[Apart from the section “V. Accounting,” which is based on U.S. GAAP, 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 (Japanese):	*TDK Kabushiki-Kaisha*
Company name (English):	TDK CORPORATION
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A. COMPANY INFORMATION

I. Overview of the Company

1. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	111th term	112th term	113th term	114th term	115th term
Accounting period	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Net sales (Millions of yen)	862,025	866,285	727,400	808,858	875,737
Income (loss) before income taxes (Millions of yen)	88,665	91,505	(81,630)	21,907	60,065
Net income (loss) attributable to TDK (Millions of yen)	70,125	71,461	(63,160)	13,520	45,264
Comprehensive income attributable to TDK (Millions of yen)	76,874	7,724	(144,318)	4,805	(623)
Stockholders' equity (Millions of yen)	762,712	716,577	554,218	543,756	534,273
Net assets (Millions of yen)	776,915	720,261	563,041	549,669	539,766
Total assets (Millions of yen)	989,304	935,533	1,101,036	1,091,458	1,060,853
Stockholders' equity per share (Yen)	5,759.18	5,556.77	4,296.95	4,215.42	4,141.78
Net income (loss) attributable to TDK per share (Yen)	529.88	551.72	(489.71)	104.82	350.90
Diluted net income (loss) attributable to TDK per share (Yen)	529.29	551.19	(489.71)	104.74	350.57
Stockholders' equity ratio (%)	77.1	76.6	50.3	49.8	50.4
Return on stockholders' equity (%)	9.6	9.7	(9.9)	2.5	8.4
Price earnings ratio (PER) (Times)	19.3	10.7	–	59.3	14.0
Net cash provided by (used in) operating activities (Millions of yen)	145,483	119,413	59,189	118,247	101,879
Net cash provided by (used in) investing activities (Millions of yen)	(81,482)	(141,892)	(275,410)	(105,963)	(61,341)
Net cash provided by (used in) financing activities (Millions of yen)	(15,868)	(75,941)	223,637	(38,369)	(31,860)
Cash and cash equivalents at end of period (Millions of yen)	289,169	166,105	165,705	132,984	129,091
Number of employees (Person)	51,614	60,212	66,429	80,590	87,809

Notes:
1. Net sales do not include consumption taxes, etc.
2. Based on the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810 "Consolidation" adopted from the 114th business year, net income (loss) presented previously was changed to net income (loss) attributable to TDK Corp. and a portion of consolidated financial statements of past fiscal years was replaced with the new item.
3. Net assets per share, equity ratio and return on equity have been replaced with stockholders' equity per share, stockholders' equity ratio and return on stockholders' equity because TDK prepared consolidated financial statements based on U.S. GAAP.

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

Term	111th term	112th term	113th term	114th term	115th term
Accounting period	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Net sales (Millions of yen)	347,280	353,034	254,139	169,515	106,586
Current income (loss) (Millions of yen)	31,774	16,787	(28,553)	13,103	12,213
Net income (loss) (Millions of yen)	18,719	(785)	(37,147)	4,945	10,630
Capital stock (Millions of yen)	32,641	32,641	32,641	32,641	32,641
Total number of issued shares (Thousands of shares)	133,189	129,590	129,590	129,590	129,590
Net assets (Millions of yen)	475,366	417,870	361,154	358,943	359,097
Total assets (Millions of yen)	580,379	544,736	675,533	659,884	650,028
Net assets per share (Yen)	3,589.45	3,236.08	2,793.48	2,774.67	2,774.05
Cash dividends per share (Yen)	110.00	130.00	130.00	60.00	80.00
[Interim dividends per share] (Yen)	[50.00]	[60.00]	[70.00]	[30.00]	[40.00]
Net income (loss) per share (Yen)	141.45	(6.06)	(288.03)	38.34	82.42
Diluted net income per share (Yen)	141.29	–	–	38.31	82.34
Equity ratio (%)	81.9	76.6	53.3	54.2	55.1
Return on equity (ROE) (%)	4.0	(0.2)	(9.6)	1.4	3.0
Price earnings ratio (PER) (Times)	72.3	–	–	162.2	59.6
Dividend payout ratio (%)	77.8	–	–	156.5	97.1
Number of employees (Person)	5,202	5,300	5,478	3,572	3,405

Notes:
1. The management benchmarks in the above table are based on Japanese Accounting Standards.
2. Net sales do not include consumption taxes, etc.
3. Diluted net income per share in the 112th and 113th terms are not presented because, although there were potentially dilutive shares, net losses per share were reported.

2. History

Date	Details of change
December 1935	Tokyo Denki Kagaku Kogyo K.K. established with ¥20,000 in capital in Shiba-ku, Tokyo for the world's first commercial production of ferrite cores. (December 7, 1935)
July 1937	Kamata Plant constructed.
July 1940	Hirasawa Plant constructed.
April 1951	Meguro Laboratory opened.
October 1952	Shimizu Plant in Tokyo opened, production of magnetic recording tape commenced.
March 1953	Kotoura Plant in Akita constructed, all magnetic capacitor production equipment moved to the plant from Hirasawa Plant.
July 1956	Ichikawa Plant constructed, Meguro Laboratory and Kamata Plant closed with all equipment relocated to Ichikawa Plant.
June 1961	Division-based organization of operations adopted.
September 1961	TDK shares listed on the Tokyo Stock Exchange.
September 1962	Headquarters moved to Uchikanda, Chiyoda-ku, Tokyo.
September 1965	U.S. subsidiary, TDK Electronics Corporation, established in New York. (Marking the start of plans for establishment of manufacturing and sales bases in various overseas regions)
December 1969	Chikumagawa Plant constructed in Saku City, Nagano Prefecture, magnetic tape production commenced.
June 1970	Shizuoka Plant constructed in Sagara-cho, Shizuoka Prefecture, magnet production commenced.
July 1974	S-12 ADRs (American Depositary Receipt) issued to enter global capital market.
May 1978	Headquarters moved to Nihonbashi, Chuo-ku, Tokyo.
October 1978	Narita Plant constructed in Narita City, Chiba Prefecture, rare-earth magnet production commenced.
March 1980	Akita Plant constructed as a white ceramic specialized facility.
June 1982	TDK shares listed on the New York Stock Exchange. (Delisted in April 2009)
October 1982	Mikumagawa Plant constructed in Hita City, Oita Prefecture, magnetic tape production commenced.
November 1982	Kofuminami Plant constructed in Kosai-cho, Yamanashi Prefecture, magnetic head production commenced.
March 1983	Company name changed to TDK Corporation.
May 1983	TDK shares listed on the London Stock Exchange.
January 1985	TDK issued Japan's first "fully unsecured straight bonds."
August 1986	TDK acquired Hong Kong magnetic head manufacturer, SAE Magnetics (H.K.) Ltd.
March 1989	Fiscal closing date changed from November 30 to March 31.
May 1990	Materials and Research Center constructed in Narita City, Chiba Prefecture.
September 1990	Ichikawa Technical Center constructed in Ichikawa City, Chiba Prefecture.
March 2000	TDK acquired U.S. magnetic head manufacturer, Headway Technologies, Inc.
August 2000	TDK share unit number changed from 1,000 to 100.
October 2003	All TDK business offices in Japan achieved zero emissions.
May 2005	TDK acquired Amperex Technology Limited, a manufacturing and sales company of polymer lithium battery in Hong Kong.
October 2005	TDK acquired Lambda Power Group, power-supply business of Invensys plc.
August 2007	TDK-brand recording media sales business transferred to U.S. company, Imation Corporation.
November 2007	TDK acquired Thai manufacturer of suspension for HDD, Magnecomp Precision Technology Public Company Limited.
March 2008	TDK acquired DENSEI-LAMBDA K.K. as a wholly owned subsidiary of TDK.
October 2008	TDK acquired German electronic components company, EPCOS AG.
March 2009	ISO14001 certification acquired for all manufacturing plants in Japan and overseas.
October 2009	TDK-EPC Corporation established by corporate split.

3. Description of business operations

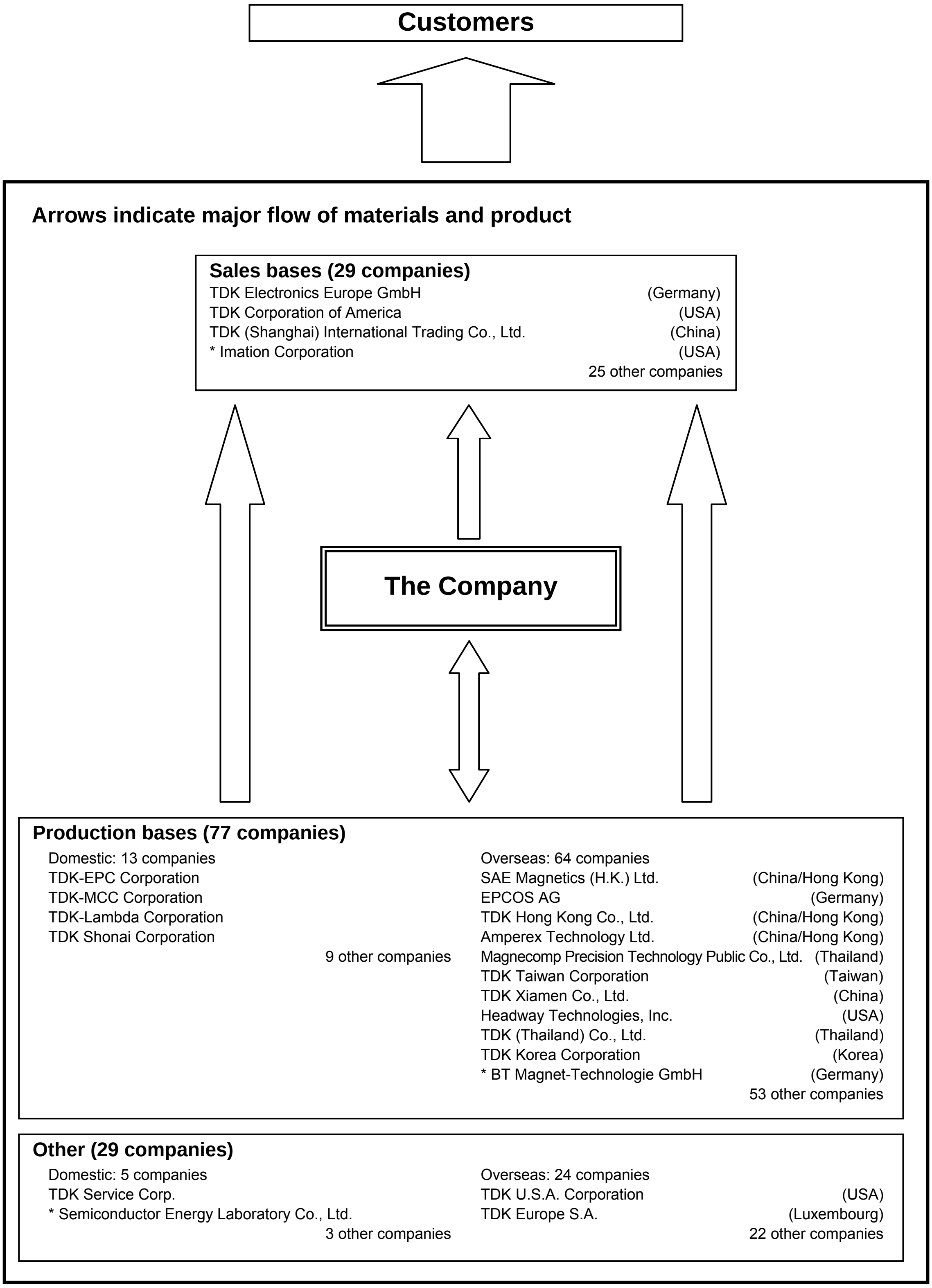
TDK (the Company) prepares its consolidated financial statements according to U.S. generally accepted accounting principals (U.S. GAAP). It discloses information based on these consolidated financial statements pertaining to its subsidiaries and affiliates based on the definitions of U.S. GAAP. The same applies to “II. Review of operations” and “III. Facilities.”

Current as of March 31, 2011, the TDK Group is comprised of TDK Corporation (the Company), 127 consolidated subsidiaries and 8 equity-method affiliates. Segment categories are manufacturing and sales of “Passive Components,” “Magnetic Application Products” and “Others” (not included in the other two segments).

The following table presents a description of business operations and the respective placement of the Company and subsidiaries and affiliates with respect to these business operations.

Category	Main products	Major companies
Passive Components	Ceramic capacitors, aluminum electrolytic capacitors, film capacitors, inductive devices (coils/ferrite cores/transformers), high-frequency devices, piezoelectric material products and circuit protection components, and sensors	The Company TDK-EPC Corporation EPCOS AG TDK-MCC Corporation TDK Hong Kong Co., Ltd. 75 other companies (Domestic: 6, Overseas: 69) (Total: 80 companies)
Magnetic Application Products	Recording devices, power supply products, magnets and recording media	The Company SAE Magnetics (H.K.) Ltd. Magnecomp Precision Technology Public Company Ltd. TDK-Lambda Corporation Headway Technologies, Inc. 45 other companies (Domestic: 7, Overseas: 38) (Total: 50 companies)
Others	Energy devices (rechargeable batteries) and machatronics (production equipment), etc.	The Company Amperex Technology Ltd. 29 other companies (Domestic: 9, Overseas: 20) (Total: 31 companies)

The following business activities diagram show the matters described the page before.



Note: Companies without an asterisk are consolidated subsidiaries while companies with an asterisk are equity-method affiliates.

4. Status of subsidiaries and affiliates

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
(Consolidated subsidiaries – Overseas) SAE Magnetics (H.K.) Ltd. * 1, *3	Hong Kong, China	HK$50,000	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Hong Kong Co., Ltd.	Hong Kong, China	HK$25,500,000	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
Amperex Technology Ltd.	Hong Kong, China	US$2,000,000	Others (energy devices)	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Xiamen Co., Ltd. *1	Xiamen, China	RMB489,683,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK (Shanghai) International Trading Co., Ltd.	Shanghai, China	RMB1,659,160	Passive Components	100 (100)	Sales of TDK products in China Interlocking directorate: No
TDK-EPC Hong Kong Ltd. *1	Hong Kong, China	HK$345,316,955	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
TDK Dalian Corporation *1	Dalian, China	US$60,816,000	Passive Components	100 (90.8)	Manufacturing and sales of TDK products Interlocking directorate: No
EPCOS (China) Investment Ltd. *1	Shanghai, China	RMB248,304,287	Finances subsidiaries and affiliates	100 (100)	——— Interlocking directorate: No
EPCOS Technology (Wuxi) Co., Ltd. *1	Wuxi, China	RMB245,479,586	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
Magnecomp Precision Technology Public Co., Ltd. *1	Ayutthaya, Thailand	US$96,333,296	Magnetic Application Products	99.8	Manufacturing and sales of TDK products Interlocking directorate: No
Magnecomp Labuan Inc. *1	Labuan, Malaysia	US$77,545,071	Investments and financing to subsidiaries and affiliates	100 (100)	——— Interlocking directorate: No
TDK Taiwan Corporation	Taipei, Taiwan	NT$424,125,000	Passive Components	95.4 (95.4)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK (Thailand) Co., Ltd.	Ayutthaya, Thailand	BAHT 699,000,000	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Singapore (Pte) Ltd.	Singapore	US$126,050	Passive Components	100 (100)	Sales of TDK products in S.E. Asia Interlocking directorate: No
TDK Philippines Corporation *1	Laguna, Philippines	US$65,313,150	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK U.S.A. Corporation	New York, U.S.A.	US$850	Investments and financing to subsidiaries and affiliates and their management	100	——— Interlocking directorate: No
Lambda Holdings Inc. *1	New York, U.S.A.	US$529,046,247	Investments and financing to subsidiaries and affiliates	100 (100)	——— Interlocking directorate: No
TDK Corporation of America	Illinois, U.S.A.	US$3,800,000	Passive Components	100 (100)	Sales of TDK products in U.S. Interlocking directorate: No
Headway Technologies, Inc. *1	California, U.S.A.	US$163,161,945	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Europe S.A. *1	Windhof, Luxembourg	EURO 352,113,042	Investments and financing to subsidiaries and affiliates and their management	100	——— Interlocking directorate: No
EPCOS AG *1, *4	Munich, Germany	EURO 66,682,270	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
TDK Electronics Europe GmbH *1	Dusseldorf, Germany	EURO 46,544,000	Passive Components	100 (100)	Sales of TDK products in Europe Interlocking directorate: No
TDK Germany GmbH	Dusseldorf, Germany	EURO 25,000	Investments and financing to subsidiaries and affiliates	100 (100)	―――― Interlocking directorate: Yes
Lambda Far East Ltd. *1	Devon, United Kingdom	GBP 29,877,439	Investments and financing to subsidiaries and affiliates	100 (100)	―――― Interlocking directorate: No
(Consolidated subsidiaries – Domestic)		(Millions of yen)			
TDK-EPC Corporation	Chuo-ku, Tokyo	2,000	Passive Components	100	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK-MCC Corporation	Nikaho City, Akita Prefecture	1,000	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
TDK-Lambda Corporation	Chuo-ku, Tokyo	2,976	Magnetic Application Products	100 (52.9)	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Shonai Corporation	Tsuruoka City, Yamagata Prefecture	110	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
Media Technology Corp. *1	Chuo City, Yamanashi Prefecture	5,000	Magnetic Application Products	70	Manufacturing of TDK products Interlocking directorate: No
TDK Service Corp.	Ichikawa City, Chiba Prefecture	34	Insurance agency and real estate	100	Consignment of Insurance agency and property management of TDK Interlocking directorate: Yes
97 other companies					
(Equity-method affiliates)					
Imation Corporation	Minnesota, U.S.A.	US$400,000	Magnetic Application Products	20.0 (7.2)	Sales of TDK products Interlocking directorate: No
BT Magnet-Technologie GmbH *2	Herne, Germany	EURO 5,112,919	Magnetic Application Products	51.0 (51.0)	Manufacturing and sales of TDK products Interlocking directorate: No
Semiconductor Energy Laboratory Co., Ltd.	Atsugi City, Kanagawa Prefecture	(Millions of yen) 4,348	Research and development of semiconductor products	29.5	Consignment of research and development Interlocking directorate: No
5 other companies					

Notes:
1. Descriptions in the “Principal business” column are names of business segments.
2. Figures in parentheses in the “Holding rate of voting rights” column indicate indirect holding rates included in the figures outside the parentheses.
3. *1: Applies to specific subsidiaries.
4. *2: Decisions of important matters concerning BT Magnet-Technologie GmbH are subject to the agreement of Robert Bosch GmbH, as outlined in the merger agreement. For this reason, BT Magnet-Technologie GmbH is accounted for by the equity method.
5. *3: Net sales of SAE Magnetics (H.K.) Ltd. exceeded 10% of consolidated sales.
   The major items of income are as follows:
   i. Net sales ¥244,644 million
   ii. Income before income taxes ¥34,256 million
   iii. Net income ¥31,502 million
   iv. Net assets ¥138,123 million
   v. Total assets ¥165,446 million
6. *4: Net sales of EPCOS AG exceeded 10% of the consolidated net sales.
   The major items of income (International Financial Reporting Standards) are as follows:
   i. Net sales ¥131,719 million
   ii. Income before income taxes ¥8,065 million
   iii. Net income ¥7,139 million
   iv. Net assets ¥77,012 million
   v. Total assets ¥160,927 million

5. Status of employees

(1) Status of consolidated companies

(As of March 31, 2011)

Name of business segment	Number of employees (Person)
Passive Components	47,385
Magnetic Application Products	23,859
Others	14,923
Corporate (Common)	1,642
Total	87,809

(2) Status of filing company (TDK)

(As of March 31, 2011)

Number of employees (Person)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
3,405	42.4	19.5	7,646,064

Name of business segment	Number of employees (Person)
Magnetic Application Products	1,634
Others	446
Corporate (Common)	1,325
Total	3,405

Notes:
1. The number of employees indicates the number of working employees.
2. Average annual salary includes bonuses and surplus wages.
3. The number of employees shown as Corporate (Common) is the number of employees who belong to the administrative departments.

(3) Status of labor union

The filing company and some of its subsidiaries have labor unions.

II. Review of operations

1. Overview of operating results

(1) Operating results

In the fiscal year ended March 31, 2011 ("FY2011"), conditions in the operating environment were challenging due to ongoing yen appreciation and surging raw materials prices. In developed nations, however, a modest economic recovery continued, supported by pump-priming measures. Meanwhile, emerging economies, notably China, maintained high growth rates, thanks largely to internal demand. Japan also experienced a modest economic recovery throughout the past fiscal year due to factors such as economic stimulus measures, and quantitative easing. The Japanese economy was also supported by export demand fueled by the global economic recovery. However, the Great East Japan Earthquake that struck the country on March 11, 2011 has led to concerns about the negative impact on the world economy amid uncertainty surrounding the Japanese economic outlook.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, production levels differ by finished product. Sharply higher production of smartphones and tablet devices has driven the market. Furthermore, production of finished products in the automobile and industrial equipment fields also continued to grow steadily. However, production of flat-screen TVs, notebook PCs, HDDs and certain other finished products declined in response to changes in demand.

The TDK Group's performance is closely linked to the electronics market. Orders were strong for passive components in the communications, automotive and industrial equipment fields, which are positioned as key growth fields. In contrast, magnetic application products, mainly in notebook PCs, HDDs and other consumer fields, were impacted by market sluggishness. That said, the market has recovered considerably from the simultaneous global slowdown that was triggered by the financial crisis of autumn 2008. As a result of also strengthening businesses centered on key growth fields and implementing continuous structural reforms, the TDK Group made further improvements to earnings.

Operations were temporarily halted at TDK Group production and development facilities in the Tohoku and Kanto regions of Japan due to the aforementioned earthquake, aftershocks and planned power cuts. However, operations have resumed at all facilities thanks to collective efforts by the Group on restoration work. TDK also appreciates the warm support it has received from customers and other parties.

TDK posted consolidated net sales of ¥875,737 million, up 8.3% from ¥808,858 million in fiscal 2010. TDK recorded an operating income of ¥63,842 million, up 147.7% from ¥25,774 million in fiscal 2010. TDK also posted an income before income taxes of ¥60,065 million, up 174.2% from ¥21,907 million in fiscal 2010. Furthermore, TDK recorded a net income attributable to TDK Corp. of ¥45,264 million, up 234.8% from ¥13,520 million in fiscal 2010. Net income attributable to TDK Corp. per share was ¥350.90, compared with ¥104.82 in fiscal 2010.

The TDK Group's business segments are aggregated into two reportable segments, "Passive Components" and "Magnetic Application Products," and businesses not belonging to either of these segments are classified under "Others."

The Passive Components segment is made up of (1) capacitors business, (2) inductive devices business, and (3) other passive components. For the segment's consolidated results, net sales were ¥431,111 million, up 18.2% year on year from ¥364,805 million. Segment income improved by ¥34,973 million from the ¥10,251 million loss recorded in the previous fiscal year to ¥24,722 million.

An overview of sales results by business for this segment is provided below.

The capacitors business is made up of ceramic capacitors, aluminum electrolytic capacitors, and film capacitors. Sales in the capacitors business were ¥145,393 million, up 9.2% year on year from ¥133,108 million. Sales of ceramic capacitors increased for communication equipment such as mobile phones, as well as in the automobile market. Higher sales of aluminum electrolytic capacitors and film capacitors for industrial equipment applications also contributed to the overall increase in capacitor business sales.

Sales of inductive devices business increased 21.3% year on year from ¥111,958 million to ¥135,762 million. This rise was attributable to higher sales for use in home information appliances, communications equipment centered on smartphones, automobiles, and industrial equipment.

Other passive components include high-frequency components, piezoelectric materials and products and circuit protection components, and sensors. Sales of other passive components rose 25.2% year on year from ¥119,739 million to ¥149,956 million. Sales of high-frequency components rose year on year, the result mainly of increased sales to the communications equipment market. Sales of piezoelectric materials and products and circuit protection components increased year on year, mainly on account of higher sales to the communications equipment and industrial equipment markets, while sales of sensors rose for use in the auto market.

The Magnetic Application Products segment is made up of (1) recording devices business, and (2) other magnetic application products. For the segment's consolidated results, net sales decreased 4.0% year on year from ¥383,740 million to ¥368,481 million. Segment income increased 0.4% from ¥46,746 million in the previous fiscal year to ¥46,931 million.

An overview of sales results by business for this segment is provided below.

The recording devices business is comprised mainly of HDD heads and HDD suspension assemblies. It recorded sales of ¥257,522 million, down 8.0% year on year from ¥280,001 million. This decrease mainly reflected price declines and the Japanese yen appreciation against the U.S. dollar, despite slightly larger sales volume of HDD heads year on year.

Other magnetic application products include power supplies, magnets, and recording media. Sales rose 7.0% year on year from ¥103,739 million to ¥110,959 million. Sales of power supplies and magnets rose, mainly to the industrial equipment and automotive markets, respectively. Recording media sales declined year on year.

Others segment, businesses in which do not belong to either of the two reportable segments, are comprised of energy devices (rechargeable batteries) and mechatronics (production equipment), among others. Net sales for the Others segment increased 26.2% from the ¥60,313 million recorded in the previous fiscal year to ¥76,145 million, and segment income increased 5.8% from ¥5,190 million to ¥5,492 million.

An overview of sales results by region is provided below.

Net sales for the Passive Components segment and Others segment increased in all of the below regions.

In the Japan region, net sales increased 6.7% from ¥103,984 million in fiscal 2010 to ¥110,930 million.

In the Americas region, net sales increased 9.2% from ¥82,065 million to ¥89,627 million. Net sales for the Magnetic Application Products segment decreased.

In the Europe region, net sales increased 14.7% from ¥112,167 million to ¥128,614 million.

