suspension assemblies decreased. In addition to that, the weaker yen against the U.S. dollar also lifted the amount of net sales. Consequently, the amount of TDK's net sales increased year on year.

Under these market conditions, TDK has designated the Automotive, the ICT and the Industrial Equipment / Energy fields as its three priority markets. It also sees strategic growth products of sensors and actuators, energy units and next-generation electronic components. Accordingly, TDK will concentrate resources on each of these strategic growth products in an effort to achieve further improvement in earnings power.

Effect of foreign exchange fluctuations

In fiscal 2016, overseas sales accounted for 92.1% of consolidated net sales, an increase of 0.7 percentage points compared to fiscal 2015. During fiscal 2016, the yen's value depreciated 9.4% against the U.S. dollar, and appreciated 4.5% against the euro, based on average exchange rates in markets. Overall, exchange rate fluctuations had the effect of increasing net sales by approximately ¥85.3 billion and operating income by approximately ¥17.3 billion in fiscal 2016.

By geographic area based on the location of customers, foreign exchange fluctuations increased sales in Japan by approximately ¥14.6 billion, in Asia (excluding Japan) and Oceania by approximately ¥73.8 billion, in the Americas by approximately ¥8.4 billion, and in Europe by approximately ¥9.1 billion. The effect of foreign exchange fluctuations on consolidated net sales after the elimination of intersegment transactions among the Company and its consolidated subsidiaries was an approximate ¥85.3 billion increase.

The Company and certain overseas consolidated subsidiaries have forward foreign exchange contracts and currency swap contracts to ease the fluctuation risk of foreign currency exchange rates. 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 3.6% to ¥831,123 million in fiscal 2016 from ¥802,225 million in fiscal 2015 due primarily to higher sales; however, the cost of sales ratio decreased 2.0 percentage points from 74.1% to 72.1% 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 products, and an increase in sales volumes. As a result, gross profit increased ¥40,797 million (14.6%) year on year in fiscal 2016. The gross profit ratio was 27.9%.

Selling, general and administrative expenses increased by ¥19,842 million from ¥207,876 million in fiscal 2015 to ¥227,718 million in fiscal 2016. Moreover, the ratio to net sales increased 0.6 percentage points from 19.2% to 19.8%. The main factors in the increase in expenses include an increase of ¥8.2 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 fiscal 2016 climbed 20.2% from ¥70,644 million in fiscal 2015 to ¥84,920 million. There was a ¥1.6 billion increase in expenses due to the effect of higher expenses due to the implementation of development themes in principal businesses, as well as currency translation adjustments as a result of the yen's depreciation. As a result, the ratio of R&D expenses to net sales is 7.4%, up 0.9 percentage point from fiscal 2015.

Other income (deductions) deteriorated by ¥3,633 million from fiscal 2015. While equity in earnings of affiliates increased by ¥737 million from fiscal 2015, loss on sale of marketable securities and investments in securities and impairment loss of investments in securities increased by ¥1,839 million and ¥1,417 million from fiscal 2015, respectively.

Net income attributable to noncontrolling interests in fiscal 2016 was ¥1,795 million, a decrease of ¥1,544 million from ¥3,339 million in fiscal 2015. This decrease was due to changes in controlling interests ratio of subsidiaries and so on.

TDK posted net income attributable to TDK of ¥64,828 million, resulting in diluted net income attributable to TDK per common share of ¥504.66. Return on equity improved from 7.2% to 9.2%.

Cash dividends per share paid during fiscal 2016 was ¥110. This dividend was the sum of the year-end dividend of ¥50 paid out in June 2015 and the interim dividend of ¥60 paid out in December 2015. Shareholders recorded in the shareholders' registry as of March 31, 2016, will receive a cash dividend of ¥60 per share on June 30, 2016.

(3) Financial position

Total assets amounted to ¥1,450,585 million as of March 31, 2016, a ¥46,303 million increase from ¥1,404,282 million as of March 31, 2015.

Liquidity increased by ¥20,936 million. Cash and cash equivalents increased by ¥20,364 million and short-term investments increased by ¥1,873 million, while marketable securities decreased by ¥1,301 million. Property, plant and equipment increased by ¥60,385 million, while net trade receivables decreased by ¥11,871 million.

Total liabilities increased by ¥119,677 million from ¥646,275 million as of March 31, 2015 to ¥765,952 million as of March 31, 2016.

Short-term debt and current installments of long-term debt increased by ¥58,062 million and retirement and severance benefits increased by ¥41,449 million.

Total TDK stockholders' equity in net assets decreased by ¥63,500 million from ¥738,861 million as of March 31, 2015 to ¥675,361 million.

While retained earnings increased by ¥46,349 million, accumulated other comprehensive income (loss) decreased by ¥96,403 million, mainly due to decreases of foreign currency translation adjustments and pension liability adjustments.

(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 expenses and logistics costs for sales promotion are also 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."

Financing

TDK regards cash and deposits with banks, etc. (cash, deposits with banks, short-term investments and marketable securities) as liquid funds, and its policy has long been to maintain its liquidity level at 2.0 months or more of monthly net sales. The balance of liquid funds amounted to ¥307,432 million as of March 31, 2016, which was equal to approximately 3.2 months of average monthly net sales. TDK considers this level of liquidity sufficient for current needs.

TDK held long-term debt of ¥112,768 million excluding straight bonds and lease obligations, straight bonds of ¥13,000 million and short-term debt of ¥136,098 million as of March 31, 2015. However, long-term debt excluding straight bonds and lease obligations increased by ¥39,530 million primarily due to borrowing and short-term debt increased by ¥22,585 million. Net cash of ¥140,585 million was used in investing activities of TDK in fiscal 2016.

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, U.S., Europe and China to centrally manage funds by 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 2016, TDK spent ¥160,674 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 ¥75,877 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 ¥16,131 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 ¥52,837 million, mainly to boost production of lithium-ion polymer batteries at Amperex Technology Ltd.

Capital expenditures in the Other totaled ¥2,280 million.

Capital expenditures for the R&D divisions at the headquarters totaled ¥13,549 million mainly for investments in building new plants and 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 (the Company)

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	14,630	22,685	2,655 (464)	—	972	40,943	573

Notes: 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 Shonai Corporation (Tsuruoka City, Yamagata Pref. and other locations)	Manufacturing passive components	2,223	95	1,067 (83)	19	3,404	782
TDK Ugo Corporation (Yurihonjo City, Akita Pref. and other locations)	Manufacturing passive components	2,581	29	398 (64)	—	3,008	831

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	799	29,098	1 (0)	3,990	33,888	1,876
EPCOS Pte Ltd. (Singapore)	Manufacturing passive components	—	23,581	—	5,381	28,962	1,457
TDK Xiamen Co., Ltd. (China)	Manufacturing passive components	4,551	12,879	—	569	17,999	7,354
EPCOS Technology (Wuxi) Co., Ltd. (China)	Manufacturing passive components	956	12,663	—	2,998	16,617	1,472
EPCOS OHG (Austria)	Manufacturing passive components	4,893	8,280	576 (123)	1,461	15,210	844
TDK Dalian Corporation (China)	Manufacturing passive components	2,065	6,191	—	2,460	10,716	1,549
EPCOS Electronic Parts Ltd. (Hungary)	Manufacturing passive components	3,014	4,082	346 (32)	1,874	9,316	1,586

(2) Magnetic Application Products

a. Filing company (the Company)

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	1,926	932	3,289 (248)	—	62	6,210	509
Asama Techno Plant (Saku City, Nagano Pref.)	Manufacturing magnetic application products	2,341	2,678	870 (95)	—	521	6,412	547

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	1,036	201	363 (64)	23	1,623	583

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	2,938	7,598	599 (136)	599	11,734	6,041
SAE Magnetics (H.K.) Ltd. (China (Hong Kong))	Manufacturing magnetic application products	1,301	7,081	—	609	8,991	613
Micronas GmbH (Germany)	Manufacturing magnetic application products	3,254	3,188	1,052 (51)	1,105	8,599	699
Headway Technologies, Inc. (U.S.A.)	Manufacturing magnetic application products	628	3,495	—	1,995	6,118	545

(3) Film Application Products

a. Filing company (the Company)

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	844	664	700 (101)	—	196	2,405	158

- Notes: 1. Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."
2. Mikumagawa Plant is displayed under "Film Application Products", but it will be reclassified as "Other" and displayed under "Corporate (Common) and Other" from April, 2016.

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	30,344	30,583	—	36,725	97,652	7,752
Dongguan Amperex Technology Ltd. (China)	Manufacturing film application products	4,180	9,297	—	3,521	16,998	1,892

(4) Corporate (Common) and Other

a. Filing company (the Company)

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	9,459	5,599	2,304 (172)	302	965	18,631	1,558

- 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. As of March 31, 2016, 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 2016 are ¥200,000 million and the breakdown by business segment is as follows.

Name of business segment	Projected amount at the end of fiscal 2016 (Millions of yen)	Main contents and objectives of facilities, etc.	Capital resource
Passive Components	90,000	Production capacity increase of inductive devices and high-frequency components	–
Magnetic Application Products	14,000	Developing and manufacturing facilities of high-density next-generation heads for HDD	–
Film Application Products	63,000	Production capacity increase of lithium-ion polymer batteries and rationalization of facilities	–
Other	7,000	–	–
HQ/R&D divisions	26,000	Building new plants Establishment of internal IT system and basic research and development	–
Total	200,000	–	Own capital and borrowing

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's shares

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

Class	Total number of shares authorized by the Company(Shares)
Common stock	480,000,000
Total	480,000,000

b. Number of shares issued

Class	Number of issued shares (As of March 31, 2016)	Number of issued shares (As of the date of filing: June 29, 2016)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company 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 between June 1, 2016 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 29, 2016)".

(2) Status of stock acquisition rights

Stock Acquisition Rights, Etc., Granted to the Company's Directors and Audit & Supervisory Board Members as of the End of the Fiscal Year Under Review in Consideration for the Performance of Their Duties

a. Share-Based Compensation Type 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 Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
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	7	700 shares of common stock	¥11,014 (fair value)	From July 8, 2007 to July 7, 2027	1 person, 7 rights	—
2008 (Issued at Fair Value to Directors)	May 28, 2008	37	3,700 shares of common stock	¥5,967 (fair value)	From July 6, 2008 to July 5, 2028	1 person, 37 rights	—
2009	May 27, 2009	177	17,700 shares of common stock	¥4,021 (fair value)	From July 5, 2009 to July 4, 2029	2 people, 68 rights	—
2010	May 26, 2010	166	16,600 shares of common stock	¥4,213 (fair value)	From July 4, 2010 to July 3, 2030	2 people, 77 rights	—
2011	May 25, 2011	326	32,600 shares of common stock	¥3,925 (fair value)	From July 3, 2011 to July 2, 2031	2 people, 85 rights	1 person 20 rights
2012	June 21, 2012	362	36,200 shares of common stock	¥2,770 (fair value)	From July 8, 2012 to July 7, 2032	3 people, 157 rights	1 person 19 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, 174 rights	1 person 26 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, 174 rights	1 person 26 rights
2015	July 31, 2015	1,041	104,100 shares of common stock	¥6,806 (fair value)	From August 23, 2015 to August 22, 2035	4 people, 418 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 Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
9th	July 29, 2010	326	32,600 shares of common stock	¥5,292	From August 1, 2012 to July 31, 2016	—	—
10th	July 28, 2011	363	36,300 shares of common stock	¥4,567	From August 1, 2013 to July 31, 2017	—	—
11th	July 31, 2012	524	52,400 shares of common stock	¥3,550	From August 1, 2014 to July 31, 2018	—	—
12th	July 31, 2013	811	81,100 shares of common stock	¥3,836	From August 1, 2015 to July 31, 2019	—	—

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

2. Stock acquisition rights are issued free of charge.

3. Stock acquisition rights have not been granted to Outside Directors and Audit & Supervisory Board Members.

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

5. Stock acquisition rights held by an Audit & Supervisory Board Member were granted during appointment as a Director.

(Reference) Stock acquisition rights, etc., held by Directors, Audit & Supervisory Board Members, Corporate Officers and employees, etc., of the Company and its subsidiaries as of March 31, 2016

	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
Share-Based Compensation Type Stock Acquisition Rights	2,851	285,100 shares of common stock	0.22%
Stock Acquisition Rights	2,024	202,400 shares of common stock	0.16%
Total	4,875	487,500 shares of common stock	0.38%

(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, 2016)

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 corporation	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	–	103	65	255	611	30	24,790	25,854	–
Number of shares held (Share units)	–	559,841	79,446	11,652	500,587	109	143,775	1,295,410	49,659
Holding rate of shares (%)	–	43.22	6.13	0.90	38.64	0.01	11.10	100.00	–

- Notes:
1. In the "Other corporations" column, three share units in the name of Japan Securities Depository Center, Inc. are included.
 2. 3,467,845 treasury shares of which 34,678 share units are included in "Individuals, etc." and 45 shares are included in "Shares less than one unit."

