



Consolidated Financial Statements
for the three-month-period ended June 30, 2010
and June 30, 2009 (in English)

On August 16, 2010, this report in the Japanese version was filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to Japan's Financial Instruments and Exchange Act.

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

[Cover]

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| Company name (English): | TDK CORPORATION |
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TABLE OF CONTENTS

Consolidated Financial Statements for the three-month-period ended June 30, 2010
and June 30, 2009 (in English)

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

1) Consolidated balance sheets (Unaudited)

| | Yen (Millions) | |
|---|----------------|----------------|
| ASSETS | June 30, 2010 | March 31, 2010 |
| Current assets: | | |
| Cash and cash equivalents | ¥ 141,150 | 132,984 |
| Short-term investments | 52,614 | 67,873 |
| Marketable securities (Note 2) | 21,291 | 22,405 |
| Net trade receivables | 163,847 | 169,349 |
| Inventories (Note 3) | 111,080 | 105,069 |
| Other current assets | 39,268 | 40,067 |
| Total current assets | 529,250 | 537,747 |
| Investments in securities (Note 2) | 35,571 | 38,324 |
| Net property, plant and equipment | 305,032 | 318,205 |
| Goodwill and other intangible assets (Note 10) | 121,066 | 132,038 |
| Other assets | 62,921 | 65,144 |
| | ¥ 1,053,840 | 1,091,458 |

See accompanying notes to consolidated financial statements.

| | Yen (Millions) | |
|---|----------------------|----------------|
| LIABILITIES AND EQUITY | June 30, 2010 | March 31, 2010 |
| Current liabilities: | | |
| Short-term debt | ¥ 81,695 | 79,946 |
| Current installments of long-term debt | 10,154 | 10,554 |
| Trade payables | 86,305 | 84,988 |
| Accrued expenses (Note 9) | 58,091 | 63,249 |
| Other current liabilities | 15,546 | 12,640 |
| Total current liabilities | 251,791 | 251,377 |
| Long-term debt, excluding current installments | 176,335 | 179,554 |
| Retirement and severance benefits | 81,175 | 84,304 |
| Other noncurrent liabilities | 23,026 | 26,554 |
| Total liabilities | 532,327 | 541,789 |
| TDK stockholders' equity: | | |
| Common stock | | |
| Authorized 480,000,000 shares; | | |
| issued 129,590,659 shares at June 30, 2010 and March 31, 2010 | | |
| outstanding 128,991,552 shares at June 30, 2010 and | | |
| 128,992,233 shares at March 31, 2010 | | |
| | 32,641 | 32,641 |
| Additional paid-in capital | 61,200 | 61,124 |
| Legal reserve | 21,964 | 21,823 |
| Retained earnings | 616,957 | 606,445 |
| Accumulated other comprehensive income (loss) | (211,041) | (172,092) |
| Treasury stock at cost; | | |
| 599,107 shares at June 30, 2010 and 598,426 shares | | |
| at March 31, 2010 | | |
| | (6,189) | (6,185) |
| Total TDK stockholders' equity (Note 11) | 515,532 | 543,756 |
| Noncontrolling interests (Note 11) | 5,981 | 5,913 |
| Total equity (Note 11) | 521,513 | 549,669 |
| | ¥ 1,053,840 | 1,091,458 |

2) Consolidated statements of operations (Unaudited)

| | Yen (Millions) | |
|---|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2010 | Three months ended June 30, 2009 |
| Net sales | ¥ 221,925 | 181,546 |
| Cost of sales | 164,790 | 146,420 |
| Gross profit | 57,135 | 35,126 |
| Selling, general and administrative expenses | 36,926 | 37,348 |
| Restructuring cost (Note 9) | - | 1,423 |
| Operating income (loss) | 20,209 | (3,645) |
| Other income (deductions): | | |
| Interest and dividend income | 355 | 444 |
| Interest expense | (652) | (1,021) |
| Foreign exchange gain (loss) | (1,131) | (644) |
| Other - net | 37 | (552) |
| Income (loss) before income taxes | (1,391) | (1,773) |
| Income taxes | 18,818 | (5,418) |
| Net income (loss) | 4,332 | (1,705) |
| Less: Net income (loss) | | |
| attributable to noncontrolling interests | (37) | (497) |
| Net income (loss) attributable to TDK | ¥ 14,523 | (3,216) |

