



**Consolidated Financial Statements**  
**for the three-month period ended December 31, 2010**  
**and December 31, 2009 (in English)**

On February 14, 2011, 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.

[ThisisanEnglishtranslationpreparedfortheco nvenienceofnon-residentshareholders. Shouldthe re  
beanyinconsistencybetweenthe translationandth eofficialJapanesetext,thelattershallprevail. ]

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Companyname(English): TDKCORPORATION

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## 1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	December 31, 2010	March 31, 2010
<b>Current assets:</b>		
Cash and cash equivalents	¥149,796	132,984
Short-term investments	45,988	67,873
Marketable securities (Note 2)	14,098	22,405
Net trade receivables	165,847	169,349
Inventories (Note 3)	116,436	105,069
Other current assets	38,805	40,067
Total current assets	<u>530,970</u>	<u>537,747</u>
<b>Investments in securities (Note 2)</b>	<b>34,208</b>	<b>38,324</b>
<b>Net property, plant and equipment</b>	<b>305,325</b>	<b>318,205</b>
<b>Goodwill and other intangible assets (Note 10)</b>	<b>116,254</b>	<b>132,038</b>
<b>Other assets</b>	<b>60,501</b>	<b>65,144</b>
	<u>¥1,047,258</u>	<u>1,091,458</u>

See accompanying notes to consolidated financial statements.

<b>LIABILITIES AND EQUITY</b>	Yen (Millions)	
	<b>December 31, 2010</b>	March 31, 2010
<b>Current liabilities:</b>		
Short-term debt	¥100,172	79,946
Current installments of long-term debt	11,283	10,554
Trade payables	83,704	84,988
Accrued expenses (Note 9)	63,069	63,249
Other current liabilities	19,177	12,640
<b>Total current liabilities</b>	<b>277,405</b>	<b>251,377</b>
<b>Long-term debt, excluding current installments</b>	<b>152,216</b>	<b>179,554</b>
<b>Retirement and severance benefits</b>	<b>80,944</b>	<b>84,304</b>
<b>Other noncurrent liabilities</b>	<b>21,546</b>	<b>26,554</b>
<b>Total liabilities</b>	<b>532,111</b>	<b>541,789</b>
<b>TDK stockholders' equity:</b>		
Common stock		
Authorized 480,000,000 shares; issued 129,590,659 shares at Dec. 31, 2010 and March 31, 2010 and 128,992,343 shares at Dec. 31, 2010 and 128,992,233 shares at March 31, 2010	32,641	32,641
Additional paid-in capital	61,186	61,124
Legal reserve	21,278	21,823
Retained earnings	636,663	606,445
Accumulated other comprehensive income (loss) (Note 12)	(236,369)	(172,092)
Treasury stock at cost; 598,316 shares at Dec. 31, 2010 and 598,426 shares at March 31, 2010	(6,170)	(6,185)
<b>Total TDK stockholders' equity (Note 11)</b>	<b>509,229</b>	<b>543,756</b>
<b>Noncontrolling interests (Note 11)</b>	<b>5,918</b>	<b>5,913</b>
<b>Total equity (Note 11)</b>	<b>515,147</b>	<b>549,669</b>
	<b>¥1,047,258</b>	<b>1,091,458</b>

## 2) Consolidated statements of income (Unaudited)

	Yen (Millions)	
	Ninemothsended December31,2010	Ninemothsended December31,2009
<b>Netsales</b>	<b>¥662,171</b>	597,513
<b>Cost of sales</b>	<b>494,517</b>	460,598
Gross profit	<b>167,654</b>	136,915
<b>Selling, general and administrative expenses</b>	<b>113,253</b>	117,376
<b>Restructuring cost (Note 9)</b>	<b>-</b>	2,044
Operating income	<b>54,401</b>	17,495
<b>Other income (deductions):</b>		
Interest and dividend income	<b>1,035</b>	1,260
Interest expense	<b>(2,099)</b>	(3,293)
Foreign exchange gain (loss)	<b>(2,323)</b>	(1,107)
Other-net	<b>187</b>	(3,523)
	<b>(3,200)</b>	(6,663)
Income before income taxes	<b>51,201</b>	10,832
<b>Income taxes</b>	<b>12,441</b>	1,428
Net income (Note 12)	<b>38,760</b>	9,404
<b>Less: Net income (loss)</b>		
<b>attributable to noncontrolling interests (Note 12)</b>	<b>49</b>	(562)
Net income attributable to TDK (Note 12)	<b>¥38,711</b>	9,966

### Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	<b>¥300.10</b>	77.26
Diluted	<b>299.82</b>	77.21
Cash dividends paid during the period	<b>¥70.00</b>	90.00

See accompanying notes to consolidated financial statements.