(7) Status of major shareholders

(As of March 31, 2016)

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	18,318	14.14
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	11,813	9.12
JP Morgan Chase Bank 380055 (Standing proxy: Mizuho Bank, Ltd.)	New York, USA (2-15-11, Konan, Minato-ku, Tokyo, Japan)	5,690	4.39
Trust & Custody Services Bank, Ltd. (Securities investment trust account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	3,491	2.69
Japan Trustee Services Bank, Ltd. (Trust account 9)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	2,622	2.02
BNP Paribas Securities (Japan) Limited	1-9-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,556	1.97
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	Massachusetts, USA (2-15-11, Konan, Minato-ku, Tokyo, Japan)	1,830	1.41
Japan Trustee Services Bank, Ltd. (Trust account 7)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	1,678	1.29
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,640	1.27
Goldman Sachs Japan Co., Ltd.	6-10-1, Roppongi, Minato-ku, Tokyo, Japan	1,554	1.20
Total	—	51,192	39.50

- Notes: 1. Other than the above, the Company holds 3,468 thousand shares of treasury stock.
2. 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, the Company acknowledges it has received the report pertaining to the share possession by each shareholder as of September 15, 2014, as detailed below. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2016, 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

3. In a Report of Possession of Large Volume that was disclosed to public on December 7, 2015, the share possessions by shareholders as of November 30, 2015, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2016, 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	2,904,100	2.24
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-ku, Tokyo, Japan	2,501,800	1.93
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	565,547	0.44
Total	-	6,511,819	5.02

4. As a copy of Change Report dated March 22, 2016, was sent from Nomura Securities Co., Ltd. and its two joint holders, the Company acknowledges it has received the report pertaining to the share possession by each shareholder as of March 15, 2016, as detailed below. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2016, 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 (%)
Nomura Securities Co., Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	368,905	0.28
NOMURA INTERNATIONAL PLC	London, United Kingdom	161,550	0.12
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo, Japan	11,611,800	8.96
Total	-	12,142,255	9.37

5. In a Report of Possession of Large Volume that was disclosed to public on April 6, 2016, the share possessions by shareholders as of March 31, 2016, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2016, 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	4,194,400	3.24
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1, Shiba, Minato-ku, Tokyo, Japan	383,400	0.30
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo, Japan	5,734,800	4.43
Total	-	10,312,600	7.96

(8) Status of voting rights

a. Issued shares

(As of March 31, 2016)

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 3,467,800	–	–
Shares with full voting rights (Other)	Common stock 126,073,200	1,260,732	–
Shares less than one unit	Common stock 49,659	–	–
Total number of issued shares	129,590,659	–	–
Total number of voting rights	–	1,260,732	–

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, 2016)

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	3,467,800	–	3,467,800	2.68
Total	–	3,467,800	–	3,467,800	2.68

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, 2016	758	6,384,890
Treasury stock acquired during the period under review	28	181,040

Note: Shares acquired by the purchase of shares less than one unit between June 1, 2016 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, 2016	600	5,184,000
Treasury stock acquired during the period under review	—	—

Note: These acquisitions are due to demands to purchase shares by opposing shareholders regarding the absorption-type corporate split executed between the Company 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 2016		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)	136,700	701,878,135	10,900	55,970,054
Treasury stock held	3,467,845	–	3,456,973	–

- Notes:
1. "Fiscal 2016" and "Period under review" consists of disposals due to exercises of stock acquisition rights.
 2. Shares disposed of between June 1, 2016 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, 2016 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

The Company recognizes that achieving growth in corporate value over long term ultimately translates into higher shareholder value. In line with this recognition, the Company'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, the Company is aiming to increase medium- and long-term corporate value. Accordingly, the Company 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.

The Company'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 the Company 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 120th 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 30, 2015	7,565	60
The General Meeting of Shareholders held on June 29, 2016	7,567	60

4. Trends in share price

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

Term	116th term	117th term	118th term	119th term	120th term
Accounting period	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	From April 1, 2015 to March 31, 2016
Highest (Yen)	4,990	4,840	5,360	9,260	10,450
Lowest (Yen)	2,404	2,719	3,095	4,045	5,230

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 2015	November 2015	December 2015	January 2016	February 2016	March 2016
Highest (Yen)	7,920	8,910	9,110	7,770	7,150	7,170
Lowest (Yen)	6,720	7,910	7,550	6,180	5,230	5,670

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

5. Status of Directors and Audit & Supervisory Board Members

Men: 12 Women: — (Percentage of women among directors and audit & supervisory board members: —%)

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Representative Director	Chairman	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</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</p> <p>Oct. 2014: General Manager of Technology HQ of the Company</p> <p>Jun. 2016: Chairman & Representative Director of the Company (present post)</p>	Note: 3	100
Representative Director	President and CEO, General Manager of Manufacturing HQ, and General Manager of Humidifier Countermeasures HQ	Shigenao Ishiguro	Oct. 30, 1957	<p>Jan. 1982: Entered the Company</p> <p>Apr. 2002: Senior Manager of Planning Group of Europe Sales Group of Recording Media & Solutions Business Group of the Company</p> <p>Jul. 2004: Leader of Planning Group of Japan Operation of HDD Head Business Division of Data Storage & Thin Film Technology Components Business Group of the Company</p> <p>Apr. 2007: Leader of Japan Operation of HDD Head Business Division of Data Storage & Thin Film Technology Components Business Group of the Company</p> <p>Apr. 2011: Deputy General Manager of Data Storage & Thin Film Technology Components Business Group of the Company</p> <p>Jun. 2012: General Manager of Data Storage & Thin Film Technology Components Business Group of the Company</p> <p>Jun. 2014: Corporate Officer of the Company</p> <p>Apr. 2015: CEO of Magnetic Heads and Sensors Business Company of the Company</p> <p>Jun. 2015: Senior Vice President of the Company</p> <p>Apr. 2016: General Manager of Magnetic Sensors Business Group of Magnetic Heads and Sensors Business Company of the Company</p> <p>Jun. 2016: President & Representative Director of the Company (present post) General Manager of Manufacturing HQ of the Company (present post) General Manager of Humidifier Countermeasures HQ of the Company (present post)</p>	Note: 3	18

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
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) Outside Director of TABUCHI ELECTRIC CO.,LTD. (present post)</p>	Note: 3	32
Director	General Manager of Finance & Accounting Group	Tetsuji Yamanishi	May. 29, 1960	<p>Apr. 1983: Entered the Company</p> <p>Jan. 2005: Senior Manager of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company</p> <p>Jul. 2008: Head of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company</p> <p>Jun. 2013: General Manager of Finance & Accounting Department of the Company</p> <p>Apr. 2015: General Manager of Finance & Accounting Group of the Company (present post)</p> <p>Jun. 2015: Corporate Officer of the Company (present post)</p> <p>Jun. 2016: Director of the Company (present post)</p>	Note: 3	10

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.</p> <p>Apr. 2007: President & CEO of INNOTECH CORPORATION</p> <p>Jun. 2011: Outside Audit & Supervisory Board Member of the Company</p> <p>Apr. 2013: Chairman & CEO of INNOTECH CORPORATION (present post)</p> <p>Jun. 2013: Resigned Outside Audit & Supervisory Board Member of the Company</p> <p>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	—

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Full-time Audit & Supervisory Board Member		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 Audit & Supervisory Board Member of the Company (present post)</p>	Note: 4	28
Full-time Audit & Supervisory Board Member		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 Audit & Supervisory Board Member of the Company (present post)</p>	Note: 4	20
Audit & Supervisory Board Member		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 Audit & Supervisory Board Member of the Company (present post)</p> <p>Mar. 2014: Outside Director of OYO Corporation (present post)</p>	Note: 4	—

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Audit & Supervisory Board Member		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 Audit & Supervisory Board Member of the Company (present post)</p> <p>Jul. 2015: Outside Director of Daiwa Asset Management Co. Ltd. (present post)</p>	Note: 4	—
Audit & Supervisory Board Member		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.</p> <p>Jun. 2015: Outside Audit & Supervisory Board Member of the Company (present post)</p>	Note: 4	—
Total						208

- Notes:
1. Directors Mr. Makoto Sumita, Mr. Kazumasa Yoshida and Mr. Kazuhiko Ishimura are Outside Directors.
 2. Audit & Supervisory Board Member Mr. Kazunori Yagi, Mr. Toru Ishiguro and Mr. Kiyoshi Fujimura are Outside Audit & Supervisory Board Member.
 3. One year from the closing date of the Ordinary General Meeting of Shareholders held on June 29, 2016.
 4. Four years from the closing date of the Ordinary General Meeting of Shareholders held on June 26, 2015.
 5. The Company, aiming to boost execution of duties and improve management efficiency, has introduced a Corporate Officer System. the Company has 17 Corporate Officers.

6. Status of corporate governance, etc.

(1) Status of corporate governance

Corporate governance system of TDK is as follows:

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

The Company was established in 1935 as the world's first company to industrialize a magnetic material called ferrite. In the ensuing years, The Company 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 "TDK Charter of Corporate 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 Audit & Supervisory Board Member System and Strengthening of the Supervisory Function:

The Company has adopted the Audit & Supervisory Board Member System pursuant to the Companies Act of Japan and has appointed independent Outside Audit & Supervisory Board Members who are disinterested in the Company to strengthen the supervision of the Company's management.

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

The Company has a small number of Directors to expedite the management decision-making process. At the same time, The Company has appointed disinterested, independent Outside Directors in order to enhance the supervision of the Company'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 fiscal year.

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

The Company 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. This aims to accelerate decision-making by delegation of authority and to clarify the authority and responsibility of business execution. 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, Audit & Supervisory Board Members, 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 the Company's shares are listed.

The Compensation Advisory Committee, which is chaired by an Outside Director of the Company, examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers, as well as presidents and qualifying officers of principal the Company's 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 the Company, reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members, and Corporate Officers, and provides transparency in the decision-making process.

Under the foregoing corporate systems, the Audit & Supervisory Board Members 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 Audit & Supervisory Board and the Code of Audit & Supervisory Board Members' 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.

The Company 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 the Company's shares are listed (hereinafter collectively referred to as the "Securities Regulations").

(i) The Company will collect, record, analyze, process, summarize, and report all information required to be disclosed under the Securities Regulations. The Company has established an internal control system and other methods to warrant timely disclosures within the deadlines stipulated by the Securities Regulations.

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

(iii) The Company 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 the company shall be preserved and controlled:

The President, who is responsible for the business execution of the Company, 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 the company and its subsidiaries:

To enhance the risk management system of TDK, the Company has established the three committees (which are chaired by Corporate Officers appointed by the President) under the direct control of the Executive Committee.

- (i) ERM* Committee

For the purpose of the company-wide treatment of factors that obstruct the achievement of the business targets and business operations of TDK, the Company has established the ERM Committee, 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.

- (ii) Crisis Management Committee

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

- (iii) Information Security Committee

In order to appropriately preserve important information including information provided by customers, the Company has established the Basic Policy on Information Security and the Information Security Committee, and appropriately takes risk-based security measures.

The Audit & Supervisory Board Members 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, the Company will seek advice from specialists, including outside legal counsel and other experts, regarding new factors that may hinder TDK as needed. *ERM (Enterprise Risk Management)

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

The Company 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. The Company 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, the Company 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 the Company and Directors, etc. and employees of the company's subsidiaries are in compliance with laws and regulations and the Articles of Incorporation:

TDK strives to ensure that all Directors, Audit & Supervisory Board Members, Corporate Officers, and employees are fully familiar with TDK's management philosophy, "TDK Charter of Corporate 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, the Company has established a corporate ethics management system under the Business Ethics & CSR Committee, to regularly monitor TDK's compliance with corporate ethics, including the Company'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 the Company 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 Audit & Supervisory Board Members 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 Audit & Supervisory Board Members of the Company when Audit & Supervisory Board Members request such employees:

The Audit & Supervisory Board Members Office, consisting of designated full-time employees who do not perform any business execution duties, assists the Audit & Supervisory Board Members.

8. Matters regarding the independence of employees in the preceding item from Directors and the ensuring of the effectiveness of instructions of Audit & Supervisory Board Members of the Company to such employees:

The Audit & Supervisory Board Members shall directly evaluate the performance of the employees who serve as members of the Audit & Supervisory Board Members Office, and any transfer or discipline of these employees shall be determined pursuant to the operating rules of the Company subject to the consent of the Audit & Supervisory Board Members.

In addition, any employee who has been instructed or ordered by an Audit & Supervisory Board Member in connection with audit duties shall not be subject to any Director's instruction or order with respect to said Audit & Supervisory Board Member's instruction or order.

9. System for ensuring Directors or employees of the Company report to Audit & Supervisory Board Members of the Company and system for ensuring Directors, Audit & Supervisory Board Members, employees of the Company's subsidiaries or persons who have received reports from these persons report to Audit & Supervisory Board Members of the Company:

All members of TDK provide an appropriate report immediately, if an Audit & Supervisory Board Member 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 Audit & Supervisory Board Members who attend

important meetings such as Executive Committee meetings and business plan review meetings, and minutes of such meetings are also provided to the Audit & Supervisory Board Members immediately. Furthermore, Audit & Supervisory Board Members may receive explanations directly from Corporate Officers and other personnel as necessary. Audit & Supervisory Board Members may review reports prepared by each department of the Company or its subsidiaries, and Audit & Supervisory Board Members may thereby confirm the conditions of the business operations of TDK.

In addition, all members of TDK immediately report to Audit & Supervisory Board Members or the Audit & Supervisory Board 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 the Company 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 ERM Committee and other committees is provided to Audit & Supervisory Board Members from time to time, enabling the Audit & Supervisory Board Members 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

The Company 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 Audit & Supervisory Board Members

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

12. System for ensuring Audit & Supervisory Board Members of the Company conduct audits effectively:

The Audit & Supervisory Board Members and the Audit & Supervisory Board meet with the Representative Director 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 Audit & Supervisory Board Members’ audits. These meetings also strengthen the mutual understanding between the Audit & Supervisory Board Members and the Representative Director.

Furthermore, the Audit & Supervisory Board Members and the internal audit group meet regularly and also receive regular audit reports from the Accounting Auditor. Audit & Supervisory Board Members conduct efficient audits by sharing information regarding initial audit plans and results.

13. Overview of current system and reason for adoption

The Company is a company with the Audit & Supervisory Board 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, the Company has established 4 committees acting as advisory 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, the Company 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 Audit & Supervisory Board System.

14. Matters regarding Outside Directors and Outside Audit & Supervisory Board Members

- Appointment of Outside Directors and Outside Audit & Supervisory Board Members

The Company 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, 2016 and the date of filing of this Annual Securities Report, three of the seven Directors are Outside Directors and three of the five

Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members, making Outside Directors and Outside Audit & Supervisory Board Members represent 50% of the total number of Directors and Audit & Supervisory Board Members.

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 Audit & Supervisory Board Members confirm the details of the above policy through reports from the full-time Audit & Supervisory Board Members 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 Audit & Supervisory Board Members

In order to secure the independence of the Outside Directors and Outside Audit & Supervisory Board Members it invites, the Company 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/ Audit & Supervisory Board Member has a business relationship with TDK

An Outside Director/ Audit & Supervisory Board Member 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/ Audit & Supervisory Board Member is involved in the business relationship with the other party to such relationship

(2) In cases where the relevant Outside Director/ Audit & Supervisory Board Member 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/ Audit & Supervisory Board Member (including candidates for such position; the same shall apply hereinafter) cannot perform duties as an Independent Outside Director/ Audit & Supervisory Board Member 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/ Audit & Supervisory Board Member cannot perform duties as an Independent Outside Director/ Audit & Supervisory Board Member 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/ Audit & Supervisory Board Member is involved with the services, etc. provided by the Relevant Organization

(3) In the case of a close relative of the relevant Outside Director/ Audit & Supervisory Board Member

An Outside Director/ Audit & Supervisory Board Member 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 the Company or a subsidiary of the Company (except persons without material significance)

The Company 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 Audit & Supervisory Board Members (including cases where there is a change in an Outside Director/ Audit & Supervisory Board Member’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, the Company has notified the Tokyo Stock Exchange of its Outside Directors, namely Mr.