Amounts per share:

| | Yen | |
|--|-----------------|---------|
| Net income (loss) attributable to TDK per share (Note 12): | | |
| Basic | ¥ 112.59 | (24.93) |
| Diluted | 112.50 | (24.93) |
| Cash dividends paid during the period | ¥ 30.00 | 60.00 |

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

| | Yen (Millions) | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2010 | Three months ended June 30, 2009 |
| Cash flows from operating activities: | | |
| Net income (loss) | ¥ 14,486 | (3,713) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 18,789 | 19,966 |
| Changes in assets and liabilities, net of effects of acquisition of businesses: | | |
| Decrease (increase) in trade receivables | (5,104) | (19,956) |
| Decrease (increase) in inventories | (12,455) | 8,007 |
| Increase (decrease) in trade payables | 7,545 | 16,231 |
| Increase (decrease) in accrued expenses | (5,692) | 1,257 |
| Increase (decrease) in changes in other assets and liabilities, net | 3,319 | (2,075) |
| Other - net | 208 | (838) |
| Net cash provided by operating activities | <u>21,096</u> | <u>18,879</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (13,860) | (15,160) |
| Proceeds from sale and maturity of short-term investments | 42,722 | 19,088 |
| Payment for purchase of short-term investments | (30,136) | (30,644) |
| Other - net | (14) | (804) |
| Net cash used in investing activities | <u>(1,288)</u> | <u>(27,520)</u> |
| Cash flows from financing activities: | | |
| Repayment of long-term debt | (2,832) | (902) |
| Increase (decrease) in short-term debt, net | 2,063 | 11,927 |
| Dividends paid | (3,760) | (7,739) |
| Other - net | 422 | (521) |
| Net cash provided by (used in) financing activities | <u>(4,107)</u> | <u>2,765</u> |
| Effect of exchange rate changes on cash and cash equivalents | (7,535) | (1,764) |
| Net increase (decrease) in cash and cash equivalents | <u>8,166</u> | <u>(7,640)</u> |
| Cash and cash equivalents at beginning of period | 132,984 | 165,705 |
| Cash and cash equivalents at end of period | <u>¥ 141,150</u> | <u>158,065</u> |

See accompanying notes to consolidated financial statements.

4) Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

TDK Corporation and most of its domestic subsidiaries maintain their books of account in conformity with financial accounting standards of Japan, and its foreign subsidiaries mainly in conformity with those of the countries of their domicile.

The consolidated financial statements presented herein reflect certain adjustments, not recorded on the primary books of TDK Corporation and subsidiaries, to present the financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles (the "U.S. GAAP").

(b) Consolidation Policy

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

The investments in affiliates in which TDK's ownership is 20 percent to 50 percent and where TDK exercises significant influence over their operating and financial policies are accounted for by the equity method. All significant intercompany profits from these affiliates have been eliminated.

Segment information was previously omitted from the financial statements, which was permitted for foreign private issuers. However, in October 2008, U.S. Securities and Exchange Commission ("SEC") adopted an amendment to eliminate this accommodation to enhance financial reporting by foreign private issuers. As a result, TDK prepared segment information in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280 "Segment Reporting". The required disclosures are presented in Note 13 of the Notes to Consolidated Financial Statements.

(c) Subsequent Events

TDK has evaluated the subsequent events through August 10, 2010, the date on which the financial statements are available to be issued.

(d) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements and quarterly consolidated financial statements to conform to the presentation used for the three-month ended June 30, 2010.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at June 30, 2010 and March 31, 2010, are as follows:

| | Yen (Millions) | |
|---------------------------------|----------------|----------------|
| | June 30, 2010 | March 31, 2010 |
| Marketable securities | ¥ 21,291 | 22,405 |
| Investments in securities: | | |
| Long-term marketable securities | 13,231 | 15,499 |
| Nonmarketable securities | 850 | 981 |
| Investments in affiliates | 21,490 | 21,844 |
| Total investments in securities | 35,571 | 38,324 |
| Total | ¥ 56,862 | 60,729 |

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities at June 30, 2010 and March 31, 2010, are as follows:

As of June 30, 2010

| Yen (Millions): | Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value |
|-------------------|----------|---|--|------------|
| Equity securities | ¥ 9,889 | 1,613 | 767 | 10,735 |
| Debt securities | 23,030 | 16 | 23 | 23,023 |
| Mutual funds | 748 | 55 | 39 | 764 |
| Total | ¥ 33,667 | 1,684 | 829 | 34,522 |

As of March 31, 2010

| Yen (Millions): | Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value |
|-------------------|----------|---|--|------------|
| Equity securities | ¥ 9,915 | 2,868 | 73 | 12,710 |
| Debt securities | 24,192 | 145 | - | 24,337 |
| Mutual funds | 810 | 51 | 4 | 857 |
| Total | ¥ 34,917 | 3,064 | 77 | 37,904 |

Debt securities classified as available-for-sale at June 30, 2010 have a weighted average remaining term of 0.5 years.