	Yen(Millions)	
	Threemonthsended December31,2010	Threemonthsended December31,2009
<b>Netsales</b>	<b>¥219,937</b>	211,662
<b>Costofsales</b>	<b>165,731</b>	158,167
Grossprofit	<b>54,206</b>	53,495
<b>Selling,generalandadministrativeexpenses</b>	<b>36,993</b>	41,535
<b>Restructuringcost(Note9)</b>	<b>-</b>	(133)
Operatingincome	<b>17,213</b>	12,093
<b>Otherincome(deductions):</b>		
Interestanddividendincome	<b>374</b>	336
Interestexpense	<b>(688)</b>	(923)
Foreigntaxgain(loss)	<b>(215)</b>	641
Other-net	<b>(127)</b>	(2,268)
	<b>(656)</b>	(2,214)
Incomebeforeincometaxes	<b>16,557</b>	9,879
<b>Incometaxes</b>	<b>3,921</b>	1,054
Netincome(Note12)	<b>12,636</b>	8,825
<b>Less:Netincome(loss)</b>		
<b>attributabletononcontrollinginterests(Note12)</b>	<b>41</b>	(1)
NetincomeattributabletoTDK(Note12)	<b>¥12,595</b>	8,826

**Amountspershare:**

	Yen	
NetincomeattributabletoTDKpershare(Note13):		
Basic	<b>¥97.64</b>	68.42
Diluted	<b>97.54</b>	68.37
Cashdividendspaidduringtheprecedingperiod	<b>¥40.00</b>	30.00

*See accompanying notes to consolidated financial statements.*

### 3) Consolidated statements of cash flows (Unaudited )

	Yen (Millions)	
	Nin months ended December 31, 2010	Nin months ended December 31, 2009
<b>Cash flows from operating activities:</b>		
Net income	¥38,760	9,404
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,511	62,711
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Decrease (increase) in trade receivables	(16,103)	(45,983)
Decrease (increase) in inventories	(21,986)	2,480
Increase (decrease) in trade payables	11,998	34,637
Increase (decrease) in accrued expenses	1,236	2,674
Increase (decrease) in changes in other asset and liabilities, net	5,061	6,866
Other-net	235	5,848
Net cash provided by operating activities	<u>76,712</u>	<u>78,637</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(54,081)	(48,335)
Proceeds from sale and maturity of short-term investments	121,308	81,352
Payment for purchase of short-term investments	(106,727)	(121,444)
Proceeds from sale and maturity of investments in securities	15,846	15,254
Payment for purchase of investments in securities	(8,429)	(11,275)
Repayment of deposits for investments	-	6,912
Other-net	902	7
Net cash used in investing activities	<u>(31,181)</u>	<u>(77,529)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	6,162	519
Repayment of long-term debt	(32,023)	(5,140)
Increase (decrease) in short-term debt, net	21,770	2,756
Dividends paid	(9,011)	(11,609)
Acquisition of noncontrolling interests	(4)	(7,228)
Other-net	601	695
Net cash used in financing activities	<u>(12,505)</u>	<u>(20,007)</u>
Effect of exchange rate changes on cash and cash equivalents	(16,214)	(6,547)
Net increase (decrease) in cash and cash equivalents	<u>16,812</u>	<u>(25,446)</u>
Cash and cash equivalents at beginning of period	132,984	165,705
Cash and cash equivalents at end of period	<u>¥149,796</u>	<u>140,259</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 its 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 the 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) Adoption of New Accounting Standards**

"Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses"

In July 2010, FASB issued Accounting Standards Update No. 2010-20 ("ASU 2010-20"), "Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses". The amendments in ASU 2010-20 require an entity to provide disclosures of the nature of credit risk inherent in the entity's portfolio of financing receivables, how that risk is analyzed and assessed in arriving at the allowance for credit losses, and the changes and reasons for those changes in the allowance for credit losses. For public entities, the disclosures as of the end of a reporting period are effective for interim and annual reporting periods ending on or after December 15, 2010. The disclosures about activity that occurs during a reporting period are effective for interim and annual reporting periods beginning on or after December 15, 2010.