In the China region, net sales increased 4.7% from ¥263,558 million to ¥275,960 million. As in the Americas region, net sales for the Magnetic Application Products segment decreased.

In the Asia and others region, net sales increased 9.5% from ¥247,084 million to ¥270,606 million.

As a result, overseas sales increased 8.5% from ¥704,874 million in fiscal 2010 to ¥764,807 million. Overseas sales accounted for 87.3% of consolidated net sales, a 0.2 percentage point increase from 87.1% in fiscal 2010.

(2) Cash flows

An overview of cash flows is provided below.

Cash flows from operating activities

Operating activities provided net cash of ¥101,879 million, a year-on-year decrease of ¥16,368 million. TDK recorded net income of ¥45,004 million, an increase of ¥32,122 million year on year. Depreciation and amortization decreased ¥6,194 million to ¥77,594 million. In changes on assets and liabilities, for recording device production subsidiaries located mostly in Asia, trade receivables decreased ¥40,536 million. Recording device production subsidiaries located mostly in Asia and domestic capacitor production subsidiaries had a ¥26,720 million decrease in trade payables. Primarily at the Company and at energy device (rechargeable batteries) production subsidiaries located mostly in Asia, EPCOS AG, and its subsidiaries, inventories increased ¥20,835 million.

Cash flows from investing activities

Investing activities used net cash of ¥61,341 million, ¥44,622 million less year on year.

The major increasing factors include a ¥14,268 million increase in capital expenditures mostly in the Passive Components segment, and a ¥6,912 million decrease in repayment of deposits for investments. On the other hand, there was a ¥47,820 million increase in proceeds from the sale and maturity of short-term investments and a ¥7,867 million decrease in payment for purchase of short-term investments, both factors resulting in the decrease in net cash used.

Cash flows from financing activities

Financing activities used net cash of ¥31,860 million, ¥6,509 million less year on year. There was a ¥3,461 million increase in net repayment of short-term debt after deducting new procurements, and the reduction of interest bearing debt was accelerated. Meanwhile, there was a ¥7,232 million decrease in purchase of noncontrolling interests.

As a result of adding in the effects of currency fluctuations, cash and cash equivalents at the end of fiscal 2011 was ¥129,091 million, ¥3,893 million lower than at the end of fiscal 2010.

2. Status of production, orders received and sales

(1) Production results

A breakdown of production results by business segment for fiscal 2011 is given below.

(Millions of yen)

Name of business segment	FY2011 (From Apr. 1, 2010 to Mar. 31, 2011)	YoY Change (%)
Passive Components	423,639	14.6
Magnetic Application Products	364,739	(4.5)
Others	80,481	54.4
Total	868,859	8.1

Notes: 1. Amounts are calculated by the sales price.
2. Consumption taxes, etc. are not included in the above figures.

(2) Status of orders received

A breakdown of orders received by business segment for fiscal 2011 is given below.

Name of business segment	Amount of orders received (Millions of yen)	YoY Change (%)	Balance of orders received (Millions of yen)	YoY Change (%)
Passive Components	459,885	12.8	93,613	15.9
Magnetic Application Products	354,406	(8.8)	33,891	1.2
Others	78,323	65.9	20,780	141.0
Total	892,614	5.8	148,284	20.7

Note: Amounts are calculated by the sales price.

(3) Sales results

A breakdown of sales results by business segment for fiscal 2011 is given below.

(Millions of yen)

Name of business segment	FY2011 (From Apr. 1, 2010 to Mar. 31, 2011)	YoY change (%)
Passive Components	433,921	18.9
Magnetic Application Products	373,466	(3.6)
Others	89,765	31.1
Elimination	(21,415)	–
Total	875,737	8.3

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

3. Pressing issues

TDK was founded in 1935, to commercialize the magnetic material called ferrite. Inspired by its founding spirit, “Contribute to culture and industry through creativity,” TDK has dynamically grown with its creativity and its ability to adapt speedily to various changes over the ensuing years.

The electronic components market, which shrank dramatically due to the simultaneous global financial crisis that began in the fall of 2008, bottomed out in 2009 and recovered to a certain extent during 2010. However, the Great East Japan Earthquake, which occurred on March 11, 2011 in northeastern Japan, dealt a severe blow to the electronic components manufacturing sector, disrupting supply systems for electronic components that are essential to electronics products. This disruption has caused disorder in the world electronics market.

With relief and restoration efforts moving into full swing in Japan and the global economy growing relatively steadily, the electronic components and electronics markets are expected to gradually return to a solid footing. Also, from a medium- to long-term standpoint, the adoption of electronics technologies in environmental fields, including renewable energy, is predicted to gather pace, driving further expansion in demand for electronic components.

Learning from this natural disaster and the resulting disruptions, the TDK Group is re-examining its business continuity planning (BCP). It will take steps to further strengthen its risk-response capabilities. Actions will include rebuilding its risk management system, rewriting recovery manuals, reviewing its supply chain and bases on a global level, conserving electricity and further preserving data centers. Furthermore, while reaffirming the importance of maintaining a sound financial position to be prepared to deal with all manner of risks, the TDK Group believes that a pressing issue is to execute a growth strategy premised on the anticipated operating environment going forward, and as a result strengthen and improve the company.

In order to execute its growth strategy, the TDK Group must create a business model that delivers maximum benefits by organically combining management resources while further strengthening core competencies. The TDK Group’s finished product market—electrical and electronic products that use large volumes of electronic components—combines many different types of electronics components. Manufacturers in Asia and other emerging economies are investing heavily and quickly in facilities and creating business models whereby they compete by lowering costs through mass production of small product lines. These manufacturers are fast establishing a presence in the market for components that can be easily combined to produce finished products.

The TDK Group’s business model, on the other hand, positions materials as a core competency and seeks to set the TDK Group apart from competitors in terms of technological excellence. Through communication with its customers, finished product manufacturers, to incorporate their individual needs, the TDK Group analyzes, selects and blends various types of materials to draw out the full potential of these materials. In this business model, having development and manufacturing facilities in-house is key. By performing everything from materials development to finishing products within the group, the TDK Group believes it can maintain a competitive edge over its competitors.

As it promotes this type of business model, the TDK Group believes that the ability to develop materials is the starting point for adding value to electronic components. By refining its business model based on leveraging its core competencies in materials and process technologies to continually provide customers with the products they seek, the TDK Group believes it can enhance its growth potential and earnings power, which are key to the TDK Group’s growth.

At present, the TDK Group is stepping up efforts targeting the key fields of communications, automobiles, energy and the environment. In these highly promising growth fields, the TDK Group aims to achieve sustainable growth by continuing to provide distinctive TDK products that peer companies cannot produce.

Over the past several years, corporate acquisitions have given the TDK Group a more diverse pool of human talent, and at the same time yielded more business opportunities. Looking ahead, as the TDK Group works to truly globalize its operations by leveraging this network, it will seek to realize synergies from these corporate acquisitions and improve asset efficiency. In this way, the TDK Group will strengthen its competitiveness, underpinned by a firm earnings base.

The TDK Group will also take into account the environment by supplying products that meet customer demands and that match trends in society such as energy conservation, legal and regulatory compliance, and safety, and will also take further steps to reduce the environmental impact of its business activities, such as by cutting CO_2 emissions.

As a corporate citizen, the TDK Group is also always aware of the importance of prospering together with society. Based on this awareness, the TDK Group will ensure that laws and regulations are observed in Japan and other countries as it seeks to contribute even more to society.

4. Business risks

Listed below are items that, among those relating to the review of operations and accounting, etc. stated in the Annual Securities Report, may significantly influence investor decisions. The following includes forward-looking statements determined on the filing date of the Annual Securities Report on June 29, 2011.

(1) Risks concerning changes in economic trends

The electronics industry, the TDK Group's field of operations, is highly susceptible to economic trends in the U.S., Europe, Asia, particularly China, and Japan, which are the main markets for end products. In addition, markets in these countries and regions are constantly exposed to various risk factors such as international issues and economic fluctuations. If changes beyond our expectations occur in such business environments, such changes could significantly affect business results.

(2) Risks concerning fluctuations in currency exchange

The TDK Group conducts our business activities in countries around the globe. Sudden fluctuations in foreign currency exchange rates affect company transactions between regions and prices of our products and service costs at overseas bases, which consequently have effects on business results such as net sales as well as income and loss. Such fluctuations also give rise to conversion differences with respect to our investments in overseas assets and liabilities, which are converted into Japanese yen in our consolidated financial statements. Measures are taken against fluctuations in foreign currency exchange rates; however, significant fluctuations in foreign currency exchange rates beyond our expectations could have a significant adverse effect on business results.

(3) Risks concerning overseas operations

The TDK Group's operations extend to most countries across the globe. Overseas sales account for more than 80% of total sales on a consolidated basis.

In many of our target markets, the TDK Group may be exposed to international political risks such as war, terrorism and other events, economic risks such as fluctuations in currency exchange and trade imbalance and social risks including labor problems stemming from differences in cultures and customs and diseases. Such risks may give rise to changes of a far greater magnitude than we anticipate. There may be unknown risks in building relationships with trading partners due to differences in commercial and business customs. If elicit, these risks could reduce or halt manufacturing activities, force the stagnation of sales activities and have a significant adverse effect on business results.

Especially, the TDK Group has many manufacturing bases in China, which is a country in the midst of strong economic growth. The Group has also established a system for supplying both customers and local companies that have been setting up operations in China. If unexpected events occur in China due to political factors (such as changes in laws and regulations), economic factors (such as the continuity of high growth and status of infrastructure development such as electric power supply) and social environment, there could be a significant effect on business results.

(4) Risks concerning price competition

The TDK Group supplies electronic components in a broad range of fields in an electronics industry where the competition is intensifying. These fields include information technology and communications devices such as digital home appliances, PCs and mobiles phones. Price is one of the main competitive factors differentiating us from other companies in the industry in which leading Japanese companies and Asian companies in South Korea and Taiwan have fueled intense price competition.

As downward pressure from the market on prices continues to intensify, in the event that the fall in prices far exceeds our expectations or becomes protracted, there could be a significant effect on business results.

(5) Risks concerning technological innovation and new product development

In the TDK Group, the launch of new valuable products on a timely basis contributes to boosting our profitability. We therefore believe ongoing new product development is key to our survival. The Group believes that our ability to increase sales by developing appealing, innovative products has an important role to play in our growth and we place suitable importance on this in our management strategies.

However, it is extremely difficult to predict future demand in the rapidly changing electronics industry. The TDK Group may fail to continue to develop and supply in a timely manner attractive, new products with innovative technologies for this industry and our markets. In such a situation, sales and profits could decrease from a loss of sales opportunities resulting in loss of not only future markets, but also existing markets. This may have a significant adverse effect on business results and growth prospects.

(6) Risks concerning product quality

The TDK Group conducts quality control of various products at domestic and overseas manufacturing bases in accordance with ISO (International Organization for Standardization) quality management standards (ISO 9001) and the strict standards required by customers in the remarkably technologically innovative electronics industry.

However, the TDK Group cannot be fully certain that defects in quality (including cases where products contained restricted substances) and recalls due to those defects will not occur. Should a recall or a product liability claim against us occur, it could result in recall costs or damage claims and lower sales. Furthermore, it is supposed that a defect in quality in one of the TDK Group's name-bearing products would have a negative impact on our reputation and brand, and endanger the continued existence of the company. In such a way, a major quality problem could have a significant effect on business results.

(7) Risks concerning intellectual property

The TDK Group's growth depends to a great extent on patents, licenses and other intellectual property rights covering TDK's products' functions, designs and manufacturing processes (hereinafter "intellectual property rights"). We therefore work hard to manage and acquire intellectual property rights.

However, there are cases where our intellectual property rights cannot be fully protected in a particular region for reasons unique to that region. We may suffer damages resulting from the manufacture by a third party of similar products to our own with the unauthorized use of our intellectual property rights.

There may be cases where it is alleged that our products infringe on the intellectual property rights of third parties that may sue for damages as a result of such alleged infringement. This would require either settlement negotiations or legal processes. If our defenses against such claims are not accepted in such disputes, we may have to pay damages and royalties and suffer losses such as the loss of markets.

Significant disputes over intellectual property rights could have a significant effect on business development and business results.

(8) Risks concerning securing personnel and training personnel

To prevail against fierce competition in the electronics industry, the TDK Group believes that it is necessary to retain and develop international personnel who possess advanced technical skills. We also strive to develop personnel with excellent management capabilities, such as those necessary for formulating management strategy and managing organizations, to a higher level.

However, the competition to recruit such international and skilled employees is intense. Moreover, in Japan, the change of employment environment progresses rapidly because of the falling birthrate, the aging population, and the decline of the workforce population. A similar change is occurring at our overseas bases in China and other countries. These and other factors mean there is no guarantee that we will continue to be able to recruit and retain suitable employees. The inability to recruit and train personnel as planned could have a significant effect on business development, business results and growth prospects.

(9) Risks concerning raw material procurement

The TDK Group's manufacturing system is premised on securing of raw materials and other supplies in adequate quality and quantity in a timely manner from multiple external suppliers. However, for major raw materials, we may rely on a limited number of difficult-to-replace suppliers. Because of this, there may be cases where supplies of raw materials and other products to us are interrupted by a disaster, an accident or some other event at a supplier, supply is suspended due to quality or other issues, or there is a shortage of supply due to a rapid increase in demand for finished products. If any of these situations becomes protracted, it could have a significant, adverse effect on production and prevent us from fulfilling our responsibilities to supply products to our customers. If the supply-demand balance in the market is disrupted, it may considerably increase costs of manufacturing through steep run-ups in the prices we pay for raw materials and rises in fuel prices, including oil, and there could be a significant effect on business results.

(10) Risks concerning government regulations

The TDK Group is subject to and required to comply with various regulations in Japan and other countries where we conduct business. These include approval for conducting business and making investments, the safety of electric and electronic products, national security between nations, and export/import-related, as well as commercial, antitrust, patent, product liability, environmental, consumer and taxation laws and regulations.

In the event that laws and regulations become more stringent in the future and our business development is significantly affected, we may incur various additional operating costs, and if we are unable to respond appropriately to these laws and regulations, we may be forced to partially withdraw from certain businesses or take other actions. In this way, the strengthening of government laws and regulations in their various forms could have a significant adverse effect on business results.

(11) Risks concerning interest rate fluctuation

The TDK Group has financial assets and liabilities that are exposed to the risk of interest rate fluctuation. Measures are taken against interest rate fluctuation; however, fluctuation in interest rates beyond our expectations could affect the interest income, interest expense and the value of financial assets, which could have a significant effect on business results.

(12) Risks concerning business to business transactions

The TDK Group is developing on a global scale business to business transactions, whereby we supply electronic components to a variety of electronics manufacturers, personal computer makers and other customers.

Supplies to these customers are significantly affected by various factors that are beyond our control such as changes in each customer's business results and management strategies. In addition, a drop-off in purchasing demand due to poor business results at major customers, discounting pressure from customers due to changes in customers' purchasing plans and policies, unexpected termination of contracts or other occurrences could result in excess inventory or reduction in profit margins.

In the event that our customers go through reorganization caused by mergers and acquisitions effected by enterprises of different business types or by competitive enterprises domestically or abroad, this situation could have a significant effect on TDK’s sales. Particularly, if a particular customer on whom our primary sales depend was bought up by a competitor, orders by that customer could significantly decrease or all business transactions could be ceased.

Customers' business results, changes in management strategy and other factors could thus have a significant effect on business results.

(13) Risks concerning natural disasters and pandemics

The TDK Group has many production factories and research and development facilities in Japan and overseas. These facilities and plants have taken disaster-protection and infection-control measures in preparation for unexpected natural disasters and infection outbreaks. However, significant damage could be incurred at these facilities and plants due to a force majeure event beyond business continuity planning (BCP) assumptions, such as a large earthquake, tsunami, typhoon, flood or volcanic eruption, or due to an outbreak of an unknown infectious disease such as a new strain of influenza. In the event of interruption to manufacturing, disruption of transportation routes, damage to or disconnection of information and communications infrastructure, impairment of central functions, or significant damage to our customers themselves due to the impact of such an occurrence, orders and supply could be affected for a long period of time. This situation could have a significant effect on business results.

(14) Risks concerning environmental regulations

With respect to specified hazardous chemical substances used in the products, the TDK Group is subject to various environmental laws and regulations with respect to industrial waste and emissions into the atmosphere and water from our production processes in Japan and overseas. Furthermore, from the perspective of global environmental conservation, as environmental regulations become more stringent in the future, our cost of compliance with such regulations could increase.

The TDK Group complies with environmental regulations prescribed by law and is engaged in a wide range of environmental conservation activities. If a situation occurs where we are forced to withdraw from certain business activities when the adoption of such laws and regulations exceeds our ability to respond or social trust in the TDK Group is lost due to our delay in responding to such adoption, it could have a significant effect on business results.

(15) Risks concerning M&A

The TDK Group has conducted mergers and acquisitions (M&A) to develop business bodies by which to pursue higher competitiveness and profitability in the highly competitive electronics field. However, if the initially expected improvement in profitability through the benefits of synergy is not realized due to reasons such as the Group's management policies or management strategies failing to infiltrate the target company of such M&A activity, then such event could have a significant effect on business results, growth prospects and business development among others.

(16) Risks concerning information security

As part of its business operations, the TDK Group holds confidential information and personal information relating to customers and trading partners as well as confidential information of the Group and personal information. We have constructed a group-wide control system to prevent this information from being leaked to outside parties, falsified or otherwise manipulated. Moreover, we execute measures to ensure thorough management and IT security, improved facility security and employee training. However, there is still a risk that such information could be leaked or falsified through negligence, theft or other causes.

In such an event, the TDK Group could suffer a lowering of credibility and be liable for huge costs relating to the compensation payment to the parties suffering damage. It could also have a significant effect on business results and financial condition.

(17) Risks related to the Great East Japan Earthquake

As a result of the Great East Japan Earthquake, which occurred in March 2011, the TDK Group suffered direct damages including degradation of facilities and buildings due to the earthquake and reductions in operations due to power outages. At present, all facilities that had received damage have been restored. Furthermore, at all domestic facilities, business continuity planning (BCP) is being re-examined and measures against assumed summertime electricity restrictions are progressing. However, in the event that electricity restrictions are more stringent than predicted or large-scale blackouts occur, it could affect our production activities (lowered capacity utilization or halts in production) or sales activities (delayed recovery of orders, etc.).

5. Important operational contracts, etc.

No items to report

6. Research and development activities

In its R&D activities, the TDK Group continues to work on strengthening and expanding development of new products that respond to diversification in the electronics field. In particular, the Group is concentrating on next-generation recording-related products, micro electronics modules for mobile communications-related applications, and energy-efficient, environmentally friendly devices for use in vehicles or next generation infrastructure based on materials and design technologies. Furthermore, the Group is using its reservoir of technologies to conduct efficient R&D activities concentrating on three strategic areas: IT home electronic appliances; high-speed and large-capacity networks; and car electronics.

In the Passive Components field, we developed next-generation multilayer ceramic chip capacitors and inductors that leverage core technologies, commercialized EMC components such as EMC filters, composite magnetic sheet "Flexield", and electromagnetic absorbers for anechoic chambers and increased the functionality of radio wave anechoic chamber testing facilities. Moreover, TDK is strengthening its lineup of modules, including high-frequency modules.

In the Magnetic Application Products field, we are commercializing rare earth-free magnets and next-generation ferrite magnets, developing high recording density next generation heads and strengthening the development of devices for hybrid and electric vehicles.

R&D at TDK is conducted by the Materials & Process Development Center, Devices Development Center, Application & Analysis Center, SQ Research Center and the R&D functions of each operating group. Each facility develops new products and technologies in its respective area of responsibility. The Materials & Process Development Center is responsible for responding to cutting-edge materials technologies and process technologies as well as strengthening and increasing core technologies. The Devices Development Center conducts development in new devices and SQ Research Center conducts research and development in high recording density next generation heads.

In terms of overseas R&D activities, TDK is advancing R&D activities through collaboration with leading universities in the U.S. and Europe, and overseas R&D subsidiaries are escalating their use of local technological resources. In China, where TDK is aiming to establish and develop an operating base, R&D activities are being carried out in the area of electronic components and materials. In addition, consolidated subsidiary Headway Technologies, Inc. is developing next-generation heads for HDD.

R&D expenses in fiscal 2011 fell 1.8% year on year to ¥52,973 million, 6.0% of net sales.

7. Analysis of financial position, operating results and cash flow position

The forward looking statements in this report are based on judgment current as of the end of fiscal 2011.

(1) Significant accounting policies

Significant accounting policies are those that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods.

The following is not intended to be a comprehensive list of all of TDK's accounting policies. TDK's significant accounting policies are more fully described in Note 1 of the Consolidated Financial Statements. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting an available alternative would not produce a materially different result.

The TDK Group has identified the following as critical accounting policies: impairment of long-lived assets, valuation of inventories, accounting for business combinations, goodwill and other intangible assets, pension benefit costs, and deferred tax assets.

Impairment of long-lived assets

As of March 31, 2010 and 2011, the aggregate of TDK's property, plant and equipment and amortized intangible assets was ¥390,097 million and ¥380,186 million, which accounted for 35.7% and 35.8% of the total assets, respectively. TDK believes that impairment of long-lived assets is critical to TDK's financial statements because the recoverability of the amounts or lack thereof, could significantly affect its results of operations.

TDK's long-lived assets and certain identifiable intangibles with certain amortization period are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying amount of the asset is considered to be impaired, an impairment charge is recorded for the amount by which the carrying value of an asset exceeds its fair value. Management believes that the estimates of future cash flows and fair values are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuation of those long-lived assets and significantly affect TDK's financial position and results of operations. TDK makes investments with due prudence, taking sufficiently into consideration the future profitability of products and the recoverability of investments.

Valuation of inventories

Inventories are stated at the lower of cost or market. The carrying value of inventory is reduced for estimated obsolescence by the difference between its cost and the estimated market value based upon assumptions about future demand. TDK evaluates the inventory carrying value for potential excess and obsolete inventory exposures by analyzing historical and anticipated demand. In addition, known and anticipated engineering change orders are evaluated against on-hand quantities for their potential obsolescence affects. As fluctuations in estimates, which become a standard in recognizing adjustments in the carrying values of inventory for expected obsolescence, are influential to business results of TDK, we conclude it as a significant accounting policy. If actual demand were to be substantially lower than estimated, additional inventory adjustments for excess or obsolete inventory may be required, which could have a material adverse effect on TDK's business, financial condition and results of operations.

Regarding the appropriateness of estimates in the past, TDK does not use a method based on various scenarios, but a method to reconsider every quarter by comparing estimate and actual results. For example, in the operation management of product sector with rapid development in technological innovation such as the recording devices sector, TDK revises the estimates of valuation of obsolete inventories arising from the timely response to customers' demands for high-efficiency products on a quarterly basis.

Business combination

We account for acquired businesses by using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The judgments made in determining the estimated fair value assigned to each class of assets acquired, as well as asset lives, can materially impact net income of the periods subsequent to the acquisition through depreciation and amortization, and in certain instances by impairment charges, if the asset becomes impaired in the future.

In determining the estimated fair value for intangible assets, we typically utilize the income approach, which employs discounting of the projected future net cash flow using an appropriate discount rate that reflects the risk factors associated with the cash flow streams.

Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives. Intangible assets determined to have an indefinite useful life have been reassessed periodically based on the factors prescribed in

FASB Accounting Standards Codification 350 including, but not limited to, the expected use of the asset by us, legal or contractual provisions that may affect the useful life or renewal or extension of the asset's contractual life without substantial cost, and the effects of demand, competition and other economic factors.

Goodwill and other intangible assets

Goodwill and other intangible assets that are determined to have an indefinite life are not amortized but are tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of these assets below their carrying amount. Fair value for these assets is determined using a discounted cash flow analysis, which is based on an authorized business plan. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations.

Pension benefit costs

Employee pension benefit costs and obligations are dependent on assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, retirement rates and mortality rates which are based upon current statistical data, as well as salary growth, long-term return on plan assets and other factors. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect TDK's recognized expense and recorded obligation in future periods. While TDK believes that its assumptions used are appropriate, differences in actual experience or changes in assumptions may affect TDK's benefit obligations and future expense.

In preparing its financial statements for fiscal 2011, TDK established discount rates of 2.0% and 5.1% for domestic and overseas pension plans respectively, and expected long-term rates of return of 2.5% and 6.3% on domestic and overseas plan assets respectively. In estimating the discount rate, TDK uses available information about rates of return on long-term corporate bonds currently available and expected to be available during the period to the maturity of the pension benefits. TDK established the expected long-term rate of return on plan assets based on management's expectations in respect of the long-term returns of the various plan asset categories in which it invests. Management developed expectations with respect to each plan asset category based on actual historical returns and its current expectations for future returns.

A decrease in the discount rate leads to an increase in actuarial pension benefit obligations that could lead to an increase in net periodic pension cost through amortization of unrecognized actuarial gain or losses.

An increase in the expected return on plan assets may decrease net periodic pension cost in the current year. However, the difference between the expected return and the actual return on those assets could negatively affect net income in future years.

Deferred tax assets

TDK has significant deferred tax assets, which are subject to realizability assessment. In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. TDK considers the planned reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, TDK believes that it is more likely than not that all of the deferred tax assets less valuation allowance, will be realized. However, in the event future projections for income are not realized or are realized in lesser amounts, or in cases where TDK revises the assessment of the potential for realization of deferred tax assets based on other factors, deferred tax assets may be determined not to be realizable, which then would require TDK to increase a valuation allowance against the deferred tax assets resulting in additional income tax expenses.