The proceeds from sale and maturity of available-for-sale securities are ¥13 million for the three-month ended June 30, 2010. There are no proceeds from sale and maturity of available-for-sale securities for the three-month ended June 30, 2009. The gross realized losses on the sale and settlement of available-for-sale securities are ¥1 million for the three-month ended June 30, 2010. There are no realized gains or losses on the sale and settlement of available-for-sale securities for the three-month ended June 30, 2009. TDK recorded an impairment of ¥122 million on certain nonmarketable securities representing other-than-temporary declines in the fair value for the three-month ended June 30, 2010. TDK recorded an impairment of ¥49 million on certain available-for-sale securities and nonmarketable securities representing other-than-temporary declines in the fair value for the three-month ended June 30, 2009.

At June 30, 2010, all of the available-for-sale securities with unrealized losses had been in a continuous unrealized loss position for less than 12 months.

The aggregate cost of nonmarketable securities accounted for under the cost method at June 30, 2010 and March 31, 2010 totaled ¥850 million and ¥981 million, respectively, and a part of those securities were not evaluated for impairment because (a) TDK did not estimate the fair value of those investments as it was not practicable to estimate the fair value of the investment and (b) TDK did not identify any events or changes in circumstances that might have had significant adverse effect on the fair value of those investments.

As of June 30, 2010, certain debt securities in the amount of ¥999 million were pledged as collateral for extended custom duty payments to Tokyo Customs.

3. Inventories

Inventories at June 30, 2010 and March 31, 2010, are summarized as follows:

| | Yen (Millions) | |
|-----------------|----------------|----------------|
| | June 30, 2010 | March 31, 2010 |
| Finished goods | ¥ 45,707 | 43,998 |
| Work in process | 32,906 | 27,215 |
| Raw materials | 32,467 | 33,856 |
| Total | ¥ 111,080 | 105,069 |

4. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended June 30, 2010 and June 30, 2009 consisted of the following components:

| | Yen (Millions) | |
|--|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2010 | Three months ended June 30, 2009 |
| Service cost-benefits earned during the period | ¥ 1,808 | 1,734 |
| Interest cost on projected benefit obligation | 1,419 | 1,497 |
| Expected return on plan assets | (927) | (846) |
| Recognized actuarial loss | 1,083 | 1,436 |
| Amortization of unrecognized prior service benefit | (518) | (506) |
| Total | ¥ 2,865 | 3,315 |

5. Contingent Liabilities

TDK provides guarantees to third parties on bank loans of its employees. The guarantees on behalf of the employees are made for their housing loans. For each guarantee issued, in the event the employee defaults on payment, TDK would be required to make payments under its guarantee.

The maximum amounts of undiscounted payments TDK would have to make in the event of default at June 30, 2010 and March 31, 2010, are as follows:

| | Yen (Millions) | |
|---|----------------|----------------|
| | June 30, 2010 | March 31, 2010 |
| Contingent liabilities for guarantees of loans of TDK's employees | ¥ 3,614 | 3,800 |

As of June 30, 2010, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangement is not material.

Several claims against TDK and certain subsidiaries are pending. Provision has been made for the estimated liabilities for the items. In the opinion of management, based upon discussion with counsel, any additional liability not currently provided for will not materially affect the consolidated financial position and results of operations of TDK.

6. Risk Management Activities and Derivative Financial Instruments

TDK operates internationally and are exposed to the risk of changes in foreign exchange rates and interest rates as well as changes in raw material prices. TDK assesses these risks by continuously monitoring changes in the exchange rates, interest rates and raw material prices and by evaluating hedging opportunities. Derivative financial instruments are utilized to reduce these risks. TDK does not hold or issue derivative financial instruments for trading purposes. TDK is exposed to credit related losses in the event of nonperformance by the counterparties to those derivative financial instruments, but does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure of those financial instruments is represented by the fair values of contracts. The fair values of the contracts are calculated based on the quotes presented by financial institutions.