As of December 31, 2010, TDK's financing receivable within the scope of ASU 2010-20 are not material.

#### **(d) Subsequent Events**

TDK has evaluated the subsequent events through February 8, 2011, the date on which the financial statements are available to be issued.

#### **(e) 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 nine-month and the three-month ended December 31, 2010.

## 2. Marketable Securities and Investments in Securities

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

	Yen (Millions)	
	December 31, 2010	March 31, 2010
Marketable securities	¥14,098	22,405
Investments in securities:		
Long-term marketable securities	12,925	15,499
Nonmarketable securities	945	981
Investments in affiliates	20,338	21,844
Total investments in securities	34,208	38,324
Total	¥48,306	60,729

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

As of December 31, 2010	Cost	Yen (Millions)		Fair Value
		Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
Government bonds	¥998	1	0	999
U.S. Treasury	13,099	0	-	13,099
Investments (Debt securities):				
Commercial papers	59	9	-	68
Public-utility bonds	6	-	-	6
Investments (Equity securities):				
Manufacturing companies	8,699	2,628	624	10,703
Other	1,172	178	-	1,350
Investments (Mutual funds)	764	34	-	798
Total	¥24,797	2,850	624	27,023

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 December 31, 2010 have a weighted average remaining term of 0.6 years.

The proceeds from sale and maturity of available-for-sale securities are ¥15,846 million and ¥9,980 million for the nine-month and the three-month ended December 31, 2010, respectively. The proceeds from sale and maturity of available-for-sale securities are ¥15,254 million and ¥14,197 million for the nine-month and the three-month ended December 31, 2009, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥150 million for the nine-month ended December 31, 2010. The gross realized gains on the sale and settlement of available-for-sale securities are ¥247 million and ¥189 million for the nine-month and the three-month ended December 31, 2009, respectively. The gross realized losses on the sale and settlement of available-for-sale securities are ¥1 million for the nine-month ended December 31, 2010. The cost of available-for-sale securities sold was determined on an average cost basis. TDK recorded an impairment of ¥153 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the nine-month ended December 31, 2010. TDK recorded an impairment of ¥31 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the three-month ended December 31, 2010. TDK recorded an impairment of ¥1,418 million and ¥1,105 million on certain available-for-sale securities and nonmarketable securities representing other-than-temporary declines in the fair value for the nine-month and the three-month ended December 31, 2009, respectively.

At December 31, 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 December 31, 2010 and March 31, 2010 totaled ¥945 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 December 31, 2010, certain debt securities in the amount of ¥999 million were pledged as collateral for extended customs duty payments to Tokyo Customs.

### 3. Inventories

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

	Yen (Millions)	
	December 31, 2010	March 31, 2010
Finished goods	¥49,748	43,998
Work in process	26,550	27,215
Raw materials	40,138	33,856
Total	¥116,436	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 nine-month ended December 31, 2010 and December 31, 2009 consisted of the following components:

	Yen (Millions)	
	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Service cost-benefit earned during the period	¥5,330	5,257
Interest cost on projected benefit obligation	4,211	4,448
Expected return on plan assets	(2,755)	(2,576)
Recognized actuarial loss	3,186	4,022
Amortization of unrecognized prior service benefit	(1,555)	(1,524)
Curtailement charge	-	54
Settlement loss	-	117
Total	¥8,417	9,798

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended December 31, 2010 and December 31, 2009 consisted of the following components:

	Yen (Millions)	
	Three months ended December 31, 2010	Three months ended December 31, 2009
Service cost-benefit earned during the period	¥1,749	1,774
Interest cost on projected benefit obligation	1,397	1,478
Expected return on plan assets	(912)	(850)
Recognized actuarial loss	1,041	1,416
Amortization of unrecognized prior service benefit	(520)	(508)
Curtailement charge	-	54
Settlement loss	-	117
Total	¥2,755	3,481

#### 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 payments, TDK would be required to make payments under its guarantee.