(2) Analysis of business results for the fiscal year

Overview of consolidated operating results

In fiscal 2011, TDK posted consolidated net sales of ¥875,737 million, up 8.3% from fiscal 2010. TDK recorded an operating income of ¥63,842 million, an increase of 147.7% year on year. Furthermore, TDK recorded a net income attributable to TDK Corp. of ¥45,264 million, an increase of 234.8% year on year.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, production levels differ by finished product. Sharply higher production of smartphones and tablet devices has driven the market. Furthermore, production of finished products in the automobile and industrial equipment fields also continued to grow steadily. However, production of flat-screen TVs, notebook PCs, HDDs and certain other finished products declined in response to changes in demand.

The TDK Group's performance is closely linked to the electronics market. Orders were strong for passive components in the communications, automotive and industrial equipment fields, which are positioned as key growth fields. In contrast, magnetic application products, mainly in notebook PCs, HDDs and other consumer fields, were impacted by market sluggishness. That said, the market has recovered considerably from the simultaneous global slowdown that was triggered by the financial crisis of autumn 2008. As a result of also strengthening businesses centered on key growth fields and implementing continuous structural reforms, the TDK Group made further improvements to earnings.

Effect of foreign exchange fluctuations

In fiscal 2011, overseas sales accounted for 87.3% of consolidated net sales, an increase of 0.2 percentage points compared to fiscal 2010. During fiscal 2011, the yen's value rose 7.7% against the U.S. dollar and 13.8% against the Euro, based on average exchange rates in markets. Overall, exchange rate fluctuations had the effect of decreasing net sales by approximately ¥57,400 million and operating income by approximately ¥18,000 million in fiscal 2011.

By geographic area based on the location of TDK entities, foreign exchange fluctuations decreased sales in Japan by approximately ¥9,600 million, in Asia (excluding Japan) and Oceania by approximately ¥48,900 million, in North and South America by approximately ¥6,000 million and in Europe by approximately ¥33,300 million. The effect of foreign exchange fluctuations on consolidated net sales after the elimination of intersegment transactions between and among TDK and its consolidated subsidiaries was approximately ¥57,400 million.

As one method for reducing the impact of exchange rate fluctuation, the TDK Group is increasing the share of business activities conducted overseas. Such overseas activities comprise not only manufacturing and sales but also R&D, design and procurement. The ratio of in-region production to in-region sales in fiscal 2011 was 105.6% in Asia (excluding Japan) and Oceania, 69.1% in the Americas and 75.8% in Europe. The ratio of overseas production to net sales rose from 80.6% in fiscal 2010 to 83.6% in fiscal 2011. The ratio of overseas production to overseas sales rose from 92.4% in fiscal 2010 to 95.7% in fiscal 2011.

TDK and its certain overseas consolidated subsidiaries hedge exposure to foreign exchange fluctuations by entering into forward foreign exchange contracts and currency swap contracts. Foreign exchange risk arising from operating activities is hedged by using forward foreign exchange contracts. In principle, TDK's policy is to hedge up to 50% of expected foreign currency-denominated accounts receivable for each month for the next six months to follow. Due to the global nature of its operations, the management realizes that currency fluctuations continue to have the potential to exert a material influence on consolidated performance.

Cost and net income

The cost of sales increased 6.4% to ¥ 657,600 million in fiscal 2011 from ¥ 617,776 million in fiscal 2010 due primarily to higher sales. However, the cost of sales ratio to net sales decreased from 76.4% to 75.1% of net sales. The improvement in the cost of sales ratio is due to the effects of rationalization and cost reduction efforts to counter a drop in sales prices and effects from discounts of raw materials and an increase in capacity utilization rate following a hike in orders received due to the economic recovery. As a result, gross profit increased ¥27,055 million (14.2%) year on year in fiscal 2011, thus the gross profit ratio to net sales became 24.9%.

Selling, general and administrative expenses decreased by ¥6,091 million from ¥160,386 million in fiscal 2010 to ¥154,295 million in fiscal 2011. This represented a decrease in the ratio to net sales from 19.8% to 17.6%. Main causes for changes in monetary amounts include a decrease of ¥9,659 million due to the impact of foreign exchange following the appreciation of the yen, a ¥2,429 million decrease in loss on impairment and disposal of fixed assets and a decrease of ¥406 million in amortization cost for intangible assets that were valued at the time EPCOS AG shares were acquired. However, and freight-out expenses increased due to an increase in sales volume. Regarding research and development expenses included in selling, general and administrative expenses for the fiscal year under review, efforts to improve development effectiveness through the selection of development themes resulted in a ¥969 million decrease in selling, general and administrative expenses from ¥53,942 million recorded in the previous fiscal year to ¥52,973 million, as the ratio to net sales decreased from 6.7% in fiscal 2010 to 6.0% in fiscal 2011.

Other income (deductions) increased ¥90 million from fiscal 2010. This is primary because of a ¥1,250 million improvement in the loss from write-down of investment securities and a decrease of ¥1,768 million in interest income due to reduction in the balance of cash and cash equivalents. On the other hand, there was a decrease in interest expenses of ¥1,161 million due to the repayment of debt reducing the balance owed and a deterioration of ¥1,168 in foreign currency translation adjustments due to continued appreciation of the yen.

The ratio of income taxes to income before income taxes (the effective tax rate) increased from 41.2% in fiscal 2010 to 25.1% in fiscal 2011.

TDK posted net income attributable to TDK Corp. of ¥45,264 million, resulting in diluted net income attributable to TDK Corp. per common share of ¥350.57. Return on Equity improved from 2.5% to 8.4%.

Cash dividends per share paid during fiscal 2011 was ¥70. This dividend was the sum of the year-end dividend of ¥30 paid out in June 2010 and the interim dividend of ¥40 paid out in December 2010. Shareholders recorded in the Shareholders' registry as of March 31, 2011 will receive a cash dividend of ¥40 per share at the end of June 2011.

(3) Financial position

Total assets amounted to ¥1,060,853 million as of March 31, 2011, a ¥30,605 million decrease from ¥1,091,458 million at the end of fiscal 2010.

In terms of liquidity, cash and cash equivalents decreased ¥3,893 million, short-term investments decreased ¥17,070 million, and marketable securities decreased ¥4,669 million, respectively, due to the impact of currency fluctuations. In addition, inventories increased ¥16,610 million due to increasing production of popular products in response to strong orders. Meanwhile, intangible assets decreased ¥10,299 million.

Total liabilities decreased by ¥20,702 million from ¥541,789 million in fiscal 2010 to ¥521,087 million in fiscal 2011.

Short- and long-term debt decreased ¥25,085 million, mainly due to the repayment of long-term debt.

Total stockholders' equity within net assets decreased by ¥9,483 million from ¥543,756 million at the end of the previous fiscal year to ¥534,273 million.

Retained earnings increased ¥36,580 million due to higher earnings. However, the yen's appreciation against the dollar and the Euro was at higher levels than predicted, causing a steep erosion of the value of overseas assets when converted into yen and significant deterioration in foreign currency translation adjustments. Thus, accumulated other comprehensive loss increased ¥45,887 million.

(4) Liquidity and fund resources

Demand for operating funds

The TDK Group's operating funds are primarily used for the purchase of raw materials and parts for use in the manufacture of its products, and it is recorded as manufacturing expenses. The payment of personnel costs and selling, general and administrative expenses such as marketing fees and distribution-related expenses related to sales promotion activities are also a significant disbursement from the fund. In addition, personnel expenses relating to R&D are also significant. The necessary funds for these disbursements are mainly provided from cash generated by operations.

Capital expenditures

In fiscal 2011, the TDK Group spent ¥78,638 million on capital expenditures to accurately respond to the rapid technological innovation and the intensified sales competition in the electronics market to which TDK belongs.

Capital expenditures in Passive Components totaled ¥38,219 million. Expenditures were mainly for the purpose of increasing and rationalizing the production of multilayer inductor devices and high-frequency modules.

Capital expenditures in Magnetic Application Products totaled ¥27,781 million. These were introductions of HGA processing facilities at SAE Magnetics (H.K.) Ltd. and HDD suspension manufacturing facilities at Magnecomp Precision Technology Public Co., Ltd. These introductions are investments aimed at the development and production of high-density next-generation heads for HDD.

Capital expenditures in Others totaled ¥8,365 million, mainly to boost and rationalize production of lithium-ion polymer batteries at Amperex Technology Ltd.

Capital expenditures for the R&D divisions at the headquarters totaled ¥4,273 million for investment in internal IT infrastructure construction and fundamental development research.

In principle, the funds for these capital expenditures are provided primarily from cash generated by operations.

Procurement of funds

The TDK Group regards cash and deposits with banks, etc. (cash, deposits with banks, short-term investments, marketable securities) as liquid funds, and its policy has long been to maintain its liquidity level at 2.0 months or more of monthly consolidated sales. The balance of liquid funds amounted to ¥197,630 million at the end of fiscal 2011, which was equal to approximately 2.7 average months of annual sales. TDK considers this level of liquidity sufficient for current needs.

Net cash of ¥61,341 million was used in investing activities of the Group in the fiscal year under review. TDK held long-term debt in the sum of ¥97,770 million, straight bonds in the sum of ¥84,000 million and short-term debt in the sum of ¥66,500 million as of the end of the previous fiscal year, however, we repaid ¥42,760 million in long-term debt in the fiscal year under review. On the other hand, TDK took on additional short-term debt of ¥19,500 million. For details of the debt, please refer to the section of Note 5. Short-Term and Long-Term Debt.

Fund management

As a general rule, operating funds or funds for capital expenditure are provided from cash generated by operations. Also, in order to improve capital efficiency, TDK has introduced a cash management system (CMS) in Japan, the U.S. and Europe to centrally manage funds from its Headquarters whenever it is possible to do so. When subsidiaries are unable to provide their operating funds or funds for capital expenditure, TDK utilizes funds from within the Group as much as possible. Moreover, TDK manages on-hand funds by placing priority on security and liquidity.

III. Facilities

1. Outline of capital expenditures

In fiscal 2011, the TDK Group spent ¥78,638 million on capital expenditures to accurately respond to the rapid technological innovation and the intensified sales competition in the electronics market to which TDK belongs.

Capital expenditures in the Passive Components segment totaled ¥38,219 million. Expenditures were mainly for the purpose of increasing and rationalizing the production of multilayer inductor devices and high-frequency modules.

Capital expenditures in the Magnetic Application Products segment totaled ¥27,781 million. These were introductions of HGA processing facilities at SAE Magnetics (H.K.) Ltd. and HDD suspension manufacturing facilities at Magnecomp Precision Technology Public Co., Ltd. These introductions are investments aimed at the development and production of high-density next-generation heads for HDD.

Capital expenditures in the Others segment totaled ¥8,365 million, mainly to boost and rationalize production of lithium-ion polymer batteries at Amperex Technology Ltd.

Capital expenditures for the R&D divisions at the headquarters totaled ¥4,273 million for investment in internal IT infrastructure construction and fundamental development research.

2. Main facilities

Main facilities of the TDK Group are as follows.

(1) Passive Components

a. Filing company (TDK)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Lease assets	Construction in progress	Total	
Akita Plant (Nikaho City, Akita Pref.) 4 other plants in the Pref.	Manufacturing passive components	9,995	417	2,872 (512)	–	–	13,284	–

Notes: 1. Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."
2. Akita Plant is mainly an asset leased to TDK-EPC Corporation.

b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
TDK-EPC Corporation (Chuo-ku, Tokyo and other locations)	Manufacturing passive components	9,998	39,204	–	2,236	51,438	2,114
TDK Ugo Corporation (Yurihonjo City, Akita Pref. and other locations)	Manufacturing passive components	4,539	50	665 (89)	10	5,264	683
TDK-MCC Corporation (Nikaho City, Akita Pref. and other locations)	Manufacturing passive components	4,078	148	849 (96)	2	5,077	1,173

c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
EPCOS AG (Germany)	Manufacturing passive components	745	13,583	1 (0)	1,447	15,776	1,912
TDK Xiamen Co., Ltd. (China)	Manufacturing passive components	2,918	7,779	–	1,348	12,045	9,499
EPCOS OHG (Austria)	Manufacturing passive components	1,839	8,788	531 (123)	426	11,584	1,061
Becromal Iceland ehf (Iceland)	Manufacturing passive components	2,714	5,265	–	179	8,158	119
EPCOS PTE LTD (Singapore)	Manufacturing passive components	–	6,159	–	1,198	7,357	1,313
EPCOS Electronic Parts Ltd. (Hungary)	Manufacturing passive components	1,385	3,014	300 (126)	1,051	5,750	2,196

(2) Magnetic Application Products

a. Filing company (TDK)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Lease assets	Construction in progress	Total	
Narita Plant (Narita City, Chiba Pref.)	Manufacturing magnetic application products	2,332	4,083	2,754 (156)	–	69	9,239	327
Kofu Plant (Minami-Alps City, Yamanashi Pref.)	Manufacturing magnetic application products	2,229	501	1,086 (174)	–	–	3,818	139
Shizuoka Plant (Makinohara City, Shizuoka Pref.)	Manufacturing magnetic application products	798	2,116	576 (98)	–	65	3,556	276
Asama Techno Plant (Saku City, Nagano Pref.) 1 other plant in the Pref.	Manufacturing magnetic application products	4,368	6,197	1,708 (74)	–	2,266	14,541	616
Mikumagawa Plant (Hita City, Oita Pref.)	Manufacturing magnetic application products	1,639	1,232	700 (101)	–	7	3,580	245

Note: Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
TDK-Lambda Corporation (Nagaoka City, Niigata Pref. and other locations)	Manufacturing magnetic application products	1,635	438	548 (64)	–	2,621	600
Media Technology Corp. (Chuo City, Yamanashi Pref.)	Manufacturing magnetic application products	869	58	623 (29)	–	1,550	124

c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
SAE Magnetics (H.K.) Ltd. (Hong Kong and China)	Manufacturing magnetic application products	3,241	9,235	–	1,036	13,512	754
Magnecomp Precision Technology Public Co., Ltd. (Thailand)	Manufacturing magnetic application products	2,677	7,738	353 (136)	557	11,325	7,615
Headway Technologies, Inc. (U.S.A.)	Manufacturing magnetic application products	457	5,240	–	221	5,918	550

(3) Others

a. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
Amperex Technology Limited (Hong Kong and China)	Manufacturing others	3,947	7,071	–	6,764	17,782	13,866

(4) Corporate (Common) and Others

a. Filing company (TDK)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Lease assets	Construction in progress	Total	
Technical Center (Ichikawa City, Chiba Pref.)	Corporate (Common) and Others	8,878	586	1,217 (98)	318	142	11,143	963

Notes: 1. Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

2. Technical Center is mainly a corporate (common) facility, but it also includes business segments which are classified as Others. However, due to difficulties in drawing such distinctions, it is displayed under "corporate (common) and others".

3. Plan for installation and retirement, etc. of facilities

The TDK Group conducts a broad range of operations in Japan and overseas. At the end of fiscal 2011, plans of new constructions and expansions of facilities for these operations had not been decided for each individual project. For this reason, figures are disclosed by each business segment. Capital expenditure plans (new constructions and expansions) within the one year period following fiscal 2011 are ¥85,000 million and the breakdown by business segment is as follows.

Name of business segment	Projected amount at the end of fiscal 2011 (Millions of yen)	Main contents and objectives of facilities, etc.	Capital resource
Passive Components	47,800	Production increase and rationalization of multilayer inductors, power coils, high-frequency components and multilayer ceramic chip capacitors	Own capital
Magnetic Application Products	20,500	Production increase and rationalization of GMR heads for HDD	Own capital
Others	11,200	Production increase and rationalization of lithium-ion polymer batteries	Own capital
HQ/R&D divisions	5,500	Establishment of internal IT system and basic research and development	Own capital
Total	85,000	–	–

Notes: 1. Consumption taxes, etc. are not included.

2. There are no plans for retirement or sale of important facilities except for the regular retirement or sale related to updating facilities.

IV. Filing company

1. Status of the Company (TDK)'s shares

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

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

b. Number of shares issued

Class	Number of issued shares (As of March 31, 2011)	Number of issued shares (As of the date of filing: June 29, 2011)	Name of financial instruments exchange where the stock of TDK is traded or the name of authorized financial instruments firms association where TDK is registered	Details
Common stock	129,590,659	129,590,659	Tokyo Stock Exchange (First Section) London Stock Exchange	Share unit number 100 shares
Total	129,590,659	129,590,659	–	–

Notes: 1. TDK's stock is traded on the London Stock Exchange using the central certificate service.

2. The number of shares issued by exercise of stock acquisition rights (including exercise of conversion rights of convertible bonds and stock acquisition rights of bonds with stock acquisition rights issued pursuant to the former Japanese Commercial Code) between June 1, 2011 and the date of filing of this Annual Securities Report, is not included in "Number of shares issued (as of the date of filing: June 29, 2011)".

(2) Status of stock acquisition rights

Stock acquisition rights issued pursuant to the former Japanese Commercial Code are as follows.

a. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2005 (Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	108 units	99 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	10,800 shares	9,900 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 1, 2005 to June 30, 2025	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥1 Additional paid-in capital ¥1	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 1, 2005 through June 30, 2008. Rights may be exercised from July 1, 2008 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until June 30, 2008 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day of the approval date. c. On or after July 1, 2008, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

b. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2005

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	668 units	648 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	66,800 shares	64,800 shares
Paying due upon exercise of stock acquisition rights per share	¥8,134 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2007 to July 31, 2011	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥8,134 Additional paid-in capital ¥4,067	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

Stock acquisition rights issued pursuant to the Companies Act are as follows.

a. Approval at the Ordinary General Meeting of Shareholders and resolution of the Board of Directors Meeting held on June 29, 2006 (Issued to Directors, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	70 units	70 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	7,000 shares	7,000 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From August 6, 2006 to August 5, 2026	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥8,140 Additional paid-in capital ¥4,070	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from August 6, 2006 through August 5, 2009. Rights may be exercised from August 6, 2009 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until August 5, 2009 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after August 6, 2009, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

b. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2006 (Issued to Corporate Officers, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	42 units	36 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	4,200 shares	3,600 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From August 6, 2006 to August 5, 2026	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥8,140 Additional paid-in capital ¥4,070	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from August 6, 2006 through August 5, 2009. Rights may be exercised from August 6, 2009 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until August 5, 2009 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after August 6, 2009, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

c. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2006

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	803 units	783 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	80,300 shares	78,300 shares
Paying due upon exercise of stock acquisition rights per share	¥9,072 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2008 to July 31, 2012	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥11,048 Additional paid-in capital ¥5,524	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

d. Resolution of the Board of Directors Meeting held on May 15, 2007 based on the approval at the Ordinary General Meeting of Shareholders held on June 29, 2006 (Issued to Directors, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	61 units	61 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	6,100 shares	6,100 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 8, 2007 to July 7, 2027	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥11,015 Additional paid-in capital ¥5,508	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 8, 2007 through July 7, 2010. Rights may be exercised from July 8 2010 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until July 7, 2010 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after July 8 2010, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

e. Resolution of the Ordinary General Meeting of Shareholders on June 28, 2007 (Issued to Corporate Officers, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	53 units	44 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	5,300 shares	4,400 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 8, 2007 to July 7, 2027	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥11,015 Additional paid-in capital ¥5,508	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 8, 2007 through July 7, 2010. Rights may be exercised from July 8 2010 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until July 7, 2010 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after July 8 2010, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

f. Resolution of the Ordinary General Meeting of Shareholders on June 28, 2007 (6th Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	898 units	878 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	89,800 shares	87,800 shares
Paying due upon exercise of stock acquisition rights per share	¥12,098 per share	Same as left
Exercise period of stock acquisition rights	From July 1, 2009 to June 30, 2013	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥14,109 Additional paid-in capital ¥7,055	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

g. Resolution of the Ordinary General Meeting of Shareholders on June 28, 2007 (6(2)th Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	10 units	10 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	1,000 shares	1,000 shares
Paying due upon exercise of stock acquisition rights per share	¥12,098 per share	Same as left
Exercise period of stock acquisition rights	From July 1, 2009 to June 30, 2013	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥14,083 Additional paid-in capital ¥7,042	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

h. Resolution of the Board of Directors Meeting held on May 28, 2008 based on the approval at the Ordinary General Meeting of Shareholders held on June 29, 2006 (Issued to Directors, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	119 units	119 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	11,900 shares	11,900 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 6, 2008 to July 5, 2028	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥5,968 Additional paid-in capital ¥2,984	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 6, 2008 through July 5, 2011. Rights may be exercised from July 6, 2011 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until July 5, 2011 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after July 6 2011, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

i. Resolution of the Ordinary General Meeting of Shareholders on June 27, 2008 (Issued to Corporate Officers, Stock-linked Compensation Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	107 units	107 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	10,700 shares	10,700 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 6, 2008 to July 5, 2028	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥5,968 Additional paid-in capital ¥2,984	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 6, 2008 through July 5, 2011. Rights may be exercised from July 6, 2011 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until July 5, 2011 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Three years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after July 6 2011, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to three years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

j. Resolution of the Ordinary General Meeting of Shareholders on June 27, 2008 (7th Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	962 units	957 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	96,200 shares	95,700 shares
Paying due upon exercise of stock acquisition rights per share	¥6,837 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2010 to July 31, 2014	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥7,792 Additional paid-in capital ¥3,896	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

k. Resolution of the Board of Directors Meeting held on May 27, 2009
(Stock-linked Compensation based on approval of the Ordinary General Meeting of Shareholders held on June 29, 2006 for Directors and based on corresponding resolution for Executive Officers)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	375 units	375 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	37,500 shares	37,500 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 5, 2009 to July 4, 2029	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥4,022 Additional paid-in capital ¥2,011	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 5, 2009 through July 4, 2012. Rights may be exercised from July 5, 2012 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until July 4, 2012 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Seven years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after July 5, 2012, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to seven years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

l. Resolution of the Ordinary General Meeting of Shareholders on June 26, 2009 (8th Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	828 units	828 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	82,800 shares	82,800 shares
Paying due upon exercise of stock acquisition rights per share	¥5,110 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2011 to July 31, 2015	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥6,601 Additional paid-in capital ¥3,301	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

m. Resolution of the Board of Directors Meeting held on May 26, 2010
(Stock-linked Compensation based on approval of the Ordinary General Meeting of Shareholders held on June 29, 2006 for Directors and based on corresponding resolution for Executive Officers)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	333 units	333 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	33,300 shares	33,300 shares
Paying due upon exercise of stock acquisition rights per share	¥1 per share	Same as left
Exercise period of stock acquisition rights	From July 4, 2010 to July 3, 2030	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥4,214 Additional paid-in capital ¥2,107	Same as left
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 4, 2010 through July 3, 2013. Rights may be exercised from July 4, 2013 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until July 3, 2013 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Seven years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after July 4, 2013, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to seven years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

n. Resolution of the Ordinary General Meeting of Shareholders on June 29, 2010 (9th Stock Acquisition Rights)

	As of March 31, 2011	As of May 31, 2011
Number of stock acquisition rights	996 units	996 units
Of which, the number of treasury stock acquisition rights	–	–
Class of shares issued upon the exercise of stock acquisition rights	Common stock	Same as left
Number of shares issued upon the exercise of stock acquisition rights	99,600 shares	99,600 shares
Paying due upon exercise of stock acquisition rights per share	¥5,292 per share	Same as left
Exercise period of stock acquisition rights	From August 1, 2012 to July 31, 2016	Same as left
Issue price and additional paid-in capital if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	Issue Price ¥6,388 Additional paid-in capital ¥3,194	Same as left
Conditions of exercising stock acquisition rights	Partial exercise of stock acquisition rights is not permitted.	Same as left
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.	Same as left
Matters regarding surrogate payments	–	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–	–

(3) Exercise of corporate bond certificates with stock acquisition rights with an amended exercise price

No items to report

(4) Details of rights plan

No items to report

(5) Trends in total number of issued shares, capital stock, etc.

Date	Fluctuation in the total number of issued shares (shares)	Balance of total number of issued shares (shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in additional paid-in capital (Millions of yen)	Balance of additional paid-in capital (Millions of yen)
August 10, 2007 (Note)	(3,599,000)	129,590,659	–	32,641	–	59,256

Note: Decrease due to cancellation of treasury stock.

(6) Shareholder composition

(As of March 31, 2011)

Category	Shareholder composition (Number of shares consisting one unit: 100)								Shares less than one unit (Shares)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	–	130	60	343	532	20	26,721	27,806	–
Number of shares held (Share units)	–	549,693	80,029	84,362	456,167	95	124,955	1,295,301	60,559
Holding rate of shares (%)	–	42.44	6.18	6.51	35.22	0.00	9.65	100.00	–

Notes: 1. In the “Other corporations” column, three share units in the name of Japan Securities Depository Center, Inc. are included.

2. 594,738 treasury shares of which 5,947 share units are included in “Individuals, etc.” and 38 shares are included in “Shares less than one unit.”