Makoto Sumita, Mr. Kazumasa Yoshida, and Mr. Kazuhiko Ishimura and its Outside Audit & Supervisory Board Members, 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.

Makoto Sumita (Outside Director):	All 16 meetings of the Board of Directors, 8 meetings of the Nomination Advisory Committee, 3 meetings of the Compensation Advisory Committee
Kazumasa Yoshida (Outside Director):	All 16 meetings of the Board of Directors, 7 meetings of the Compensation Advisory Committee
Kazuhiko Ishimura (Outside Director):	10 of 12 meetings of the Board of Directors, all 8 meetings of the Nomination Advisory Committee, 4 meetings of the Compensation Advisory Committee (Appointed as Outside Director in the 119th Ordinary General Meeting of Shareholders on June 26, 2015)
Kazunori Yagi (Outside Audit & Supervisory Board Member):	14 of 15 meetings of the Audit & Supervisory Board, 15 of 16 meetings of the Board of Directors
Toru Ishiguro (Outside Audit & Supervisory Board Member):	All 11 meetings of the Audit & Supervisory Board, 12 meetings of the Board of Directors (Appointed as Outside Audit & Supervisory Board Member in 119th Ordinary General Meeting of Shareholders on June 26, 2015)
Kiyoshi Fujimura (Outside Audit & Supervisory Board Member):	All 11 meetings of the Audit & Supervisory Board, 12 meetings of the Board of Directors (Appointed as Outside Audit & Supervisory Board Member in the 119th Ordinary General Meeting of Shareholders on June 26, 2015)

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 Audit & Supervisory Board Member with knowledge of finance and accounting

Full-time Audit & Supervisory Board Member Mr. Osamu Yotsui has 22 total years of experience in financing and accounting of TDK and, thus, has considerable knowledge in this field.

Outside Audit & Supervisory Board Member Mr. 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 Audit & Supervisory Board Member Mr. 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 Audit & Supervisory Board Members

The Company entered into contracts with all of the Outside Directors and Audit & Supervisory Board Members pursuant to Article 427 paragraph 1 of the Companies Act to limit the liabilities of each such Outside Director/Audit & Supervisory Board Member to the Company 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 Audit & Supervisory Board Members to fulfill their roles sufficiently.

17. Overview of personal, capital and business relationships or other interests between TDK and its Outside Directors and Outside Audit & Supervisory Board Members

- Special interests between TDK and its Outside Directors and Outside Audit & Supervisory Board Members

There are no special interests between TDK and any of its current Outside Directors and Outside Audit & Supervisory Board Members (three Outside Directors and three Outside Audit & Supervisory Board Members).

- Business relationships between TDK and companies where Outside Directors and Outside Audit & Supervisory Board Members serve 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 flash memory devices 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 fiscal 2016, 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 electromagnetic compatibility (EMC) measurement, glass and chemical goods, etc. with Asahi Glass Co., Ltd., where Outside Director Mr. Kazuhiko Ishimura serves as Representative Director, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in fiscal 2016, the ratio of sales of TDK to the Asahi Glass Group represented less than 1% of the consolidated net sales of TDK, and the ratio of sales of the Asahi Glass Group to TDK represented less than 1% of the Asahi Glass Group's consolidated net sales.

18. Number of Directors

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

19. Resolution requirements for election and dismissal of Directors

The Company'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, the Company's Articles of Incorporation provide for the acquisition of treasury stock to be possible by resolution of the Board of Directors.

2) Interim dividend

The Company's Articles of Incorporation provide that the Company 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 the Company may flexibly distribute profits to shareholders.

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

The Company'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 Audit & Supervisory Board Member Remunerations

Remuneration and other payments to Directors and Audit & Supervisory Board Member 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	Share-based compensation type stock options	
Directors (Excluding Outside Directors)	367	173	100	94	5
Outside Directors	51	51			4
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	58	58			3
Outside Audit & Supervisory Board Members	27	27			5

Although there were four Directors (Excluding Outside Directors), three Outside Directors, two Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Member as of March 31, 2016, 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 one Director, one Outside Director, one Audit & Supervisory Board Member and two Outside Audit & Supervisory Board Members who retired at the closing of the 119th Ordinary General Meeting of Shareholders held on June 26, 2015 and remuneration and other payments paid to them, respectively.

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	Share-based compensation type stock options	
Takehiro Kamigama	Representative Director, President and CEO	Filing company	72	42	39	152

23. Policy and determination method regarding the amounts of remuneration and other payments for Directors and Audit & Supervisory Board Members of the Company and its method of calculation

1) Policy on remuneration

(1) Purpose of remuneration system

The Company'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 competitive remuneration system that focuses on linkage with short-term as well as mid- to long-term results and hiring various and excellent human resources, the Company promotes as much as possible behavior on the part of Directors and Audit & Supervisory Board Members geared towards enhancing corporate results and stock value to constantly increase the corporate value of the overall TDK.

(2) Remuneration level

The Company 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 performed periodically by third parties.

(3) Composition of remuneration

a. Remuneration for Directors who concurrently serve as Corporate Officer

Composed of basic remuneration, results-linked bonuses and share-based compensation type stock options

b. Remuneration for Directors who do not concurrently serve as Corporate Officer

Composed of basic remuneration and share-based compensation type stock options

c. Remuneration for Outside Directors

Basic remuneration only

d. Remuneration for Audit & Supervisory Board Members

Basic remuneration only

(4) Results linkage system

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

A system whereby remuneration fluctuates within a range of 0% to 200% of the standard payment amount depending on the consolidated results for the year (operating income, ROE) and the degree of achievement of targets set for each division in charge.

b. Mid- to long-term results linkage system (share-based compensation type stock options)

Under this system, recipients share the same advantage of a rising stock value of the Company and the same risk of it falling as shareholders. The introduction of such a system is intended to increase the ambition and morale of eligible Directors and Corporate Officers with respect to the enhancement of results of operations and stock value. To further strengthen the link between executive remuneration and mid- to long-term results and corporate value, a performance condition is attached to some share-based compensation type stock options. The performance condition takes the consolidated medium-term management plan (operating income, ROE) as an index, and the number of exercisable options varies between 0% and 100% of the number of options granted, depending on the degree of achievement of targets.

The Company has established Corporate Stock Ownership Guidelines. The Company makes an effort to ensure that eligible Directors and Corporate Officers hold at least a certain number of shares in the Company pursuant to their rank, including share-based compensation type 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, the Company has in place a "Compensation Advisory Committee" acting 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 Outside Directors.

The Committee examines and recommends the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers in order to preserve the transparency of the remuneration decision-making process and help to ensure that the individual remuneration is reasonable in light of corporate business performance, individual performance and general industry standards, 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

18 issues	¥9,870 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, 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.

As of March 31, 2016

Specified investment stocks

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Tabuchi Electric Co., Ltd.	8,000,000	4,216	Strategic holding on business development
Mabuchi Motor Co., Ltd.	600,000	3,144	Strategic holding on business development
ALPS LOGISTICS CO., LTD.	2,804,400	1,567	Strategic holding on business development
SIIX Corporation	33,746	116	Strategic holding on business development
FIDEA Holdings Co. Ltd.	32,541	5	Maintaining and Strengthening business to business transactions

Regarded as holding shares

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Fukuda Denshi Co., Ltd.	269,100	1,587	Contribution on retirement benefit trust
Foster Electric Company, Limited	587,000	1,393	Contribution on retirement benefit trust
OMRON Corporation	364,000	1,219	Contribution on retirement benefit trust
KYOCERA Corporation	210,000	1,040	Contribution on retirement benefit trust
TODA KOGYO CORP.	1,994,000	634	Contribution on retirement benefit trust
Tokio Marine Holdings, Inc.	129,500	492	Contribution on retirement benefit trust
Shinko Shoji Co., Ltd.	349,000	378	Contribution on retirement benefit trust
NIKKO COMPANY	2,500,000	267	Contribution on retirement benefit trust
SUMIDA CORPORATION	329,500	242	Contribution on retirement benefit trust
Mitsubishi UFJ Financial Group, Inc.	260,000	135	Contribution on retirement benefit trust
Ricoh Company, Ltd.	108,000	123	Contribution on retirement benefit trust
DENKYOSHA CO., LTD.	111,000	71	Contribution on retirement benefit trust
ADVANTEST CORPORATION	63,000	65	Contribution on retirement benefit trust
Sumitomo Mitsui Trust Holdings, Inc.	103,000	33	Contribution on retirement benefit trust
MITSUMI ELECTRIC CO., LTD.	52,000	27	Contribution on retirement benefit trust
Resona Holdings, Inc.	61,300	24	Contribution on retirement benefit trust
Oki Electric Industry Co., Ltd.	50,000	7	Contribution on retirement benefit trust
Japan Radio Co., Ltd.	6,000	1	Contribution on retirement benefit trust
Uniden Holdings Corporation	10,000	1	Contribution on retirement benefit trust

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

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

The two certified public accountants who conducted the accounting audit of the Company were Junichi Obi and Hiroto Yamane, and both 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 the Company were 10 certified public accountants, 11 assistant certified public accountants, and 18 other people.

(2) Audit fees, etc.

a. Details of fees to auditors

(Millions of yen)

Category	Fiscal 2015		Fiscal 2016	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	294	–	347	–
Consolidated subsidiaries	139	–	65	–
Total	433	–	412	–

b. Details of other material fees

In fiscal 2015 and fiscal 2016, 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, 2014, 2015 and 2016

	Yen			U.S. Dollars
	(Millions)			(Thousands)
	2014	2015	2016	2016
Net sales	¥ 984,525	¥ 1,082,560	¥ 1,152,255	\$ 10,196,947
Cost of sales	763,572	802,225	831,123	7,355,071
Gross profit	220,953	280,335	321,132	2,841,876
Selling, general and administrative expenses	184,337	207,876	227,718	2,015,203
Operating income	36,616	72,459	93,414	826,673
Other income (deductions):				
Interest and dividend income	3,365	4,075	4,496	39,787
Interest expense	(3,457)	(2,992)	(3,116)	(27,575)
Gain (loss) on securities, net (Note 3)	2,136	1,272	(3,145)	(27,832)
Equity in earnings of affiliates (Note 4)	1,444	725	1,462	12,938
Foreign exchange gain (loss)	(1,302)	(1,846)	(2,394)	(21,186)
Other - net	970	824	1,122	9,930
	3,156	2,058	(1,575)	(13,938)
Income from continuing operations before income taxes	39,772	74,517	91,839	812,735
Income taxes (Note 7)				
Current	18,412	18,729	23,215	205,443
Deferred	(476)	3,009	2,001	17,708
	17,936	21,738	25,216	223,151
Income from continuing operations	21,836	52,779	66,623	589,584
Discontinued operations (Note 22):				
Loss from discontinued operations	(5,580)	-	-	-
Income taxes	(1,978)	-	-	-
Loss from discontinued operations	(3,602)	-	-	-
Net income	18,234	52,779	66,623	589,584
Less: Net income attributable to noncontrolling interests	1,946	3,339	1,795	15,885
Net income attributable to TDK	¥ 16,288	¥ 49,440	¥ 64,828	\$ 573,699

Amounts per share:

	Yen			U.S. Dollars
				(Note 2)
Income from continuing operations				
attributable to TDK (Note 20):				
Basic	¥ 150.55	¥ 392.78	¥ 514.23	\$ 4.55
Diluted	142.01	377.98	504.66	4.47
Loss from discontinued operations				
attributable to TDK (Note 20):				
Basic	(21.08)	-	-	-
Diluted	(21.08)	-	-	-
Net income attributable to TDK (Note 20):				
Basic	129.47	392.78	514.23	4.55
Diluted	120.97	377.98	504.66	4.47
Cash dividends paid during the year (Note 9)	¥ 60.00	¥ 80.00	¥ 110.00	\$ 0.97

Consolidated statements of comprehensive income (loss)

For the years ended March 31, 2014, 2015 and 2016

	Yen			U.S. Dollars
	(Millions)			(Thousands)
	2014	2015	2016	2016
Net income	¥ 18,234	¥ 52,779	¥ 66,623	\$ 589,584
Other comprehensive income (loss), net of taxes:				
Foreign currencies translation adjustments	60,544	92,481	(61,172)	(541,345)
Pension liability adjustments	7,187	(13,804)	(31,555)	(279,248)
Net unrealized gains (losses) on securities	4,722	4,463	(6,994)	(61,894)
Total other comprehensive income (loss)	72,453	83,140	(99,721)	(882,487)
Comprehensive income (loss)	90,687	135,919	(33,098)	(292,903)
Comprehensive income attributable to noncontrolling interests	3,248	6,158	1,371	12,133
Comprehensive income (loss) attributable to TDK	¥ 87,439	¥ 129,761	¥ (34,469)	\$ (305,036)

See accompanying notes to consolidated financial statements.

Consolidated balance sheets

As of March 31, 2015 and 2016

U.S. Dollars
(Thousands)

	Yen (Millions)		(Note 2)
ASSETS	2015	2016	2016
Current assets:			
Cash and cash equivalents	¥ 265,104	¥ 285,468	\$ 2,526,265
Short-term investments	20,091	21,964	194,372
Marketable securities (Note 3)	1,301	-	-
Trade receivables:			
Notes	9,311	14,465	128,009
Accounts	231,141	213,508	1,889,451
Allowance for doubtful receivables	(2,363)	(1,755)	(15,531)
Net trade receivables	238,089	226,218	2,001,929
Inventories (Note 5)	151,012	157,129	1,390,522
Income taxes receivables	4,766	4,660	41,239
Deferred income taxes (Notes 1 and 7)	8,341	-	-
Prepaid expenses and other current assets	51,537	45,555	403,142
Total current assets	740,241	740,994	6,557,469
Investments in securities (Notes 3 and 4)	45,733	35,335	312,699
Property, plant and equipment, at cost (Note 18):			
Land	23,566	24,422	216,124
Buildings	252,103	266,721	2,360,363
Machinery and equipment	828,355	858,126	7,594,036
Construction in progress	64,159	86,183	762,681
	1,168,183	1,235,452	10,933,204
Less accumulated depreciation	(740,929)	(747,813)	(6,617,815)
Net property, plant and equipment	427,254	487,639	4,315,389
Goodwill (Note 19)	63,230	73,012	646,124
Intangible assets (Note 19)	47,776	45,824	405,522
Deferred income taxes (Notes 1 and 7)	24,085	37,776	334,301
Other assets (Note 21)	55,963	30,005	265,531
Total assets	¥ 1,404,282	¥ 1,450,585	\$ 12,837,035

See accompanying notes to consolidated financial statements.