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

	Yen (Millions)	
	December 31, 2010	March 31, 2010
Contingent liabilities for guarantees of loans of TDK's employees	¥3,356	3,800

As of December 31, 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 is 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 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 issue 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 view point. The fair values of these undesignated contracts are recognized as income or expenses as incurred.

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

	Yen (Millions)	
	December 31, 2010	March 31, 2010
Forward foreign exchange contracts	¥55,804	28,141
Currency swaps	16,615	15,584
Commodity forward transactions	-	85
	<b>¥72,419</b>	<b>43,810</b>

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

		Yen (Millions)	
		<b>As of December 31, 2010</b>	
		Account	Fairvalue
<b>Assets:</b>			
Forward foreign exchange contracts	Other current assets		<b>¥1,255</b>
Currency swaps	Other current assets		<b>517</b>
	<b>Total assets</b>		<b>¥1,772</b>
<b>Liabilities:</b>			
Forward foreign exchange contracts	Other current liabilities		<b>¥218</b>
Currency swaps	Other noncurrent liabilities		<b>116</b>
	<b>Total liabilities</b>		<b>¥334</b>
		Yen (Millions)	
		<b>As of March 31, 2010</b>	
		Account	Fairvalue
<b>Assets:</b>			
Forward foreign exchange contracts	Other current assets		¥138
Currency swaps	Other current assets		171
Commodity forward transactions	Other current assets		9
	<b>Total assets</b>		<b>¥318</b>
<b>Liabilities:</b>			
Forward foreign exchange contracts	Other current liabilities		¥520
Currency swaps	Other noncurrent liabilities		134
	<b>Total liabilities</b>		<b>¥654</b>

The effects of derivative financial instruments on the consolidated statements of income for the nine-month ended December 31, 2010 and December 31, 2009 are as follows:

		<b>Nine months ended December 31, 2010</b>	
		Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain(loss)		<b>¥1,193</b>
Currency swaps	Foreign exchange gain(loss)		<b>(307)</b>
Interest rate swaps	Interest expenses		<b>-</b>
Commodity forward transactions	Cost of sales		<b>0</b>
			<b>¥886</b>
		<b>Nine months ended December 31, 2009</b>	
		Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain(loss)		¥472
Currency swaps	Foreign exchange gain(loss)		(219)
Interest rate swaps	Interest expenses		128
Commodity forward transactions	Cost of sales		155
			<b>¥536</b>

The effects of derivative financial instruments on the consolidated statements of income for the three-month ended December 31, 2010 and December 31, 2009 are as follows:

<b>Three months ended December 31, 2010</b>		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain(loss)	¥844
Currency swaps	Foreign exchange gain(loss)	322
Commodity forward transactions	Cost of sales	-
		¥1,166
<b>Three months ended December 31, 2009</b>		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain(loss)	¥(154)
Currency swaps	Foreign exchange gain(loss)	125
Commodity forward transactions	Cost of sales	115
		¥86

## 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 December 31, 2010 and March 31, 2010, are summarized as follows:

<u>AsofDecember31,2010</u>	Yen(Millions)	
	Carryingamount	Estimatedfairvalue
Assets:		
Marketablesecuritiesforwhichitis: Practicabletoestimatefairvalue	¥14,098	14,098
Investmentsinsecuritiesandotherassets forwhichitis: Practicabletoestimatefairvalue	22,425	22,425
Notpracticabletoestimatefairvalue	833	-
Liability: Long-termdebt,includingcurrentportion	(163,499)	(166,153)
<u>AsofMarch31,2010</u>	Yen(Millions)	
	Carryingamount	Estimatedfairvalue
Assets:		
Marketablesecuritiesforwhichitis: Practicabletoestimatefairvalue	¥22,405	22,405
Investmentsinsecuritiesandotherassets forwhichitis: Practicabletoestimatefairvalue	25,387	25,387
Notpracticabletoestimatefairvalue	692	-
Liability: Long-termdebt,includingcurrentportion	(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 liability 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 December 31, 2010 and March 31, 2010 are as follows :