(7) Status of major shareholders

(As of March 31, 2011)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	14,207	10.96
Japan Trustee Services Bank, Ltd. (Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	13,412	10.35
Panasonic Corporation	1006, Kadoma, Kadoma City, Osaka, Japan	6,250	4.82
JPMorgan Securities Japan Co., Ltd.	2-7-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	3,767	2.91
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	3,722	2.87
SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	Sydney, Australia (3-11-1, Nihonbashi, Chuo-ku, Tokyo, Japan)	2,500	1.93
Trust & Custody Services Bank, Ltd. (Securities investment trust accounts)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	2,495	1.93
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,140	1.65
The Nomura Trust and Banking Co., Ltd. (Trust account)	2-2-2, Otemachi, Chiyoda-ku, Tokyo, Japan	2,097	1.62
Tokio Marine & Nichido Fire Insurance Co., Ltd.	1-2-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,765	1.36
Total	–	52,355	40.40

Notes: 1. As a copy of Change Report dated February 19, 2009, was sent from Nomura Securities Co., Ltd. and its one joint holder, TDK acknowledges it has received the report pertaining to the share possession by each shareholder as of February 13, 2009, as detailed below. However, as TDK cannot confirm the numbers of such shares substantially held as of the end of fiscal 2011, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates held (%)
Nomura Securities Co., Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	313,144	0.24
Nomura Asset Management Co., Ltd.	1-12-1, Nihonbashi, Chuo-ku, Tokyo, Japan	6,516,200	5.03
Total	–	6,829,344	5.27

2. As a copy of Report of Possession of Large Volume dated October 21, 2009, was sent from The Sumitomo Trust and Banking Co., Ltd. and its one joint holder, TDK acknowledges it has received the report pertaining to the share possession by each shareholder as of October 15, 2009, as detailed below. However, as TDK cannot confirm the numbers of such shares substantially held as of the end of fiscal 2011, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
The Sumitomo Trust and Banking Co., Ltd.	4-5-33, Kitahama, Chuo-ku, Osaka City, Osaka, Japan	4,115,200	3.18
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo, Japan	4,833,800	3.73
Total	–	8,949,000	6.91

3. As a copy of Change Report dated March 22, 2011, was sent from Mitsubishi UFJ Financial Group, Inc., TDK acknowledges it has received the report pertaining to the share possession by each shareholder as of March 14, 2011, as detailed below. However, as TDK cannot confirm the numbers of such shares substantially held as of the end of fiscal 2011, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	540,372	0.42
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	3,208,800	2.48
Mitsubishi UFJ Asset Management Co., Ltd.	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,880,700	1.45
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	881,484	0.68
MU Investments Co., Ltd.	3-2-15, Nihonbashi-Muromachi, Chuo-ku, Tokyo, Japan	269,000	0.21
Total	–	6,780,356	5.23

(8) Status of voting rights

a. Issued shares

(As of March 31, 2011)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Content
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	Common stock 594,700	–	–
Shares with full voting rights (Other)	Common stock 128,935,400	1,289,354	–
Shares less than one unit	Common stock 60,559	–	–
Total number of issued shares	129,590,659	–	–
Total number of voting rights	–	1,289,354	–

Note: The number of “Shares with full voting rights (Other)” includes 300 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes three units of voting rights related to shares with full voting rights in its name.

b. Treasury stock, etc.

(As of March 31, 2011)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of total number of shares held in the total number of issued shares (%)
TDK Corporation	1-13-1, Nihonbashi, Chuo-ku, Tokyo, Japan	594,700	–	594,700	0.46
Total	–	594,700	–	594,700	0.46

(9) Stock options

TDK adopts the system of stock options. Through the system, TDK issues stock acquisition rights in accordance with the former Japanese Commercial Code and the Companies Act.

The details of the system are as follows.

<By resolutions of the General Meeting of Shareholders held on June 29, 2005>

a. Pursuant to the provisions of the Articles 280-20 and 280-21 of the former Japanese Commercial Code, for the purpose of providing stock-linked compensation stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for Directors and Corporate Officers of TDK was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2005.

Resolution date	June 29, 2005
Category and number of persons granted	7 Directors and 10 Corporate Officers of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	24,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

b. Pursuant to the provisions of the Articles 280-20 and 280-21 of the former Japanese Commercial Code, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its affiliated companies was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2005.

Resolution date	June 29, 2005
Category and number of persons granted	1 Corporate Officer and 168 key employees of the Company and 2 Directors and 1 key employee of its subsidiaries
Class of shares to be issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	90,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights" (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of issuance of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the issuance date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the issuance day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the issuance date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

<By resolutions of the General Meeting of Shareholders held on June 29, 2006>

a. The amount and details of stock option remunerations provided to Directors of TDK as part of their remunerations were approved by resolution at the Ordinary General Meeting of Shareholders held on June 29, 2006.

Resolution date	June 29, 2006
Category and number of persons granted	7 Directors of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	10,800 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

b. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the issuance of stock acquisition rights as stock-linked compensation stock options with specially favorable terms and conditions for Corporate Officers of TDK was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2006.

Resolution date	June 29, 2006
Category and number of persons granted	10 Corporate Officers of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	9,500 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

c. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2006.

Resolution date	June 29, 2006
Category and number of persons granted	175 key employees of the Company and 4 of Directors and key employees of its subsidiaries
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	96,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights” (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the allotment day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the allotment date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

<By resolutions of the Board of Directors meeting held on May 15, 2007>

The amount and details of stock option remunerations provided to Directors of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 15, 2007.

Resolution date	May 15, 2007
Category and number of persons granted	7 Directors of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	8,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights”
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

<By resolutions of the General Meeting of Shareholders held on June 28, 2007>

a. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the issuance of stock acquisition rights as stock-linked compensation stock options with specially favorable terms and conditions for Corporate Officers of TDK was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 28, 2007.

Resolution date	June 28, 2007
Category and number of persons granted	9 Corporate Officers of the Company
Class of shares be to issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	6,100 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights”
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

b. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 28, 2007.

Resolution date	June 28, 2007
Category and number of persons granted	177 key employees of the Company and 7 of Directors and key employees of its subsidiaries
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	97,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights” (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the allotment day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the allotment date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

c. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 28, 2007.

Resolution date	June 28, 2007
Category and number of persons granted	2 key employees of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	1,000 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights” (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the allotment day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the allotment date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

<By resolutions of the Board of Directors meeting held on May 28, 2008>

The amount and details of stock option remunerations provided to Directors of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 28, 2008.

Resolution date	May 28, 2008
Category and number of persons granted	5 Directors of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	13,900 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights”
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

<By resolutions of the General Meeting of Shareholders held on June 27, 2008>

a. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act of Japan, the issuance of stock acquisition rights as stock-linked compensation stock options with specially favorable terms and conditions for Corporate Officers of TDK was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 27, 2008.

Resolution date	June 27, 2008
Category and number of persons granted	8 Corporate Officers of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	10,700 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights”
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

b. Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, for the purpose of providing stock options, the issuance of stock acquisition rights with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 27, 2008.

Resolution date	June 27, 2008
Category and number of persons granted	185 key employees of the Company and 3 of Directors and key employees of its subsidiaries
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	98,700 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights” (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

Note: Exercise price

The amount to be paid in when exercising each stock acquisition right shall be the amount to be paid in for each share issued or transferred upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date for regular transactions of common stock of the Company on the Tokyo Stock Exchange (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In case the Company issues new shares or disposes of its own shares at a price less than the current market price after the allotment day (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights), the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of issued shares" shall be defined as the aggregate number of shares issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

In the event that the Company conducts a share split or consolidates its common stock after the allotment date, the exercise price shall be adjusted proportionally in accordance with the ratio of the share split or consolidation.

Moreover, in other cases such as company merger, or company split, where circumstances arise requiring the exercise price to be adjusted, the exercise price shall be adjusted reasonably, taking into account conditions of the company merger or company split.

Any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen.

<By resolutions of the Board of Directors meeting held on May 27, 2009>

The amount and details of stock option remunerations provided to Directors and Corporate Officers of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 27, 2009.

Resolution date	May 27, 2009
Category and number of persons granted	4 Directors and 13 Corporate Officers of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	37,500 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights”
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

<By resolutions of the General Meeting of Shareholders held on June 26, 2009>

Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the issuance of stock acquisition rights as stock options with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 26, 2009.

Resolution date	June 26, 2009
Category and number of persons granted	159 key employees of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	82,800 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights” (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

Notes: Exercise price

The amount to be contributed when exercising each stock acquisition right shall be the amount to be paid in for each share issued upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price (“closing price”) of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment (hereinafter "allotment date") of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting exercise price is less than the closing price as of the day before the allotment date (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In the event that the Company conducts a share split, allots shares without contribution, or consolidates its common stock after the allotment date, the exercise price shall be adjusted in accordance with the following method of calculation and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Share split or share consolidation ratio}}$$

In case the Company issues new shares of common stock or disposes of its treasury stock at a price less than the market price after the allotment date (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights) after the allotment date, the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of shares issued" shall be defined as the aggregate number of shares of common stock issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

Moreover, in other cases where circumstances arise requiring the exercise price to be adjusted after the allotment date, the exercise price shall be adjusted reasonably.

<By resolutions of the Board of Directors meeting held on May 26, 2010>

The amount and details of stock option remunerations provided to Directors and Corporate Officers of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 26, 2010.

Resolution date	May 26, 2010
Category and number of persons granted	4 Directors and 11 Corporate Officers of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	See "(2) Status of stock acquisition rights"
Number of shares	33,300 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See "(2) Status of stock acquisition rights"
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

<By resolutions of the General Meeting of Shareholders held on June 29, 2010>

Pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act, the issuance of stock acquisition rights as stock options with specially favorable terms and conditions for key employees of TDK and Directors and key employees of its subsidiaries was approved by special resolution of the Ordinary General Meeting of Shareholders held on June 29, 2010.

Resolution date	June 29, 2010
Category and number of persons granted	124 key employees of the Company and 65 key employees of its subsidiaries
Class of shares to be issued upon the exercise of stock acquisition rights	See “(2) Status of stock acquisition rights”
Number of shares	99,600 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	See “(2) Status of stock acquisition rights” (Note)
Exercise period of stock acquisition rights	Same as above
Conditions of exercising stock acquisition rights	Same as above
Assignment of stock acquisition rights	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

Notes: Exercise price

The amount to be contributed when exercising each stock acquisition right shall be the amount to be paid in for each share issued upon exercise of such stock acquisition rights (hereinafter the "exercise price") multiplied by the "number of shares granted."

The exercise price shall be an amount which is the average of the closing price (“closing price”) of the Company's common stock in a regular transaction on the Tokyo Stock Exchange on each day (other than any day on which no sale is reported) of the month immediately preceding the date of allotment (hereinafter "allotment date") of stock acquisition rights, multiplied by 1.05. Any amount less than one yen arising from this calculation shall be rounded up to the nearest yen. However, if the resulting amount is less than the closing price as of the day before the allotment date (or the closing price on the nearest preceding day if there is no closing price on that date), then the closing price on the day before the allotment date shall be used instead.

In the event that the Company conducts a share split, allots shares without contribution, or consolidates its common stock after the allotment date, the exercise price shall be adjusted in accordance with the following method of calculation and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times 1$$

In case the Company issues new shares of common stock or disposes of its treasury stock at a price less than the market price after the allotment date (except in the case of the conversion of convertible stock or stock with mandatory conversion terms, or in the case of a request by a shareholder for the sale of shares constituting less than one unit or the exercise of stock acquisition rights) after the allotment date, the exercise price shall be adjusted in accordance with the following formula and any amount less than one yen arising out of such adjustment shall be rounded up to the nearest yen:

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of issued shares} + \dfrac{\text{Number of shares newly issued} \times \text{Amount paid in per share}}{\text{Current market price}}}{\text{Number of issued shares} + \text{Number of shares newly issued}}$$

In the above formula, the "number of shares issued" shall be defined as the aggregate number of shares of common stock issued and outstanding less the number of shares of treasury stock. In the event that the Company disposes of its treasury stock, the "number of shares newly issued" shall be read as "number of shares of treasury stock disposed of."

Moreover, in other cases where circumstances arise requiring the exercise price to be adjusted after the allotment date, the exercise price shall be adjusted reasonably.

<By resolutions of the Board of Directors meeting held on May 25, 2011>

The amount and details of stock option remunerations provided to Directors and Corporate Officers of TDK as part of their remunerations were approved by resolution at the Board of Directors meeting held on May 25, 2011.

Resolution date	May 25, 2011
Category and number of persons granted	Directors and Corporate Officers of the Company
Class of shares to be issued upon the exercise of stock acquisition rights	Common stock
Number of shares	45,100 shares
Paying due upon exercise of stock acquisition rights per share (Yen)	¥1
Exercise period of stock acquisition rights	July 3, 2011 to July 2, 2031
Conditions of exercising stock acquisition rights	a. Holders of stock acquisition rights, excluding those described in b. below, may not exercise rights during the period from July 3, 2011 through July 2, 2014. Rights may be exercised from July 3, 2014 onward. b. Holders of stock acquisition rights may exercise stock acquisition rights until July 2, 2014 in cases specified in (A) and (B) below, as long as it is within the time frame stipulated. (A) In the event that a stock acquisition rights holder loses his or her position as either director or employee of the Company (including full-time consultants and contract employees, but excluding part-time consultants and part-time contract employees, the same shall apply hereinafter). Seven years from the day after losing the position. (B) In the event that a proposal for approval of a merger agreement, under which the Company is to be dissolved, or a proposal for approval of a share exchange agreement or a proposal for share transfer that makes the Company a wholly owned subsidiary, is approved at a meeting of shareholders of the Company. A period of 15 days from the day following the approval date. c. On or after July 3, 2014, in the event that a stock acquisition rights holder loses his or her position as either a director or employee of the Company, the individual may exercise his or her rights up to seven years from the day after losing the position as long as it is within the exercise period for stock acquisition rights. d. In the event that a stock acquisition rights holder relinquishes his or her stock acquisition rights, such stock acquisition rights cannot be exercised.
Assignment of stock acquisition rights	The approval of the Board of Directors of the Company is required for the assignment of stock acquisition rights.
Matters regarding surrogate payments	–
Matters regarding deliver of stock acquisition rights accompanied by reorganization	–

2. Status of acquisition, etc. of treasury stock

[Class of shares] Acquisitions of common stock that fall under Article 155, item (xii) of the Companies Act

(1) Acquisition by resolution of the General Meeting of Shareholders

No items to report

(2) Acquisition by resolution of the Board of Directors

No items to report

(3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (Shares)	Total value (Yen)
Treasury stock acquired during the fiscal year ended March 31, 2011	3,222	17,884,100
Treasury stock acquired during the period under review	269	1,171,135

Note: Shares acquired by the purchase of shares less than one unit between June 1, 2011 and the date of filing of this Annual Securities Report are not included in the "Treasury stock acquired during the period under review."

(4) Status of disposal and ownership of acquired treasury stock

Category	Fiscal year ended March 31, 2011		Period under review	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Treasury stock acquired, for which subscription was offered	–	–	–	–
Treasury stock acquired, which were disposed	–	–	–	–
Treasury stock acquired, which were transferred for merger, share exchange or company split	–	–	–	–
Other (Note 1)	6,910	71,286,452	2,472	25,478,583
Treasury stock held	594,738	–	592,535	–

Notes: 1. The components of "Fiscal year ended March 31, 2011" consist of disposals due to exercises of stock acquisition rights (number of shares: 6,700 shares; total disposal value: ¥69,117,648) and sales due to requests to sell shares less than one unit (number of shares: 210 shares; total disposal value: ¥2,168,804).

2. Shares acquired by the purchase of shares less than one unit between June 1, 2011 and the date of filing of this Annual Securities Report are not included in "Treasury stock held" during the period under review.

3. Shares sold by the sale of shares less than one unit between June 1, 2011 and the date of filing of this Annual Securities Report are not included in treasury stock disposed during the period under review.

3. Dividend policy

TDK recognizes that achieving growth in corporate value over long term ultimately translates into higher shareholder value. In line with this recognition, TDK's fundamental policy is to work to consistently increase dividends through growth in earnings per share. By actively investing for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to rapid technological innovation in the electronics industry, TDK is aiming to increase long-term corporate value. Accordingly, TDK actively reinvests its profits in business activities and sets its dividends taking into consideration comprehensive factors such as return on stockholders' equity and dividends on stockholders' equity on a consolidated basis, as well as changes in the business environment.

TDK's basic policy is to pay dividends from surplus twice a year, at end of year and midterm, with the former determined by the Ordinary General Meeting of Shareholders and the latter by the Board of Directors.

The Articles of Incorporation of TDK prescribe "By resolution of the Board of Directors, the Company may pay interim dividends on September 30 of each year as a record date."

Dividends from surplus for the 115th term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
The Board of Directors meeting held on October 28, 2010	5,160	40
General Meeting of Shareholders held on June 29, 2011	5,160	40

4. Trends in share price

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

Term	111th term	112th term	113th term	114th term	115th term
Accounting period	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Highest (Yen)	10,360	11,990	7,410	6,290	6,590
Lowest (Yen)	7,990	5,790	2,565	3,550	4,225

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

(2) Monthly highest and lowest share prices for the most recent six months

Month	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011
Highest (Yen)	4,890	5,680	5,910	6,140	6,000	5,670
Lowest (Yen)	4,525	4,535	5,320	5,390	5,360	4,225

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

5. Status of Directors and Company Auditors

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Director	Director and Chairman of the Board	Hajime Sawabe	Jan. 9, 1942	Apr. 1964: Apr. 1991: Jun. 1996: Jun. 1998: Jun. 2006: Jun. 2011:	Entered the Company General Manager of European Division of Recording Media Business Group of the Company Director & General Manager of Recording Device Business Group of the Company President & Representative Director of the Company Chairman & Representative Director of the Company Director and Chairman of the Board of the Company (present post)	Note: 3	171
Representative Director	President and CEO	Takehiro Kamigama	Jan. 12, 1958	Apr. 1981: Apr. 2001: Oct. 2001: Jun. 2002: Jun. 2003: Jun. 2004: Jun. 2006:	Entered the Company General Manager in charge of strategic technology of Recording Device Business Group of the Company General Manager of Head Business Group of the Company Corporate Officer of the Company Senior Vice President of the Company Director & Executive Vice President of the Company President & Representative Director of the Company (present post)	Note: 3	33
Director		Kenichi Mori	Sep. 28, 1938	Apr. 1962: Jun. 1994: Jun. 1996: Jun. 1998: Jun. 1999: Jun. 2004: Jun. 2008: Apr. 2011:	Entered TOSHIBA CORPORATION, Research and Development Center Director and General Manager of Personal Information Equipment Group of TOSHIBA CORPORATION Executive Director of the said company Executive Director of Toshiba Tec Corporation President of the said company Professor at Tokyo University of Science, MOT Graduate School Program Director at the Japan Science and Technology Agency, a semi governmental organization Outside Director of the Company (present post) Professor at Tokyo University of Science, Graduate School of Innovation Studies (present post)	Note: 3	–
Director	General Manager of Ceramic Capacitors Business Group of TDK-EPC	Shinichi Araya	Mar. 7, 1952	Apr. 1975: Oct. 2001: Jun. 2005: Jun. 2007: Apr. 2009: Jun. 2009: Oct. 2009:	Entered the Company General Manager in charge of manufacturing technology development of Technology Group of the Company Corporate Officer of the Company, Deputy General Manager of Circuit Device Business Group of the Company Senior Vice President of the Company (present post), General Manager of Magnetics Business Group of the Company General Manager of Capacitors Business Group of the Company Director of the Company (present post) General Manager of Ceramic Capacitors Business Group of TDK-EPC (present post)	Note: 3	10

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Director		Yukio Yanase	Jun. 15, 1944	Apr. 1968: Entered the Saitama Bank (which became Asahi Bank in 1991 and is now Resona Bank) Jun. 1996: Director of the said bank Jun. 2000: Executive Director of the said bank Oct. 2001: President of the said bank Nov. 2003: Consultant to the Board of ORIX Corporation Feb. 2004: Executive Officer of the said company Feb. 2005: Executive Officer & Deputy President of the said company Jun. 2005: Director, Executive Officer & Deputy President of the said company Jun. 2007: Outside Company Auditor of the Company Jan. 2008: Director, Representative Executive Officer, President and Group Chief Operating Officer of the said company Jun. 2009: Resigned Outside Company Auditor of the Company Outside Director of the Company (present post) Sep. 2010: Outside Director of Ubiteq, INC. (present post) Jan. 2011: Director & Vice Chairman of ORIX Corporation Jun. 2011: Adviser to ORIX Corporation (present post)	Note: 3	–
Director	General Manager of Administration Group, and General Manager of Human Resources Department of Administration Group	Junji Yoneyama	Mar. 16 1955	Mar. 1984: Entered the Company Jan. 2002: President of TDK Philippines Corporation Jul. 2003: General Manager of General Affairs Department of Ichikawa Technical Center of Administration Group of the Company Apr. 2005: President of TDK Taiwan Corporation Oct. 2006: General Manager of Human Resources Department of Administration Group of the Company (present post) Jun. 2008: Corporate Officer of the Company (present post) Jun. 2010 Director of the Company (present post) General Manager of Administration Group (present post)	Note: 3	10
Director		Ryoichi Ohno	Nov. 3, 1958	Nov. 1988: Registered as U.S. certified public accountant Jul. 1994: Audit Partner of PricewaterhouseCoopers Sep. 2001: Finance Vice President of Prudential Financial, Inc. Senior Vice President & Chief Financial Officer of The Gibraltar Life Insurance Co., Ltd. (seconded to the said company) Jun. 2004: Outside Company Auditor of the Company Jul. 2006: Director (Part-time) of The Prudential Life Insurance Company, Ltd. (present post) Feb. 2007: Regional CFO-Japan (USGAAP Reporting) of Prudential Financial, Inc., Japan Representative Office Jun. 2009: Director & Chief Financial Officer of Prudential Holdings of Japan, Inc. (present post) Jun. 2011: Resigned as Outside Company Auditor of the Company Outside Director of the Company (present post)	Note: 3	–

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Full-time Company Auditor		Noboru Hara	Dec. 24, 1949	Apr. 1968: Entered the Company Nov. 1995: General Manager of Procurement Department of Recording Media Business Group of the Company Oct. 2001: General Manager of General Affairs Department of Administration Group of the Company Jun. 2007: Full-time Company Auditor of the Company (present post)	Note: 4	5
Full-time Company Auditor		Osamu Yotsui	Jan. 28, 1956	Apr. 1979: Entered the Company May 1991: Accounting Manager of TDK Recording Media Europe S.A. Jul. 1999: Manager of Managerial Analysis Division of Finance and Accounting Department of the Company Apr. 2008: General Manager of Management Review & Support Department of the Company Jun. 2011: Full-time Company Auditor of the Company (present post)	Note: 4	4
Company Auditor		Osamu Nakamoto	Apr. 8, 1942	Apr. 1974: Registered as lawyer Mar. 1975: Joined the law firm of Hamada & Matsumoto Apr. 1981: Partner of the said law firm Jun. 2000: Outside Company Auditor of the Company Dec. 2002: Partner of the law firm of Mori Hamada & Matsumoto Jun. 2004: Resigned as Outside Company Auditor of the Company Jun. 2007: Outside Company Auditor of Mitsui-Soko Co., Ltd. (present post) Jan. 2008: Representative of Nakamoto Law Office (present post) Jun. 2008: Outside Company Auditor of Foster Electric Company, Limited (present post) Jun. 2009: Outside Company Auditor of the Company (present post)	Note: 4	–
Company Auditor		Koichi Masuda	Jan. 23, 1944	Nov. 1969: Registered as certified public accountant Sep. 1978: Partner of Shinwa Audit Corporation Jul. 1992: Representative Partner of Asahi Shinwa Audit Corporation Oct. 1993: Representative Partner of Asahi & Co. due to a change of name from Asahi Shinwa Audit Corporation Jan. 2004: Representative Partner of KPMG AZSA & Co.(currently KPMG AZSA LLC) due to the merger of Asahi & Co. and KPMG AZSA & Co. Jun. 2007: Resigned from KPMG AZSA & Co. Jul. 2007: Chairman & President of the Japanese Institute of Certified Public Accountants Oct. 2009: Outside Company Auditor of Enterprise Turnaround Initiative Corporation of Japan (present post) Apr. 2010: Outside Company Auditor of NKSJ Holdings, Inc. (present post) Jun. 2010: Outside Director of Eisai Co., Ltd. (present post) Jul. 2010: Adviser to the Japanese Institute of Certified Public Accountants (present post) Jun. 2011: Outside Company Auditor of the Company (present post)	Note: 4	–

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Company Auditor		Makoto Sumita	Jan. 6, 1954	Apr. 1980: Jun. 1996: Apr. 2005: Jun. 2005: Apr. 2007: Jun. 2011:	Entered Nomura Research Institute, Ltd. Director of INNOTECH CORPORATION Executive Vice President & Representative Director of INNOTECH CORPORATION Director of IT Access Co., Ltd. (present post) President & Representative Director of INNOTECH CORPORATION (present post) Outside Company Auditor of the Company (present post)	Note: 4	–
						Total	233

Notes:
1. Directors Kenichi Mori, Yukio Yanase and Ryoichi Ohno are Outside Directors provided for by Article 2, item (xv) of the Companies Act.
2. Company Auditors Osamu Nakamoto, Koichi Masuda and Makoto Sumita are Outside Company Auditors provided for by Article 2, item (xvi) of the Companies Act.
3. One year from the closing date of the Ordinary General Meeting of Shareholders held on June 29, 2011.
4. Four years from the closing date of the Ordinary General Meeting of Shareholders held on June 29, 2011.
5. TDK, aiming to boost execution of duties and improve management efficiency, has introduced a Corporate Officer System. TDK has 18 Corporate Officers.

6. Status of corporate governance, etc.

(1) Status of corporate governance

Corporate governance system of the TDK Group is as follows:

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

   TDK was established in 1935 as the world's first company to commercialize the magnetic material called ferrite. In the ensuing years, TDK has increased corporate value through the development of a variety of products of value and originality to society, based on the founding spirit "Contribute to culture and industry through creativity" as its Corporate Motto. In addition, in the "TDK Code of Ethics," TDK has clearly stated its understanding that corporations exist in society with the support of various stakeholders, including shareholders, customers, suppliers, employees and communities, etc. The said Code states that TDK respects the rights of all stakeholders; and that it complies with social norms, including laws and regulations, as a good corporate citizen. All members of the TDK Group behave in strict compliance with the corporate standards of business conduct prescribed by the TDK Code of Ethics.