TDK uses forward foreign exchange contracts and currency swaps in order to offset foreign exchange gain (loss) mainly arising from foreign-currency denominated assets and liabilities and forecasted transactions. TDK uses interest rate swaps in order to control the fluctuation risks of interest rates. Also, TDK uses commodity forward transactions in order to control the fluctuation risks of raw material prices. Although these contracts have not been designated as hedges, which is required to apply hedge accountings, TDK considers they are effective as hedges from the economic viewpoint. The fair values of these undesignated contracts are recognized as income or expenses as incurred.

Notional amounts of derivative financial instruments at June 30, 2010 and March 31, 2010, are as follows:

| | Yen (Millions) | |
|------------------------------------|-----------------|----------------|
| | June 30, 2010 | March 31, 2010 |
| Forward foreign exchange contracts | ¥ 31,627 | 28,141 |
| Currency swaps | 14,163 | 15,584 |
| Commodity forward transactions | - | 85 |
| | <u>¥ 45,790</u> | <u>43,810</u> |

Fair value of derivative financial instruments at June 30, 2010 and March 31, 2010 are as follows:

| | | Yen (Millions) | |
|------------------------------------|------------------------------|-----------------------------|----------------|
| | | As of June 30, 2010 | |
| | | Account | Fair value |
| Assets: | | | |
| Forward foreign exchange contracts | Other current assets | | ¥ 357 |
| Currency swaps | Other current assets | | 767 |
| Total assets | | | ¥ 1,124 |
| Liabilities: | | | |
| Forward foreign exchange contracts | Other current liabilities | | ¥ 524 |
| Currency swaps | Other noncurrent liabilities | | 205 |
| Total liabilities | | | ¥ 729 |
| | | Yen (Millions) | |
| | | As of March 31, 2010 | |
| | | Account | Fair value |
| Assets: | | | |
| Forward foreign exchange contracts | Other current assets | | ¥ 138 |
| Currency swaps | Other current assets | | 171 |
| Commodity forward transactions | Other current assets | | 9 |
| Total assets | | | ¥ 318 |
| Liabilities: | | | |
| Forward foreign exchange contracts | Other current liabilities | | ¥ 520 |
| Currency swaps | Other noncurrent liabilities | | 134 |
| Total liabilities | | | ¥ 654 |

The effects of derivative financial instruments on the consolidated statements of operations for the three-month ended June 30, 2010 and June 30, 2009 are as follows:

| | | Three months ended June 30, 2010 | |
|------------------------------------|------------------------------|---|----------------|
| | | Account | Yen (Millions) |
| Forward foreign exchange contracts | Foreign exchange gain (loss) | | ¥ (435) |
| Currency swaps | Foreign exchange gain (loss) | | 577 |
| Commodity forward transactions | Cost of sales | | 0 |
| | | | ¥ 142 |
| | | Three months ended June 30, 2009 | |
| | | Account | Yen (Millions) |
| Forward foreign exchange contracts | Foreign exchange gain (loss) | | ¥ 94 |
| Currency swaps | Foreign exchange gain (loss) | | (34) |
| Interest rate swaps | Interest expense | | (8) |
| Commodity forward transactions | Cost of sales | | 6 |
| | | | ¥ 58 |

7. Fair Value of Financial Instruments

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

(a) Cash and cash equivalents, Short-term investments, Trade receivables, Other current assets, Short-term debt, Trade payables, Accrued expenses and Other current liabilities

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

(b) Marketable securities and Investments in securities

The fair values of marketable securities and investments in securities are primarily estimated based on quoted market prices for these instruments. For a part of investments in securities for which there are no quoted market prices, a reasonable estimate of fair values could not be made without incurring excessive costs.

(c) Long-term debt

The fair value of TDK's long-term debt is estimated based on the amount of future cash flows associated with the instrument discounted using TDK's current borrowing rate for similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues.

The carrying amounts and estimated fair values of TDK's financial instruments at June 30, 2010 and March 31, 2010, are summarized as follows:

| <u>As of June 30, 2010</u> | Yen (Millions) | |
|---|-----------------|----------------------|
| | Carrying amount | Estimated fair value |
| Assets: | | |
| Marketable securities for which it is: | | |
| Practicable to estimate fair value | ¥ 21,291 | 21,291 |
| Investments in securities and other assets for which it is: | | |
| Practicable to estimate fair value | 22,476 | 22,476 |
| Not practicable to estimate fair value | 888 | - |
| Liability: | | |
| Long-term debt, including current portion | (186,489) | (189,401) |
| | | |
| <u>As of March 31, 2010</u> | Yen (Millions) | |
| | Carrying amount | Estimated fair value |
| Assets: | | |
| Marketable securities for which it is: | | |
| Practicable to estimate fair value | ¥ 22,405 | 22,405 |
| Investments in securities and other assets for which it is: | | |
| Practicable to estimate fair value | 25,387 | 25,387 |
| Not practicable to estimate fair value | 692 | - |
| Liability: | | |
| Long-term debt, including current portion | (190,108) | (192,233) |