<u><b>As of December 31, 2010</b></u>	<u>Yen (Millions)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Assets:</b>				
<b>Marketable securities (Debt securities):</b>				
Government bonds	<b>¥999</b>	-	-	<b>¥999</b>
U.S. Treasury	<b>13,099</b>	-	-	<b>13,099</b>
<b>Derivative contracts:</b>				
Forward foreign exchange contracts	-	<b>1,255</b>	-	<b>1,255</b>
Currency swaps	-	<b>517</b>	-	<b>517</b>
<b>Investments (Debt securities):</b>				
Commercial papers	-	<b>68</b>	-	<b>68</b>
Public-utility bonds	<b>6</b>	-	-	<b>6</b>
<b>Investments (Equity securities):</b>				
Manufacturing companies	<b>10,703</b>	-	-	<b>10,703</b>
Other	<b>1,350</b>	-	-	<b>1,350</b>
Investments (Mutual funds)	<b>798</b>	-	-	<b>798</b>
Rabbit trust investments	<b>3,519</b>	-	-	<b>3,519</b>
<b>Total</b>	<b>¥30,474</b>	<b>1,840</b>	-	<b>¥32,314</b>
<b>Liabilities:</b>				
<b>Derivative contracts:</b>				
Forward foreign exchange contracts	<b>¥-</b>	<b>218</b>	-	<b>¥218</b>
Currency swaps	-	<b>116</b>	-	<b>116</b>
<b>Total</b>	<b>¥-</b>	<b>334</b>	-	<b>¥334</b>
<u><b>As of March 31, 2010</b></u>	<u>Yen (Millions)</u>			
<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	
<b>Assets:</b>				
<b>Marketable securities (Debt securities):</b>				
U.S. Treasury	¥22,405	-	-	¥22,405
<b>Derivative contracts:</b>				
Forward foreign exchange contracts	-	138	-	138
Currency swaps	-	171	-	171
Commodity forward transaction	-	9	-	9
<b>Investments (Debt securities):</b>				
Government bonds	998	-	-	998
Commercial papers	-	929	-	929
Public-utility bonds	5	-	-	5
<b>Investments (Equity securities):</b>				
Manufacturing companies	11,372	-	-	11,372
Other	1,338	-	-	1,338
Investments (Mutual funds)	857	-	-	857
Rabbit trust investments	3,715	-	-	3,715
<b>Total</b>	<b>¥40,690</b>	<b>1,247</b>	-	<b>¥41,937</b>
<b>Liabilities:</b>				
<b>Derivative contracts:</b>				
Forward foreign exchange contracts	<b>¥-</b>	<b>520</b>	-	<b>¥520</b>
Currency swaps	-	134	-	134
<b>Total</b>	<b>¥-</b>	<b>654</b>	-	<b>¥654</b>

Level 1 marketable securities and investments are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Rabbit trust investments included in other assets in which a part of employees' salary is deposited is valued using unadjusted quoted prices in inactive 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 value thereof are based on the third-party assessment using observable market data.

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

Assets and liabilities that are measured at fair value on a non-recurring basis as of December 31, 2010 and March 31, 2010 are as follows:

<u>As of December 31, 2010</u>	Yen (Millions)				Total gains (losses)	
	Carrying amount	Level 1	Level 2	Level 3	Nine months ended Dec. 31	Three months ended Dec. 31
Assets:						
Investments (Equity securities)	¥114	-	-	¥114	(122)	-
Property, plant and equipment	97	-	-	97	(89)	(89)

  

<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 nine-month ended December 31, 2010, investments which consist of non-marketable securities valued using the cost method with the book value of ¥236 million was impaired to the fair value of ¥114 million. These non-marketable securities are classified as Level 3 because their fair value was calculated using unobservable inputs. Additionally, for the nine-month and the three-month ended December 31, 2010, mainly based on the discounted future cash flow expected from the use of each of the assets, the book value of property, plant and equipment of ¥186 million was written down to its fair value of ¥97 million, as a result of the impairment. Because unobservable inputs were used for its fair value, it is classified as Level 3.

As a result of the above, the impairment of ¥211 million caused by other-than-temporary declines in fair values for the nine-month ended December 31, 2010 is included in consolidated statements of income.