   TDK aims to achieve its management targets and further improve corporate value through the creation of products while adhering to its founding spirit. At the same time, TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, TDK will fulfill its accountability to all stakeholders through the comprehensive, timely and impartial disclosure of appropriate information.

   As mentioned above, TDK sincerely and devotedly seeks to achieve its management philosophy, and to maintain the following effective and orderly corporate governance systems to continue to ensure soundness, compliance and transparency in its business operations.

   1) Adoption of Company Auditor System and strengthening the supervisory function:

      TDK has adopted the Company Auditor System pursuant to the Companies Act and has appointed three independent Outside Company Auditors who have no conflicts of interest in order to enhance the supervision of management.

   2) Strengthening the function of the Board of Directors and holding Directors more accountable:

      TDK has a small number of Directors (seven) to expedite management decision-making. At the same time, TDK has appointed three independent Outside Directors who have no conflict of interest in order to enhance the supervision of management. In addition, the Directors' term of office is set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every business year.

   3) Adoption of Corporate Officer System for expeditious business execution:

      TDK has adopted a Corporate Officer System that separates the management decision-making and Director supervisory functions of the Board of Directors from the execution of business. Corporate Officers are in charge of business execution and carrying out decisions by the Board of Directors, thereby expediting business execution in line with management decisions.

   4) Establishment of advisory bodies to the Board of Directors (Business Ethics & CSR Committee, Disclosure Advisory Committee, Compensation Advisory Committee, and Nomination Advisory Committee):

      The aim of the Business Ethics & CSR Committee is to put the Company’s motto into practice and improve awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Company Auditors, Corporate Officers and all other members of the TDK Group are made fully conversant with the TDK Corporate Motto and Corporate Principle (“Vision” “Courage” and “Trust”) as TDK's management philosophy, and the TDK Code of Ethics, which stipulates concrete standards and guidelines for compliance with all laws, regulations and social norms.

      The Disclosure Advisory Committee reviews and examines important corporate information and disclosure materials required for investment decisions by shareholders and investors, to ensure that TDK conducts comprehensive, appropriate, timely and impartial disclosure in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchanges where TDK’s shares are listed.

      The Compensation Advisory Committee, which is chaired by an Outside Director of TDK and comprises of external experts as members, examines the level of remuneration and remuneration system pertaining to Directors and Corporate Officers, as well as presidents and qualifying executive officers of principal TDK subsidiaries. It also verifies whether such individual remuneration is reasonable in light of the transparency of the remuneration decision-making process, corporate business results, individual performance, and the general standards of other companies.

The Nomination Advisory Committee, which is chaired by an Outside Director of TDK, discusses the conditions expected with regard to nominations for the post of Director, Company Auditor or Corporate Officer and makes nominations. In this way it helps ensure the appropriateness of the selection of Directors, Company Auditors and Corporate Officers, and the transparency of the decision-making process.

Under the foregoing corporate systems, the Company Auditors with supervisory functions over management ensure soundness, compliance and transparency in TDK's conduct of its business operations by executing their duties pursuant to the Regulations of the Board of Company Auditors and the Code of Company Auditors' Auditing Standards, and by auditing whether the Directors' performance is appropriate as well as in compliance with laws and regulations and the Articles of Incorporation.

Similarly, Directors in charge of management decision-making and supervision of business execution ensure soundness, compliance and transparency in TDK's conduct of its business operations by executing their duties pursuant to the Regulations of the Directors' Business and the Regulations of the Board of Directors established in accordance with laws and regulations and the Articles of Incorporation. Corporate Officers who are in charge of business execution ensure soundness, compliance and transparency in TDK's conduct of its business operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business and the Executive Committee Regulations.

TDK has established the following system to ensure compliance with all applicable securities and exchange laws and other similar laws and regulations of any country, as well as the rules and regulations of each stock exchange where TDK's shares are listed (hereinafter collectively referred to as the "Securities Regulations").

1) TDK will collect, record, analyze, process, summarize and report all the information required to be disclosed under the Securities Regulations and has established an internal control system and other procedures to warrant timely information disclosures within the deadlines stipulated by the Securities Regulations.
2) TDK has established a system to ensure that TDK has procedures designed so as to obtain reasonable assurance that all transactions are properly authorized, that its assets are protected from unauthorized or improper use, and that all trading activities are appropriately recorded and reported for the purpose of enabling TDK to prepare financial statements in accordance with applicable accounting standards.
3) TDK will ensure that the above-mentioned management system is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.

2. System under which information regarding execution of business by Directors shall be maintained and controlled:

The President, who is responsible for the business execution of TDK, has established Document Control Regulations, which are applicable to the TDK Group and provide basic rules for the storage and control of information.

3. Regulations and other systems for managing the risk of losses:

With respect to overall corporate risks, TDK has established the Risk Management Committee, which is chaired by a Corporate Officer appointed in accordance with internal rules, under the direct control of the Executive Committee to promote enterprise risk management ("ERM") across TDK. Meanwhile, the Crisis Management Committee plays a central role in providing responses to unexpected events (risks). Furthermore, corporate regulations, bylaws, guidelines and departmental guidelines provide for operating rules for specific risks, including legal, financial, IT-related, disasters and environmental risks. These risks are managed by managers in charge of the particular areas of operation on a daily basis.

The Company Auditors and Management Review & Support Department, an internal audit organization, monitor the implementation of risk countermeasures and give advice and provide support to minimize risks. In addition, TDK receives advice from outside legal counsel from time to time regarding risks associated with its corporate activities.

4. System for ensuring Directors execute their duties efficiently:

TDK has a small number of Directors and has adopted the Corporate Officer System so as to facilitate quick and efficient management decision-making by Directors.

At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing and financing of the TDK Group, are deliberated by the Executive Committee, which consists of Corporate Officers in senior positions ranking at or above the level of not lower than Senior Vice President and other Corporate Officers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. TDK ensures efficient management via proposals to the Board of Directors and regular reports from Corporate Officers to the Executive Committee.

In addition, TDK establishes medium-term management targets shared by all members of the TDK Group and strives to make them fully understand those objectives. TDK also establishes systems that enable it to quickly gather and understand the targets and implementation plans of all divisions, as well as their progress by using IT systems.

5. System for ensuring employees' performance of duties is in compliance with laws and regulations, and the Articles of Incorporation:

   TDK strives to ensure that all Directors, Company Auditors, Corporate Officers and employees in the TDK Group are fully conversant with the corporate philosophy, TDK Code of Ethics and Corporate Standards of Business Conduct, in order to achieve improved soundness, compliance and transparency of management, and ensure the business execution of every TDK member complies with laws and regulations, as well as TDK's Articles of Incorporation.

   Furthermore, TDK has established a corporate ethics management system under the Business Ethics & CSR Committee to regularly monitor and investigate the enforcement of and compliance with the TDK Code of Ethics by the TDK Group worldwide. A consultation office (with help lines) also enables employees to directly report any information and opinion concerning compliance within the TDK Group.

6. System for ensuring optimum business execution by the corporate group consisting of the subject company, its parent company and subsidiaries:

   Each Director, Corporate Officer and executive officer strives to ensure optimum business operations by making decisions in observance of the TDK Code of Ethics, job authority regulations for the entire TDK Group and applicable corporate regulations, in order to maintain soundness, compliance and transparency in business operations and to achieve the business targets of TDK and the TDK Group.

   The Company Auditors audit, on a regular basis, the conditions of business operations of each division of TDK and the TDK Group, by auditing divisions, examining important documents and attending important meetings. In addition, the Management Review & Support Department audits and supports, on a regular basis, each division of TDK and the TDK Group in order to promote consistency of the business operations and management policies, and efficiency.

7. Matters relating to employees when Company Auditors request full-time support for their duties:

   The Company Auditors Office, consisting of designated full-time employees who do not perform any business execution duties, shall assist the Company Auditors.

8. Matters regarding the independence of employees in the preceding item from Directors:

   The Company Auditors shall directly evaluate the performance of the employees in the Company Auditors Office, and any transfer or official reprimand of these employees shall be determined pursuant to the operating rules of TDK subject to consent of the Company Auditors.

   Any employee who has been instructed or ordered by a Company Auditor in connection with audit duties shall not be subject to any Director's instruction or order with respect to said Company Auditor's instruction or order.

9. System for ensuring Directors or employees report to Company Auditors and for ensuring other reports to Company Auditors:

   Minutes of the Executive Committee and other meetings are sent immediately to the Company Auditors, and information regarding business execution by Corporate Officers and the TDK Group's approach to management policies and targets is also provided. Furthermore, Company Auditors attend important meetings, including meetings of the Business Plan Review Meeting, and receive explanations directly from Corporate Officers, as necessary. Moreover, management reports prepared by each business division executing business operations are submitted to Company Auditors, who also confirm progress with business execution across the Company in relation to such reports.

   Company Auditors examine meeting minutes and other information regarding the activities of the Business Ethics & CSR Committee, the Risk Management Committee and other committees and receive explanations directly from Corporate Officers involved in such committees depending on the project, enabling Company Auditors to confirm the overall status of corporate activities.

10. System for ensuring Company Auditors conduct audits effectively:

    The Company Auditors and the Board of Company Auditors meet with the Representative Directors on a regular basis to confirm management policies, exchange opinions on pressing issues of the TDK Group, risks and important matters from the perspective of Company Auditors' audits. These meetings also deepen mutual understanding between the Company Auditors and the Representative Directors.

    Furthermore, the Company Auditors and the Management Review & Support Department meet regularly and also receive regular audit reports from the Accounting Auditors. Through the sharing of information regarding initial audit plans and results, Company Auditors conduct efficient audits.

11. Overview of current system and reason for adoption

TDK is a company with a board of company auditors and has implemented various measures to strengthen its corporate governance. In 2002, efforts to reform governance included the introduction of an executive officer system along with a significant reduction in the number of Directors for the purpose of clearly separating management's monitoring and execution functions. In addition, to fortify the system for boosting shareholders' confidence, we shortened the term of office of Directors from 2 years to 1 year and actively invited the participation of Outside Directors.

In addition, TDK has established 4 committees acting as subordinate organizations to the Board of Directors, namely the Business Ethics & CSR Committee and Compensation Advisory Committee formed in 2002, the Disclosure Advisory Committee formed in 2003 and the Nomination Advisory Committee formed in 2008) to exact our business ethics and fulfill our social responsibilities as well as strengthen our management supervision functions and framework for fulfilling our duty of explanation to our shareholders and investors.

In short, TDK has always believed it can realize a system to continuously ensure sound, compliant and transparent management through the introduction of a new framework that strengthens corporate governance based on its Company Auditor System.

12. Matters regarding Outside Directors and Outside Company Auditors

TDK is actively inviting Outside Directors to participate in our organization for the purpose of strengthening management supervision functions, and building a management conscious of our various stakeholders including shareholders and an effective and disciplined corporate governance framework. As a result, as of March 31, 2011 and the date of filing of this Annual Securities Report, three of the seven Directors are Outside Directors and three of the five Company Auditors are Outside Company Auditors, making Outside Officers represent 50% of the total number of Officers.

Outside Directors participate as committee chairman and members of the Nominating Advisory Committee and Compensation Advisory Committee, which are advisory bodies to the Board of Directors, and in doing so, contribute to the transparency of the personnel and remuneration determination process and the adequacy of appointments and remunerations.

Attendance at meetings of the Board of Directors, etc. during the fiscal year under review is as follows.

Yasuhiro Hagihara (Outside Director):	All 13 meetings of the Board of the Directors, 6 meetings of Compensation Advisory Committee, 2 meetings of Nomination Advisory Committee (Retired due to the expiration of his term of office at the closing of the 115th Ordinary General Meeting of Shareholders on June 29, 2011)
Kenichi Mori (Outside Director):	All 13 meetings of the Board of the Directors, 6 meetings of Compensation Advisory Committee, 2 meetings of Nomination Advisory Committee
Yukio Yanase (Outside Director):	12 of 13 meetings of the Board of the Directors
Kaoru Matsumoto (Outside Company Auditor):	All 13 meetings of the Board of Company Auditors, all 13 meetings of the Board of the Directors (Retired due to the expiration of his term of office at the closing of the 115th Ordinary General Meeting of Shareholders on June 29, 2011)
Ryoichi Ohno (Outside Company Auditor):	12 of 13 meetings of the Board of Company Auditors, 12 of 13 meetings of the Board of the Directors (Retired from Outside Company Auditor due to the expiration of his term of office and was appointed Outside Director at the closing of the 115th Ordinary General Meeting of Shareholders on June 29, 2011)
Osamu Nakamoto (Outside Company Auditor):	All 13 meetings of the Board of Company Auditors, all 13 meetings of the Board of the Directors
Koichi Masuda (Outside Company Auditor):	(Was appointed Outside Company Auditor at the closing of the 115th Ordinary General Meeting of Shareholders on June 29, 2011)
Makoto Sumita (Outside Company Auditor):	(Was appointed Outside Company Auditor at the closing of the 115th Ordinary General Meeting of Shareholders on June 29, 2011)

13. Appointment of Company Auditors with knowledge of finance and accounting

Full-time Company Auditor Osamu Yotsui has 22 total years of experience in financing and accounting of TDK and, thus, has considerable knowledge in this field.

Outside Company Auditor Koichi Masuda is a Certified Public Accountant and, thus, has considerable knowledge of financing and accounting.

14. Limited liability agreements with Outside Directors and Outside Company Auditors

TDK entered into contracts with all of the Outside Directors and Outside Company Auditors pursuant to Article 427 paragraph 1 of the Companies Act to limit the liabilities of each such Outside Director/ Outside Company Auditor to TDK under Article 423 paragraph 1 of the same act to the amount set forth in each such contact, which amount shall be equal to or greater than the amount provided for in Article 425 paragraph 1 of the same act. This is for the purpose of enabling Outside Directors and Outside Company Auditors to fulfill their roles sufficiently.

15. Overview of personal and capital relationships or other interests between TDK and its Outside Directors and Outside Company Auditors

There are no special interests between TDK and any of its Outside Officers (three Outside Directors and three Outside Company Auditors).

Business relationships between TDK and companies where Outside Officers have important concurrent positions are as follows.

- Although ORIX Corporation, where Outside Director Yukio Yanase is affiliated, and TDK have a relationship for lease and rental of general equipments and others, the transacted amount is so small for both that such business relationship is not a significant relationship. Accordingly, TDK believes that he is sufficiently independent as an Outside Director.
- Although Foster Electric Company, Limited, where Outside Company Auditor Osamu Nakamoto serves as Outside Company Auditor, and TDK have a relationship relating to electronic components, the transacted amount is so small for both that such business relationship is not a significant relationship.
- Although INNOTECH CORPORATION, where Outside Company Auditor Makoto Sumita is affiliated, and TDK have a relationship relating to electronic components and maintenance and other services related to design tools, the transacted amount is so small for both that such business relationship is not a significant relationship. Accordingly, TDK believes that he is sufficiently independent as an Outside Company Auditor.

Based on the above, TDK has filed all Outside Officers as independent officers with the Tokyo Stock Exchange, Inc., pursuant to Article 436-2 of the Securities Listing Regulations of the said stock exchange.

16. Number of Directors

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

17. Resolution requirements for election and dismissal of Directors

TDK's Articles of Incorporation stipulate that resolutions of the General Meeting of Shareholders concerning the election or dismissal of Directors shall be adopted by an affirmative vote of a majority of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting.

18. Items for resolution by the General Meeting of Shareholders that can be approved by resolution by the Board of Directors

1) Acquisition of treasury stock

Pursuant to Article 165, paragraph 2 of the Companies Act, for the purpose of enabling the execution of flexible capital policy, TDK's Articles of Incorporation provide for the acquisition of treasury stock to be possible by resolution at the Board of Directors meeting.

2) Interim dividend

TDK's Articles of Incorporation provide that TDK may distribute an interim dividend with the record date of September 30 each year by resolution of the Board of Directors, pursuant to the provisions of Article 454, paragraph 5 of the Companies Act, to the effect that TDK may flexibly distribute profits to shareholders.

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

TDK's Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders as provided for in Article 309, paragraph 2 of the Companies Act shall be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting. This constitutes an easier quorum for special resolutions, which has been provided to facilitate the smooth conduct of General Meeting of Shareholders.

20. Details of Director and Company Auditor Remunerations

Remuneration and other payments to Directors and Company Auditors for the fiscal year under review are as follows.

Officer category	Total amount of remuneration and other payments (Millions of yen)	Total amount of remuneration and other payments by type (Millions of yen)			Number of eligible officers
		Basic remuneration	Results-linked bonus	Stock-linked compensation stock options	
Directors (Excluding Outside Directors)	312	169	80	63	5
Outside Directors	38	38			3
Company Auditors (Excluding Outside Company Auditors)	57	57			2
Outside Company Auditors	18	18			2

Although there are seven Directors as of the end of the fiscal year under review, in the table above, the number of eligible officers, the total remuneration and other payments for “Directors (Excluding Outside Directors)” and the basic remuneration in the breakdown thereof include remuneration and other payments paid to one Director who retired at the close of the 114th Ordinary General Meeting of Shareholders held on June 29, 2010.

One Outside Company Auditor receives no remuneration.

Remuneration for Directors who execute business is made up of basic remuneration, a results-linked bonus and stock-linked compensation stock options. Remuneration for Directors who do not execute business is made up of basic remuneration and stock-linked compensation stock options.

However, Outside Directors and Company Auditors are only paid basic remuneration.

TDK stopped reserving retirement grants for Directors from the day after the 106th Ordinary General Meeting of Shareholders held on June 27, 2002. Furthermore, it stopped reserving retirement grants for Company Auditors from the day after the 111th Ordinary General Meeting of Shareholders held on June 28, 2007. Amounts that have already been reserved are paid out by resolution of the Ordinary General Meeting of Shareholders when the Director or Company Auditor concerned retires.

The system of reserving retirement grants for Directors and Company Auditors has been completely abolished and a proposal regarding retirement benefits for all Directors and Company Auditors eligible for payment was resolved and approved at the 115th Ordinary General Meeting of Shareholders held on June 29, 2011.

A breakdown of remuneration and other payments for individuals receiving a total of ¥100 million or more is provided below.

Name	Officer category	Company category	Total amount of remuneration and other payments by type (Millions of yen)			Total amount of remuneration and other payments (Millions of yen)
			Basic remuneration	Results-linked bonus	Stock-linked compensation stock options	
Hajime Sawabe	Representative Director, Chairman	Filing company	55	28	22	105
Takehiro Kamigama	Representative Director, President and CEO	Filing company	55	28	22	105

21. Policy and determination method regarding the amounts of remuneration and other payments and its method of calculation

1) Policy on remuneration

(1) Purpose of remuneration system

TDK's remuneration system is designed for the following purpose based on the consultation and deliberation of the Compensation Advisory Committee (see 2) Remuneration determination process below for the detail), an advisory body to the Board of Directors.

By constantly pursuing the formulation of a competitive remuneration system that focuses on linkage with short-term as well as mid- to long-term results, TDK promotes as much as possible behavior on the part of officers geared towards enhancing corporate results and stock value to constantly increase the corporate value of the overall TDK Group.

(2) Remuneration level

TDK aims to set remuneration at levels enabling the maintenance of competitiveness compared with other companies in the same business category or of similar scale in different business categories. The adequacy of its level is examined by the Compensation Advisory Committee based on studies, etc. on corporate management remuneration by third parties effected periodically.

(3) Composition of remuneration

a. Remuneration for Directors who execute business

Composed of basic remuneration, results-linked bonus and stock-linked compensation stock options.

b. Remuneration for Directors who do not execute business

Composed of basic remuneration and stock-linked compensation stock options

c. Remuneration for Outside Directors

Basic remuneration only.

d. Remuneration for Company Auditors

Basic remuneration only.

e. Other

TDK stopped reserving retirement grants for Directors from the day after the 106th Ordinary General Meeting of Shareholders held on June 27, 2002. Furthermore, it stopped reserving retirement grants for Company Auditors from the day after the 111th Ordinary General Meeting of Shareholders held on June 28, 2007. Amounts that have already been reserved are paid out by resolution of the Ordinary General Meeting of Shareholders when the Director or Company Auditor concerned retires.

The system of reserving retirement grants for Directors and Company Auditors has been completely abolished and a proposal regarding retirement benefits for all Directors and Company Auditors eligible for payment was resolved and approved at the 115th Ordinary General Meeting of Shareholders held on June 29, 2011.

(4) Results linkage system

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

A system whereby remuneration fluctuates depending on the single-year consolidated results (operating income, ROA, etc.) and degree of attainment of results of the position in charge.

b. Mid- to long-term results linkage system (stock-linked compensation stock options)

Stock-linked compensation stock options are granted with the number of shares calculated based on their value at the time of grant depending on the amount of stock option remuneration determined for each position. This is an effective stock option grant similar to the disbursement of actual TDK stock whereby recipients have the same advantage of a rising TDK stock value and the same risk of it falling as regular shareholders. The introduction of such a system is to further increase the ambition and morale of Directors who executes business with respect to the enhancement of results and stock value.

2) Remuneration determination process (establishment and operation of the Compensation Advisory Committee)

In order to achieve the purpose of the aforementioned remuneration system, TDK has in place a "Compensation Advisory Committee" acting as an advisory body to the Board of Directors, composed of Outside Directors (among whom one is committee chairman), external experts and an officer in charge of personnel.

The Committee deliberates on the system and level of remuneration for TDK's Directors and Executive Officers and examines the transparency of the remuneration determination process as well as the adequacy of individual remuneration from the perspective of corporate results, individual results and general public levels, among other factors.

22. Share ownership

1) Total number of issues and balance sheet amounts for investment stock whose holding purpose is other than for net investment

34 issues	¥10,391 million

2) Issues, number of shares, balance sheet amounts and holding purpose of investment stock whose holding purpose is other than for net investment

As of March 31, 2010

Specified investment stocks

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Panasonic Corporation	2,000,000	2,860	Strengthening business to business transactions and stabilizing stock value
TOSHIBA CORPORATION	3,839,000	1,854	Strengthening business to business transactions and stabilizing stock value
Mabuchi Motor Co., Ltd.	300,000	1,614	Strengthening business to business transactions
ALPS LOGISTICS CO., LTD.	1,402,200	1,274	Strengthening business to business transactions
BROTHER INDUSTRIES, LTD.	968,000	1,093	Strengthening business to business transactions
Tabuchi Electric Co., Ltd.	5,000,000	940	Strengthening business to business transactions
EG Co., Ltd.	500,000	792	Strengthening business to business transactions
Hitachi, Ltd.	1,678,000	585	Strengthening business to business transactions and stabilizing stock value
Fukuda Denshi Co., Ltd.	269,100	581	Strengthening business to business transactions and stabilizing stock value
NIKKO COMPANY	2,500,000	522	Strengthening business to business transactions

As of March 31, 2011

Specified investment stocks

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Panasonic Corporation	2,000,000	2,116	Strengthening business to business transactions and stabilizing stock value
TOSHIBA CORPORATION	3,839,000	1,562	Strengthening business to business transactions and stabilizing stock value
ALPS LOGISTICS CO., LTD.	1,402,200	1,205	Strengthening business to business transactions
Mabuchi Motor Co., Ltd.	300,000	1,188	Strengthening business to business transactions
BROTHER INDUSTRIES, LTD.	968,000	1,182	Strengthening business to business transactions
Hitachi, Ltd.	1,678,000	726	Strengthening business to business transactions and stabilizing stock value
Fukuda Denshi Co., Ltd.	269,100	690	Strengthening business to business transactions and stabilizing stock value
Tabuchi Electric Co., Ltd.	5,000,000	680	Strengthening business to business transactions
NIKKO COMPANY	2,500,000	425	Strengthening business to business transactions
TOKO, INC	1,473,000	237	Strengthening business to business transactions
Shinko Shoji Co., Ltd.	50,000	36	Strengthening business to business transactions and stabilizing stock value
SIIX Corporation	19,174	22	Strengthening business to business transactions
WOWOW INC.	100	13	Strengthening business to business transactions
IBIDEN CO., LTD.	4,207	11	Strengthening business to business transactions
FIDEA Holdings Co. Ltd.	32,541	7	Strengthening business to business transactions and stabilizing stock value
BIC CAMERA INC.	200	6	Strengthening business to business transactions

Regarded as holding shares

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
TODA KOGYO CORP.	1,994,000	1,479	Strengthening business to business transactions and stabilizing stock value
Foster Electric Company, Limited	587,000	1,135	Strengthening business to business transactions and stabilizing stock value
Panasonic Corporation	999,000	1,061	Strengthening business to business transactions and stabilizing stock value
KYOCERA Corporation	105,000	891	Strengthening business to business transactions and stabilizing stock value
OMRON Corporation	364,000	856	Strengthening business to business transactions and stabilizing stock value
DENSO CORPORATION	285,000	792	Strengthening business to business transactions
Mitsubishi Electric Corporation	700,000	692	Strengthening business to business transactions and stabilizing stock value
Sony Corporation	220,000	588	Strengthening business to business transactions
Mitsubishi UFJ Financial Group, Inc.	817,000	318	Strengthening business to business transactions and stabilizing stock value
Tokio Marine Holdings, Inc.	129,500	291	Strengthening business to business transactions and stabilizing stock value
SUMIDA CORPORATION	329,500	267	Strengthening business to business transactions
Shinko Shoji Co., Ltd.	349,000	259	Strengthening business to business transactions and stabilizing stock value
Ricoh Company, Ltd.	108,000	107	Strengthening business to business transactions and stabilizing stock value
ADVANTEST CORPORATION	63,000	94	Strengthening business to business transactions

Note: Specified investment stocks and regarded as holding shares are not combined when selecting the top issues by balance sheet amount.

23. Circumstances of accounting audit and details of remunerations for auditing

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

The three certified public accountants who conducted the accounting audit of TDK were Naoki Matsumoto, Junichi Obi and Masahiro Sasaki, and all were affiliated with KPMG AZSA LLC. The number of years of continued audits is seven years or less.

