

(5) Note Relating to the Going Concern Assumption

Nothing to report.

(6) Summary of Significant Accounting Policies

1) The consolidated financial statements are prepared in conformity with the U.S. GAAP.

Inventories are valued at the lower of cost or market as in the past, with cost mainly determined by the periodic average method.

2) As of March 31, 2017, TDK Corporation had 138 subsidiaries (18 in Japan and 120 overseas).

TDK Corporation also had 9 affiliates (4 in Japan and 5 overseas) whose financial statements are accounted for by the equity method.

TDK excluded TDK (Shanghai) Electro-Energy Co.,Ltd. from the scope of consolidation according to disposal of the whole share and RF360 Holdings Singapore PTE. Ltd. and RF360 Technology (Wuxi) Co.,Ltd. from the scope of consolidation according to transfer of the equity interest to form a joint venture with Qualcomm Incorporated in the year ended March 31, 2017.

3) In April 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2015-03 “Simplifying the Presentation of Debt Issuance Costs”.

The amendments in this ASU require debt issuance costs to be presented as a deduction from the related debt liability. TDK adopted this ASU on April 1, 2016. As a result, the bond issuance cost that used to be a part of Other assets is presented as a deduction from Long-term debt in the prior year’s consolidated financial statement.

The adoption of this ASU did not have a material impact on TDK’s results of operations and financial position.

4) In September 2015, the FASB issued ASU 2015-16 “Simplifying the Accounting for Measurement – Period Adjustments”. The amendments in this ASU require that an acquirer recognizes adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This ASU is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. TDK adopted this ASU prospectively for adjustments to provisional amounts that occur after the effective date of this ASU.

The adoption of this ASU did not have a material impact on TDK’s results of operations and financial position.

5) The following items have been omitted from this earnings release because they are not deemed to be that necessary for disclosure.

Notes Concerning Consolidated Financial Statements

- Lease transactions
- Related-party transactions
- Tax-effect accounting
- Financial instruments
- Retirement benefits
- Stock options, etc.
- Business combinations, etc.
- Real estate for leasing
- Asset retirement obligations
- Hedge accounting

(7) Segment Information

TDK has three reporting segments: Passive Components, Magnetic Application Products and Film Application Products, as well as Other, which includes products not included in these three reporting segments.

In accordance with the reorganization in 1Q of FY2017, certain products of Other were reclassified into Passive Components and certain products of Film Application Products were reclassified into Other. The prior year's figures are also reclassified to conform to the new segmentation.

Sales by industry segment

		FY2016 (April 1, 2015 - March 31, 2016)		FY2017 (April 1, 2016 - March 31, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components	External customers	583,474	50.6	548,730	46.6	4,899,375	(34,744)	-6.0
	Intersegment	2,795		3,017		26,937	222	7.9
	Total	586,269		551,747		4,926,312	(34,522)	-5.9
Magnetic Application Products	External customers	315,322	27.4	349,698	29.7	3,122,304	34,376	10.9
	Intersegment	325		181		1,616	(144)	-44.3
	Total	315,647		349,879		3,123,920	34,232	10.8
Film Application Products	External customers	219,893	19.1	247,693	21.0	2,211,545	27,800	12.6
	Intersegment	-		-		-	-	-
	Total	219,893		247,693		2,211,545	27,800	12.6
Other	External customers	33,566	2.9	32,136	2.7	286,928	(1,430)	-4.3
	Intersegment	25,737		25,208		225,072	(529)	-2.1
	Total	59,303		57,344		512,000	(1,959)	-3.3
Intersegment eliminations		(28,857)		(28,406)		(253,625)	451	
Total		1,152,255	100.0	1,178,257	100.0	10,520,152	26,002	2.3

Note:

U.S.\$1=Yen 112, for convenience only.

Segment profit (loss) by industry segment

		FY2016 (April 1, 2015 - March 31, 2016)		FY2017 (April 1, 2016 - March 31, 2017)			Change	
		(Yen millions)	%	(Yen millions)	%	(U.S.\$ thousands)	(Yen millions)	Change(%)
Passive Components		66,404	11.4	204,681	37.3	1,827,509	138,277	208.2
Magnetic Application Products		13,194	4.2	(1,802)	-0.5	(16,089)	(14,996)	-
Film Application Products		37,038	16.8	41,217	16.6	368,009	4,179	11.3
Other		1,199	3.6	(6,655)	-20.7	(59,420)	(7,854)	-
Sub total		117,835	10.2	237,441	20.2	2,120,009	119,606	101.5
Corporate and Eliminations		(24,421)		(28,781)		(256,973)	(4,360)	
Operating income		93,414	8.1	208,660	17.7	1,863,036	115,246	123.4

Notes:

1. U.S.\$1=Yen 112, for convenience only.
2. % to sales of each corresponding segment