	Yen (Millions)	2016	U.S. Dollars (Thousands) (Note 2)
LIABILITIES AND EQUITY	2015	2016	2016
Current liabilities:			
Short-term debt (Note 6)	¥ 136,098	¥ 158,683	\$ 1,404,274
Current installments of long-term debt (Note 6)	751	36,228	320,602
Trade payables:			
Notes	28,763	40,805	361,106
Accounts	82,828	71,859	635,921
Accrued salaries and wages	51,721	50,115	443,496
Accrued expenses (Note 8)	66,615	73,777	652,893
Income taxes payables (Note 7)	6,510	5,267	46,611
Other current liabilities (Notes 1 and 7)	14,591	14,500	128,318
Total current liabilities	<u>387,877</u>	<u>451,234</u>	<u>3,993,221</u>
Long-term debt, excluding current installments (Note 6)	131,483	140,847	1,246,434
Retirement and severance benefits (Note 8)	105,687	147,136	1,302,088
Deferred income taxes (Notes 1 and 7)	5,422	9,562	84,619
Other noncurrent liabilities (Note 7)	15,806	17,173	151,974
Total liabilities	<u>646,275</u>	<u>765,952</u>	<u>6,778,336</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 2015 and 2016;			
outstanding 125,987,472 shares in 2015			
and 126,122,814 shares in 2016	32,641	32,641	288,858
Additional paid-in capital (Note 11)	39,755	21,083	186,575
Legal reserve (Note 9)	29,685	34,221	302,841
Retained earnings (Note 9)	661,159	707,508	6,261,133
Accumulated other comprehensive income (loss) (Note 12)	(5,882)	(102,285)	(905,177)
Treasury stock at cost; 3,603,187 shares in 2015			
and 3,467,845 shares in 2016	(18,497)	(17,807)	(157,584)
Total TDK stockholders' equity	<u>738,861</u>	<u>675,361</u>	<u>5,976,646</u>
Noncontrolling interests	19,146	9,272	82,053
Total equity	<u>758,007</u>	<u>684,633</u>	<u>6,058,699</u>
Total liabilities and equity	<u>¥ 1,404,282</u>	<u>¥ 1,450,585</u>	<u>\$ 12,837,035</u>

Consolidated statements of equity

For the years ended March 31, 2014, 2015 and 2016

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, 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
Equity transaction of consolidated subsidiaries and other		(18,961)			2,894		(16,067)	(11,079)	(27,146)
Cash dividends				(13,864)			(13,864)	(177)	(14,041)
Transferred to legal reserve			4,536	(4,536)			-		-
Comprehensive income									
Net income				64,828			64,828	1,795	66,623
Other comprehensive income (loss)					(99,297)		(99,297)	(424)	(99,721)
Total comprehensive income (loss)							(34,469)	1,371	(33,098)
Acquisition of treasury stock						(12)	(12)		(12)
Sale of treasury stock							-		-
Compensation expenses related to stock options		439					439	11	450
Exercise of stock options		(150)		(79)		702	473		473
Balance at March 31, 2016	¥ 32,641	¥ 21,083	¥ 34,221	¥ 707,508	¥ (102,285)	¥ (17,807)	¥ 675,361	¥ 9,272	¥ 684,633

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, 2015	\$ 288,858	\$ 351,814	\$ 262,699	\$ 5,850,965	\$ (52,053)	\$ (163,690)	\$ 6,538,593	\$ 169,434	\$ 6,708,027
Equity transaction of consolidated subsidiaries and other		\$ (167,797)			25,611		(142,186)	(98,044)	(240,230)
Cash dividends				(122,690)			(122,690)	(1,567)	(124,257)
Transferred to legal reserve			40,142	(40,142)			-		-
Comprehensive income									
Net income				573,699			573,699	15,885	589,584
Other comprehensive income (loss)					(878,735)		(878,735)	(3,752)	(882,487)
Total comprehensive income (loss)							(305,036)	12,133	(292,903)
Acquisition of treasury stock						(106)	(106)		(106)
Sale of treasury stock							-		-
Compensation expenses related to stock options		3,885					3,885	97	3,982
Exercise of stock options		(1,327)		(699)		6,212	4,186		4,186
Balance at March 31, 2016	\$ 288,858	\$ 186,575	\$ 302,841	\$ 6,261,133	\$ (905,177)	\$ (157,584)	\$ 5,976,646	\$ 82,053	\$ 6,058,699

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended March 31, 2014, 2015 and 2016

U.S. Dollars

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2014	2015	2016	2016
Cash flows from operating activities:				
Net income	¥ 18,234	¥ 52,779	¥ 66,623	\$ 589,584
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	83,109	80,249	83,224	736,496
Loss (gain) on sale or disposal of property, plant and equipment	(1,519)	860	1,105	9,779
Impairment loss on long-lived assets	6,149	5,376	533	4,717
Deferred income taxes	(1,215)	3,009	2,001	17,708
Loss (gain) on securities, net	(2,136)	(1,272)	3,145	27,832
Equity in earnings of affiliates, net of dividends received	(1,424)	(669)	(1,417)	(12,540)
Impairment loss on goodwill	-	2,705	-	-
Changes in assets and liabilities:				
Decrease (increase) in trade receivables	4,349	4,919	(7,262)	(64,266)
Decrease (increase) in inventories	13,011	(4,368)	(10,591)	(93,726)
Decrease (increase) in other current assets	1,965	568	3,016	26,690
Increase (decrease) in trade payables	(1,446)	(12,375)	16,460	145,664
Increase (decrease) in accrued expenses	3,589	7,892	(509)	(4,505)
Increase (decrease) in income taxes payables, net	2,967	(1,682)	(1,293)	(11,442)
Increase (decrease) in other current liabilities	(569)	(2,769)	2,318	20,513
Increase (decrease) in retirement and severance benefits, net	2,053	536	(3,966)	(35,097)
Other - net	191	7,092	(1,824)	(16,142)
Net cash provided by operating activities	127,308	142,850	151,563	1,341,265
Cash flows from investing activities:				
Capital expenditures	(68,606)	(102,525)	(160,674)	(1,421,894)
Proceeds from sale and maturity of short-term investments	21,844	21,828	30,348	268,566
Payment for purchase of short-term investments	(20,232)	(30,861)	(27,352)	(242,053)
Proceeds from sale and maturity of securities	5,269	707	4,833	42,770
Payment for purchase of securities	(1,746)	(248)	(1,112)	(9,841)
Proceeds from sales of tangible and intangible assets	5,206	7,698	3,918	34,673
Disbursement for loans made by TDK	(1,414)	(26,321)	(148)	(1,310)
Receipt from collection of loans made by TDK	3,976	1,327	21,605	191,195
Acquisition of subsidiaries, net of cash acquired	(922)	-	(15,165)	(134,203)
Other - net	1,187	1,083	3,162	27,982
Net cash used in investing activities	(55,438)	(127,312)	(140,585)	(1,244,115)
Cash flows from financing activities:				
Proceeds from long-term debt	33,747	34,777	22,700	200,885
Repayment of long-term debt	(51,867)	(37,320)	(1,289)	(11,407)
Increase (decrease) in short-term debt, net	(16,634)	(916)	50,213	444,363
Dividends paid	(7,554)	(10,069)	(13,864)	(122,690)
Acquisition of noncontrolling interests	(13,981)	(24,633)	(28,504)	(252,248)
Proceed from noncontrolling interest shareholders	550	2,690	208	1,841
Other - net	(379)	228	(159)	(1,408)
Net cash provided by (used in) financing activities	(56,118)	(35,243)	29,305	259,336
Effect of exchange rate changes on cash and cash equivalents	21,409	33,961	(19,919)	(176,274)
Net increase in cash and cash equivalents	37,161	14,256	20,364	180,212
Cash and cash equivalents, beginning of year	213,687	250,848	265,104	2,346,053
Cash and cash equivalents, end of year	¥ 250,848	¥ 265,104	¥ 285,468	\$ 2,526,265

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 industrialization 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%, 27.3%, 19.3%, and 3.4% of net sales, respectively, for the year ended March 31, 2016.

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:

HDD heads, HDD suspension assemblies, 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, 2015 and 2016, 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 a 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

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 ¥15,154 million, ¥16,524 million and ¥16,156 million (\$142,973 thousand) for the years ended March 31, 2014, 2015 and 2016, 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 contingencies 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) Adoption of New Accounting Standards

Balance Sheet Classification of Deferred Taxes

In November 2015, FASB issued Accounting Standards Update (“ASU”) 2015-17 “Balance Sheet Classification of Deferred Taxes.” To simplify the presentation of deferred income taxes, this ASU requires that deferred tax assets and liabilities to be classified as noncurrent in a consolidated balance sheet. TDK has early adopted this ASU for the year ended March 31, 2016. For the adoption of this ASU, TDK did not retrospectively adjust the consolidated balance sheets of the prior periods. The adoption of this ASU did not have a material impact on TDK’s financial position or results of operations.

(22) Subsequent Events

TDK has evaluated the subsequent events through July 19, 2016, the date on which the consolidated financial statements are available to be issued.

(23) 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, 2016.

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, 2016, have also been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥113=U.S.\$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2016. 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, 2015 and 2016 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Marketable securities	¥ 1,301	¥ -	\$ -
Investments in securities:			
Long-term marketable securities	26,695	10,649	94,239
Nonmarketable securities	548	2,473	21,885
Investments in affiliates (Note 4)	18,490	22,213	196,575
Total investments in securities	45,733	35,335	312,699
Total	¥ 47,034	¥ 35,335	\$ 312,699

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities as of March 31, 2015 and 2016 is as follows:

2015

Yen (Millions):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
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

2016

Yen (Millions):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Investments (Debt securities):				
Commercial papers	¥ 6	¥ 108	¥ -	¥ 114
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	2,701	5,045	47	7,699
Other	1,171	448	-	1,619
Investments (Mutual funds)	1,055	160	0	1,215
Total	¥ 4,935	¥ 5,761	¥ 47	¥ 10,649

2016

U.S. Dollars (Thousands):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Investments (Debt securities):				
Commercial papers	\$ 53	\$ 956	\$ -	\$ 1,009
Public-utility bonds	18	-	-	18
Investments (Equity securities):				
Manufacturing companies	23,903	44,646	416	68,133
Other	10,363	3,964	-	14,327
Investments (Mutual funds)	9,336	1,416	0	10,752
Total	\$ 43,673	\$ 50,982	\$ 416	\$ 94,239

The proceeds from sale and maturity of available-for-sale securities were ¥5,269 million, ¥707 million for the years ended March 31, 2014 and 2015, respectively. The proceeds from sale and maturity of available-for-sale securities and nonmarketable securities were ¥4,833 million (\$42,770 thousand) for the year ended March 31, 2016. The gross realized gains on the sale and settlement of available-for-sale securities were ¥2,583 million, ¥1,422 million for the years ended March 31, 2014, and 2015, respectively. The gross realized gains on the sale and settlement of available-for-sale securities and nonmarketable securities were ¥261 million (\$2,309 thousand) for the year ended March 31, 2016. The gross realized losses on the sale and settlement of available-for-sale securities and nonmarketable securities were ¥1,839 million (\$16,274 thousand) for the year ended March 31, 2016. The gross realized gains and losses on available-for-sale securities contributed to an employee retirement benefit trust, which were included in Other-net in Consolidated statement of income, were ¥1,213 million (\$10,735 thousand) and ¥18 million (\$159 thousand), respectively, for the year ended March 31, 2016. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥447 million, ¥150 million, and ¥1,567 million (\$13,867 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, 2014, 2015 and 2016, respectively.

As of March 31, 2016, 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, 2015 and 2016 totaled ¥548 million and ¥2,473 million (\$21,885 thousand), respectively.

4. Investments in Affiliates

As of March 31, 2016, investments in affiliates accounted for under 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 five other affiliated companies, collectively, which are not significant, as of March 31, 2015 and 2016. As of March 31, 2015 and 2016, 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 (\$8,673 thousand), respectively.

5. Inventories

Inventories as of March 31, 2015 and 2016, are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Finished goods	¥ 64,176	¥ 68,731	\$ 608,239
Work in process	37,680	39,943	353,478
Raw materials	49,156	48,455	428,805
Total	¥ 151,012	¥ 157,129	\$ 1,390,522

6. Short-Term and Long-Term Debt

Short-term debt and weighted average interest rates as of March 31, 2015 and 2016 are as follows:

	2015		2016		2016
	Yen (Millions)	Weighted average interest rate	Yen (Millions)	Weighted average interest rate	U.S. Dollars (Thousands)
Short-term bank loans - unsecured	¥ 136,098	0.67%	¥ 158,683	0.21%	\$ 1,404,274

Long-term debt as of March 31, 2015 and 2016 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	2015	2016	2016	2016
Loans from banks, unsecured (weighted average: 2015-0.56%, 2016-0.83%)	¥ 112,768	¥ 152,298	\$ 1,347,770	
Unsecured Bonds due 2019—2.038%	13,000	13,000	115,044	
Lease obligation (weighted average: 2015—11.77%, 2016— 7.19%)	6,466	11,777	104,222	
	132,234	177,075	1,567,036	
Less current installments	751	36,228	320,602	
Total	¥ 131,483	¥ 140,847	\$ 1,246,434	

The aggregate annual maturities of long-term debt outstanding as of March 31, 2016 are as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2017	¥ 34,574	\$ 305,964
2018	42,492	376,036
2019	64,002	566,389
2020	24,071	213,018
2021	152	1,345
2022 and thereafter	7	62
Total	¥ 165,298	\$ 1,462,814

The aggregate annual maturities of long-term debt outstanding as of March 31, 2016 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, 2015 and 2016, property, plant and equipment having a net book value of ¥2,086 million and ¥1,969 million (\$17,425 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.