In addition, working to assist the above accountants in conducting the accounting audit of TDK were 8 certified public accountants, 23 junior accountants, and 12 other people, and all were affiliated with KPMG AZSA LLC.

(2) Audit fees, etc.

a. Details of fees to auditors

(Millions of yen)

Category	FY2010		FY2011	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	361	–	343	–
Consolidated subsidiaries	200	–	175	–
Total	561	–	518	–

b. Details of other material fees

In fiscal 2010 and fiscal 2011, principal overseas consolidated subsidiaries of TDK pay audit fees to member firms of KPMG to which KPMG AZSA LLC, TDK's auditors belong.

c. Details of non-attest service rendered by auditors to the filing company

No items to report

d. Policy of deciding audit fees

TDK carefully considers the independence of auditors and decides the audit fees by resolution of the Board of Directors.

V. Consolidated Financial Statements and Notes to Consolidated Financial Statements

Consolidated statements of operations
For the years ended March 31, 2011, 2010 and 2009

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2011	2010	2009	**2011**
Net sales	**¥ 875,737**	808,858	727,400	**$ 10,551,048**
Cost of sales	**657,600**	617,776	605,943	**7,922,891**
Gross profit	**218,137**	191,082	121,457	**2,628,157**
Selling, general and administrative expenses	**154,295**	160,386	159,878	**1,858,976**
Restructuring cost (Note 18)	**-**	4,922	15,884	**-**
Operating income (loss)	**63,842**	25,774	(54,305)	**769,181**
Other income (deductions):				
Interest and dividend income	**1,354**	3,130	3,980	**16,313**
Interest expense	**(2,849)**	(4,010)	(2,336)	**(34,325)**
Equity in earnings of affiliates (Note 4)	**(780)**	(1,678)	(17,011)	**(9,398)**
Gain（loss）on securities, net (Note 3)	**(109)**	(1,363)	(6,388)	**(1,313)**
Foreign exchange gain (loss)	**(2,286)**	(1,118)	(5,392)	**(27,542)**
Other - net	**893**	1,172	(178)	**10,759**
	(3,777)	(3,867)	(27,325)	**(45,506)**
Income (loss) before income taxes	**60,065**	21,907	(81,630)	**723,675**
Income taxes (Note 7)	**15,061**	9,025	(17,041)	**181,458**
Net income (loss)	**45,004**	12,882	(64,589)	**542,217**
Less:Net income (loss) attributable to noncontrolling interests	**(260)**	(638)	(1,429)	**(3,132)**
Net income (loss) attributable to TDK	**¥ 45,264**	13,520	(63,160)	**$ 545,349**

Amounts per share:	Yen (except number of common shares outstanding)			U.S. Dollars (Note 2)
Net income (loss) attributable to TDK per share (Note 21):				
Basic	**¥ 350.90**	104.82	(489.71)	**$ 4.23**
Diluted	**350.57**	104.74	(489.71)	**4.22**
Weighted average basic common shares outstanding (in thousands) (Note 21)	**128,993**	128,987	128,974	
Weighted average diluted common shares outstanding (in thousands) (Note 21)	**129,116**	129,084	128,974	
Cash dividends paid during the year (Note 9)	**¥ 70.00**	90.00	140.00	**$ 0.84**

See accompanying notes to consolidated financial statements.

Consolidated balance sheets

As of March 31, 2011 and 2010

ASSETS	Yen (Millions) 2011	2010	U.S. Dollars (Thousands) (Note 2) 2011
Current assets:			
Cash and cash equivalents	**¥ 129,091**	132,984	**$ 1,555,313**
Short-term investments	**50,803**	67,873	**612,084**
Marketable securities (Note 3)	**17,736**	22,405	**213,687**
Trade receivables:			
Notes	**5,828**	5,709	**70,217**
Accounts	**161,105**	165,706	**1,941,024**
Allowance for doubtful receivables	**(1,691)**	(2,066)	**(20,373)**
Net trade receivables	**165,242**	169,349	**1,990,868**
Inventories (Note 5)	**121,679**	105,069	**1,466,012**
Income tax receivables	**3,579**	5,916	**43,120**
Prepaid expenses and other current assets (Note 7)	**38,752**	34,151	**466,892**
Total current assets	**526,882**	537,747	**6,347,976**
Investments in securities (Notes 3 and 4)	**34,117**	38,324	**411,048**
Property, plant and equipment, at cost (Note 19):			
Land	**24,624**	26,213	**296,675**
Buildings	**221,569**	237,646	**2,669,506**
Machinery and equipment	**603,608**	619,885	**7,272,385**
Construction in progress	**33,253**	22,591	**400,639**
	883,054	906,335	**10,639,205**
Less accumulated depreciation	**(564,651)**	(588,130)	**(6,803,024)**
Net property, plant and equipment	**318,403**	318,205	**3,836,181**
Goodwill (Note 20)	**48,488**	52,051	**584,193**
Intangible assets (Notes 19 and 20)	**69,688**	79,987	**839,614**
Deferred income taxes (Note 7)	**52,930**	53,716	**637,711**
Other assets (Note 8)	**10,345**	11,428	**124,638**
Total assets	**¥ 1,060,853**	1,091,458	**$ 12,781,361**

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Yen (Millions) 2011	2010	U.S. Dollars (Thousands) (Note 2) 2011
Current liabilities:			
Short-term debt (Note 6)	**¥ 98,294**	79,946	**$ 1,184,265**
Current installments of long-term debt (Note 6)	**55,968**	10,554	**674,313**
Trade payables:			
Notes	**2,541**	2,470	**30,615**
Accounts	**81,014**	82,518	**976,072**
Accrued salaries and wages	**32,620**	30,413	**393,012**
Accrued expenses (Notes 8 and 18)	**40,346**	32,836	**486,096**
Income taxes payables (Note 7)	**4,545**	3,541	**54,759**
Other current liabilities (Note 7)	**12,368**	9,099	**149,012**
Total current liabilities	**327,696**	251,377	**3,948,144**
Long-term debt, excluding current installments (Note 6)	**90,707**	179,554	**1,092,856**
Retirement and severance benefits (Note 8)	**80,036**	84,304	**964,289**
Deferred income taxes (Note 7)	**9,511**	11,312	**114,590**
Other noncurrent liabilities (Note 7)	**13,137**	15,242	**158,277**
Total liabilities	**521,087**	541,789	**6,278,156**
Commitments and contingent liabilities (Notes 13 and 14)			
TDK stockholders' equity:			
Common stock			
Authorized 480,000,000 shares; issued 129,590,659 shares in 2011 and 2010; outstanding 128,995,921 shares in 2011 and 128,992,233 shares in 2010	**32,641**	32,641	**393,265**
Additional paid-in capital (Note 11)	**61,258**	61,124	**738,048**
Legal reserve (Note 9)	**21,459**	21,823	**258,542**
Retained earnings (Note 9)	**643,025**	606,445	**7,747,289**
Accumulated other comprehensive income (loss) (Note 12)	**(217,979)**	(172,092)	**(2,626,253)**
Treasury stock at cost; 594,738 shares in 2011 and 598,426 shares in 2010	**(6,131)**	(6,185)	**(73,867)**
Total TDK stockholders' equity	**534,273**	543,756	**6,437,024**
Noncontrolling interests (Note 11)	**5,493**	5,913	**66,181**
Total equity	**539,766**	549,669	**6,503,205**
Total liabilities and equity	**¥ 1,060,853**	1,091,458	**$ 12,781,361**

Consolidated statements of equity

For the years ended March 31, 2011, 2010 and 2009

Yen (Millions)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 11	Note 9	Note 9	Note 12			Note 11	
Balance at March 31, 2008	**¥ 32,641**	**¥ 63,887**	**¥ 19,510**	**¥ 688,719**	**¥ (81,583)**	**¥ (6,597)**	**¥ 716,577**	**¥ 3,684**	**¥ 720,261**
Acquisition of subsidiaries' common stock							-	4,725	4,725
Capital increase in subsidiaries and other							-	1,733	1,733
Adjustment for change in equity method interest		37					37		37
Cash dividends				(18,056)			(18,056)	(33)	(18,089)
Transferred to legal reserve			1,262	(1,262)			-		-
Comprehensive income (loss)									
Net income (loss)				(63,160)			(63,160)	(1,429)	(64,589)
Foreign currency translation adjustments					(42,046)		(42,046)	29	(42,017)
Pension liability adjustments					(39,008)		(39,008)	90	(38,918)
Net unrealized gains (losses) on securities					(104)		(104)	(2)	(106)
Total comprehensive income (loss)							(144,318)	(1,312)	(145,630)
Acquisition of treasury stock						(15)	(15)		(15)
Non cash compensation charges under stock option plans		333					333		333
Exercise of stock option				(153)		279	126	26	152
Adjustment to apply measurement date provision of former SFAS 158, net of tax				(466)			(466)		(466)
Balance at March 31, 2009	¥ 32,641	¥ 64,257	¥ 20,772	¥ 605,622	¥ (162,741)	¥ (6,333)	¥ 554,218	¥ 8,823	¥ 563,041
Acquisition of subsidiaries' common stock		(3,236)			(636)		(3,872)	(3,430)	(7,302)
Capital increase in subsidiaries and other		8					8	1,310	1,318
Adjustment for change in equity method interest		(80)					(80)		(80)
Cash dividends				(11,609)			(11,609)	(115)	(11,724)
Transferred to legal reserve			1,051	(1,051)			-		-
Comprehensive income (loss)									
Net income (loss)				13,520			13,520	(638)	12,882
Foreign currency translation adjustments					(21,200)		(21,200)	(18)	(21,218)
Pension liability adjustments					8,871		8,871	(22)	8,849
Net unrealized gains (losses) on securities					3,614		3,614	-	3,614
Total comprehensive income (loss)							4,805	(678)	4,127
Acquisition of treasury stock						(16)	(16)		(16)
Non cash compensation charges under stock option plans		302					302		302
Exercise of stock option		(127)		(37)		164	0	3	3
Balance at March 31, 2010	**¥ 32,641**	**¥ 61,124**	**¥ 21,823**	**¥ 606,445**	**¥ (172,092)**	**¥ (6,185)**	**¥ 543,756**	**¥ 5,913**	**¥ 549,669**
Acquisition of subsidiaries' common stock and other							**-**	**6**	**6**
Adjustment for change in equity method interest		**(187)**					**(187)**		**(187)**
Cash dividends				**(9,030)**			**(9,030)**	**(55)**	**(9,085)**
Transferred to legal reserve			**(364)**	**364**			**-**		**-**
Comprehensive income (loss)									
Net income (loss)				**45,264**			**45,264**	**(260)**	**45,004**
Foreign currency translation adjustments					**(46,720)**		**(46,720)**	**(101)**	**(46,821)**
Pension liability adjustments					**1,381**		**1,381**	**(10)**	**1,371**
Net unrealized gains (losses) on securities					**(548)**		**(548)**	**(0)**	**(548)**
Total comprehensive income (loss)							**(623)**	**(371)**	**(994)**
Acquisition of treasury stock						**(18)**	**(18)**		**(18)**
Sale of treasury stock				**(1)**		**2**	**1**		**1**
Non cash compensation charges under stock option plans		**372**					**372**		**372**
Exercise of stock option		**(51)**		**(17)**		**70**	**2**		**2**
Balance at March 31, 2011	**¥ 32,641**	**¥ 61,258**	**¥ 21,459**	**¥ 643,025**	**¥ (217,979)**	**¥ (6,131)**	**¥ 534,273**	**¥ 5,493**	**¥ 539,766**

See accompanying notes to consolidated financial statements.

U.S.Dollars (Thousands) (Note 2)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 11	Note 9	Note 9	Note 12			Note 11	
Balance at March 31, 2010	**$ 393,265**	**$ 736,434**	**$ 262,928**	**$ 7,306,566**	**$ (2,073,398)**	**$ (74,518)**	**$ 6,551,277**	**$ 71,241**	**$ 6,622,518**
Acquisition of subsidiaries' common stock and other							**-**	**72**	**72**
Adjustment for change in equity method interest		**(2,253)**					**(2,253)**		**(2,253)**
Cash dividends				**(108,795)**			**(108,795)**	**(662)**	**(109,457)**
Transferred to legal reserve			**(4,386)**	**4,386**			**-**		**-**
Comprehensive income (loss)									
Net income (loss)				**545,349**			**545,349**	**(3,132)**	**542,217**
Foreign currency translation adjustments					**(562,892)**		**(562,892)**	**(1,217)**	**(564,109)**
Pension liability adjustments					**16,639**		**16,639**	**(121)**	**16,518**
Net unrealized gains (losses) on securities					**(6,602)**		**(6,602)**	**(0)**	**(6,602)**
Total comprehensive income (loss)							**(7,506)**	**(4,470)**	**(11,976)**
Acquisition of treasury stock						**(217)**	**(217)**		**(217)**
Sale of treasury stock				**(12)**		**24**	**12**		**12**
Non cash compensation charges under stock option plans		**4,482**					**4,482**		**4,482**
Exercise of stock option		**(615)**		**(205)**		**844**	**24**		**24**
Balance at March 31, 2011	**$ 393,265**	**$ 738,048**	**$ 258,542**	**$ 7,747,289**	**$ (2,626,253)**	**$ (73,867)**	**$ 6,437,024**	**$ 66,181**	**$ 6,503,205**

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended March 31, 2011, 2010 and 2009

	Yen (Millions)			U.S. Dollars (Thousands) (Note 2)
	2011	2010	2009	**2011**
Cash flows from operating activities:				
Net income (loss)	**¥ 45,004**	12,882	(64,589)	**$ 542,217**
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	**77,594**	83,788	89,567	**934,867**
Loss on disposal of property, plant and equipment	**1,227**	2,154	2,387	**14,783**
Impairment loss on long-lived assets	**1,513**	4,674	17,922	**18,229**
Deferred income taxes	**(1,710)**	10,401	(23,457)	**(20,603)**
Loss on securities, net	**109**	1,363	6,388	**1,313**
Equity in earnings of affiliates, net of dividends received	**827**	1,811	17,654	**9,964**
Changes in assets and liabilities, net of effects of acquisition of businesses:				
Decrease (increase) in trade receivables	**(10,601)**	(51,137)	55,746	**(127,723)**
Decrease (increase) in inventories	**(22,782)**	(1,947)	13,458	**(274,482)**
Decrease (increase) in other current assets	**(9,661)**	(2,893)	10,578	**(116,398)**
Increase (decrease) in trade payables	**9,309**	36,029	(39,595)	**112,157**
Increase (decrease) in accrued expenses	**6,343**	8,044	(8,721)	**76,422**
Increase (decrease) in income taxes payables, net	**3,731**	8,501	(17,272)	**44,952**
Increase (decrease) in other current liabilities	**3,355**	(1,624)	(2,105)	**40,422**
Increase (decrease) in retirement and severance benefits, net	**(277)**	6,076	1,239	**(3,337)**
Other - net	**(2,102)**	125	(11)	**(25,325)**
Net cash provided by operating activities	**101,879**	118,247	59,189	**1,227,458**
Cash flows from investing activities:				
Capital expenditures	**(78,638)**	(64,370)	(98,425)	**(947,446)**
Proceeds from sale and maturity of short-term investments	**162,360**	114,540	10,707	**1,956,145**
Payment for purchase of short-term investments	**(151,539)**	(159,406)	(33,388)	**(1,825,771)**
Proceeds from sale and maturity of investments in securities	**20,869**	17,505	4,455	**251,434**
Payment for purchase of investments in securities	**(17,350)**	(22,314)	(17,708)	**(209,036)**
Acquisition of subsidiaries, net of cash acquired	**-**	-	(136,146)	**-**
Proceeds from sale of intangible assets and property, plant and equipment	**1,203**	1,262	1,351	**14,494**
Repayment (payment) of deposits for investments	**-**	6,912	(6,755)	**-**
Other - net	**1,754**	(92)	499	**21,132**
Net cash used in investing activities	**(61,341)**	(105,963)	(275,410)	**(739,048)**
Cash flows from financing activities:				
Proceeds from long-term debt	**6,340**	519	204,906	**76,385**
Repayment of long-term debt	**(49,522)**	(28,277)	(2,428)	**(596,651)**
Increase in short-term debt, net	**19,616**	7,653	39,531	**236,337**
Dividends paid	**(9,035)**	(11,609)	(18,056)	**(108,855)**
Acquisition of noncontrolling interests	**(4)**	(7,236)	(166)	**(48)**
Other - net	**745**	581	(150)	**8,976**
Net cash provided by (used in) financing activities	**(31,860)**	(38,369)	223,637	**(383,856)**
Effect of exchange rate changes on cash and cash equivalents	**(12,571)**	(6,636)	(7,816)	**(151,458)**
Net decrease in cash and cash equivalents	**(3,893)**	(32,721)	(400)	**(46,904)**
Cash and cash equivalents at beginning of period	**132,984**	165,705	166,105	**1,602,217**
Cash and cash equivalents at end of period	**¥ 129,091**	132,984	165,705	**$ 1,555,313**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

(1) Nature of Operations

TDK Corporation, a Tokyo-based company founded in 1935 to accomplish the world's first commercialization of a magnetic material called ferrite, and its subsidiaries (collectively "TDK") have always been a multinational developer, manufacturer and distributor of unique and diverse products, including ferrite cores, inductive devices, ceramic capacitors, magnetic tapes and heads and other items created by pursuing core technologies. TDK's two basic reportable segments, Passive Components and Magnetic Application Products, and the "Other" unrelated to the former two, accounted for 49.2%, 42.1% and 8.7% of net sales, respectively, for the year ended March 31, 2011. These two segments and the Other consist of the following businesses:

(i) Passive Components:
Ceramic capacitors, Aluminum electrolytic capacitors, Film capacitors, Inductive devices (Coils/Ferrite cores/Transformers), High-frequency components, Piezoelectric materials and circuit protection components, Sensors

(ii) Magnetic Application Products:
Recording devices, Power supplies, Magnets, Recording media

(iii) Other:
Energy devices (Rechargeable batteries), Mechatronics (Production equipment)

TDK's Passive Components and Magnetic Application Products are used as electronic components in a broad spectrum of electronic devices and sold to manufacturers of telecommunications equipment, audio equipment and industrial equipment as well as to automobile makers located in Asia, including Japan, the Americas and Europe. Regarding the Other, customers vary depending on individual product features and sales are mainly made to manufacturers of telecommunications equipment, audio equipment and industrial equipment located in Asia, including Japan and the Americas.

(2) 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").

(3) Consolidation Policy

The consolidated financial statements include the accounts of TDK Corporation, its subsidiaries and those variable interest entities where TDK is the primary beneficiary 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.

(4) Cash Equivalents and Short-term Investments

Cash equivalents include all highly liquid investments with an original maturity of three months or less. All other highly liquid investments not considered to be cash equivalents are classified as short-term investments. TDK determines the appropriate classification of its investments at the time of purchase.

(5) Allowance for Doubtful Receivables

The allowance for doubtful receivables is TDK's best estimate of the amount of probable credit losses in TDK's existing trade receivables. An additional reserve for individual receivables is recorded when TDK becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in a customer's operating results or financial position. If customer circumstances change, estimates of the recoverability of receivables would be further adjusted.

(6) Investments in Securities

TDK classifies its debt and equity securities into one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which TDK has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. As of March 31, 2011 and 2010, TDK did not hold any trading or held-to-maturity securities. Available-for-sale securities, which mature or are expected to be sold in less than one year, are classified as marketable securities.

If a decline in the fair value below the cost basis of an equity security which is an available-for-sale security is deemed to be other-than-temporary, a decline in the fair value below amortized cost basis of an debt security which is available for sale but not expected to be sold is deemed to be other-than-temporary and represents a credit loss, and a decline in the fair value of a debt security which is an available-for-sale security and expected to be sold before recovery of its amortized cost basis exists, an impairment is recognized in earnings and the fair value becomes the new cost basis of the security. To determine whether an impairment is other-than-temporary, TDK periodically reviews the fair value of available-for-sale securities for possible impairment by taking into consideration the financial and operating conditions of the issuer, general market conditions in the issuer's industry, degree and period of the decline in fair value and other relevant factors.

Nonmarketable securities are recorded at cost. TDK periodically evaluates whether an event or change in circumstances may have a significant adverse effect on the fair value of the investment. Factors considered in assessing whether an indication of impairment exists include the financial and operating conditions of the issuer, general market conditions in the issuer's industry and other relevant factors. If an indication of impairment is present, TDK estimates the fair value of nonmarketable securities. If the fair value is less than cost and the impairment is determined to be other-than-temporary, a nonmarketable security is written down to its impaired value through a charge to earnings.

(7) Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method.

The cost elements for finished goods and work in process include direct costs for materials such as primary materials and purchased semi-finished products, direct labor costs such as basic salaries, bonuses, and legal welfare expenses, direct costs such as expenses paid to subcontractors, and indirect manufacturing costs comprising material costs, labor costs and other overhead costs.

(8) Property, Plant and Equipment

Depreciation of property, plant and equipment is principally computed by the declining-balance method for assets located in Japan and certain foreign subsidiaries, and by the straight-line method for assets of other foreign subsidiaries based on the following estimated useful lives:

Buildings	2 to 60 years
Machinery and equipment	2 to 22 years

(9) Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. TDK uses a specific identification method to release the residual tax effects associated with components of accumulated other comprehensive income (loss) resulting from a change in tax law or rate.

The financial statement impact of tax positions are recognized when it is more likely than not that the tax positions will be sustained upon examination by the taxing authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement with the taxing authorities.

(10) Stock Option Plan

TDK measures the cost of employee services received in exchange for equity awards based on the grant date fair value of the awards and uses the straight-line attribution method to recognize stock-based compensation expense over the requisite service period. Compensation expenses related to stock options that TDK recognized for the years ended March 31, 2011, 2010 and 2009 were ¥372 million ($4,482 thousand), ¥302 million and ¥333 million, respectively. The related tax benefits that TDK recognized for the years ended March 31, 2011, 2010 and 2009 were ¥44 million ($530 thousand), ¥28 million and ¥56 million, respectively.

TDK will continue to use the simplified method to estimates of expected remaining life until TDK has the historical data necessary to provide reasonable estimates of expected lives.

(11) Research and Development Expenses

Research and development expenses are expensed as incurred.

(12) Advertising Costs

Advertising costs are expensed as incurred.

(13) Shipping and Handling Fees and Costs

Shipping and handling fees and costs amounted to ¥23,388 million ($281,783 thousand), ¥16,067 million and ¥11,535 million for the years ended March 31, 2011, 2010 and 2009, respectively, and are included in selling, general and administrative expenses in the consolidated statements of operations.

(14) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 830, "Foreign Currency Matters". Under FASB ASC 830, the assets and liabilities of TDK's subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements of foreign subsidiaries are excluded from the statements of operations and are accumulated in TDK stockholders' equity as a component of accumulated other comprehensive income (loss).

(15) Use of Estimates

Management of TDK has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with the U.S. GAAP. Significant items subject to such estimates and assumptions include the valuation of goodwill and other intangible assets, long-lived assets, trade receivables, inventories, investments in securities, and deferred tax assets, and assumptions related to the estimation of actuarial determined employee benefit obligations. Actual results could differ from those estimates.

(16) Accounting for the Impairment of Long-Lived Assets

Property, plant and equipment and certain identifiable intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, an impairment to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

(17) Goodwill and Other Intangible Assets

Goodwill is not amortized, but instead is tested for impairment at least annually or more frequently if certain indicators arise. Intangible assets with finite useful lives are amortized over their respective estimated useful lives. Intangible assets determined to have an indefinite useful lives are not amortized, but instead are tested for impairment annually until the life is determined to no longer be indefinite.

TDK conducts its annual impairment test of goodwill and other intangible assets with indefinite useful lives in the fourth quarter of each year.

(18) Derivative Financial Instruments

TDK has elected not to apply hedge accounting. Accordingly, changes in the fair value of derivatives are recognized in earnings in the period of the changes.

The required disclosures in accordance with FASB ASC 815 "Derivatives and Hedging" are presented in Note 15 of the Notes to Consolidated Financial Statements.

(19) Net Income attributable to TDK per Share

Basic net income attributable to TDK per share has been computed by dividing net income attributable to TDK available to common stockholders by the weighted average number of common shares outstanding during each year. Diluted net income attributable to TDK per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock of TDK.

(20) Revenue Recognition

TDK generates revenue principally through the sale of products under separate contractual arrangements for each. TDK recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss have been transferred to the customer, the sales price is fixed or determinable, and collectibility is probable.

In principle, revenue from sales of products is recognized when the products are received by customers based on the free on board destination sales term. With regards to sales of products, TDK's policy is not to accept product returns unless the products are defective. TDK reduces revenue for estimated future returns based upon historical experience at the time the related revenue is recorded. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specification are not recorded as revenue.

Warranties offered on TDK's products are insignificant.

(21) 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 March 31, 2011, TDK's financing receivables within the scope of ASU 2010-20 are not material.

(22) Subsequent Events

TDK has evaluated the subsequent events through July 22, 2011, the date on which the financial statements are available to be issued.

(23) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2011.

2. Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen, the functional currency of TDK. Supplementally, the Japanese yen amounts as of and for the year ended March 31, 2011, have also been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥83=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2011. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at March 31, 2011 and 2010, are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Marketable securities	**¥ 17,736**	22,405	**$ 213,687**
Investments in securities:			
Long-term marketable securities	**13,133**	15,499	**158,229**
Nonmarketable securities	**850**	981	**10,241**
Investments in affiliates (Note 4)	**20,134**	21,844	**242,578**
Total investments in securities	**34,117**	38,324	**411,048**
Total	**¥ 51,853**	60,729	**$ 624,735**

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities at March 31, 2011 and 2010, is as follows:

As of March 31, 2011

Yen (Millions):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	**¥ 998**	**1**	**0**	**999**
U.S. Treasury	**16,730**	**7**	**-**	**16,737**
Investments (Debt securities):				
Government bonds	**596**	**0**	**-**	**596**
Commercial papers	**60**	**15**	**-**	**75**
Public-utility bonds	**4**	**-**	**-**	**4**
Investments (Equity securities):				
Manufacturing companies	**8,752**	**2,358**	**773**	**10,337**
Other	**1,173**	**90**	**-**	**1,263**
Investments (Mutual funds)	**819**	**39**	**-**	**858**
Total	**¥ 29,132**	**2,510**	**773**	**30,869**

As of March 31, 2010

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

As of March 31, 2011

U.S. Dollars (Thousands):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	**$ 12,024**	**12**	**0**	**12,036**
U.S. Treasury	**201,566**	**84**	**-**	**201,650**
Investments (Debt securities):				
Government bonds	**7,181**	**0**	**-**	**7,181**
Commercial papers	**723**	**181**	**-**	**904**
Public-utility bonds	**48**	**-**	**-**	**48**
Investments (Equity securities):				
Manufacturing companies	**105,446**	**28,410**	**9,313**	**124,543**
Other	**14,133**	**1,084**	**-**	**15,217**
Investments (Mutual funds)	**9,867**	**470**	**-**	**10,337**
Total	**$ 350,988**	**30,241**	**9,313**	**371,916**

Debt securities classified as available-for-sale at March 31, 2011 have a weighted average remaining term of 0.8 years.

The proceeds from sale and maturity of available-for-sale securities are ¥20,869 million ($251,434 thousand), ¥17,505 million and ¥4,455 million for the years ended March 31, 2011, 2010 and 2009, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥151 million ($1,819 thousand), ¥146 million and ¥172 million for the years ended March 31, 2011, 2010 and 2009, respectively. The gross realized losses on the sale and settlement of available-for-sale securities are ¥1 million ($12 thousand) for the year ended March 31, 2011. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥259 million ($3,120 thousand), ¥1,509 million and ¥6,621 million on certain available-for-sale securities and nonmarketable securities representing other-than-temporary declines in the fair value for the years ended March 31, 2011, 2010 and 2009, respectively.

At March 31, 2011, 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 March 31, 2011 and 2010 totaled ¥850 million ($10,241 thousand) and ¥981 million, respectively, and a part of those securities as of March 31, 2011 and 2010 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 March 31, 2011 and 2010, certain debt securities in the amount of ¥1,595 million ($19,217 thousand) and ¥998 million, respectively, were pledged as collateral for extended custom duty payments to Tokyo and Other Customs.

4. Investments in Affiliates

As of March 31, 2011, investments in affiliates accounted for by the equity method consist of 20.0 percent of the common stock of Imation Corp., 29.5 percent of the common stock of Semiconductor Energy Laboratory Co., Ltd., a research and development company, 34.0 percent of the common stock of Toppan TDK Label Co., Ltd., a magnetic products manufacturing company, and five other affiliated companies, collectively, which are not significant, at March 31, 2011 and 2010. As of March 31, 2011 and 2010, the difference between TDK's carrying value of investments in affiliates and its share of the underlying net equity in such affiliates substantially consists of unamortized amounts of equity method goodwill of ¥980 million ($11,807 thousand) and ¥980 million, respectively.

TDK evaluates the recoverability of the carrying value of its investments in affiliates when there are indications of a decline in value below carrying amount. As a result of such evaluations, TDK determined that there was an other-than-temporary decline in the value of an investment and recorded an impairment of ¥17,419 million on the investment for the year ended March 31, 2009.

The aggregate carrying amounts and the aggregate value based on quoted market prices of those investments in common stock for which a quoted market price is available were ¥3,523 million ($42,446 thousand) and ¥7,170 million ($86,386 thousand) at March 31, 2011, respectively and ¥5,642 million and ¥7,929 million at March 31, 2010, respectively.

5. Inventories

Inventories at March 31, 2011 and 2010, are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Finished goods	**¥ 51,074**	43,998	**$ 615,349**
Work in process	**27,242**	27,215	**328,217**
Raw materials	**43,363**	33,856	**522,446**
	¥ 121,679	105,069	**$ 1,466,012**

6. Short-Term and Long-Term Debt

Short-term debt and weighted average interest rates at March 31, 2011 and 2010 are as follows:

	2011		2010		**2011**
	Yen (Millions)	Weighted average interest rate	Yen (Millions)	Weighted average interest rate	U.S. Dollars (Thousands)
Short-term bank loans - secured	**¥ 1,026**	**8.12%**	1,441	2.05%	**$ 12,361**
Short-term bank loans - unsecured	**97,268**	**0.47%**	78,505	0.59%	**1,171,904**
Total	**¥ 98,294**		79,946		**$ 1,184,265**

Long-term debts at March 31, 2011 and 2010, are set forth below:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Loans from banks, unsecured (weighted average: 2011-0.75%, 2010－0.73%)	**¥ 58,275**	101,106	**$ 702,109**
Unsecured Bonds due 2012－1.085%	**23,000**	23,000	**277,108**
Unsecured Bonds due 2014－1.413%	**48,000**	48,000	**578,313**
Unsecured Bonds due 2019－2.038%	**13,000**	13,000	**156,627**
Lease obligation (weighted average: 2011－11.11%, 2010－9.84%)	**4,400**	5,002	**53,012**
	146,675	190,108	**1,767,169**
Less current installments	**55,968**	10,554	**674,313**
	¥ 90,707	179,554	**$ 1,092,856**

The aggregate annual maturities of long-term debt outstanding at March 31, 2011 are as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2012	¥ 55,413	$ 667,627
2013	11,402	137,374
2014	62,151	748,807
2015	236	2,843
2016	40	482
2017 and thereafter	13,033	157,024
	¥ 142,275	$ 1,714,157

The aggregate annual maturities of long-term debt outstanding at March 31, 2011 do not include lease obligation. A schedule by years of future minimum lease payments is presented in Note 13 of the Notes to Consolidated Financial Statements.

Short-term and long-term debts from banks were made under general agreements in which security and guarantees for present and future indebtedness will be given upon request of the banks, and that the banks shall have the rights, as the obligations become due, or in the event of default, to offset cash deposits against such obligations due to the banks.

As of March 31, 2011 and 2010, current assets having a net book value of ¥3,800 million ($45,783 thousand) and ¥3,446 million, respectively, were pledged as a collateral for short-term debt from banks. As of March 31, 2011 and 2010, the pledged current assets include trade receivables having a net book value of ¥2,305 million ($27,771 thousand) and ¥2,271 million, respectively.

As of March 31, 2011 and 2010, property, plant and equipment having a net book value of ¥2,155 million ($25,964 thousand) and ¥2,424, respectively, were pledged as a collateral for lease obligation.

There were no debt covenants or cross-default provisions under TDK's financing arrangements. Furthermore, there were no subsidiary level dividend restrictions under the financing arrangements.

TDK enters into the contracts with financial institutions regarding lines of credit and overdrafts. As of March 31, 2011 and 2010, unused lines of credit and overdrafts amounted to ¥108,827 million ($1,311,169 thousand) and ¥121,607 million, respectively.

7. Income Taxes

TDK and its domestic subsidiaries are subject to a national corporate tax of 30 percent, an inhabitants tax of between 5.2 percent and 6.2 percent and a deductible enterprise tax of between 7.7 percent and 8.0 percent, which in the aggregate resulted in a statutory rate of approximately 40.4 percent for the years ended March 31, 2011, 2010 and 2009.

TDK and certain domestic subsidiaries obtained an approval for the consolidated tax return system and will adopt the consolidated tax return system in Japan from the year ending March 31, 2012.

The effective tax rates of TDK for the years ended March 31, 2011, 2010 and 2009, are reconciled with the Japanese statutory tax rate in the following table:

	2011	2010	2009
Japanese statutory tax rate	**40.4%**	40.4%	40.4%
Expenses not deductible for tax purposes	**0.7**	3.7	(3.1)
Nontaxable income	**(0.2)**	(1.0)	0.1
Difference in statutory tax rates of foreign subsidiaries	**(25.4)**	(23.4)	(3.4)
Change in the valuation allowance	**5.6**	37.8	(17.1)
Investment tax credit	**(3.4)**	(10.9)	1.8
Research and development tax credit	**(1.0)**	(0.4)	0.5
Prior-year tax adjustments	**2.0**	(4.7)	0.9
Dividends from foreign subsidiaries	**6.7**	0.1	-
Other	**(0.3)**	(0.4)	0.8
Effective tax rate	**25.1%**	41.2%	20.9%

Total income taxes for the years ended March 31, 2011, 2010 and 2009 are allocated as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2011	2010	2009	**2011**
Income (loss) before income taxes	**¥ 15,061**	9,025	(17,041)	**$ 181,458**
TDK stockholders' equity, accumulated other comprehensive income (loss):				
Foreign currency translation adjustments	**(134)**	(17)	(1,257)	**(1,614)**
Net unrealized gains (losses) on securities	**(842)**	2,209	(639)	**(10,145)**
Pension liability adjustments	**1,119**	7,742	(26,894)	**13,482**
Effect of application of the measurement date provision of accounting for pension plans	**-**	-	(288)	**-**
Total income taxes	**¥ 15,204**	18,959	(46,119)	**$ 183,181**

Income (loss) before income taxes and income taxes for the years ended March 31, 2011, 2010 and 2009, are summarized as follows:

	Income (Loss) Before Income Taxes	Income Taxes		
		Current	Deferred	Total
Yen (Millions):				
2011				
Japanese	**¥ (17,069)**	**4,317**	**(1,612)**	**2,705**
Foreign	**77,134**	**12,454**	**(98)**	**12,356**
	¥ 60,065	**16,771**	**(1,710)**	**15,061**
2010				
Japanese	(24,086)	(9,113)	10,629	1,516
Foreign	45,993	7,737	(228)	7,509
	21,907	(1,376)	10,401	9,025
2009				
Japanese	(64,855)	697	(19,783)	(19,086)
Foreign	(16,775)	5,719	(3,674)	2,045
	(81,630)	6,416	(23,457)	(17,041)
U.S. Dollars (Thousands):				
2011				
Japanese	**$ (205,650)**	**52,012**	**(19,421)**	**32,591**
Foreign	**929,325**	**150,048**	**(1,181)**	**148,867**
	$ 723,675	**202,060**	**(20,602)**	**181,458**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2011 and 2010 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Deferred tax assets:			
Inventories	**¥ 2,487**	2,578	**$ 29,964**
Accrued expenses	**8,183**	6,722	**98,590**
Retirement and severance benefits	**37,410**	41,618	**450,723**
Net operating loss carryforwards	**45,022**	50,270	**542,434**
Tax credit carryforwards	**3,008**	3,874	**36,241**
Property, plant and equipment, and Intangible assets	**6,347**	7,408	**76,470**
Other	**3,952**	2,898	**47,614**
Total gross deferred tax assets	**106,409**	115,368	**1,282,036**
Less valuation allowance	**(35,960)**	(42,935)	**(433,253)**
Net deferred tax assets	**¥ 70,449**	72,433	**$ 848,783**
Deferred tax liabilities:			
Marketable securities and investments adjustments	**¥ (3,473)**	(6,669)	**$ (41,844)**
Undistributed earnings of foreign subsidiaries and affiliated companies	**(4,692)**	(2,851)	**(56,530)**
Acquired intangible assets	**(8,762)**	(10,878)	**(105,566)**
Other	**(2,745)**	(1,492)	**(33,072)**
Total gross deferred tax liabilities	**(19,672)**	(21,890)	**(237,012)**
Net deferred tax assets	**¥ 50,777**	50,543	**$ 611,771**

The net changes in the total valuation allowance were a decrease of ¥6,975 million ($84,036 thousand) for the year ended March 31, 2011, an increase of ¥6,767 million for the year ended March 31, 2010, and an increase of ¥15,129 million for the year ended March 31, 2009. The valuation allowance primarily relates to deferred tax assets associated with net operating loss carryforwards.

In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax carryforwards are utilized. TDK considered the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, TDK believes it is more likely than not that TDK will realize the benefits of these deductible differences and tax carryforwards, net of the existing valuation allowance at March 31, 2011.

At March 31, 2011, there are net operating loss carryforwards for income tax purposes of ¥139,279 million ($1,678,060 thousand) which are available to offset future taxable income, if any.

Periods available to offset future taxable income vary in each tax jurisdiction and range from one year to an indefinite period as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Within 1 year	¥ 3,823	$ 46,060
1 to 5 years	31,289	376,976
5 to 20 years	37,176	447,904
Indefinite periods	66,991	807,120
	¥ 139,279	$ 1,678,060

At March 31, 2011, certain subsidiaries have tax credit carryforwards for income tax purposes of ¥3,013 million ($36,301 thousand) which are available to reduce future income taxes, if any. Approximately ¥1,147 million ($13,819 thousand) of the tax credit carryforwards will expire through 2029, while the remainder has an indefinite carryforward period.

Net deferred income tax assets and liabilities at March 31, 2011 and 2010 are reflected in the accompanying consolidated balance sheets under the following captions:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Prepaid expenses and other current assets	**¥ 9,085**	9,620	**$ 109,458**
Deferred income taxes (noncurrent assets)	**52,930**	53,716	**637,711**
Other current liabilities	**(1,727)**	(1,481)	**(20,808)**
Deferred income taxes (noncurrent liabilities)	**(9,511)**	(11,312)	**(114,590)**
	¥ 50,777	50,543	**$ 611,771**

As of March 31, 2011 and 2010, TDK did not recognize deferred tax liabilities of approximately ¥9,457 million ($113,940 thousand) and ¥13,885 million, respectively, for certain portions of undistributed earnings of foreign subsidiaries because TDK currently does not expect those unremitted earnings to reverse and become taxable to TDK in the foreseeable future.

A deferred tax liability will be recognized when TDK expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 31, 2011 and 2010, the undistributed earnings of these subsidiaries are approximately ¥439,575 million ($5,296,084 thousand) and ¥407,942 million, respectively.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for the years ended March 31, 2011 and 2010 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Balance at beginning of year	**¥ 6,274**	6,323	**$ 75,590**
Additions for tax positions of the current year	**2,709**	613	**32,639**
Additions for tax positions of prior years	**458**	494	**5,518**
Reductions for tax positions of prior years	**(456)**	(765)	**(5,494)**
Settlements with taxing authorities during the period	**(314)**	(94)	**(3,783)**
Other	**(740)**	(297)	**(8,916)**
Balance at end of year	**¥ 7,931**	6,274	**$ 95,554**

The total amount of unrecognized tax benefits that, if recognized, would reduce the effective tax rate as of March 31, 2011 and 2010 are ¥6,525 million ($78,614 thousand) and ¥4,669 million, respectively.

Although TDK believes its estimates and assumptions used to identify unrecognized tax benefits are reasonable, there is uncertainty about the final determination of tax audit settlements and any related litigation which could affect the effective tax rate in the future periods. As at March 31, 2011, TDK is not aware of any significant changes in its unrecognized tax benefits over the next 12 months.

TDK classifies interest and penalties related to unrecognized tax benefits as interest expense and other deductions-other, respectively, in the consolidated statements of operations. Interest and penalties accrued as of March 31, 2011 as well as interest and penalties recorded in interest expense and other deductions-other for the year then ended are not material.

TDK files income tax returns in Japan and various foreign tax jurisdictions. In Japan, TDK is no longer subject to regular income tax examinations by the tax authority for years ended on or before March 31, 2007. While there has been no specific indication by the tax authority that TDK will be subject to a transfer pricing examination in the near future, the tax authority could conduct a transfer pricing examination for years ended on or after March 31, 2005. In other major foreign tax jurisdictions, including the U.S. and Hong Kong, TDK is no longer subject to income tax examinations by tax authorities for years ended on or before March 31, 2000 with few exceptions. The tax authorities are currently conducting income tax examinations of TDK's income tax returns for certain years ended on or after March 31, 2001 in major foreign tax jurisdictions.

8. Retirement and Severance Benefits

TDK sponsors contributory and noncontributory retirement and severance plans that provide for pension or lump-sum benefit payments, based on length of service, employee salary and certain other factors, to substantially all employees who retire or terminate their employment for reasons other than dismissal for cause. Corporate executives participate in an unfunded retirement plan sponsored by TDK.

These pension plans are recognized in accordance with FASB ASC 715 "Compensation —Retirement Benefits".

Certain subsidiaries have deferred compensation plans under which employees place a portion of their compensation in a pension fund and contributions can be received with interest at the time of retirement. Estimated future benefit payments to retirees are determined by actuarial calculation. Liabilities relating to these plans are recorded as either the market value of plan assets or the present value of estimated future benefit payments, whichever is greater. As of March 31, 2011 and 2010, the amount of ¥1,098 million ($13,229 thousand) and ¥962 million are recorded as retirement and severance benefits, respectively.

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets are as follows:

	Yen (Millions)			
	2011		2010	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Change in benefit obligations:				
Benefit obligations at beginning of period	**¥189,831**	**42,437**	188,337	37,719
Service cost	**5,893**	**1,219**	5,947	1,169
Interest cost	**3,742**	**1,870**	3,702	2,189
Actuarial (gain) loss	**(1,483)**	**618**	604	5,884
Benefits paid	**(7,228)**	**(1,557)**	(7,447)	(2,111)
Curtailment/settlement	**-**	**(287)**	(1,265)	-
Others	**(235)**	**27**	(47)	(45)
Translation adjustment	**-**	**(2,874)**	-	(2,368)
Benefit obligations at end of period	**190,520**	**41,453**	189,831	42,437
Change in plan assets:				
Fair value of plan assets at beginning of period	**135,841**	**11,033**	116,789	8,890
Actual return on plan assets	**1,599**	**1,063**	21,942	1,948
Employer contributions	**8,160**	**1,549**	4,128	2,326
Benefits paid	**(5,982)**	**(1,345)**	(5,897)	(1,826)
Curtailment/settlement	**-**	**-**	(1,121)	-
Others	**-**	**(106)**	-	96
Translation adjustment	**-**	**(988)**	-	(401)
Fair value of plan assets at end of period	**139,618**	**11,206**	135,841	11,033
Funded status	**¥(50,902)**	**(30,247)**	(53,990)	(31,404)

	U.S. Dollars (Thousands)	
	2011	
	Japanese plans	Foreign plans
Change in benefit obligations:		
Benefit obligations at beginning of period	**$ 2,287,120**	**511,289**
Service cost	**71,000**	**14,687**
Interest cost	**45,083**	**22,530**
Actuarial (gain) loss	**(17,867)**	**7,446**
Benefits paid	**(87,084)**	**(18,759)**
Curtailment/settlement	**-**	**(3,458)**
Others	**(2,830)**	**325**
Translation adjustment	**-**	**(34,626)**
Benefit obligations at end of period	**2,295,422**	**499,434**
Change in plan assets:		
Fair value of plan assets at beginning of period	**1,636,639**	**132,928**
Actual return on plan assets	**19,265**	**12,807**
Employer contributions	**98,313**	**18,663**
Benefits paid	**(72,072)**	**(16,205)**
Others	**-**	**(1,277)**
Translation adjustment	**-**	**(11,904)**
Fair value of plan assets at end of period	**1,682,145**	**135,012**
Funded status	**$ (613,277)**	**(364,422)**

Amounts recognized in the consolidated balance sheets as of March 31, 2011 and 2010 consist of:

	Yen (Millions)			
	2011		2010	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Other assets	**¥ -**	**359**	-	358
Accrued expenses	**(1,144)**	**(1,426)**	(1,128)	(1,282)
Retirement and severance benefits	**(49,758)**	**(29,180)**	(52,862)	(30,480)
	¥ (50,902)	**(30,247)**	(53,990)	(31,404)

	U.S. Dollars (Thousands)	
	2011	
	Japanese plans	Foreign plans
Other assets	**$ -**	**4,325**
Accrued expenses	**(13,783)**	**(17,181)**
Retirement and severance benefits	**(599,494)**	**(351,566)**
	$ (613,277)	**(364,422)**

Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2011 and 2010 consist of:

	Yen (Millions)			
	2011		2010	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss	**¥ 70,373**	**7,861**	74,182	8,443
Prior service benefit	**(15,567)**	**68**	(17,452)	14
	¥ 54,806	**7,929**	56,730	8,457

	U.S. Dollars (Thousands)	
	2011	
	Japanese plans	Foreign plans
Net actuarial loss	**$ 847,867**	**94,711**
Prior service benefit	**(187,554)**	**819**
	$ 660,313	**95,530**

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

	Yen (Millions)			
	2011		2010	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Accumulated benefit obligations	**¥ 181,480**	**37,446**	180,723	38,463

	U.S. Dollars (Thousands)	
	2011	
	Japanese plans	Foreign plans
Accumulated benefit obligations	**$ 2,186,506**	**451,157**

The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	Yen (Millions)			
	2011		2010	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	**¥ 190,520**	**40,517**	189,831	41,477
Fair value of plan assets	**139,618**	**9,860**	135,841	9,663
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	**¥ 181,480**	**36,558**	180,723	37,316
Fair value of plan assets	**139,618**	**9,860**	135,841	9,371

	U.S. Dollars (Thousands)	
	2011	
	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	**$ 2,295,422**	**488,157**
Fair value of plan assets	**1,682,145**	**118,795**
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	**$ 2,186,506**	**440,458**
Fair value of plan assets	**1,682,145**	**118,795**

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the years ended March 31, 2011, 2010 and 2009 consist of the following components. Prior service benefit is amortized by the straight-line method over the average remaining service period of current employees.

	Yen (Millions)					
	2011		2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Service cost-benefits earned during the year	**¥ 5,893**	**1,219**	5,947	1,169	5,711	1,028
Interest cost on projected benefit obligation	**3,742**	**1,870**	3,702	2,189	3,887	1,369
Expected return on plan assets	**(3,060)**	**(633)**	(2,703)	(617)	(4,687)	(612)
Amortization of actuarial loss	**3,787**	**483**	5,422	113	1,165	107
Amortization of prior service benefit	**(2,032)**	**26**	(2,026)	129	(2,025)	9
Curtailment/settlement loss	**-**	**-**	171	-	69	998
Net periodic benefit cost	**¥ 8,330**	**2,965**	10,513	2,983	4,120	2,899

	U.S. Dollars (Thousands)	
	2011	
	Japanese plans	Foreign plans
Service cost-benefits earned during the year	**$ 71,000**	**14,687**
Interest cost on projected benefit obligation	**45,083**	**22,530**
Expected return on plan assets	**(36,867)**	**(7,626)**
Amortization of actuarial loss	**45,627**	**5,819**
Amortization of prior service benefit	**(24,482)**	**313**
Net periodic benefit cost	**$ 100,361**	**35,723**

Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss) for the years ended March 31, 2011, 2010 and 2009 are summarized as follows:

	Yen (Millions)					
	2011		2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	**¥ (22)**	**188**	(18,635)	4,554	66,489	2,200
Prior service benefit	**(147)**	**80**	-	-	-	-
Amortization of actuarial loss	**(3,787)**	**(483)**	(5,422)	(113)	(1,165)	(107)
Amortization of prior service benefit	**2,032**	**(26)**	2,026	(129)	2,025	(9)
Curtailment/settlement loss	**-**	**(287)**	(315)	-	(69)	(404)
Effect of change in measurement date	**-**	**-**	-	-	235	(15)
Amount recognized in other comprehensive income (loss)	**(1,924)**	**(528)**	(22,346)	4,312	67,515	1,665
Total of net periodic benefit cost and amount recognized in other comprehensive income (loss)	**¥ 6,406**	**2,437**	(11,833)	7,295	71,635	4,564

	U.S. Dollars (Thousands)	
	2011	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	**$ (265)**	**2,265**
Prior service benefit	**(1,771)**	**964**
Amortization of actuarial loss	**(45,627)**	**(5,819)**
Amortization of prior service benefit	**24,482**	**(313)**
Curtailment/settlement loss	**-**	**(3,458)**
Amount recognized in other comprehensive income (loss)	**(23,181)**	**(6,361)**
Total of net periodic benefit cost and amount recognized in other comprehensive income (loss)	**$ 77,180**	**29,362**

The estimated net actuarial loss and prior service benefit for the defined pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Amortization of actuarial loss	**¥ 3,572**	**460**	**$ 43,036**	**5,542**
Amortization of prior service benefit	**(2,039)**	**12**	**(24,566)**	**145**

Assumptions

Weighted average assumptions used to determine benefit obligations at March 31:

	2011		2010	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	**2.0%**	**5.1%**	2.0%	5.1%
Assumed rate of increase in future compensation levels	**3.0%**	**2.9%**	3.0%	2.8%

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

	2011		2010		2009	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	**2.0%**	**5.1%**	2.0%	6.2%	2.2%	6.2%
Assumed rate of increase in future compensation levels	**3.0%**	**2.8%**	3.0%	3.0%	3.0%	3.1%
Expected long-term rate of return on plan assets	**2.5%**	**6.3%**	2.5%	6.7%	3.0%	7.1%

TDK determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. TDK considers the current expectations for future returns and the actual historical returns of each plan asset category.

Plan assets

TDK's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, TDK formulates a "model" portfolio comprised of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the "model" portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. TDK evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the "model" portfolio. TDK revises the "model" portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

As of March 31, 2011, the asset portfolio of TDK's Japanese plans is divided into three main asset categories with approximately 34% consisting of equity securities, approximately 24% debt securities and approximately 42% of other assets such as cash and cash equivalents. The asset portfolio of TDK's foreign plans is also divided into three main asset categories with approximately 44% consisting of equity securities, approximately 34% of debt securities and approximately 22% of other assets such as cash and cash equivalents. As of March 31, 2011, there is no significant deviation between the target allocations and actual results.