Derivative financial instruments are presented in Note 6 of the Notes to Consolidated Financial Statements.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

8. Fair Value Measurements

FASB ASC 820 “Fair Value Measurements and Disclosures” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. 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 June 30, 2010 and March 31, 2010 are as follows:

| <u>As of June 30, 2010</u> | Yen (Millions) | | | Total |
|--|----------------|---------|---------|----------|
| | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | |
| Marketable securities (Debt securities): | | | | |
| U.S. Treasury | ¥ 21,291 | - | - | ¥ 21,291 |
| Derivative contracts: | | | | |
| Forward foreign exchange contracts | - | 357 | - | 357 |
| Currency swaps | - | 767 | - | 767 |
| Investments (Debt securities): | | | | |
| Government bonds | 999 | - | - | 999 |
| Commercial papers | - | 727 | - | 727 |
| Public-utility bonds | 6 | - | - | 6 |
| Investments (Equity securities): | | | | |
| Manufacturing companies | 9,444 | - | - | 9,444 |
| Other | 1,291 | - | - | 1,291 |
| Investments (Mutual funds) | 764 | - | - | 764 |
| Rabbi trust investments | 3,475 | - | - | 3,475 |
| Total | ¥ 37,270 | 1,851 | - | ¥ 39,121 |
| Liabilities: | | | | |
| Derivative contracts: | | | | |
| Forward foreign exchange contracts | ¥ - | 524 | - | ¥ 524 |
| Currency swaps | - | 205 | - | 205 |
| Total | ¥ - | 729 | - | ¥ 729 |

| As of March 31, 2010 | Yen (Millions) | | | |
|--|----------------|---------|---------|----------|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Marketable securities (Debt securities): | | | | |
| U.S. Treasury | ¥ 22,405 | - | - | ¥ 22,405 |
| Derivative contracts: | | | | |
| Forward foreign exchange contracts | - | 138 | - | 138 |
| Currency swaps | - | 171 | - | 171 |
| Commodity forward transaction | - | 9 | - | 9 |
| Investments (Debt securities): | | | | |
| Government bonds | 998 | - | - | 998 |
| Commercial papers | - | 929 | - | 929 |
| Public-utility bonds | 5 | - | - | 5 |
| Investments (Equity securities): | | | | |
| Manufacturing companies | 11,372 | - | - | 11,372 |
| Other | 1,338 | - | - | 1,338 |
| Investments (Mutual funds) | 857 | - | - | 857 |
| Rabbi trust investments | 3,715 | - | - | 3,715 |
| Total | ¥ 40,690 | 1,247 | - | ¥ 41,937 |
| Liabilities: | | | | |
| Derivative contracts: | | | | |
| Forward foreign exchange contracts | ¥ - | 520 | - | ¥ 520 |
| Currency swaps | - | 134 | - | 134 |
| Total | ¥ - | 654 | - | ¥ 654 |

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 trust investments included in other assets in which a part of employees' salary is deposited is valued using unadjusted quoted prices in active markets.

Level 2 derivative contracts include forward foreign exchange contracts, currency swaps and commodity forward transactions and are valued based on quotes obtained from counterparties and are verified using observable market inputs, such as foreign currency exchange rates and inputs from commodities markets. Investments consist of commercial papers and the fair values thereof are based on the third-party assessment using observable market data.

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

Assets and liabilities that are measured at fair value on a nonrecurring basis as of June 30, 2010 and March 31, 2010 are as follows:

| <u>As of June 30, 2010</u> | Yen (Millions) | | | | Total gains (losses) |
|---------------------------------|--------------------|---------|---------|---------|-------------------------|
| | Carrying amount | Level 1 | Level 2 | Level 3 | |
| Assets: | | | | | |
| Investments (Equity securities) | ¥ 114 | - | - | ¥ 114 | (122) |

| <u>As of March 31, 2010</u> | Yen (Millions) | | | |
|---------------------------------|--------------------|---------|---------|---------|
| | Carrying amount | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Investments (Equity securities) | ¥ 449 | - | - | ¥ 449 |
| Property, plant and equipment | 1,940 | - | - | 1,940 |
| Intangible assets | 26 | - | - | 26 |

For the three-month ended June 30, 2010, investments which consist of nonmarketable securities valued using the cost method with the book value of ¥236 million was impaired to the fair value of ¥114 million. These nonmarketable securities are classified as Level 3 because their fair value was calculated using unobservable inputs.