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 year ended March 31, 2014, 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, and a national corporate tax of 24.952 percent, an inhabitants tax of between 3.1 percent and 3.9 percent and a deductible enterprise tax of between 6.7 percent and 7.1 percent, which in the aggregate resulted in statutory rate of approximately 33.1 percent for the year ended March 31, 2016.

On March 29, 2016, 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, 2016.

Accordingly, the domestic statutory tax rate will be changed in decremental steps from the previous 33.1 percent to 31.3 percent for the year ending March 31, 2017, 31.0 percent for the year ending March 31, 2018 and 30.8 percent for the year ending March 31, 2019.

The effective tax rates of TDK for the years ended March 31, 2014, 2015 and 2016, are reconciled with the Japanese statutory tax rate in the following table:

	2014	2015	2016
Japanese statutory tax rate for income from continuing operations, before income taxes	37.8%	35.5%	33.1%
Difference in statutory tax rates of foreign subsidiaries	(25.3)	(17.1)	(16.0)
Expenses not deductible for tax purposes	17.1	4.7	1.9
Nontaxable income	(3.0)	(2.3)	(0.7)
Change in valuation allowance	21.3	9.0	14.3
Investment tax credit	(7.1)	(4.0)	(2.6)
Research and development tax credit	(4.7)	(1.1)	(0.3)
Prior-year tax adjustments	3.0	(0.1)	(3.1)
Impact of change in Japanese statutory tax rate	-	2.1	(0.2)
Undistributed earnings of subsidiaries and affiliates	5.5	0.7	(0.4)
Unrealized gains (losses) on subsidiaries' and affiliates' securities	1.2	0.8	1.5
Other	(0.7)	1.0	0.0
Effective tax rate of continuing operations	45.1%	29.2%	27.5%

Total income taxes for the years ended March 31, 2014, 2015 and 2016 are allocated as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2014	2015	2016	2016
Income from continuing operations, before income taxes attributable to TDK	¥ 17,936	¥ 21,738	¥ 25,216	\$ 223,151
Loss from discontinued operations attributable to TDK	(1,978)	-	-	-
TDK stockholders' equity, accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	0	231	(220)	(1,947)
Pension liability adjustments	2,951	369	937	8,292
Net unrealized gains (losses) on securities	1,457	3,347	(3,252)	(28,779)
Total income taxes	¥ 20,366	¥ 25,685	¥ 22,681	\$ 200,717

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, 2015 and 2016 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Deferred tax assets:			
Inventories	¥ 2,142	¥ 1,926	\$ 17,044
Accrued expenses	9,643	9,023	79,850
Retirement and severance benefits	29,958	41,904	370,832
Net operating loss carryforwards	66,715	88,789	785,743
Tax credit carryforwards	6,494	6,162	54,531
Property, plant and equipment, and Intangible assets	8,083	5,791	51,248
Other	3,612	3,129	27,690
Total gross deferred tax assets	126,647	156,724	1,386,938
Less valuation allowance	(83,093)	(115,821)	(1,024,964)
Net deferred tax assets	¥ 43,554	¥ 40,903	\$ 361,974
Deferred tax liabilities:			
Marketable securities and investments adjustments	¥ (4,686)	¥ (2,266)	\$ (20,053)
Undistributed earnings of foreign subsidiaries and affiliated companies	(6,036)	(5,091)	(45,053)
Acquired intangible assets	(4,574)	(3,762)	(33,292)
Other	(2,462)	(1,570)	(13,894)
Total gross deferred tax liabilities	(17,758)	(12,689)	(112,292)
Net deferred tax assets	¥ 25,796	¥ 28,214	\$ 249,682

The net changes in total valuation allowance were an increase of ¥4,467 million for the year ended March 31, 2015 and an increase of ¥ 32,728 million (\$289,628 thousand) for the year ended March 31, 2016. Major components of the increase in valuation allowance for the years ended March 31, 2015 and 2016 were due to the change in the estimate of realizability of deferred tax assets of TDK Corporation and its domestic 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, 2016.

As of March 31, 2016, TDK Corporation and its subsidiaries have net operating loss carryforwards for income tax purposes of ¥355,642 million (\$3,147,274 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	¥ 43,476	\$ 384,743
1 to 5 years	71,117	629,354
5 to 20 years	116,423	1,030,292
Indefinite periods	124,626	1,102,885
	<u>¥ 355,642</u>	<u>\$ 3,147,274</u>

As of March 31, 2016, TDK Corporation and its subsidiaries have tax credit carryforwards for income tax purposes of ¥6,162 million (\$54,531 thousand) which are available to reduce future income taxes, if any. Approximately ¥2,393 million (\$21,177 thousand) of the tax credit carryforwards will expire through 2035, while the remainder has an indefinite carryforward period.

Net deferred income tax assets and liabilities as of March 31, 2015 and 2016 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Deferred income taxes (current assets)	¥ 8,341	-	-
Deferred income taxes (noncurrent assets)	24,085	¥ 37,776	\$ 334,301
Other current liabilities	(1,208)	-	-
Deferred income taxes (noncurrent liabilities)	(5,422)	(9,562)	(84,619)
	<u>¥ 25,796</u>	<u>¥ 28,214</u>	<u>\$ 249,682</u>

As of March 31, 2015 and 2016, TDK did not recognize deferred tax liabilities of approximately ¥16,007 million and ¥16,172 million (\$143,115 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, 2015 and 2016, the undistributed earnings of these subsidiaries are approximately ¥429,850 million and ¥489,467 million (\$4,331,566 thousand), respectively.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for the years ended March 31, 2015 and 2016 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Balance at beginning of year	¥ 7,488	¥ 4,342	\$ 38,424
Additions for tax positions of the current year	274	347	3,071
Additions for tax positions of prior years	161	219	1,938
Reductions for tax positions of prior years	(1,102)	(114)	(1,009)
Settlements with taxing authorities during the period	(2,513)	-	-
Other	34	(509)	(4,504)
Balance at end of year	¥ 4,342	¥ 4,285	\$ 37,920

The total amount of unrecognized tax benefits that, if recognized, would reduce the effective tax rate as of March 31, 2015 and 2016 are ¥2,485 million and ¥3,834 million (\$33,929 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, 2016, 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, 2016 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, 2008. 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, 2009 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, 2010 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)			
	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Change in benefit obligations:				
Benefit obligations at beginning of period	¥ 184,372	¥ 66,117	¥ 196,284	¥ 82,680
Service cost	4,931	2,189	5,270	2,689
Interest cost	3,014	2,266	2,445	1,893
Actuarial (gain) loss	11,173	18,075	21,662	(1,970)
Benefits paid	(7,206)	(2,384)	(7,697)	(2,488)
Plan amendments	-	(3,186)	4,537	46
Curtailed/settlement	-	-	-	(43)
Acquisition of subsidiaries	-	-	16	17,646
Translation adjustment	-	(397)	-	(3,053)
Benefit obligations at end of period	196,284	82,680	222,517	97,400
Change in plan assets:				
Fair value of plan assets at beginning of period	139,189	16,197	151,468	19,634
Actual return on plan assets	14,151	1,024	(4,578)	(365)
Employer contributions	5,334	2,635	11,116	4,023
Benefits paid	(7,206)	(2,384)	(7,697)	(2,488)
Translation adjustment	-	2,162	-	(1,446)
Fair value of plan assets at end of period	151,468	19,634	150,309	19,358
Funded status	¥ (44,816)	¥ (63,046)	¥ (72,208)	¥ (78,042)

	U.S. Dollars (Thousands)	
	2016	
	Japanese plans	Foreign plans
Change in benefit obligations:		
Benefit obligations at beginning of period	\$ 1,737,027	\$ 731,682
Service cost	46,637	23,796
Interest cost	21,637	16,752
Actuarial (gain) loss	191,699	(17,433)
Benefits paid	(68,115)	(22,018)
Plan amendments	40,151	407
Curtailed/settlement	-	(380)
Acquisition of subsidiaries	141	156,159
Translation adjustment	-	(27,018)
Benefit obligations at end of period	<u>1,969,177</u>	<u>861,947</u>
Change in plan assets:		
Fair value of plan assets at beginning of period	1,340,425	173,752
Actual return on plan assets	(40,513)	(3,230)
Employer contributions	98,371	35,602
Benefits paid	(68,115)	(22,018)
Translation adjustment	-	(12,796)
Fair value of plan assets at end of period	<u>1,330,168</u>	<u>171,310</u>
Funded status	<u>\$ (639,009)</u>	<u>\$ (690,637)</u>

Amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2016 consist of:

	Yen (Millions)			
	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Other assets	¥ -	¥ 246	¥ -	¥ 239
Accrued expenses	(1,629)	(1,983)	(1,648)	(2,970)
Retirement and severance benefits	(43,187)	(61,309)	(70,560)	(75,311)
Total	<u>¥ (44,816)</u>	<u>¥ (63,046)</u>	<u>¥ (72,208)</u>	<u>¥ (78,042)</u>

	U.S. Dollars (Thousands)	
	2016	
	Japanese plans	Foreign plans
Other assets	\$ -	\$ 2,115
Accrued expenses	(14,584)	(26,283)
Retirement and severance benefits	(624,425)	(666,469)
Total	<u>\$ (639,009)</u>	<u>\$ (690,637)</u>

Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2015 and 2016 consist of:

	Yen (Millions)			
	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss	¥ 54,476	¥ 31,164	¥ 81,296	¥ 28,193
Prior service cost (benefit)	(7,328)	(3,013)	(763)	(2,670)
Total	¥ 47,148	¥ 28,151	¥ 80,533	¥ 25,523

	U.S. Dollars (Thousands)	
	2016	
	Japanese plans	Foreign plans
Net actuarial loss	\$ 719,433	\$ 249,495
Prior service cost (benefit)	(6,752)	(23,628)
Total	\$ 712,681	\$ 225,867

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

	Yen (Millions)			
	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Accumulated benefit obligations	¥ 188,947	¥ 76,444	¥ 214,503	¥ 90,732

	U.S. Dollars (Thousands)	
	2016	
	Japanese plans	Foreign plans
Accumulated benefit obligations	\$ 1,898,257	\$ 802,938

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)			
	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	¥ 196,284	¥ 81,998	¥ 222,517	¥ 96,844
Fair value of plan assets	151,468	18,706	150,309	18,563
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	¥ 188,947	¥ 75,785	¥ 211,566	¥ 90,181
Fair value of plan assets	151,468	18,706	147,369	18,563

	U.S. Dollars (Thousands)	
	2016	
	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	\$ 1,969,177	\$ 857,027
Fair value of plan assets	1,330,168	164,274
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	\$ 1,872,265	\$ 798,062
Fair value of plan assets	1,304,150	164,274

Net periodic benefit cost (including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the years ended March 31, 2014, 2015 and 2016 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)					
	2014		2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Service cost-benefits earned during the year	¥ 5,284	¥ 1,786	¥ 4,931	¥ 2,189	¥ 5,270	¥ 2,689
Interest cost on projected benefit obligation	2,608	2,326	3,014	2,266	2,445	1,893
Expected return on plan assets	(2,664)	(878)	(2,934)	(1,203)	(3,217)	(1,300)
Amortization of actuarial loss	3,495	1,203	2,730	1,337	2,637	2,640
Amortization of prior service cost (benefit)	(2,029)	60	(2,027)	(145)	(2,028)	(297)
Curtailement/settlement loss	-	235	-	-	-	13
Net periodic benefit cost	¥ 6,694	¥ 4,732	¥ 5,714	¥ 4,444	¥ 5,107	¥ 5,638

	U.S. Dollars (Thousands)	
	2016	
	Japanese plans	Foreign plans
Service cost-benefits earned during the year	\$ 46,637	\$ 23,796
Interest cost on projected benefit obligation	21,637	16,752
Expected return on plan assets	(28,469)	(11,504)
Amortization of actuarial loss	23,336	23,363
Amortization of prior service cost (benefit)	(17,947)	(2,628)
Curtailement/settlement loss	-	115
Net periodic benefit cost	\$ 45,194	\$ 49,894

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, 2014, 2015 and 2016 are summarized as follows:

	Yen (Millions)					
	2014		2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	¥ (8,107)	¥ 1,077	¥ (44)	¥ 18,254	¥ 29,457	¥ (305)
Plan amendments	-	39	-	(3,186)	4,537	46
Amortization of actuarial loss	(3,495)	(1,203)	(2,730)	(1,337)	(2,637)	(2,640)
Amortization of prior service (cost) benefit	2,029	(60)	2,027	145	2,028	297
Curtailed/settlement loss (gain)	-	(145)	-	-	-	(26)
Amount recognized in other comprehensive income (loss)	(9,573)	(292)	(747)	13,876	33,385	(2,628)
Total of net periodic benefit cost and amount recognized in other comprehensive income (loss)	¥ (2,879)	¥ 4,440	¥ 4,967	¥ 18,320	¥ 38,492	¥ 3,010

	U.S. Dollars (Thousands)	
	2016	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	\$ 260,681	\$ (2,699)
Plan amendments	40,151	407
Amortization of actuarial loss	(23,336)	(23,363)
Amortization of prior service (cost) benefit	17,947	2,628
Curtailed/settlement loss (gain)	-	(230)
Amount recognized in other comprehensive income (loss)	295,443	(23,257)
Total of net periodic benefit cost and amount recognized in other comprehensive income (loss)	\$ 340,637	\$ 26,637

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	¥ 4,719	¥ 2,092	\$ 41,761	\$ 18,513
Amortization of prior service cost (benefit)	(1,676)	(285)	(14,832)	(2,522)

Assumptions

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

	2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	1.3%	2.3%	0.7%	2.5%
Assumed rate of increase in future compensation levels	3.1%	2.9%	3.0%	2.7%

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

	2014		2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	1.4%	3.9%	1.6%	3.7%	1.3%	2.3%
Assumed rate of increase in future compensation levels	3.1%	2.9%	3.1%	2.9%	3.1%	2.9%
Expected long-term rate of return on plan assets	2.2%	5.9%	2.3%	6.9%	2.3%	6.6%

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, 2016, the asset portfolio of TDK's Japanese plans is divided into three main asset categories with approximately 28% consisting of equity securities, approximately 39% of debt securities and approximately 33% 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 43% consisting of equity securities, approximately 37% of debt securities and approximately 20% of other assets such as cash and cash equivalents. As of March 31, 2016, 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, 2015 and 2016 by asset type are as follows:

	Yen (Millions)							
	2015							
	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	¥ 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	-	-	-	-
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

Yen (Millions)

	2016							
	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	¥ 3,137	¥ -	¥ -	¥ 3,137	¥ 2,459	¥ -	¥ -	¥ 2,459
Equity securities:								
Listed shares	7,839	-	-	7,839	2,382	-	-	2,382
Mutual funds	-	28,777	-	28,777	2,420	961	-	3,381
Pooled funds	-	5,937	-	5,937	17	2,615	-	2,632
Debt securities:								
Government bonds, public bonds, corporate bonds	7,321	-	-	7,321	610	2,479	-	3,089
Mutual funds	-	17,065	-	17,065	1,090	2,867	-	3,957
Pooled funds	-	33,746	-	33,746	-	186	-	186
Other assets:								
Life insurance company general account	-	15,175	-	15,175	-	167	-	167
Mutual funds	-	19,586	-	19,586	239	-	-	239
Pooled funds	-	3,750	-	3,750	-	-	-	-
Others	-	58	7,918	7,976	-	866	-	866
Total plan assets	¥ 18,297	¥ 124,094	¥ 7,918	¥ 150,309	¥ 9,217	¥ 10,141	¥ -	¥ 19,358

U.S. Dollars (Thousands)

	2016							
	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	\$ 27,761	\$ -	\$ -	\$ 27,761	\$ 21,761	\$ -	\$ -	\$ 21,761
Equity securities:								
Listed shares	69,372	-	-	69,372	21,080	-	-	21,080
Mutual funds	-	254,664	-	254,664	21,416	8,504	-	29,920
Pooled funds	-	52,540	-	52,540	150	23,142	-	23,292
Debt securities:								
Government bonds, public bonds, corporate bonds	64,787	-	-	64,787	5,398	21,938	-	27,336
Mutual funds	-	151,018	-	151,018	9,646	25,372	-	35,018
Pooled funds	-	298,637	-	298,637	-	1,646	-	1,646
Other assets:								
Life insurance company general account	-	134,292	-	134,292	-	1,478	-	1,478
Mutual funds	-	173,327	-	173,327	2,115	-	-	2,115
Pooled funds	-	33,186	-	33,186	-	-	-	-
Others	-	513	70,071	70,584	-	7,664	-	7,664
Total plan assets	\$ 161,920	\$ 1,098,177	\$ 70,071	\$ 1,330,168	\$ 81,566	\$ 89,744	\$ -	\$ 171,310

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, 2015 and 2016 are as follows:

	Yen (Millions)	
	2015	2016
	Insurance products	
Balance at beginning of year	¥ 6,242	¥ 6,627
Net change due to purchase, sale, etc.	-	1,000
Gain (loss) on assets held at end of year	385	291
Balance at end of year	¥ 6,627	¥ 7,918

	U.S. Dollars (Thousands)	
	2016	
	Insurance products	
Balance at beginning of year	\$ 58,646	
Net change due to purchase, sale, etc.	8,850	
Gain (loss) on assets held at end of year	2,575	
Balance at end of year	\$ 70,071	

Contributions

TDK expects to contribute ¥6,823 million (\$60,381 thousand) to its Japanese defined benefit plans and ¥1,916 million (\$16,956 thousand) to its foreign defined benefit plans for the year ending March 31, 2017.

Estimated future benefit payments

The benefits are expected to be paid from the pension plans in each year 2017 through 2026 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Year ending March 31,				
2017	¥ 7,376	¥ 3,617	\$ 65,274	\$ 32,099
2018	7,459	2,811	66,009	24,876
2019	8,176	2,860	72,354	25,310
2020	8,008	3,120	70,867	27,611
2021	8,205	3,484	72,611	30,832
2022 - 2026 total	44,912	20,265	397,451	179,336

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, 2015 and 2016, the amount of ¥1,191 million and ¥1,265 million (\$11,194 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, 2015 and 2016 are summarized as follows:

	Yen (Millions)					
	2014		2015		2016	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	¥ -	¥ (49)	¥ -	¥ 295	¥ -	¥ (141)
Plan amendments	-	(212)	-	-	-	-
Amortization of actuarial loss	-	(12)	-	(12)	-	(24)
Amortization of prior service (cost) benefit	-	-	-	23	-	26
Amount recognized in other comprehensive income (loss)	¥ -	¥ (273)	¥ -	¥ 306	¥ -	¥ (139)

	U.S. Dollars (Thousands)	
	2016	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	\$ -	\$ (1,248)
Amortization of actuarial loss	-	(212)
Amortization of prior service (cost) benefit	-	230
Amount recognized in other comprehensive income (loss)	\$ -	\$ (1,230)

3. Defined Contribution Pension Plans

Expenses for defined contribution pension plan recognized by TDK Corporation and certain subsidiaries for the years ended March 31, 2014, 2015 and 2016 were ¥1,811 million, ¥1,996 million and ¥2,127 million (\$18,823 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, 2014, 2015 and 2016 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 ¥60 (\$0.53) per share aggregating ¥7,567 million (\$66,965 thousand) in respect of the year ended March 31, 2016.

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, 2014, 2015 and 2016 were ¥2,828 million, ¥1,581 million and ¥450 million (\$3,982 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 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, 2014, 2015 and 2016 were ¥42 million, ¥49 million and ¥77 million (\$681 thousand), respectively. The tax benefits realized from stock options exercised for the years ended March 31, 2014, 2015 and 2016 were ¥34 million, ¥47 million and ¥46 million (\$407 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.

There are two types of the Share-based Compensation Type Stock Options as described below and the second type contains a certain performance condition.

- 1) 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.
- 2) 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 vested depending on the degree of achievement of the medium-term management plan 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, 2014, 2015 and 2016, 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)
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
2016				
Outstanding at beginning of year	532,500	¥ 2,573		
Granted	104,100	1		
Exercised	136,700	3,459		
Forfeited or Expired	<u>12,400</u>	4,952		
Outstanding at end of year	<u>487,500</u>	1,714	11.0	2,211
Exercisable at end of year	401,100	2,083	9.2	1,671
Expected to vest after end of year	86,400	1	19.3	540

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of ¥4,310 of common stock on March 31, 2014, ¥8,540 on March 31, 2015 and ¥6,250 (\$55.31) on March 31, 2016.

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
2016				
Outstanding at beginning of year	532,500	\$ 22.77		
Granted	104,100	0.01		
Exercised	136,700	30.61		
Forfeited or Expired	12,400	43.82		
Outstanding at end of year	487,500	15.17	11.0	19,566
Exercisable at end of year	401,100	18.43	9.2	14,787
Expected to vest after end of year	86,400	0.01	19.3	4,779

As of March 31, 2016, 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, 2014, 2015 and 2016 was ¥60 million, ¥413 million and ¥616 million (\$5,451 thousand), respectively. Cash received from stock options exercised for the years ended March 31, 2014, 2015 and 2016 was ¥0 million, ¥656 million and ¥473 million (\$4,186 thousand).

Information about stock options outstanding as of March 31, 2016 is as follows:

Range of exercise prices	Options Outstanding			
	Number outstanding at March 31, 2016	Weighted average remaining contractual term (years)	Weighted average exercise price	
Yen			Yen	U.S. Dollars
1	285,100	17.2	¥ 1	\$ 0.01
3,550	52,400	2.3	3,550	31.42
3,836	81,100	3.3	3,836	33.95
4,567	36,300	1.3	4,567	40.42
5,292	32,600	0.3	5,292	46.83
1 to 5,292	487,500	11.0	1,714	15.17

A summary of the status of TDK Corporation's nonvested stock options as of March 31, 2014, 2015 and 2016, and of the activity for the years ended on those dates, is as follows:

	2014		2015		2016		
	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	208,500	¥ 807	236,900	¥ 880	118,800	¥ 840	\$ 7.43
Granted	159,100	1,386	36,400	4,136	104,100	6,806	60.23
Vested	125,300	1,405	154,000	1,680	136,500	1,614	14.28
Forfeited	5,400	774	500	840	-	-	-
Nonvested at end of year	236,900	880	118,800	840	86,400	6,806	60.23

As of March 31, 2016, TDK Corporation had ¥457 million (\$4,044 thousand) of total unrecognized compensation expenses related to stock options that will be recognized over the weighted average period of 2.3 year. The total fair value of stock options vested for the years ended March 31, 2014, 2015 and 2016 was ¥176 million, ¥259 million and ¥220 million (\$1,947 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

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

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

	2014	2015	2016
Grant-date fair value	¥ 3,112	¥ 4,136	¥ 6,806 (\$ 60.23)
Expected term	10.1 years	9.6 years	9.6 years
Risk-free interest rate	0.86%	0.54%	0.33%
Expected volatility	35.12%	34.54%	35.14%
Expected dividend yield	1.53%	1.67%	1.18%

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 vest over a 5 year period after the grant date. Under the other plan (Class B), 50% of the stock options vest when a certain performance condition is achieved and the remaining 50% vest over a 3 year period 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, 2014, 2015 and 2016, as it was not considered probable as of March 31, 2014, 2015 and 2016 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 the service conditions of Class B, 2/5 of the options were modified to a graded-vesting schedule through May 2014, having them 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 were exercised within the exercise period thorough 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, 2014, 2015 and 2016, 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	144,000,000	\$ 0.00128		
Granted	-	-		
Exercised	-	-		
Forfeited or Expired	-	-		
Modified	<u>57,600,000</u>	0.00128		
Outstanding at end of year	<u><u>86,400,000</u></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	<u>-</u>	-		
Outstanding at end of year	<u><u>86,400,000</u></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
2016				
Outstanding at beginning of year	86,400,000	\$ 0.00128		
Granted	-	-		
Exercised	-	-		
Forfeited or Expired	-	-		
Modified	<u>-</u>	-		
Outstanding at end of year	<u><u>86,400,000</u></u>	0.00128	2.8	\$ 113,937
Exercisable at end of year	-	-	-	-
Vested at end of year	86,400,000	0.00128	2.8	113,937
Expected to be vested after end of year	-	-	-	-

A summary of the status of the subsidiary's nonvested stock options for the years ended March 31, 2014, 2015 and 2016, and of the activity for the years ended on those dates, is as follows:

	2014		2015		2016	
	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	86,400	\$ 0.06204	57,600	\$ 0.06204	28,800	\$ 0.06204
Granted	-	-	-	-	-	-
Vested	28,800	0.06204	28,800	0.06204	28,800	0.06204
Forfeited	-	-	-	-	-	-
Nonvested at end of year	57,600	0.06204	28,800	0.06204	-	-

As of March 31, 2016, there was no unrecognized compensation expenses at the subsidiary relating to unvested "Class A" stock options. The total fair value of stock options vested for the years ended March 31, 2014, 2015 and 2016 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	-	-	-	-

For the year ended March 31, 2016, there was no activity of "Class A (modified)" stock options.

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	-	-	-	-

For the year ended March 31, 2016, there was no activity of "Class B (modified)" stock options.

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	-	-	-	-

For the year ended March 31, 2016, there was no activity of nonvested "Class A (modified)" and "Class B (modified)" stock options.

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, 2014, 2015 and 2016 are as follows:

	Yen (Millions)			U.S. Dollars
	2014	2015	2016	(Thousands)
Net income attributable to TDK	¥ 16,288	¥ 49,440	¥ 64,828	\$ 573,699
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)	(18,959)	(167,779)
Decrease in TDK's additional paid-in capital for issue of Amperex Technology Ltd.'s common shares to third parties	-	(2,284)	-	-
Increase (Decrease) in TDK's additional paid-in capital for purchase of Magnecomp Precision Technology Public Co., Ltd.'s common shares from third parties	-	9	(0)	(0)
Increase in TDK's additional paid-in capital for purchase of TDK (Shanghai) Electro-Energy Co., Ltd.'s common shares from third parties	-	419	-	-
Decrease in TDK's additional paid-in capital for purchase of Micronas Semiconductor Holding AG's common shares from third parties	-	-	(2)	(17)
Net transfers (to) from noncontrolling interest	(8,883)	(19,065)	(18,961)	(167,796)
Change from net income attributable to TDK and transfers (to) from noncontrolling interest	¥ 7,405	¥ 30,375	¥ 45,867	\$ 405,903

12. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) for the years ended March 31, 2014, 2015 and 2016 are as follows:

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 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	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)

2016

Yen (Millions)

	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2015	¥ 36,547	¥ (53,332)	¥ 10,903	¥ (5,882)
Equity transaction of consolidated subsidiaries and other	2,894	-	-	2,894
Other comprehensive income (loss) before reclassifications	(61,496)	(33,937)	(7,533)	(102,966)
Amounts reclassified from accumulated other comprehensive income (loss)	324	2,382	539	3,245
Other comprehensive income (loss)	(61,172)	(31,555)	(6,994)	(99,721)
Other comprehensive income (loss) attributable to noncontrolling interests	(422)	(2)	-	(424)
March 31, 2016	¥ (21,309)	¥ (84,885)	¥ 3,909	¥ (102,285)

2016

U.S. Dollars (Thousands)

	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2015	\$ 323,425	\$ (471,965)	\$ 96,487	\$ (52,053)
Equity transaction of consolidated subsidiaries and other	25,611	-	-	25,611
Other comprehensive income (loss) before reclassifications	(544,212)	(300,328)	(66,664)	(911,204)
Amounts reclassified from accumulated other comprehensive income (loss)	2,867	21,080	4,770	28,717
Other comprehensive income (loss)	(541,345)	(279,248)	(61,894)	(882,487)
Other comprehensive income (loss) attributable to noncontrolling interests	(3,734)	(18)	-	(3,752)
March 31, 2016	\$ (188,575)	\$ (751,195)	\$ 34,593	\$ (905,177)

The reclassifications out of accumulated other comprehensive income (loss) for the year ended March 31, 2014, 2015 and 2016 are as follows:

	Amount reclassified from accumulated other comprehensive income (loss) *1				Affected line items in consolidated statements of income
	2014	2015	2016	2016	
	Yen	(Millions)		U.S. Dollars (Thousand)	
Foreign currencies translation adjustments:					
	¥ (57)	¥ 28	¥ (319)	\$ (2,823)	Selling, general and administrative expenses
	48	-	(5)	(44)	Equity in earnings of affiliates
	-	-	-	-	Tax (expense) or benefit
	(9)	28	(324)	(2,867)	Net of tax
Pension liability adjustments:					
	(2,886)	(1,884)	(2,976)	(26,336)	*2
	704	501	594	5,256	Tax (expense) or benefit
	(2,182)	(1,383)	(2,382)	(21,080)	Net of tax
Net unrealized gains (losses) on securities:					
	2,122	1	(402)	(3,558)	Gain (loss) on securities, net
	(595)	-	(137)	(1,212)	Tax (expense) or benefit
	1,527	1	(539)	(4,770)	Net of tax
Total amount reclassified, net of tax	¥ (664)	¥ (1,354)	¥ (3,245)	\$ (28,717)	

