



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

On November 15, 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.]

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1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	September 30, 2010	March 31, 2010
Current assets:		
Cash and cash equivalents	¥ 130,451	132,984
Short-term investments	64,455	67,873
Marketable securities (Note 2)	16,962	22,405
Net trade receivables	169,850	169,349
Inventories (Note 3)	115,848	105,069
Other current assets	37,562	40,067
Total current assets	<u>535,128</u>	<u>537,747</u>
Investments in securities (Note 2)	33,188	38,324
Net property, plant and equipment	308,722	318,205
Goodwill and other intangible assets (Note 10)	121,414	132,038
Other assets	62,067	65,144
	<u>¥ 1,060,519</u>	<u>1,091,458</u>

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
LIABILITIES AND EQUITY	September 30, 2010	March 31, 2010
Current liabilities:		
Short-term debt	¥ 97,056	79,946
Current installments of long-term debt	10,567	10,554
Trade payables	87,141	84,988
Accrued expenses (Note 9)	66,718	63,249
Other current liabilities	17,632	12,640
Total current liabilities	279,114	251,377
Long-term debt, excluding current installments	153,826	179,554
Retirement and severance benefits	82,480	84,304
Other noncurrent liabilities	22,677	26,554
Total liabilities	538,097	541,789
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares; issued 129,590,659 shares at Sept. 30, 2010 and March 31, 2010 outstanding 128,992,270 shares at Sept. 30, 2010 and 128,992,233 shares at March 31, 2010	32,641	32,641
Additional paid-in capital	61,137	61,124
Legal reserve	22,144	21,823
Retained earnings	628,366	606,445
Accumulated other comprehensive income (loss) (Note 12)	(221,466)	(172,092)
Treasury stock at cost; 598,389 shares at Sept. 30, 2010 and 598,426 shares at March 31, 2010	(6,179)	(6,185)
Total TDK stockholders' equity (Note 11)	516,643	543,756
Noncontrolling interests (Note 11)	5,779	5,913
Total equity (Note 11)	522,422	549,669
	¥ 1,060,519	1,091,458

2) Consolidated statements of income (Unaudited)

	Yen (Millions)	
	Six months ended September 30, 2010	Six months ended September 30, 2009
Net sales	¥ 442,234	385,851
Cost of sales	328,786	302,431
Gross profit	113,448	83,420
Selling, general and administrative expenses	76,260	75,841
Restructuring cost (Note 9)	-	2,177
Operating income	37,188	5,402
Other income (deductions):		
Interest and dividend income	661	924
Interest expense	(1,411)	(2,370)
Foreign exchange gain (loss)	(2,108)	(1,748)
Other - net	314	(1,255)
Income before income taxes	34,644	953
Income taxes	8,520	374
Net income (Note 12)	26,124	579
Less: Net income (loss)		
attributable to noncontrolling interests (Note 12)	8	(561)
Net income attributable to TDK (Note 12)	¥ 26,116	1,140
 Amounts per share:		
	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	¥ 202.46	8.84
Diluted	202.28	8.83
Cash dividends paid during the period	¥ 30.00	60.00

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
	Three months ended September 30, 2010	Three months ended September 30, 2009
Net sales	¥ 220,309	204,305
Cost of sales	163,996	156,011
Gross profit	56,313	48,294
Selling, general and administrative expenses	39,334	38,493
Restructuring cost (Note 9)	-	754
Operating income	16,979	9,047
Other income (deductions):		
Interest and dividend income	306	480
Interest expense	(759)	(1,349)
Foreign exchange gain (loss)	(977)	(1,104)
Other - net	277	(703)
	(1,153)	(2,676)
Income before income taxes	15,826	6,371
Income taxes	4,188	2,079
Net income (Note 12)	11,638	4,292
Less: Net income (loss)		
attributable to noncontrolling interests (Note 12)	45	(64)
Net income attributable to TDK (Note 12)	¥ 11,593	4,356
 Amounts per share:		
	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	¥ 89.87	33.77
Diluted	89.78	33.74
Cash dividends paid during the period	¥ -	-