As a result of the above, the impairment of ¥122 million caused by other-than-temporary declines in fair values at June 30, 2010 is included in consolidated statements of operations.

For the year ended March 31, 2010, investments which consist of nonmarketable securities valued using the cost method with the book value of ¥540 million was impaired to the fair value of ¥449 million. These nonmarketable securities are classified as Level 3 because their fair value was calculated using unobservable inputs. Mainly based on the discounted future cash flows expected from the use of each of the assets, the book value of property, plant and equipment of ¥6,343 million was written down to its fair value of ¥1,940 million, with the book value of intangible assets of ¥297 million written down to its fair value of ¥26 million, as a result of the impairment. Because unobservable inputs were used for each respective fair value, they are classified as Level 3.

9. Restructuring Cost

For the year ended March 31, 2010, TDK continued to deliberate the revision and rationalization of operations and production systems as part of structural reforms, and implemented them steadily. As a result, TDK recorded an impairment, expenses related to workforce reductions and others totaled to ¥4,922 million. A breakdown includes ¥3,764 million for the Passive Components segment, ¥948 million for the Magnetic Application Products segment, ¥137 million for the Other and ¥73 million for the head office function section included in Corporate.

The impact of the restructuring activities from the year ended March 31, 2010 to the three-month ended June 30, 2010 is as follows:

| | Yen (Millions) | | | Total |
|-----------------------|---------------------------------|------------|-------------------|--------------|
| | Workforce reduction obligations | Impairment | Other liabilities | |
| March 31, 2009 | ¥ 313 | - | 1,217 | ¥ 1,530 |
| Costs and expenses | 2,091 | 1,630 | 1,201 | 4,922 |
| Payments | 1,893 | - | 1,445 | 3,338 |
| Non-cash adjustments | 84 | 1,630 | 705 | 2,419 |
| March 31, 2010 | ¥ 427 | - | 268 | ¥ 695 |
| Costs and expenses | - | - | - | - |
| Payments | 254 | - | 63 | 317 |
| Non-cash adjustments | 31 | - | 21 | 52 |
| June 30, 2010 | ¥ 142 | - | 184 | ¥ 326 |

A breakdown of costs and expenses recorded as others mainly relates to removal costs of property and equipment and contract termination fees for the year ended March 31, 2010.

Liabilities of ¥326 million relate to restructuring were included in Accrued expenses in the consolidated balance sheets as of June 30, 2010, and TDK expects that most of the accrued liabilities recognized at June 30, 2010 will be paid by March 31, 2011.

10. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at June 30, 2010 and March 31, 2010 are as follows:

| Yen (Millions) | | | |
|--------------------------------|--------------------------|-----------------------------|------------|
| As of June 30, 2010 | | | |
| | Gross Carrying Amount | Accumulated Amortization | Net Amount |
| Amortized intangible assets: | | | |
| Patent | ¥ 41,907 | 14,024 | ¥ 27,883 |
| Customer relationships | 21,490 | 8,485 | 13,005 |
| Software | 15,205 | 7,875 | 7,330 |
| Unpatented technologies | 26,358 | 11,545 | 14,813 |
| Other | 4,190 | 772 | 3,418 |
| Total | ¥ 109,150 | 42,701 | ¥ 66,449 |
| Unamortized intangible assets: | | | |
| Trademark | ¥ 7,080 | | ¥ 7,080 |
| Other | 551 | | 551 |
| Total | ¥ 7,631 | | ¥ 7,631 |
| Yen (Millions) | | | |
| As of March 31, 2010 | | | |
| | Gross Carrying Amount | Accumulated Amortization | Net Amount |
| Amortized intangible assets: | | | |
| Patent | ¥ 42,177 | 13,213 | ¥ 28,964 |
| Customer relationships | 23,124 | 8,452 | 14,672 |
| Software | 15,468 | 7,797 | 7,671 |
| Unpatented technologies | 27,476 | 10,958 | 16,518 |
| Other | 5,281 | 1,214 | 4,067 |
| Total | ¥ 113,526 | 41,634 | ¥ 71,892 |
| Unamortized intangible assets: | | | |
| Trademark | ¥ 7,565 | | ¥ 7,565 |
| Other | 530 | | 530 |
| Total | ¥ 8,095 | | ¥ 8,095 |

No significant intangible assets excluding goodwill were acquired in the three-month ended June 30, 2010 and the year ended March 31, 2010.