*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, 2014, 2015 and 2016, are as follows:

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
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	<u>60,544</u>	<u>0</u>	<u>60,544</u>
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	<u>10,138</u>	<u>(2,951)</u>	<u>7,187</u>
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	8,301	(2,052)	6,249
Reclassification adjustments for (gains) losses realized in net income	(2,122)	595	(1,527)
Net unrealized gains (losses)	<u>6,179</u>	<u>(1,457)</u>	<u>4,722</u>
Other comprehensive income	<u>¥ 76,861</u>	<u>¥ (4,408)</u>	<u>¥ 72,453</u>
	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	<u>92,712</u>	<u>(231)</u>	<u>92,481</u>
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	<u>(13,435)</u>	<u>(369)</u>	<u>(13,804)</u>
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	7,811	(3,347)	4,464
Reclassification adjustments for (gains) losses realized in net income	(1)	-	(1)
Net unrealized gains (losses)	<u>7,810</u>	<u>(3,347)</u>	<u>4,463</u>
Other comprehensive income (loss)	<u>¥ 87,087</u>	<u>¥ (3,947)</u>	<u>¥ 83,140</u>

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
2016			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	¥ (61,716)	¥ 220	¥ (61,496)
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	324	-	324
Net foreign currency translation adjustments	(61,392)	220	(61,172)
Pension liability adjustments:			
Amount arising during the year	(33,594)	(343)	(33,937)
Reclassification adjustments for amortization and curtailment/settlement	2,976	(594)	2,382
Net pension liability adjustments	(30,618)	(937)	(31,555)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(10,648)	3,115	(7,533)
Reclassification adjustments for (gains) losses realized in net income	402	137	539
Net unrealized gains (losses)	(10,246)	3,252	(6,994)
Other comprehensive income (loss)	¥ (102,256)	¥ 2,535	¥(99,721)

	U.S. Dollars (Thousands)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax Amount
2016			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	\$ (546,159)	\$ 1,947	\$ (544,212)
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	2,867	-	2,867
Net foreign currency translation adjustments	(543,292)	1,947	(541,345)
Pension liability adjustments:			
Amount arising during the year	(297,292)	(3,036)	(300,328)
Reclassification adjustments for amortization and curtailment/settlement	26,336	(5,256)	21,080
Net pension liability adjustments	(270,956)	(8,292)	(279,248)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(94,230)	27,566	(66,664)
Reclassification adjustments for (gains) losses realized in net income	3,558	1,212	4,770
Net unrealized gains (losses)	(90,672)	28,778	(61,894)
Other comprehensive income (loss)	\$ (904,920)	\$ 22,433	\$ (882,487)

13. Leases

TDK occupies offices and other facilities under various cancellable lease agreements expiring in 2017 through 2018.

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, 2015 and 2016 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Buildings -cost	¥ 5,367	¥ 5,307	\$ 46,965
Machinery and equipment - cost	1,424	7,812	69,132
Accumulated depreciation	(1,860)	(2,758)	(24,407)
Net leased assets	¥ 4,931	¥ 10,361	\$ 91,690

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 lease expenses are ¥7,139 million, ¥7,801 million and ¥8,962 million(\$79,310 thousand) for the year ended March 31, 2014, 2015 and 2016, 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, 2016:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Capital leases	Operating leases	Capital leases	Operating leases
Year ending March 31,				
2017	¥ 2,431	¥ 7,642	\$ 21,513	\$ 67,628
2018	2,370	5,651	20,974	50,009
2019	2,282	4,330	20,195	38,319
2020	2,252	3,753	19,929	33,212
2021	1,664	2,707	14,726	23,956
Later years	10,662	2,554	94,354	22,602
Total minimum lease payments	¥ 21,661	¥ 26,637	\$ 191,691	\$ 235,726
Amounts representing interest	9,884		87,469	
Present value of net minimum lease payments	11,777		104,222	
Current portion	1,654		14,638	
Long-term lease obligations (Excluding current portion)	¥ 10,123		\$ 89,584	

14. Commitments and Contingent Liabilities

Commitments outstanding for the purchase of property, plant and equipment as of March 31, 2015 and 2016 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Commitments outstanding for the purchase of property, plant and equipment	¥ 27,963	¥ 64,357	\$ 569,531

Certain overseas subsidiaries reached minimum purchase agreements with suppliers for raw materials and electricity necessary for production activities. As of March 31, 2015 and 2016, the minimum purchase obligations based on these agreements are as follows:

The increase for the year ended March 31, 2016 was mainly attributable to additional commitments for the purchase of raw materials.

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Commitments outstanding for the purchase of raw material and electricity	¥ 32,010	¥ 73,679	\$ 652,027

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, 2015 and 2016 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Guarantees to third parties on bank loans of employees	¥ 1,524	¥ 1,213	\$ 10,735

As of March 31, 2016, 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 or 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, non-deliverable forward contracts (NDF), currency swap contracts and currency option contracts 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 contracts 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 that these are effective as hedges from an economic viewpoint. The fair values of these undesignated contracts are recognized as income or expenses as earned or incurred.

Notional amounts of derivative financial instruments as of March 31, 2015 and 2016 are as follows:

	Yen (Millions)		U.S. Dollars
	2015	2016	(Thousands)
Forward foreign exchange contracts	¥ 92,963	¥ 104,623	\$ 925,867
Non-deliverable forward contracts (NDF)	-	4,345	38,451
Currency swap contracts	40,326	39,182	346,744
Currency option contracts	-	544	4,814
Commodity forward contracts	-	1,173	10,381
Total	¥ 133,289	¥ 149,867	\$ 1,326,257

Fair value of derivative financial instruments as of March 31, 2015 and 2016 are as follows:

Yen (Millions)		
2015		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expenses and other current assets	¥ 1,452
Currency swap contracts	Prepaid expenses and other current assets	2,217
Currency swap contracts	Other assets	153
Assets total		¥ 3,822
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 1,521
Currency swap contracts	Other current liabilities	29
Currency swap contracts	Other noncurrent liabilities	19
Liabilities total		¥ 1,569
Yen (Millions)		
2016		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expenses and other current assets	¥ 981
Currency swap contracts	Prepaid expenses and other current assets	176
Currency swap contracts	Other assets	273
Currency option contracts	Prepaid expenses and other current assets	15
Commodity forward contracts	Prepaid expenses and other current assets	18
Assets total		¥ 1,463
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 517
Non-deliverable forward contracts (NDF)	Other current liabilities	34
Currency swap contracts	Other current liabilities	889
Currency swap contracts	Other noncurrent liabilities	10
Commodity forward contracts	Other current liabilities	78
Liabilities total		¥ 1,528

U.S. Dollars (Thousands)		
2016		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expenses and other current assets	\$ 8,681
Currency swap contracts	Prepaid expenses and other current assets	1,558
Currency swap contracts	Other assets	2,416
Currency option contracts	Prepaid expenses and other current assets	133
Commodity forward contracts	Prepaid expenses and other current assets	159
Assets total		\$ 12,947
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	\$ 4,575
Non-deliverable forward contracts (NDF)	Other current liabilities	301
Currency swap contracts	Other current liabilities	7,867
Currency swap contracts	Other noncurrent liabilities	89
Commodity forward contracts	Other current liabilities	690
Liabilities total		\$ 13,522

The effect of derivative financial instruments on the consolidated statements of income for the years ended March 31, 2014, 2015 and 2016 are as follows:

		Yen (Millions)			U.S. Dollars (Thousands)
	Account	2014	2015	2016	2016
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (3,078)	¥ (2,218)	¥ 629	\$ 5,566
Non-deliverable forward contracts (NDF)	Foreign exchange gain (loss)	-	-	(253)	(2,239)
Currency swap contracts	Foreign exchange gain (loss)	(1,232)	7,722	(680)	(6,017)
Currency option contracts	Foreign exchange gain (loss)	-	-	175	1,549
Commodity forward contracts	Cost of sales	60	82	(149)	(1,319)
	Total	¥ (4,250)	¥ 5,586	¥ (278)	\$ (2,460)

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, 2015 and 2016 are summarized as follows:

<u>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>2016</u>	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Investments in securities and other assets	¥ 23,547	¥ 23,547
Liabilities:		
Long-term debt, including current portion (Excluding lease obligation)	(165,298)	(166,609)

<u>2016</u>	U.S. Dollars (Thousands)	
	Carrying amount	Estimated fair value
Assets:		
Investments in securities and other assets	\$ 208,381	\$ 208,381
Liabilities:		
Long-term debt, including current portion (Excluding lease obligation)	(1,462,814)	(1,474,416)

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, 2015 and 2016 are as follows:

<u>2015</u>	Yen (Millions)			Total
	Level 1	Level 2	Level 3	
Assets:				
Marketable securities				
(Debt securities):				
Government bonds	¥ 1,301	¥ -	¥ -	¥ 1,301
Derivative contracts:				
Forward foreign exchange contracts	-	1,452	-	1,452
Currency swap contracts	-	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)				
Rabbi trust investments	1,289	-	-	1,289
	7,309	-	-	7,309
Total	¥ 35,166	¥ 3,961	¥ -	¥ 39,127
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,521	¥ -	¥ 1,521
Currency swap contracts	-	48	-	48
Total	¥ -	¥ 1,569	¥ -	¥ 1,569

2016	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 981	¥ -	¥ 981
Currency swap contracts	-	449	-	449
Currency option contracts	-	15	-	15
Commodity forward contracts	-	18	-	18
Investments				
(Debt securities):				
Commercial papers	-	114	-	114
Public-utility bonds	2	-	-	2
Investments				
(Equity securities):				
Manufacturing companies	7,699	-	-	7,699
Other	1,619	-	-	1,619
Investments				
(Mutual funds)	1,215	-	-	1,215
Rabbi trust investments	6,858	-	-	6,858
Total	¥ 17,393	¥ 1,577	¥ -	¥ 18,970
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 517	¥ -	¥ 517
Non-deliverable forward contracts (NDF)	-	34	-	34
Currency swap contracts	-	899	-	899
Commodity forward contracts	-	78	-	78
Total	¥ -	¥ 1,528	¥ -	¥ 1,528

2016	U.S. Dollars (Thousands)			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts:				
Forward foreign exchange contracts	\$ -	\$ 8,681	\$ -	\$ 8,681
Currency swap contracts	-	3,974	-	3,974
Currency option contracts	-	133	-	133
Commodity forward contracts	-	159	-	159
Investments				
(Debt securities):				
Commercial papers	-	1,009	-	1,009
Public-utility bonds	18	-	-	18
Investments				
(Equity securities):				
Manufacturing companies	68,133	-	-	68,133
Other	14,327	-	-	14,327
Investments				
(Mutual funds)	10,752	-	-	10,752
Rabbi trust investments	60,690	-	-	60,690
Total	\$ 153,920	\$ 13,956	\$ -	\$ 167,876
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	\$ -	\$ 4,575	\$ -	\$ 4,575
Non-deliverable forward contracts (NDF)	-	301	-	301
Currency swap contracts	-	7,956	-	7,956
Commodity forward contracts	-	690	-	690
Total	\$ -	\$ 13,522	\$ -	\$ 13,522

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, Non-deliverable forward contracts (NDF), currency swap contracts, currency option contracts and commodity forward contracts 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 year ended March 31, 2015 are as follows:

<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

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 was fully written down due to impairment. The book value of long-lived assets (property, plant and equipment) of ¥8,593 million was written down to its fair value of ¥3,585 million, and the book value of long-lived assets (intangible assets) of ¥647 million was written down to its fair value of ¥279 million 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 was written down to its fair value of ¥4,417 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 ¥8,231 million 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, 2014, 2015 and 2016, impairment losses of ¥4,441 million, ¥5,376 million and ¥533 million (\$4,717 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, 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 for the Passive Components segment and ¥3,205 million for the Magnetic Application Products segment.

For the year ended March 31, 2016, the impairment loss of ¥533 million (\$4,717 thousand) is attributable to the Passive Components 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, 2015 and 2016 are as follows:

	Yen (Millions)		
	2015		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable 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
Nonamortizable intangible assets			
Trademark	¥ 6,894		¥ 6,894
Other	243		243
Total	¥ 7,137		¥ 7,137
	Yen (Millions)		
	2016		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 31,946	¥20,808	¥11,138
Customer relationships	23,376	19,173	4,203
Software	31,957	16,789	15,168
Unpatented technologies	24,517	22,182	2,335
Other	7,763	1,846	5,917
Total	¥ 119,559	¥ 80,798	¥ 38,761
Nonamortizable intangible assets			
Trademark	¥ 6,820		¥ 6,820
Other	243		243
Total	¥ 7,063		¥ 7,063

U.S. Dollars (Thousands)			
2016			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	\$ 282,708	\$ 184,142	\$ 98,566
Customer relationships	206,867	169,672	37,195
Software	282,805	148,575	134,230
Unpatented technologies	216,965	196,301	20,664
Other	68,699	16,336	52,363
Total	\$ 1,058,044	\$ 715,026	\$ 343,018
Nonamortizable intangible assets			
Trademark	\$ 60,354		\$ 60,354
Other	2,150		2,150
Total	\$ 62,504		\$ 62,504

No significant intangible assets other than goodwill were acquired during the years ended March 31, 2014, 2015 and 2016.

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 19 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, 2014, 2015 and 2016 were ¥11,130 million, ¥10,722 million and ¥8,127 million (\$71,920 thousand), respectively. Estimated amortization expense for the next five years is: ¥8,009 million in 2017, ¥6,558 million in 2018, ¥6,008 million in 2019, ¥5,305 million in 2020 and ¥5,048 million in 2021.