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Six months ended September 30, 2010	Six months ended September 30, 2009
Cash flows from operating activities:		
Net income	¥ 26,124	579
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	37,764	41,128
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Decrease (increase) in trade receivables	(15,676)	(43,337)
Decrease (increase) in inventories	(18,410)	7,917
Increase (decrease) in trade payables	12,916	29,450
Increase (decrease) in accrued expenses	2,572	2,982
Increase (decrease) in changes in other assets and liabilities, net	5,498	1,946
Other - net	(22)	3,240
Net cash provided by operating activities	<u>50,766</u>	<u>43,905</u>
Cash flows from investing activities:		
Capital expenditures	(33,817)	(33,141)
Proceeds from sale and maturity of short-term investments	79,740	47,807
Payment for purchase of short-term investments	(82,170)	(69,309)
Proceeds from sale and maturity of investments in securities	5,866	1,057
Payment for purchase of investments in securities	(943)	(4)
Other - net	511	(317)
Net cash used in investing activities	<u>(30,813)</u>	<u>(53,907)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	4,134	84
Repayment of long-term debt	(29,288)	(4,831)
Increase (decrease) in short-term debt, net	18,222	2,128
Dividends paid	(3,873)	(7,739)
Other - net	526	(497)
Net cash used in financing activities	<u>(10,279)</u>	<u>(10,855)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(12,207)</u>	<u>(9,184)</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,533)</u>	<u>(30,041)</u>
Cash and cash equivalents at beginning of period	132,984	165,705
Cash and cash equivalents at end of period	<u>¥ 130,451</u>	<u>135,664</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 14 of the Notes to Consolidated Financial Statements.

(c) Subsequent Events

TDK has evaluated the subsequent events through November 9, 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 six-month and the three-month ended September 30, 2010.

2. Marketable Securities and Investments in Securities

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

	Yen (Millions)	
	September 30, 2010	March 31, 2010
Marketable securities	¥ 16,962	22,405
Investments in securities:		
Long-term marketable securities	11,706	15,499
Nonmarketable securities	964	981
Investments in affiliates	20,518	21,844
Total investments in securities	33,188	38,324
Total	¥ 50,150	60,729

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

As of September 30, 2010	Cost	Yen (Millions)		Fair Value
		Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
Government bonds	¥ 997	2	-	999
U.S. Treasury	15,956	7	-	15,963
Investments (Debt securities):				
Commercial papers	61	6	-	67
Public-utility bonds	6	-	-	6
Investments (Equity securities):				
Manufacturing companies	8,722	1,674	892	9,504
Other	1,173	113	-	1,286
Investments (Mutual funds)	800	59	16	843
Total	¥ 27,715	1,861	908	28,668

As of March 31, 2010	Cost	Yen (Millions)		Fair Value
		Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
U.S. Treasury	¥ 22,400	5	-	22,405
Investments (Debt securities):				
Government bonds	995	3	-	998
Commercial papers	792	137	-	929
Public-utility bonds	5	-	-	5
Investments (Equity securities):				
Manufacturing companies	8,739	2,706	73	11,372
Other	1,176	162	-	1,338
Investments (Mutual funds)	810	51	4	857
Total	¥ 34,917	3,064	77	37,904

Debt securities classified as available-for-sale at September 30, 2010 have a weighted average remaining term of 0.3 years.

The proceeds from sale and maturity of available-for-sale securities are ¥5,866 million and ¥5,853 million for the six-month and the three-month ended September 30, 2010, respectively. The proceeds from sale and maturity of available-for-sale securities are ¥1,057 million for the six-month and the three-month ended September 30, 2009. The gross realized gains on the sale and settlement of available-for-sale securities are ¥150 million for the six-month and the three-month ended September 30, 2010. The gross realized gains on the sale and settlement of available-for-sale securities are ¥58 million for the six-month and the three-month ended September 30, 2009. The gross realized losses on the sale and settlement of available-for-sale securities are ¥1 million for the six-month ended September 30, 2010. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥122 million on certain nonmarketable securities representing other-than-temporary declines in the fair value for the six-month ended September 30, 2010. TDK recorded an impairment of ¥313 million and ¥264 million on certain available-for-sale securities and nonmarketable securities representing other-than-temporary declines in the fair value for the six-month and the three-month ended September 30, 2009, respectively.