For the year ended March 31, 2010, investments which consist of non-marketable securities valued using the cost method with the book value of ¥540 million was impaired to the fair value of ¥449 million. These non-marketable securities are classified as Level 3 because their fair value was calculated using unobservable inputs. Mainly based on the discounted future cash flow 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 system as part of structural reforms, and implemented them steadily. As a result, TDK recorded an impairment, expenses related to workforce reductions and other 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 nine-month ended December 31, 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
<b>March 31, 2010</b>	<b>¥427</b>	<b>-</b>	<b>268</b>	<b>¥695</b>
Costs and expenses	-	-	-	-
Payments	326	-	142	468
Non-cash adjustments	30	-	21	51
<b>December 31, 2010</b>	<b>¥71</b>	<b>-</b>	<b>105</b>	<b>¥176</b>

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

Liabilities of ¥176 million related to restructuring were included in Accrued expenses in the consolidated balance sheets as of December 31, 2010, and TDK expects that most of the will be paid by March 31, 2011.

## 10. Goodwill and Other Intangible Assets

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

Yen (Millions)			
As of December 31, 2010			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	¥41,871	15,946	¥25,925
Customer relationships	21,437	9,864	11,573
Software	16,601	8,870	7,731
Unpatented technologies	26,296	13,172	13,124
Other	4,872	701	4,171
Total	¥111,077	48,553	¥62,524
Unamortized intangible assets:			
Trademark	¥7,082		¥7,082
Other	550		550
Total	¥7,632		¥7,632
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 nine-month ended December 31, 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 nine-month ended December 31, 2010 was ¥9,935 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 nine-month ended December 31, 2010.

## 11.Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the nine-month ended December 31, 2010 and December 31, 2009 are as follows:

	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
<b>March 31, 2010</b>	<b>¥543,756</b>	<b>5,913</b>	<b>¥549,669</b>
Equity transaction of consolidated subsidiaries and other	69	6	75
Comprehensive income (loss):			
Net income	38,711	49	38,760
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(64,522)	7	(64,515)
Pension liability adjustments	858	(2)	856
Net unrealized gains (losses) on securities	(613)	0	(613)
Other comprehensive income (loss), net of tax	(64,277)	5	(64,272)
Total comprehensive income (loss), net of tax:	(25,566)	54	(25,512)
Dividends	(9,030)	(55)	(9,085)
<b>December 31, 2010</b>	<b>¥509,229</b>	<b>5,918</b>	<b>¥515,147</b>
	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
<b>March 31, 2009</b>	<b>¥554,218</b>	<b>8,823</b>	<b>¥563,041</b>
Equity transaction of consolidated subsidiaries and other	(2,910)	(2,554)	(5,464)
Comprehensive income (loss):			
Net income (loss)	9,966	(562)	9,404
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(18,908)	(183)	(19,091)
Pension liability adjustments	1,208	(12)	1,196
Net unrealized gains (losses) on securities	3,057	-	3,057
Other comprehensive income (loss), net of tax	(14,643)	(195)	(14,838)
Total comprehensive income (loss), net of tax:	(4,677)	(757)	(5,434)
Dividends	(11,609)	(115)	(11,724)
<b>December 31, 2009</b>	<b>¥535,022</b>	<b>5,397</b>	<b>¥540,419</b>

Net income attributable to TDK and transfers (to) from noncontrolling interests for the nine-month ended December 31, 2010 and December 31, 2009 areas follows:

		Yen (Millions)	
		<b>Nine-month ended December 31,</b>	
		<b>2010</b>	<b>2009</b>
Net income attributable to TDK		<b>¥38,711</b>	9,966
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)
Increase in TDK's paid-in capital for allocation of 4,150 TDK Micro Devices Corp. new common shares to a third party		-	8
Decrease in TDK's paid-in capital for purchase of 2,785,206 EPCOS AG common shares		-	(3,242)
Net transfers (to) from noncontrolling interests		-	(3,164)
Change from net income attributable to TDK and transfers (to) from noncontrolling interests		<b>¥38,711</b>	<b>6,802</b>

## 12. Comprehensive Income (Loss)

Comprehensive income (loss) for the nine-month ended December 31, 2010 and December 31, 2009 are as follows:

	Yen (Millions)	
	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Net income	¥38,760	9,404
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(64,515)	(19,091)
Pension liability adjustments	856	1,196
Net unrealized gains (losses) on securities	(613)	3,057
Other comprehensive income (loss), net of tax	(64,272)	(14,838)
Comprehensive income (loss)	(25,512)	(5,434)
Comprehensive income (loss) attributable to non-controlling interests	54	(757)
Comprehensive income (loss) attributable to TDK	¥(25,566)	(4,677)

Comprehensive income (loss) for the three-month ended December 31, 2010 and December 31, 2009 are as follows:

	Yen (Millions)	
	Three months ended December 31, 2010	Three months ended December 31, 2009
Net income	¥12,636	8,825
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(15,876)	8,092
Pension liability adjustments	292	805
Net unrealized gains (losses) on securities	806	834
Other comprehensive income (loss), net of tax	(14,778)	9,731
Comprehensive income (loss)	(2,142)	18,556
Comprehensive income (loss) attributable to non-controlling interests	166	54
Comprehensive income (loss) attributable to TDK	¥(2,308)	18,502

### 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)	
	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Net income attributable to TDK	<b>¥38,711</b>	9,966
	Number of shares (Thousands)	
	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Weighted average common shares outstanding—Basic	<b>128,992</b>	128,986
Effect of dilutive stock options	<b>122</b>	95
Weighted average common shares outstanding—Diluted	<b>129,114</b>	129,081
	Yen	
	Nine months ended December 31, 2010	Nine months ended December 31, 2009
Net income attributable to TDK per share:		
Basic	<b>¥300.10</b>	77.26
Diluted	<b>¥299.82</b>	77.21
	Yen (Millions)	
	Three months ended December 31, 2010	Three months ended December 31, 2009
Net income attributable to TDK	<b>¥12,595</b>	8,826
	Number of shares (Thousands)	
	Three months ended December 31, 2010	Three months ended December 31, 2009
Weighted average common shares outstanding—Basic	<b>128,993</b>	128,992
Effect of dilutive stock options	<b>131</b>	102
Weighted average common shares outstanding—Diluted	<b>129,124</b>	129,094
	Yen	
	Three months ended December 31, 2010	Three months ended December 31, 2009
Net income attributable to TDK per share:		
Basic	<b>¥97.64</b>	68.42
Diluted	<b>¥97.54</b>	68.37



## 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 these segments 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, Ferrite cores 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 nine-month ended December 31, 2010 and December 31, 2009 are as follows:

### Netsales

	Yen (Millions)	
	Nine-month ended December 31, 2010	2009
Passive Components:		
External customers	¥322,986	268,292
Intersegment	2,019	69
Total	325,005	268,361
Magnetic Application Products:		
External customers	283,291	285,172
Intersegment	4,183	2,868
Total	287,474	288,040
Other:		
External customers	55,894	44,049
Intersegment	10,153	5,837
Total	66,047	49,886
Intersegment eliminations	(16,355)	(8,774)
Consolidated total	¥662,171	597,513

### Segment profit(loss)

	Yen (Millions)	
	Nine-month ended December 31, 2010	2009
Passive Components	¥19,705	(8,738)
Magnetic Application Products	40,133	31,777
Other	4,682	3,097
Subtotal	64,520	26,136
Corporate and eliminations	(10,119)	(8,641)
Operating income	54,401	17,495
Other income (deductions), net	(3,200)	(6,663)
Income before income taxes	¥51,201	10,832

The business segment information for the three-month ended December 31, 2010 and December 31, 2009 are as follows:

### Netsales

	Yen (Millions)	
	Three-month ended December 31, 2010	2009
Passive Components:		
External customers	¥108,424	94,315
Intersegment	878	26
Total	109,302	94,341
Magnetic Application Products:		
External customers	90,785	101,990
Intersegment	1,138	949
Total	91,923	102,939
Other:		
External customers	20,728	15,357
Intersegment	3,721	1,722
Total	24,449	17,079
Intersegment eliminations	(5,737)	(2,697)
Consolidated total	¥219,937	211,662