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 years to 18 years for Patent, 5 to 17 years for Customer relationships, 2 to 10 years for Internal-use Software, 3 years to 20 years for Unpatented technologies and 5 to 15 years for Other intangible assets.

Aggregate amortization expense for the three-month ended June 30, 2010 was ¥3,393 million. Estimated amortization expense for the next five years is: ¥13,650 million in 2011, ¥12,183 million in 2012, ¥9,812 million in 2013, ¥8,528 million in 2014, and ¥6,553 million in 2015.

There are no significant changes in the carrying amount of goodwill by segment for the three-month ended June 30, 2010.

11. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the three-month ended June 30, 2010 and June 30, 2009 are as follows:

| | Yen (Millions) | | |
|---|----------------------|--------------------------|------------------|
| | Stockholders' equity | Noncontrolling interests | Total equity |
| March 31, 2010 | ¥ 543,756 | 5,913 | ¥ 549,669 |
| Equity transaction of consolidated subsidiaries and other | 72 | - | 72 |
| Comprehensive income (loss): | | | |
| Net income (loss) | 14,523 | (37) | 14,486 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustments | (37,519) | 107 | (37,412) |
| Pension liability adjustments | (10) | (2) | (12) |
| Net unrealized gains (losses) on securities | (1,420) | 0 | (1,420) |
| Other comprehensive income (loss), net of tax | (38,949) | 105 | (38,844) |
| Total comprehensive income (loss), net of tax: | (24,426) | 68 | (24,358) |
| Dividends | (3,870) | - | (3,870) |
| June 30, 2010 | ¥ 515,532 | 5,981 | ¥ 521,513 |

| | Yen (Millions) | | |
|---|----------------------|--------------------------|--------------|
| | Stockholders' equity | Noncontrolling interests | Total equity |
| March 31, 2009 | ¥ 554,218 | 8,823 | ¥ 563,041 |
| Equity transaction of consolidated subsidiaries and other | 116 | (469) | (353) |
| Comprehensive income (loss): | | | |
| Net income (loss) | (3,216) | (497) | (3,713) |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustments | (491) | 75 | (416) |
| Pension liability adjustments | 67 | (18) | 49 |
| Net unrealized gains (losses) on securities | 1,360 | - | 1,360 |
| Other comprehensive income (loss), net of tax | 936 | 57 | 993 |
| Total comprehensive income (loss), net of tax: | (2,280) | (440) | (2,720) |
| Dividends | (7,739) | (110) | (7,849) |
| June 30, 2009 | ¥ 544,315 | 7,804 | ¥ 552,119 |

Net income attributable to TDK and transfers (to) from noncontrolling interests for the three-month ended June 30, 2010 and June 30, 2009 are as follows:

| | Yen (Millions) | |
|--|---------------------------------------|----------------|
| | Three-month ended June 30, | |
| | 2010 | 2009 |
| Net income (loss) attributable to TDK | ¥ 14,523 | (3,216) |
| Increase in TDK's paid-in capital for purchase of 7,200,000 TDK Philippines Corporation common shares | - | 94 |
| Decrease in TDK's paid-in capital for purchase of 2,000 TDK-Lambda (Thailand) Co., Ltd. common shares | - | (24) |
| Net transfers (to) from noncontrolling interests | - | 70 |
| Change from net income attributable to TDK and transfers (to) from noncontrolling interests | ¥ 14,523 | (3,146) |

12. Net Income (Loss) Attributable to TDK per Share

A reconciliation of the numerators and denominators of the basic and diluted net income (loss) attributable to TDK per share computations are as follows:

| | Yen (Millions) | |
|---|---|-------------------------------------|
| | Three months ended June 30, 2010 | Three months ended June 30, 2009 |
| Net income (loss) attributable to TDK | ¥ 14,523 | (3,216) |
| | Number of shares (Thousands) | |
| | Three months ended June 30, 2010 | Three months ended June 30, 2009 |
| Weighted average common shares outstanding – Basic | 128,992 | 128,980 |
| Effect of dilutive stock options | 100 | - |
| Weighted average common shares outstanding – Diluted | 129,092 | 128,980 |
| | Yen | |
| | Three months ended June 30, 2010 | Three months ended June 30, 2009 |
| Net income (loss) attributable to TDK per share: | | |
| Basic | ¥ 112.59 | (24.93) |
| Diluted | ¥ 112.50 | (24.93) |

13. Segment Information

TDK prepared segment information in accordance with FASB ASC 280 “Segment Reporting” for all periods presented.