At September 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 September 30, 2010 and March 31, 2010 totaled ¥964 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 September 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 September 30, 2010 and March 31, 2010, are summarized as follows:

	Yen (Millions)	
	September 30, 2010	March 31, 2010
Finished goods	¥ 49,821	43,998
Work in process	26,717	27,215
Raw materials	39,310	33,856
Total	¥ 115,848	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 six-month ended September 30, 2010 and September 30, 2009 consisted of the following components:

	Yen (Millions)	
	Six months ended September 30, 2010	Six months ended September 30, 2009
Service cost-benefits earned during the period	¥ 3,581	3,483
Interest cost on projected benefit obligation	2,814	2,970
Expected return on plan assets	(1,843)	(1,726)
Recognized actuarial loss	2,145	2,606
Amortization of unrecognized prior service benefit	(1,035)	(1,016)
Total	¥ 5,662	6,317

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

	Yen (Millions)	
	Three months ended September 30, 2010	Three months ended September 30, 2009
Service cost-benefits earned during the period	¥ 1,773	1,749
Interest cost on projected benefit obligation	1,395	1,473
Expected return on plan assets	(916)	(880)
Recognized actuarial loss	1,062	1,170
Amortization of unrecognized prior service benefit	(517)	(510)
Total	¥ 2,797	3,002

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 September 30, 2010 and March 31, 2010, are as follows:

	Yen (Millions)	
	September 30, 2010	March 31, 2010
Contingent liabilities for guarantees of loans of TDK's employees	¥ 3,522	3,800

As of September 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 September 30, 2010 and March 31, 2010, are as follows:

	Yen (Millions)	
	September 30, 2010	March 31, 2010
Forward foreign exchange contracts	¥ 35,964	28,141
Currency swaps	17,735	15,584
Commodity forward transactions	-	85
	<u>¥ 53,699</u>	<u>43,810</u>

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

		Yen (Millions)	
		As of September 30, 2010	
		Account	Fair value
Assets:			
Forward foreign exchange contracts	Other current assets		¥ 819
Total assets			¥ 819
Liabilities:			
Forward foreign exchange contracts	Other current liabilities		¥ 631
Currency swaps	Other current liabilities		430
Currency swaps	Other noncurrent liabilities		78
Total liabilities			¥ 1,139

		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 income for the six-month ended September 30, 2010 and September 30, 2009 are as follows:

		Six months ended September 30, 2010	
		Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)		¥ 349
Currency swaps	Foreign exchange gain (loss)		(629)
Interest rate swaps	Interest expenses		-
Commodity forward transactions	Cost of sales		0
			¥ (280)

		Six months ended September 30, 2009	
		Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)		¥ 626
Currency swaps	Foreign exchange gain (loss)		(344)
Interest rate swaps	Interest expenses		128
Commodity forward transactions	Cost of sales		40
			¥ 450

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

			Three months ended September 30, 2010	
			Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)			¥ 784
Currency swaps	Foreign exchange gain (loss)			(1,206)
Interest rate swaps	Interest expenses			-
Commodity forward transactions	Cost of sales			-
				¥ (422)
			Three months ended September 30, 2009	
			Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)			¥ 532
Currency swaps	Foreign exchange gain (loss)			(310)
Interest rate swaps	Interest expenses			136
Commodity forward transactions	Cost of sales			34
				¥ 392

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 September 30, 2010 and March 31, 2010, are summarized as follows:

<u>As of September 30, 2010</u>	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities for which it is:		
Practicable to estimate fair value	¥ 16,962	16,962
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	20,977	20,977
Not practicable to estimate fair value	851	-
Liability:		
Long-term debt, including current portion	(164,393)	(167,469)
<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 September 30, 2010 and March 31, 2010 are as follows:

<u>As of September 30, 2010</u>	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 999	-	-	¥ 999
U.S. Treasury	15,963	-	-	15,963
Derivative contracts:				
Forward foreign exchange contracts	-	819	-	819
Investments (Debt securities):				
Commercial papers	-	67	-	67
Public-utility bonds	6	-	-	6
Investments (Equity securities):				
Manufacturing companies	9,504	-	-	9,504
Other	1,286	-	-	1,286
Investments (Mutual funds)	843	-	-	843
Rabbi trust investments	3,437	-	-	3,437
Total	¥ 32,038	886	-	¥ 32,924
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	631	-	¥ 631
Currency swaps	-	508	-	508
Total	¥ -	1,139	-	¥ 1,139
<u>As of March 31, 2010</u>	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 September 30, 2010 and March 31, 2010 are as follows:

<u>As of September 30, 2010</u>	Yen (Millions)				Total gains (losses)	
	Carrying amount	Level 1	Level 2	Level 3	Six months ended Sept. 30	Three months ended Sept. 30
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 six-month ended September 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 for the six-month ended September 30, 2010 is included in consolidated statements of income.

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 six-month ended September 30, 2010 is as follows:

	Yen (Millions)			
	Workforce reduction obligations	Impairment	Other liabilities	Total
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	319	-	104	423
Non-cash adjustments	27	-	17	44
September 30, 2010	¥ 81	-	147	¥ 228

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 ¥228 million relate to restructuring were included in Accrued expenses in the consolidated balance sheets as of September 30, 2010, and TDK expects that most of the accrued liabilities recognized at September 30, 2010 will be paid by March 31, 2011.

10. Goodwill and Other Intangible Assets

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

Yen (Millions)			
As of September 30, 2010			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	¥ 41,923	14,984	¥ 26,939
Customer relationships	22,005	9,482	12,523
Software	16,047	8,529	7,518
Unpatented technologies	27,073	12,677	14,396
Other	4,993	685	4,308
Total	¥ 112,041	46,357	¥ 65,684
Unamortized intangible assets:			
Trademark	¥ 7,262		¥ 7,262
Other	551		551
Total	¥ 7,813		¥ 7,813
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 six-month ended September 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, 6 to 17 years for Customer relationships, 2 to 10 years for Internal-use Software, 3 years to 20 years for Unpatented technologies and 3 to 15 years for Other intangible assets.

Aggregate amortization expense for the six-month ended September 30, 2010 was ¥6,753 million. Estimated amortization expense for the next five years is: ¥12,972 million in 2011, ¥11,642 million in 2012, ¥9,483 million in 2013, ¥8,295 million in 2014, and ¥6,396 million in 2015.

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

11. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the six-month ended September 30, 2010 and September 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	15	(2)	13
Comprehensive income (loss):			
Net income	26,116	8	26,124
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(48,521)	(118)	(48,639)
Pension liability adjustments	566	(2)	564
Net unrealized gains (losses) on securities	(1,419)	0	(1,419)
Other comprehensive income (loss), net of tax	(49,374)	(120)	(49,494)
Total comprehensive income (loss), net of tax:	(23,258)	(112)	(23,370)
Dividends	(3,870)	(20)	(3,890)
September 30, 2010	¥ 516,643	5,779	¥ 522,422
	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2009	¥ 554,218	8,823	¥ 563,041
Equity transaction of consolidated subsidiaries and other	299	(470)	(171)
Comprehensive income (loss):			
Net income (loss)	1,140	(561)	579
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(26,945)	(238)	(27,183)
Pension liability adjustments	403	(12)	391
Net unrealized gains (losses) on securities	2,223	-	2,223
Other comprehensive income (loss), net of tax	(24,319)	(250)	(24,569)
Total comprehensive income (loss), net of tax:	(23,179)	(811)	(23,990)
Dividends	(7,739)	(115)	(7,854)
September 30, 2009	¥ 523,599	7,427	¥ 531,026

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

	Yen (Millions)	
	Six-month ended September 30, 2010	2009
Net income attributable to TDK	¥ 26,116	1,140
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	¥ 26,116	1,210

12. Comprehensive Income (Loss)

Comprehensive income (loss) for the six-month ended September 30, 2010 and September 30, 2009 are as follows:

	Yen (Millions)	
	Six months ended September 30, 2010	Six months ended September 30, 2009
Net income	¥ 26,124	579
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(48,639)	(27,183)
Pension liability adjustments	564	391
Net unrealized gains (losses) on securities	(1,419)	2,223
Other comprehensive income (loss), net of tax	(49,494)	(24,569)
Comprehensive income (loss)	(23,370)	(23,990)
Comprehensive income (loss) attributable to non-controlling interests	(112)	(811)
Comprehensive income (loss) attributable to TDK	¥ (23,258)	(23,179)

Comprehensive income (loss) for the three-month ended September 30, 2010 and September 30, 2009 are as follows:

	Yen (Millions)	
	Three months ended September 30, 2010	Three months ended September 30, 2009
Net income	¥ 11,638	4,292
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(11,227)	(26,767)
Pension liability adjustments	576	342
Net unrealized gains (losses) on securities	1	863
Other comprehensive income (loss), net of tax	(10,650)	(25,562)
Comprehensive income (loss)	988	(21,270)
Comprehensive income (loss) attributable to non-controlling interests	(180)	(371)
Comprehensive income (loss) attributable to TDK	¥ 1,168	(20,899)

13. 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 are as follows:

	Yen (Millions)	
	Six months ended September 30, 2010	Six months ended September 30, 2009
Net income attributable to TDK	¥ 26,116	1,140
	Number of shares (Thousands)	
	Six months ended September 30, 2010	Six months ended September 30, 2009
Weighted average common shares outstanding – Basic	128,992	128,982
Effect of dilutive stock options	116	93
Weighted average common shares outstanding – Diluted	129,108	129,075
	Yen	
	Six months ended September 30, 2010	Six months ended September 30, 2009
Net income attributable to TDK per share:		
Basic	¥ 202.46	8.84
Diluted	¥ 202.28	8.83
	Yen (Millions)	
	Three months ended September 30, 2010	Three months ended September 30, 2009
Net income attributable to TDK	¥ 11,593	4,356
	Number of shares (Thousands)	
	Three months ended September 30, 2010	Three months ended September 30, 2009
Weighted average common shares outstanding – Basic	128,992	128,985
Effect of dilutive stock options	133	108
Weighted average common shares outstanding – Diluted	129,125	129,093
	Yen	
	Three months ended September 30, 2010	Three months ended September 30, 2009
Net income attributable to TDK per share:		
Basic	¥ 89.87	33.77
Diluted	¥ 89.78	33.74

14. 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 six-month ended September 30, 2010 and September 30, 2009 are as follows:

Net sales

	Yen (Millions)	
	Six-month ended September 30,	
	2010	2009
Passive Components:		
External customers	¥ 214,562	173,977
Intersegment	1,141	43
Total	215,703	174,020
Magnetic Application Products:		
External customers	192,506	183,182
Intersegment	3,045	1,919
Total	195,551	185,101
Other:		
External customers	35,166	28,692
Intersegment	6,432	4,115
Total	41,598	32,807
Intersegment eliminations	(10,618)	(6,077)
Consolidated total	¥ 442,234	385,851

Segment profit (loss)

	Yen (Millions)	
	Six-month ended September 30,	
	2010	2009
Passive Components	¥ 13,454	(8,992)
Magnetic Application Products	28,613	17,213
Other	2,731	2,038
Sub total	44,798	10,259
Corporate and eliminations	(7,610)	(4,857)
Operating income	37,188	5,402
Other income (deductions), net	(2,544)	(4,449)
Income before income taxes	¥ 34,644	953

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

Net sales

	Yen (Millions)	
	Three-month ended September 30,	
	2010	2009
Passive Components:		
External customers	¥ 109,481	93,754
Intersegment	595	24
Total	<u>110,076</u>	<u>93,778</u>
Magnetic Application Products:		
External customers	92,244	96,252
Intersegment	1,555	1,011
Total	<u>93,799</u>	<u>97,263</u>
Other:		
External customers	18,584	14,299
Intersegment	3,615	2,239
Total	<u>22,199</u>	<u>16,538</u>
Intersegment eliminations	(5,765)	(3,274)
Consolidated total	<u>¥ 220,309</u>	<u>204,305</u>