### Segment profit

	Yen (Millions)	
	Three-month ended December 31, 2010	2009
Passive Components	¥6,251	254
Magnetic Application Products	11,520	14,564
Other	1,951	1,059
Subtotal	19,722	15,877
Corporate and eliminations	(2,509)	(3,784)
Operating income	17,213	12,093
Other income (deductions), net	(656)	(2,214)
Income before income taxes	¥16,557	9,879

Segment profit (loss) consists of net sales less costs of sales and selling, general and administrative expenses except for those attributable 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 nine-month and the three-month ended December 31, 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 nine-month ended December 31, 2010 and December 31, 2009 areas follows:

### **Netsales**

	Yen (Millions)	
	Nine-month ended December 31,	
	2010	2009
Japan	<b>¥83,900</b>	78,036
Americas	<b>68,151</b>	59,278
Europe	<b>94,408</b>	80,677
China	<b>213,749</b>	195,012
Asia and others	<b>201,963</b>	184,510
Consolidated total	<b>¥662,171</b>	597,513

The geographic segment information for the three-month ended December 31, 2010 and December 31, 2009 areas follows:

### **Netsales**

	Yen (Millions)	
	Three-month ended December 31,	
	2010	2009
Japan	<b>¥28,818</b>	29,227
Americas	<b>20,768</b>	22,808
Europe	<b>31,554</b>	29,003
China	<b>69,978</b>	68,797
Asia and others	<b>68,819</b>	61,827
Consolidated total	<b>¥219,937</b>	211,662

Netsales are based on the location of the customer's.

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 a additional information in conformity with the Japanese accounting standard that has been effective as of March 31, 2010.

The geographic information for the nine-month ended December 31, 2010 and December 31, 2009 are as follows:

	Yen (Millions)	
	Nine-month ended 2010	December 31, 2009
<b>Netsales</b>		
Japan:		
External customers	¥91,995	86,169
Intersegment	133,110	113,415
Total	<u>225,105</u>	<u>199,584</u>
Americas:		
External customers	¥47,085	36,136
Intersegment	27,365	21,979
Total	<u>74,450</u>	<u>58,115</u>
Europe:		
External customers	¥116,499	91,203
Intersegment	26,411	21,331
Total	<u>142,910</u>	<u>112,534</u>
Asia and others (including China):		
External customers	¥406,592	384,005
Intersegment	80,361	58,898
Total	<u>486,953</u>	<u>442,903</u>
Intersegment eliminations	<u>(267,247)</u>	<u>(215,623)</u>
Consolidated total	<u>¥662,171</u>	<u>597,513</u>
<b>Operating income (loss):</b>		
Japan	¥(3,218)	(13,366)
Americas	6,187	(1,791)
Europe	(3,685)	(15,384)
Asia and others (including China)	56,179	48,172
Corporate and eliminations	<u>(1,062)</u>	<u>(136)</u>
Consolidated total	<u>¥54,401</u>	<u>17,495</u>

The geographic information for the three-month ended December 31, 2010 and December 31, 2009 areas follows:

	Yen (Millions)	
	Three-month ended December 31, 2010	2009
<b>Netsales</b>		
Japan:		
External customers	¥31,833	31,889
Intersegment	40,616	45,365
Total	<u>72,449</u>	<u>77,254</u>
Americas:		
External customers	¥14,839	13,672
Intersegment	9,615	2,764
Total	<u>24,454</u>	<u>16,436</u>
Europe:		
External customers	¥41,236	32,512
Intersegment	9,228	7,853
Total	<u>50,464</u>	<u>40,365</u>
Asia and others (including China):		
External customers	¥132,029	133,589
Intersegment	27,218	22,902
Total	<u>159,247</u>	<u>156,491</u>
Intersegment eliminations	<u>(86,677)</u>	<u>(78,884)</u>
Consolidated total	<u>¥219,937</u>	<u>211,662</u>
<b>Operating income (loss):</b>		
Japan	¥(902)	1,639
Americas	2,411	(4,668)
Europe	(1,685)	(4,708)
Asia and others (including China)	17,875	19,729
Corporate and eliminations	<u>(486)</u>	<u>101</u>
Consolidated total	<u>¥17,213</u>	<u>12,093</u>