The changes in the carrying amount of goodwill by segment for the years ended March 31, 2015 and 2016 are as follows:

	Yen (Millions)				Total
	Passive Components	Magnetic Application Products	Film Application Products	Other	
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
Acquisitions	-	12,110	-	-	12,110
Impairments	-	-	-	-	-
Others	-	-	-	-	-
Translation adjustment	(578)	(1,039)	(711)	-	(2,328)
March 31 , 2016					
Goodwill	28,267	39,430	9,739	835	78,271
Accumulated impairment losses	(447)	(4,086)	-	(726)	(5,259)
	¥ 27,820	¥ 35,344	¥ 9,739	¥ 109	¥ 73,012
	U.S. Dollars (Thousands)				Total
	Passive Components	Magnetic Application Products	Film Application Products	Other	
March 31 , 2015					
Goodwill	\$ 255,354	\$ 252,044	\$ 92,478	\$ 7,814	\$ 607,690
Accumulated impairment losses	(4,044)	(37,239)	-	(6,849)	(48,132)
	251,310	214,805	92,478	965	559,558
Acquisitions	-	107,168	-	-	107,168
Impairments	-	-	-	-	-
Others	-	-	-	-	-
Translation adjustment	(5,115)	(9,195)	(6,292)	-	(20,602)
March 31 , 2016					
Goodwill	250,151	348,938	86,186	7,389	692,664
Accumulated impairment losses	(3,956)	(36,160)	-	(6,424)	(46,540)
	\$ 246,195	\$ 312,778	\$ 86,186	\$ 965	\$ 646,124

For the year ended March 31, 2015, an impairment loss of ¥ 2,705 million on goodwill was recognized as a result of reviewing the profitability expected in future, considering 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.

Goodwill acquisition for year ended March 31, 2016 represents the excess of purchase price over the fair value of identifiable assets acquired and liabilities assumed in connection with the acquisition of Micronas and its subsidiaries which mainly run a magnetic sensor business, a part of Magnetic Application Products segment, for automotive and industrial equipment market.

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)					
	2014		2015		2016	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Income from continuing operations attributable to TDK	¥ 18,940	¥ 17,896	¥ 49,440	¥ 47,703	¥ 64,828	¥ 63,784
Loss from discontinued operations attributable to TDK	(2,652)	(2,652)	-	-	-	-
Net income attributable to TDK	¥ 16,288	¥ 15,244	¥ 49,440	¥ 47,703	¥ 64,828	¥ 63,784
	Number of shares (Thousands)					
Weighted average common shares outstanding	125,808	125,808	125,873	125,873	126,068	126,068
Incremental shares arising from the exercise of stock option	-	207	-	332	-	322
Weighted average common shares outstanding – Total	125,808	126,015	125,873	126,205	126,068	126,390
	Yen					
Per common share :						
Income from continuing operations attributable to TDK	¥ 150.55	¥ 142.01	¥ 392.78	¥ 377.98	¥ 514.23	¥ 504.66
Loss from discontinued operations attributable to TDK	(21.08)	(21.08)	-	-	-	-
Net income attributable to TDK	129.47	120.97	392.78	377.98	514.23	504.66

	U.S. Dollars (Thousands)	
	2016	
	Basic	Diluted
Income from continuing operations attributable to TDK	\$ 573,699	\$ 564,460
Loss from discontinued operations attributable to TDK	-	-
Net income attributable to TDK	\$ 573,699	\$ 564,460
	Number of shares (Thousands)	
Weighted average common shares outstanding	126,068	126,068
Incremental shares arising from the exercise of stock option	-	322
Weighted average common shares outstanding - Total	126,068	126,390
	U.S. Dollars	
Per common share :		
Income from continuing operations attributable to TDK	\$ 4.55	\$ 4.47
Loss from discontinued operations attributable to TDK	-	-
Net income attributable to TDK	4.55	4.47

For the year ended March 31, 2014, incremental 207,000 shares arising from the exercise of stock options was 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, 2014, 2015 and 2016 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 year ended March 31, 2014 was 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, 2014, 2015 and 2016, 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, 2014, 2015 and 2016 as it was not probable that the performance condition would be achieved as of March 31, 2014, 2015 and 2016.

21. Related Party Transaction

Receivables and payables include the following balances with affiliated companies as of March 31, 2015 and 2016:

	Yen (Millions)		U.S. Dollars
	2015	2016	(Thousands)
Due from	¥ 32,757	¥ 2,335	\$ 20,664
Due to	649	358	3,168

Receivables as of March 31, 2015 and 2016 include long-term loans of ¥28,079 million and ¥489 million (\$4,327 thousand), respectively.

Purchases, research and development expenses, patent fee, advertising costs, interest expense, interest income, rent income, etc. and sales transactions with affiliated companies for the years ended March 31, 2014, 2015 and 2016 are as follows:

	Yen (Millions)			U.S. Dollars
	2014	2015	2016	(Thousands)
Gross purchase	¥ 9,111	¥ 10,873	¥ 3,969	\$ 35,124
Less raw materials sold with no mark-up	(5,234)	(6,386)	(79)	(699)
Net purchases	3,877	4,487	3,890	34,425
Research and development expenses and patent fee	1,346	113	263	2,327
Advertising costs	325	174	158	1,398
Interest expenses	107	-	-	-
Interest income	23	83	221	1,956
Rent income, etc.	-	312	800	7,080
Sales	2,290	1,562	2,582	22,850

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 year ended March 31, 2014 is as follows and nil for the years ended March 31, 2015 and 2016.

	Yen (Millions)
	2014
Net sales	¥ 6,409
Cost of sales and expenses (includes impairment loss ¥1,708 million)	11,989
Loss from discontinued operations	(5,580)
Income taxes	(1,978)
Net loss from discontinued operations	(3,602)
Net loss from discontinued operations attributable to noncontrolling interests	(950)
Net loss from discontinued operations attributable to TDK	¥ (2,652)

23. Acquisition

On March 8, 2016 ("acquisition date"), TDK acquired 26,154 thousand shares (93.33% of equity interest that excludes treasury shares) of Micronas at a cost of ¥22,440 million (\$198,584 thousand) through a public tender in accordance with a transaction agreement dated December 17, 2015. As a result, Micronas and its subsidiaries became consolidated subsidiaries of TDK Corporation.

Micronas is headquartered in Zurich, Switzerland, and its primary businesses are designing, manufacturing, and sales of magnetic sensors and IC systems for automobiles and industrial equipment. The acquisition-related costs of ¥579 million (\$5,124 thousand) were recognized as a part of selling, general and administrative expenses. The fair value of noncontrolling interests was measured based on the market price of the common shares of Micronas as of the acquisition date. As of June 29, 2016, the date on which the consolidated financial statements were issued, the allocation of the acquisition cost had not been completed yet.

TDK acquired Micronas, which excels in hall elements technology effective for magnetic sensors, integrated circuit design technology and packaging technology, to bolster its strength in magnetic sensors and grow the magnetic sensor business further. Capitalizing on the synergies between TDK's magnetic sensor business and Micronas will enable TDK to expand the business even more in the global market.

As of March 31, 2016, TDK held 26,225 thousand shares (93.59% of equity interest that excludes treasury shares) of Micronas at a cost of ¥22,501 million (\$199,124 thousand), which was paid in cash.

Although TDK included the results of operations of Micronas and its subsidiaries subsequent to the acquisition date in its consolidated financial statements, the results were not material. The effect of the acquisition to net sales and net income attributable to TDK for the years ended March 31, 2014, 2015 and 2016 as though the acquisition had occurred as of the beginning of the year ended March 31, 2014 were not material either.

24. Material Subsequent Events

TDK concluded committed lines of credit (commitment line) contracts totaling ¥130,000 million (\$1,150,442 thousand) with several banks on May 31, 2016.

25. Supplementary Information

	Yen (Millions)			U.S. Dollars
	2014	2015	2016	(Thousands)
(a) Statements of Income				
Research and development	¥ 63,385	¥ 70,644	¥ 84,920	\$ 751,504
Rent	7,925	9,580	11,861	104,965
Maintenance and repairs	23,236	26,573	28,967	256,345
Advertising costs	3,513	3,506	4,286	37,929
(b) Statements of Cash Flows				
Cash paid during year for:				
Interest	¥ 3,518	¥ 3,050	¥ 3,100	\$ 27,434
Income taxes	14,031	20,922	21,229	187,867

Noncash activities

For the years ended March 31, 2014, 2015 and 2016, 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 qualified 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	HDD heads, HDD suspension assemblies, 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.

As a result of the reorganization in the year ended March 31, 2016, certain products of the Passive Components segment and the Magnetic Application Products segment were reclassified into Other. The figures for the years ended March 31, 2014 and 2015 were also reclassified to conform to the new segmentation.

The business segment information for the years ended March 31, 2014, 2015 and 2016 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)
	2014	2015	2016	2016
Passive Components:				
External customers	¥ 466,130	¥ 531,998	¥ 575,746	\$ 5,095,097
Intersegment	2,498	3,024	2,795	24,735
Total	468,628	535,022	578,541	5,119,832
Magnetic Application Products:				
External customers	357,018	363,347	315,322	2,790,460
Intersegment	356	202	325	2,876
Total	357,374	363,549	315,647	2,793,336
Film Application Products:				
External customers	129,304	151,275	222,359	1,967,779
Intersegment	2,913	2,906	2,989	26,451
Total	132,217	154,181	225,348	1,994,230
Other:				
External customers	32,073	35,940	38,828	343,611
Intersegment	8,811	12,921	17,289	153,000
Total	40,884	48,861	56,117	496,611
Intersegment eliminations	(14,578)	(19,053)	(23,398)	(207,062)
Total	¥ 984,525	¥ 1,082,560	¥ 1,152,255	\$ 10,196,947

Segment profit (loss)

	Yen (Millions)			U.S. Dollars (Thousands)
	2014	2015	2016	2016
Passive Components	¥ 16,108	¥ 36,611	¥ 66,404	\$ 587,646
Magnetic Application Products	30,262	29,676	13,194	116,761
Film Application Products	13,352	24,558	36,356	321,735
Other	(5,997)	571	1,881	16,646
Sub total	53,725	91,416	117,835	1,042,788
Corporate and Eliminations	(17,109)	(18,957)	(24,421)	(216,115)
Operating income	36,616	72,459	93,414	826,673
Other income (deductions), net	3,156	2,058	(1,575)	(13,938)
Income from continuing operations before income taxes	¥ 39,772	¥ 74,517	¥ 91,839	\$ 812,735

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)
	2015	2016	2016
Passive Components	¥ 593,498	¥ 627,202	\$ 5,550,460
Magnetic Application Products	552,964	555,096	4,912,354
Film Application Products	240,064	288,640	2,554,336
Other	37,322	42,271	374,080
Corporate and Eliminations	(19,566)	(62,624)	(554,195)
Total	¥ 1,404,282	¥ 1,450,585	\$ 12,837,035

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.

Depreciation and amortization (including Intangible assets other than Goodwill)

	Yen (Millions)			U.S. Dollars (Thousands)
	2014	2015	2016	2016
Passive Components	¥ 35,893	¥ 36,365	¥ 35,770	\$ 316,549
Magnetic Application Products	31,755	26,659	23,925	211,726
Film Application Products	9,143	10,859	17,267	152,805
Other	1,550	1,332	1,591	14,080
Corporate and Eliminations	4,552	5,034	4,671	41,336
Total	¥ 82,893	¥ 80,249	¥ 83,224	\$ 736,496

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

Capital expenditure

	Yen (Millions)			U.S. Dollars (Thousands)
	2014	2015	2016	2016
Passive Components	¥ 32,499	¥ 45,235	¥ 75,877	\$ 671,478
Magnetic Application Products	14,568	16,442	16,131	142,752
Film Application Products	14,659	34,324	52,837	467,584
Other	1,415	1,549	2,280	20,177
Corporate and Eliminations	5,465	4,975	13,549	119,903
Total	¥ 68,606	¥ 102,525	¥ 160,674	\$ 1,421,894

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

Geographic Segment Information

The geographic segment information for the years ended March 31, 2014, 2015 and 2016 are as follows.
All years presented do not include net sales related to discontinued operations.

Net sales

	Yen (Millions)			U.S. Dollars (Thousands)
	2014	2015	2016	2016
Japan	¥ 94,005	¥ 93,212	¥ 91,052	\$ 805,770
Americas	82,966	89,871	101,974	902,425
Europe	139,716	146,016	145,336	1,286,159
China	491,975	565,257	606,045	5,363,230
Asia and others	175,863	188,204	207,848	1,839,363
Total	¥ 984,525	¥ 1,082,560	¥ 1,152,255	\$ 10,196,947

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, Vietnam, Malaysia

Property, plant and equipment

	Yen (Millions)		U.S. Dollars (Thousands)
	2015	2016	2016
Japan	¥ 105,273	¥ 113,568	\$ 1,005,026
Americas	14,775	14,088	124,673
Europe	65,373	91,776	812,177
China	190,283	205,869	1,821,849
Asia and others	51,550	62,338	551,664
Total	¥ 427,254	¥ 487,639	\$ 4,315,389

Major countries in each geographic area :

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

Sales to major customers

There were two customer groups that accounted for more than 10% of net sales for the year ended March 31, 2014. These sales were approximately ¥107.0 billion and ¥105.8 billion that were included mainly in the Magnetic Application Products segment.

There were two customer groups that accounted for more than 10% of net sales for the year ended March 31, 2015. These sales were approximately ¥117.1 billion and ¥109.8 billion that were included mainly in the Magnetic Application Products segment and the Passive Components segment.

There was one customer group that accounted for more than 10% of net sales for the year ended March 31, 2016. The sales were approximately ¥135.8 billion (\$1,201.8 million) that were included mainly in the Film Application Products 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 financial statements of TDK Corporation and its subsidiaries, which comprise the consolidated balance sheets as of March 31, 2016 and 2015, 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, 2016, and the related notes to the consolidated financial statements expressed in Japanese yen.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 statements reflect total assets constituting 22.3 percent and 20.0 percent, respectively, of consolidated total assets at March 31, 2016 and 2015, and total revenues constituting 18.9 percent, 22.7 percent and 25.3 percent, respectively, of consolidated total revenues for each of the years in the three-year period ended March 31, 2016. Those 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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 its subsidiaries as of March 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2016, in accordance with U.S. generally accepted accounting principles.

Convenience Translation

The accompanying consolidated financial statements as of and for the year ended March 31, 2016 have been translated into United States dollars solely for the convenience of the readers. 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

Tokyo, Japan
July 19, 2016

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 Shigenao Ishiguro, and Chief Financial Officer and Director & Corporate 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, 2016, 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.