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 and the Magnetic Application Products segment. Operating segments which are not reportable segments are included within the Other.

Principal businesses of each segment are as follows:

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

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

The business segment information for the three-month ended June 30, 2010 and June 30, 2009 are as follows:

Net sales

| | Yen (Millions) | |
|--------------------------------|------------------------------------|---------|
| | Three-month ended June 30, 2010 | 2009 |
| Passive Components: | | |
| External customers | ¥ 105,081 | 80,223 |
| Intersegment | 546 | 19 |
| Total | 105,627 | 80,242 |
| Magnetic Application Products: | | |
| External customers | 100,262 | 86,930 |
| Intersegment | 1,490 | 908 |
| Total | 101,752 | 87,838 |
| Other: | | |
| External customers | 16,582 | 14,393 |
| Intersegment | 2,817 | 1,876 |
| Total | 19,399 | 16,269 |
| Intersegment eliminations | (4,853) | (2,803) |
| Consolidated total | ¥ 221,925 | 181,546 |

Segment profit (loss)

| | Yen (Millions) | |
|-----------------------------------|------------------------------------|---------|
| | Three-month ended June 30, 2010 | 2009 |
| Passive Components | ¥ 6,183 | (9,151) |
| Magnetic Application Products | 16,077 | 5,898 |
| Other | 1,051 | 805 |
| Sub total | 23,311 | (2,448) |
| Corporate and eliminations | (3,102) | (1,197) |
| Operating income (loss) | 20,209 | (3,645) |
| Other income (deductions), net | (1,391) | (1,773) |
| Income (loss) before income taxes | ¥ 18,818 | (5,418) |

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

Segment profit (loss) is determined principally using the accounting principles of countries where components of operating segments are located for the year ended March 31, 2010. However, the method of determination of Segment profit (loss) is changed to the way principally in conformity with the U.S. GAAP from the three-month ended June 30, 2010. Therefore, Segment profit (loss) principally in conformity with the U.S. GAAP is presented for the three-month ended June 30, 2009.

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

Geographic segment information

The geographic segment information for the three-month ended June 30, 2010 and June 30, 2009 are as follows:

Net sales

| | Yen (Millions) | |
|--------------------|----------------------------|---------|
| | Three-month ended June 30, | |
| | 2010 | 2009 |
| Japan | ¥ 27,406 | 23,037 |
| Americas | 23,738 | 16,491 |
| Europe | 31,773 | 24,237 |
| China | 74,012 | 59,773 |
| Asia and others | 64,996 | 58,008 |
| Consolidated total | ¥ 221,925 | 181,546 |

Net sales are based on the location of the customers.

Major countries in each geographic area (except for Japan and China):

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

Following geographic information are disclosed as additional information in conformity with the Japanese accounting standard that has been effective as of March 31, 2010:

| | Yen (Millions) | |
|------------------------------------|------------------------------------|-----------------|
| | Three-month ended June 30, 2010 | 2009 |
| Net sales | | |
| Japan: | | |
| External customers | ¥ 29,975 | 25,970 |
| Intersegment | 46,306 | 30,094 |
| Total | <u>76,281</u> | <u>56,064</u> |
| Americas: | | |
| External customers | ¥ 16,201 | 9,999 |
| Intersegment | 9,724 | 8,842 |
| Total | <u>25,925</u> | <u>18,841</u> |
| Europe: | | |
| External customers | ¥ 36,143 | 27,314 |
| Intersegment | 8,672 | 5,937 |
| Total | <u>44,815</u> | <u>33,251</u> |
| Asia and others (including China): | | |
| External customers | ¥ 139,606 | 118,263 |
| Intersegment | 26,029 | 15,885 |
| Total | <u>165,635</u> | <u>134,148</u> |
| Intersegment eliminations | <u>(90,731)</u> | <u>(60,758)</u> |
| Consolidated total | <u>¥ 221,925</u> | <u>181,546</u> |
| Operating income (loss): | | |
| Japan | ¥ 890 | (10,299) |
| Americas | 2,620 | 1,575 |
| Europe | (1,325) | (6,351) |
| Asia and others (including China) | <u>18,919</u> | <u>11,957</u> |
| Corporate and eliminations | <u>(895)</u> | <u>(527)</u> |
| Consolidated total | <u>¥ 20,209</u> | <u>(3,645)</u> |