Segment profit

	Yen (Millions)	
	Three-month ended September 30,	
	2010	2009
Passive Components	¥ 7,271	159
Magnetic Application Products	12,536	11,315
Other	1,680	1,233
Sub total	<u>21,487</u>	<u>12,707</u>
Corporate and eliminations	(4,508)	(3,660)
Operating income	<u>16,979</u>	<u>9,047</u>
Other income (deductions), net	(1,153)	(2,676)
Income before income taxes	<u>¥ 15,826</u>	<u>6,371</u>

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 year ended March 31, 2011. Therefore, Segment profit (loss) principally in conformity with the U.S. GAAP is presented for the six-month and the three-month ended September 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 six-month ended September 30, 2010 and September 30, 2009 are as follows:

Net sales

	Yen (Millions)	
	Six-month ended September 30,	
	2010	2009
Japan	¥ 55,082	48,809
Americas	47,383	36,470
Europe	62,854	51,674
China	143,771	126,215
Asia and others	133,144	122,683
Consolidated total	¥ 442,234	385,851

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

Net sales

	Yen (Millions)	
	Three-month ended September 30,	
	2010	2009
Japan	¥ 27,676	25,772
Americas	23,645	19,979
Europe	31,081	27,437
China	69,759	66,442
Asia and others	68,148	64,675
Consolidated total	¥ 220,309	204,305

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, Korea, Taiwan, 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.

The geographic information for the six-month ended September 30, 2010 and September 30, 2009 are as follows:

	Yen (Millions)	
	Six-month ended September 30, 2010	2009
Net sales		
Japan:		
External customers	¥ 60,162	54,280
Intersegment	92,494	68,050
Total	<u>152,656</u>	<u>122,330</u>
Americas:		
External customers	¥ 32,246	22,464
Intersegment	17,750	19,215
Total	<u>49,996</u>	<u>41,679</u>
Europe:		
External customers	¥ 75,263	58,691
Intersegment	17,183	13,478
Total	<u>92,446</u>	<u>72,169</u>
Asia and others (including China):		
External customers	¥ 274,563	250,416
Intersegment	53,143	35,996
Total	<u>327,706</u>	<u>286,412</u>
Intersegment eliminations	<u>(180,570)</u>	<u>(136,739)</u>
Consolidated total	<u>¥ 442,234</u>	<u>385,851</u>
Operating income (loss):		
Japan	¥ (2,316)	(15,005)
Americas	3,776	2,877
Europe	(2,000)	(10,676)
Asia and others (including China)	<u>38,304</u>	<u>28,443</u>
Corporate and eliminations	<u>(576)</u>	<u>(237)</u>
Consolidated total	<u>¥ 37,188</u>	<u>5,402</u>

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

	Yen (Millions)	
	Three-month ended September 30,	
	2010	2009
Net sales		
Japan:		
External customers	¥ 30,187	28,310
Intersegment	46,188	37,956
Total	<u>76,375</u>	<u>66,266</u>
Americas:		
External customers	¥ 16,045	12,465
Intersegment	8,026	10,373
Total	<u>24,071</u>	<u>22,838</u>
Europe:		
External customers	¥ 39,120	31,377
Intersegment	8,511	7,541
Total	<u>47,631</u>	<u>38,918</u>
Asia and others (including China):		
External customers	¥ 134,957	132,153
Intersegment	27,114	20,111
Total	<u>162,071</u>	<u>152,264</u>
Intersegment eliminations	<u>(89,839)</u>	<u>(75,981)</u>
Consolidated total	<u>¥ 220,309</u>	<u>204,305</u>
Operating income (loss):		
Japan	¥ (3,206)	(4,706)
Americas	1,156	1,302
Europe	(675)	(4,325)
Asia and others (including China)	19,385	16,486
Corporate and eliminations	319	290
Consolidated total	<u>¥ 16,979</u>	<u>9,047</u>