Shares in Japanese companies included in equity securities mainly consist of shares listed on stock exchanges and over-the-counter markets. They are selected after a thorough examination and analysis of the operations of investment target companies and are appropriately diversified with respect to business categories and issues. Bonds of Japanese companies among debt securities mainly consist of corporate bonds, government bonds and public bonds. They are selected after a thorough examination and analysis of issuance conditions such as bond ratings, coupons, maturity dates, etc. and are appropriately diversified with respect to issuers and remaining periods. Regarding investments in foreign issues, target countries and currencies are selected after a thorough examination of political and economic stability, market characteristics such as clearing systems and taxation systems. For other assets, which include a life insurance company general account, pooled funds and real estate investment trusts, among others, diversified investment is carried out after a thorough examination and analysis of general economic conditions and investment target assets. A life insurance company general account is a product of life insurance companies in which individual insurance funds, corporate plan assets and other funds are jointly managed.

The fair value of TDK's benefit plans at March 31, 2011 and 2010 by asset type are as follows:

	Yen (Millions)							
	2011							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	¥ 27,304	-	-	27,304	1,603	389	-	1,992
Equity securities:								
Listed shares	17,486	-	-	17,486	1,521	-	-	1,521
Mutual funds	-	18,916	-	18,916	2,069	-	-	2,069
Pooled funds	-	10,948	-	10,948	-	1,328	-	1,328
Debt securities:								
Government bonds, public bonds, corporate bonds	4,833	-	-	4,833	493	1,231	-	1,724
Mutual funds	-	10,291	-	10,291	800	1,042	-	1,842
Pooled funds	-	18,575	-	18,575	-	222	-	222
Other assets:								
Life insurance company general account	-	10,445	-	10,445	-	64	-	64
Mutual funds	-	12,613	-	12,613	-	-	-	-
Pooled funds	-	225	-	225	-	-	-	-
Real estate investment trusts	-	4,419	-	4,419	-	108	-	108
Others	-	9	3,554	3,563	-	336	-	336
Total plan assets	¥ 49,623	86,441	3,554	139,618	6,486	4,720	-	11,206

	Yen (Millions)							
	2010							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	¥ 3,669	-	-	3,669	1,744	507	-	2,251
Equity securities:								
Listed shares	25,696	-	-	25,696	1,559	-	-	1,559
Mutual funds	-	12,333	-	12,333	2,125	-	-	2,125
Pooled funds	-	22,220	-	22,220	-	1,218	-	1,218
Debt securities:								
Government bonds, public bonds, corporate bonds	5,011	-	-	5,011	1,921	1,344	-	3,265
Mutual funds	-	7,263	-	7,263	-	-	-	-
Pooled funds	-	29,567	-	29,567	-	266	-	266
Other assets:								
Life insurance company general account	-	2,655	-	2,655	-	58	-	58
Mutual funds	-	12,109	-	12,109	-	-	-	-
Pooled funds	-	10,047	-	10,047	-	-	-	-
Real estate investment trusts	-	4,616	-	4,616	-	95	-	95
Others	-	655	-	655	-	196	-	196
Total plan assets	¥ 34,376	101,465	-	135,841	7,349	3,684	-	11,033

	U.S. Dollars (Thousands)							
	2011							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	$ 328,964	-	-	328,964	19,313	4,687	-	24,000
Equity securities:								
Listed shares	210,675	-	-	210,675	18,325	-	-	18,325
Mutual funds	-	227,904	-	227,904	24,928	-	-	24,928
Pooled funds	-	131,904	-	131,904	-	16,000	-	16,000
Debt securities:								
Government bonds, public bonds, corporate bonds	58,229	-	-	58,229	5,940	14,831	-	20,771
Mutual funds	-	123,988	-	123,988	9,639	12,554	-	22,193
Pooled funds	-	223,795	-	223,795	-	2,675	-	2,675
Other assets:								
Life insurance company general account	-	125,843	-	125,843	-	771	-	771
Mutual funds	-	151,964	-	151,964	-	-	-	-
Pooled funds	-	2,711	-	2,711	-	-	-	-
Real estate investment trusts	-	53,241	-	53,241	-	1,301	-	1,301
Others	-	108	42,819	42,927	-	4,048	-	4,048
Total plan assets	$ 597,868	1,041,458	42,819	1,682,145	78,145	56,867	-	135,012

Level 1 assets are mainly equity securities and debt securities that are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Level 2 assets include mainly mutual funds and pooled funds that invests in equity securities and debt securities. They are valued based on quoted prices obtained from asset management agencies and are verified using observable market inputs. Level 3 assets are insurance products that are valued based on unobservable inputs regarding the assets and the relevant liabilities.

Change in TDK's plan assets that are classified as Level 3 assets for the year ended March 31, 2011 is as follows:

	Insurance products	
	Yen (Millions)	U.S. Dollars (Thousands)
Balance at beginning of year	¥ -	$ -
Net change due to purchase, sale, etc.	3,500	42,169
Gain (loss) on assets held at end of year	54	650
Balance at end of year	¥ 3,554	$ 42,819

Contributions

TDK expects to contribute ¥6,662 million ($80,265 thousand) to its Japanese defined benefit plans and ¥614 million ($7,398 thousand) to its foreign defined benefit plans for the year ending March 31, 2012.

Estimated future benefit payments

The benefits are expected to be paid from the pension plans in each year 2012 through 2021 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Year ending March 31,				
2012	¥ 8,457	1,619	$ 101,892	19,506
2013	7,169	1,589	86,373	19,145
2014	6,898	1,676	83,108	20,193
2015	7,668	1,853	92,386	22,325
2016	8,109	1,903	97,699	22,928
2017 - 2021 total	41,499	11,277	499,988	135,867

9. Legal Reserve and Dividends

The Japanese Companies Act provides that an amount equal to 10 percent of cash dividends and other distributions from retained earnings paid by TDK and its Japanese subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25 percent of their respective stated capital. The Japanese Companies Act also provides that additional paid-in capital and the legal reserve are available for appropriations by the resolution of the shareholders. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries. Cash dividends and appropriations to the legal reserve charged to retained earnings in accordance with Japanese Companies Act for the years ended March 31, 2011, 2010 and 2009 represent dividends paid out during those years and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the dividend taken up at the Ordinary General Meeting of Shareholders of ¥40 ($0.48) per share aggregating ¥5,160 million ($62,169 thousand) in respect of the year ended March 31, 2011.

Cash dividends per common share are computed based on dividends paid for the year.

10. Stock Option Plan

The Board of Directors, which was held on May 26, 2010 regarding the issuance of stock acquisition rights as share-based compensation stock options to Directors and Corporate Officers pursuant to Articles 236, 238 and 239 of the Japanese Companies Act, adopted resolutions to issue an aggregate of 150 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 4 Directors of TDK and an aggregate of 183 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 11 Corporate Officers of TDK. The stock acquisition rights issued on July 3, 2010 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥1 ($ 0.01) per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 29, 2010 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 996 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 189 select senior executives of TDK and subsidiaries. The stock acquisition rights issued on August 19, 2010 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥5,292 ($ 63.76) per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of TDK. The exercise price of each stock acquisition rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

The Board of Directors, which was held on May 27, 2009 regarding the issuance of stock acquisition rights as share-based compensation stock options to Directors and Corporate Officers pursuant to Articles 236, 238 and 239 of the Japanese Companies Act, adopted resolutions to issue an aggregate of 176 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 4 Directors of TDK and an aggregate of 199 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 13 Corporate Officers of TDK. The stock acquisition rights issued on July 4, 2009 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 26, 2009 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 828 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 159 select senior executives of TDK. The stock acquisition rights issued on August 20, 2009 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥5,110 per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of TDK. The exercise price of each stock acquisition rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

The Board of Directors, which was held on May 28, 2008 regarding the issuance of stock acquisition rights as share-based compensation stock options to Directors pursuant to Articles 236, 238 and 239 of the Japanese Companies Act, adopted resolutions to issue an aggregate of 139 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 5 Directors of TDK. The stock acquisition rights issued on July 5, 2008 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 27, 2008 regarding the issuance of stock acquisition rights as share-based compensation stock options to Corporate Officers, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 107 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 8 Corporate Officers of TDK. The stock acquisition rights issued on July 5, 2008 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 27, 2008 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 987 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 188 select senior executives of TDK, and the Directors and select senior executives of subsidiaries. The stock acquisition rights issued on September 2, 2008 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥6,837 per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of TDK. The exercise price of each stock acquisition rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

The Board of Directors, which was held on May 15, 2007 regarding the issuance of stock acquisition rights as share-based compensation stock options to Directors pursuant to Articles 236, 238 and 239 of the Japanese Companies Act, adopted resolutions to issue an aggregate of 86 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 7 Directors of TDK. The stock acquisition rights issued on July 7, 2007 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 28, 2007 regarding the issuance of stock acquisition rights as share-based compensation stock options to Corporate Officers, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 61 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 9 Corporate Officers of TDK. The stock acquisition rights issued on July 7, 2007 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 28, 2007 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 986 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 186 select senior executives of TDK, and the Directors and select senior executives of subsidiaries. 10 stock acquisition rights issued to the then 2 select senior executives of TDK on July 20, 2007 and 976 stock acquisition rights issued to the then 184 select senior executives of TDK, and the Directors and select senior executives of subsidiaries on July 11, 2007 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥12,098 per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issue of new shares at a price less than the current market price of the shares of TDK. The exercise price of each stock acquisition rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 29, 2006 regarding the issuance of the stock acquisition rights to Directors and Corporate Officers, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 203 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 17 Directors and Corporate Officers of TDK. The stock acquisition rights issued on August 5, 2006 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 29, 2006 regarding the issuance of stock acquisition rights as stock options to select senior executives of TDK, and the Directors and select senior executives of subsidiaries, pursuant to Articles 236, 238 and 239 of the Japanese Companies Act. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 966 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 179 select senior executives of TDK, and the Directors and select senior executives of subsidiaries. The stock acquisition rights issued on August 5, 2006 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥9,072 per share of common stock, which was calculated by a formula approved by shareholders at the aforementioned annual shareholders meeting and is subject to an adjustment in certain events, including but not limited to a stock split, stock dividend and issuance of new shares at a price less than the current market price of the shares of TDK. The exercise price of each stock acquisition rights was equal to or greater than the fair market value of TDK's common stock on the date of grant.

TDK obtained approval of the Ordinary General Meeting of Shareholders held on June 29, 2005 regarding the issuance of stock acquisition rights as share-based compensation stock options to Board members and Corporate Officers, pursuant to Articles 280-20 and 280-21 of the Japanese Commercial Code. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 246 stock acquisition rights, each representing an option to purchase 100 shares of common stock of TDK, to the then 17 Directors and Corporate Officers of TDK. The stock acquisition rights issued on June 30, 2005 are fully vested on date of issuance and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights is set at ¥1 per share of common stock.

TDK obtained approval of the Ordinary General Meeting of Shareholders held in June 2005 and 2004 regarding the issuance of stock acquisition rights as stock options, pursuant to Articles 280-20 and 280-21 of the Japanese Commercial Code. Upon approval, the Board of Directors adopted resolutions to issue an aggregate of 906 and 2,343 stock acquisition rights, each representing a stock option to purchase 100 shares of common stock of TDK, to the then 172 and 187 Directors, Corporate Officers and select senior executives of TDK, and the Directors and select senior executives of its subsidiaries, respectively. The stock acquisition rights issued on August 11, 2005 and August 6, 2004 are vested based on 2 years of continuous service after the issuance and have the exercise period of 4 years, respectively. The amount to be paid by qualified persons upon the exercise of each stock acquisition rights was set at ¥8,134 and ¥8,147 per share of common stock, respectively. The exercise price of each stock acquisition rights was equal to or greater than the fair market value of TDK’s common stock on the date of grant.

At March 31, 2011, TDK has ¥93 million ($1,120 thousand) of total unrecognized stock option related compensation cost that will be recognized over the weighted average period of 1.1 years. Cash received from stock option exercises was ¥0 million ($0 thousand) for the year ended March 31, 2011. The total intrinsic value of options exercised during the years ended March 31, 2011, 2010 and 2009 is ¥36 million ($434 thousand), ¥78 million and ¥29 million, respectively. The total fair value of options vested during the years ended March 31, 2011, 2010 and 2009 is ¥233 million ($2,807 thousand), ¥342 million and ¥337 million, respectively.

A summary of the status of TDK's stock option plans as of March 31, 2011, 2010 and 2009, and of the activity during the years ending on those dates, is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value [1]
		Yen	Years	Yen (Millions)
2011				
Outstanding at beginning of year	**671,400**	**¥ 7,042**		
Granted	**132,900**	**3,966**		
Exercised	**6,700**	**1**		
Forfeited or Expired	**154,300**	**8,275**		
Outstanding at end of year	**643,300**	**6,184**	**5.9**	**623**
Exercisable at end of year	**460,900**	**6,570**	**6.3**	**623**
Expected to vest after end of year	**182,400**	**5,209**	**4.8**	**-**
2010				
Outstanding at beginning of year	693,700	¥ 7,540		
Granted	120,300	3,517		
Exercised	15,500	1		
Forfeited or Expired	127,100	7,284		
Outstanding at end of year	671,400	7,042	4.9	715
Exercisable at end of year	491,900	7,408	5.0	623
Expected to vest after end of year	179,500	6,040	4.8	92
2009				
Outstanding at beginning of year	626,100	¥ 7,790		
Granted	123,300	5,473		
Exercised	24,300	4,499		
Forfeited or Expired	31,400	6,760		
Outstanding at end of year	693,700	7,540	4.4	285
Exercisable at end of year	499,400	6,796	4.2	285
Expected to vest after end of year	194,300	9,453	4.8	-

[1] The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of ¥4,915 ($59.22) of our common stock on March 31, 2011, ¥6,220 on March 31, 2010 and ¥3,650 on March 31, 2009.

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
2011				
Outstanding at beginning of year	**671,400**	**$ 84.84**		
Granted	**132,900**	**47.78**		
Exercised	**6,700**	**0.01**		
Forfeited or Expired	**154,300**	**99.70**		
Outstanding at end of year	**643,300**	**74.51**	**5.9**	**7,506**
Exercisable at end of year	**460,900**	**79.16**	**6.3**	**7,506**
Expected to vest after end of year	**182,400**	**62.76**	**4.8**	**-**

Information about stock options outstanding at March 31, 2011 is as follows:

Range of exercise prices	Options Outstanding			
	Number outstanding at March 31, 2011	Weighted average remaining contractual term	Weighted average exercise price	
Yen		(years)	Yen	U.S. Dollars
1	**126,800**	17.6	1	0.01
5,110	**82,800**	4.3	5,110	61.57
5,292	**99,600**	5.3	5,292	63.76
6,837	**96,200**	3.3	6,837	82.37
8,134	**66,800**	0.3	8,134	98.00
9,072	**80,300**	1.3	9,072	109.30
12,098	**90,800**	2.3	12,098	145.76
1 to 12,098	**643,300**	5.9	6,184	74.51

The fair value of these stock options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

The Stock Acquisition Rights – the exercise price is equal to or greater than the market price of the stock on the grant date

	2011	2010	2009
Grant-date fair value	**¥ 1,096** **($ 13.20)**	1,491	955
Expected life	**4.0 years**	4.0 years	4.0 years
Risk-free interest rate	**0.21%**	0.53%	0.95%
Expected volatility	**40.22%**	38.85%	27.40%
Expected dividend yield	**1.66%**	1.66%	1.19%

The Stock Acquisition Rights – the exercise price is less than the market price of the stock on the grant date

	2011	2010	2009
Grant-date fair value	**¥ 4,213** **($ 50.76)**	4,021	5,967
Expected life	**9.6 years**	9.4 years	6.6 years
Risk-free interest rate	**1.06%**	1.28%	1.36%
Expected volatility	**39.07%**	40.62%	33.06%
Expected dividend yield	**1.21%**	1.18%	1.04%

11. Equity

Net income attributable to TDK and transfers (to) from noncontrolling interest for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2011	2010	2009	**2011**
Net income (loss) attributable to TDK	**¥ 45,264**	13,520	(63,160)	**$ 545,349**
Increase in TDK's additional paid-in capital for purchase of 7,200,000 TDK Philippines Corporation common shares	-	94	-	-
Decrease in TDK's additional paid-in capital for purchase of 2,000 TDK-Lambda (Thailand) Co., Ltd. common shares	-	(24)	-	-
Increase in TDK's additional paid-in capital for allocation of 4,150 TDK Micro Device Corporation new common shares to a third party	-	8	-	-
Decrease in TDK's additional paid-in capital for purchase of 2,785,206 EPCOS AG common shares	-	(3,306)	-	-
Net transfers (to) from noncontrolling interest	-	(3,228)	-	-
Change from net income (loss) attributable to TDK and transfers (to) from noncontrolling interest	**¥ 45,264**	10,292	(63,160)	**$ 545,349**

12. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2011	2010	2009	**2011**
Foreign currency translation adjustments:				
Balance at beginning of period	**¥ (136,285)**	(114,491)	(72,445)	**$ (1,641,987)**
Adjustments for period	**(46,720)**	(21,794)	(42,046)	**(562,892)**
Balance at end of period	**(183,005)**	(136,285)	(114,491)	**(2,204,879)**
Net unrealized gains (losses) on securities:				
Balance at beginning of period	**1,983**	(1,631)	(1,527)	**23,891**
Adjustments for period	**(548)**	3,614	(104)	**(6,602)**
Balance at end of period	**1,435**	1,983	(1,631)	**17,289**
Pension liability adjustments:				
Balance at beginning of period	**(37,790)**	(46,619)	(7,611)	**(455,302)**
Adjustments for period	**1,381**	8,829	(39,008)	**16,639**
Balance at end of period	**(36,409)**	(37,790)	(46,619)	**(438,663)**
Total accumulated other comprehensive income (loss):				
Balance at beginning of period	**(172,092)**	(162,741)	(81,583)	**(2,073,398)**
Adjustments for period	**(45,887)**	(9,351)	(81,158)	**(552,855)**
Balance at end of period	**¥ (217,979)**	(172,092)	(162,741)	**$ (2,626,253)**

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2011, 2010 and 2009, are as follows:

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
2011			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	**¥ (46,465)**	**134**	**(46,331)**
Reclassification adjustments for the portion of gains and losses realized upon sale and liquidation of investments in foreign entities	**(389)**	**-**	**(389)**
Net foreign currency translation adjustments	**(46,854)**	**134**	**(46,720)**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	**(1,276)**	**855**	**(421)**
Reclassification adjustments for (gains) losses realized in net income	**(114)**	**(13)**	**(127)**
Net unrealized gains (losses)	**(1,390)**	**842**	**(548)**
Pension liability adjustments	**2,500**	**(1,119)**	**1,381**
Other comprehensive income (loss)	**¥ (45,744)**	**(143)**	**(45,887)**
2010			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	¥ (22,193)	17	(22,176)
Reclassification adjustments for the portion of gains and losses realized upon sale and liquidation of investments in foreign entities	382	-	382
Net foreign currency translation adjustments	(21,811)	17	(21,794)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	4,570	(1,701)	2,869
Reclassification adjustments for (gains) losses realized in net income	1,253	(508)	745
Net unrealized gains (losses)	5,823	(2,209)	3,614
Pension liability adjustments	16,571	(7,742)	8,829
Other comprehensive income (loss)	¥ 583	(9,934)	(9,351)

2009			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	¥ (42,096)	(145)	(42,241)
Reclassification adjustments for the portion of gains and losses realized upon sale and liquidation of investments in foreign entities	195	-	195
Net foreign currency translation adjustments	(41,901)	(145)	(42,046)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	(6,430)	2,874	(3,556)
Reclassification adjustments for (gains) losses realized in net income	5,687	(2,235)	3,452
Net unrealized gains (losses)	(743)	639	(104)
Pension liability adjustments	(65,902)	26,894	(39,008)
Other comprehensive income (loss)	¥ (108,546)	27,388	(81,158)

	U.S. Dollars (Thousands)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
2011			
Foreign currency translation adjustments:			
Amount arising during the year on investments in foreign entities held at end of period	**$ (559,819)**	**1,614**	**(558,205)**
Reclassification adjustments for the portion of gains and losses realized upon sale and liquidation of investments in foreign entities	**(4,687)**	**-**	**(4,687)**
Net foreign currency translation adjustments	**(564,506)**	**1,614**	**(562,892)**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising for period	**(15,374)**	**10,301**	**(5,073)**
Reclassification adjustments for (gains) losses realized in net income	**(1,373)**	**(156)**	**(1,529)**
Net unrealized gains (losses)	**(16,747)**	**10,145**	**(6,602)**
Pension liability adjustments	**30,121**	**(13,482)**	**16,639**
Other comprehensive income (loss)	**$ (551,132)**	**(1,723)**	**(552,855)**

13. Leases

TDK occupies offices and other facilities under various cancellable lease agreements expiring in 2012 through 2013.

The amount of assets under capital leases and the related accumulated depreciation and amortization included in property, plant and equipment and intangible assets on the consolidated balance sheets as of March 31, 2011 and 2010 are as follows.

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Land and Buildings -cost	**¥ 3,402**	3,614	**$ 40,988**
Machinery and equipment - cost	**1,562**	1,432	**18,819**
Intangible assets - cost	**459**	592	**5,530**
Accumulated depreciation and amortization	**(1,265)**	(1,062)	**(15,241)**
Net leased assets	**¥ 4,158**	4,576	**$ 50,096**

The depreciation and amortization expense for assets under capital leases is included in the cost of sales and selling, general and administrative expenses on the consolidated statements of operations.

The following is a schedule by years of future minimum lease payments required under capital leases and operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 2011:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Capital leases	Operating leases	Capital leases	Operating leases
Year ending March 31,				
2012	¥ 1,001	¥ 5,327	$ 12,060	$ 64,181
2013	769	4,062	9,265	48,940
2014	645	3,000	7,771	36,144
2015	607	2,159	7,313	26,012
2016	591	2,265	7,121	27,289
Later years	9,656	1,468	116,337	17,687
Total minimum lease payments	¥ 13,269	¥ 18,281	$ 159,867	$ 220,253
Amounts representing interest	8,869		106,855	
Present value of net minimum lease payments	4,400		53,012	
Current portion	555		6,687	
Long-term lease liabilities (Excluding current portion)	¥ 3,845		$ 46,325	

14. Commitments and Contingent Liabilities

Commitments outstanding for the purchase of property, plant and equipment at March 31, 2011 and 2010 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Commitments outstanding for the purchase of property, plant and equipment	**¥ 22,595**	11,751	**$ 272,229**

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

The maximum amount of undiscounted payments TDK would have to make in the event of default at March 31, 2011 and 2010 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Guarantees to third parties on bank loans of employees	**¥ 3,247**	3,800	**$ 39,120**

As of March 31, 2011, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangements is not material.

Several claims against TDK are pending. 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.

15. 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 March 31, 2011 and 2010 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Forward foreign exchange contracts	**¥ 41,323**	28,141	**$ 497,867**
Currency swaps	**17,223**	15,584	**207,506**
Commodity forward transactions	**-**	85	**-**
	¥ 58,546	43,810	**$ 705,373**

Fair value of derivative financial instruments at March 31, 2011 and 2010 are as follows:

	Yen (Millions)	
	2011	
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expense and other current assets	**¥ 495**
Currency swaps	Other assets	**10**
Assets total		**¥ 505**
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	**¥ 486**
Currency swaps	Other current liabilities	**579**
Currency swaps	Other noncurrent liabilities	**37**
Liabilities total		**¥ 1,102**

	Yen (Millions)	
	2010	
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expense and other current assets	¥ 138
Currency swaps	Prepaid expense and other current assets	171
Commodity forward transactions	Prepaid expense and other current assets	9
Assets total		¥ 318
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 520
Currency swaps	Other noncurrent liabilities	134
Liabilities total		¥ 654

	U.S. Dollars (Thousands)	
	2011	
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Prepaid expense and other current assets	**$ 5,964**
Currency swaps	Other assets	**120**
Assets total		**$ 6,084**
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	**$ 5,855**
Currency swaps	Other current liabilities	**6,976**
Currency swaps	Other noncurrent liabilities	**446**
Liabilities total		**$ 13,277**

The effect of derivative financial instruments on the consolidated statements of operations for the years ended March 31, 2011, 2010 and 2009 are as follows:

		Yen (Millions)			U.S. Dollars (Thousands)
	Account	**2011**	2010	2009	**2011**
Forward foreign exchange contracts	Foreign exchange gain (loss)	**¥ 903**	(536)	218	**$ 10,879**
Currency option contracts	Foreign exchange gain (loss)	**-**	-	(18)	**-**
Currency swaps	Foreign exchange gain (loss)	**(1,149)**	478	(95)	**(13,843)**
Interest rate swaps	Interest expense	**-**	128	(157)	**-**
Commodity forward transactions	Cost of sales	**0**	167	744	**0**
		¥ (246)	237	692	**$ (2,964)**

16. Fair Value of Financial Instruments

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

(a) Cash and cash equivalents, Short-term investments, Trade receivables, Income tax receivables, Prepaid expenses and other current assets, Short-term debt, Trade payables, Accrued salaries and wages, Accrued expenses, Income taxes payables and Other current liabilities

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

(b) Marketable securities 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 March 31, 2011 and 2010, are summarized as follows:

As of March 31, 2011	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities for which it is:		
Practicable to estimate fair value	**¥ 17,736**	**17,736**
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	**22,248**	**22,248**
Not practicable to estimate fair value	**445**	**-**
Liability:		
Long-term debt, including current portion	**(146,675)**	**(148,949)**

As of March 31, 2010	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)

As of March 31, 2011	U.S. Dollars (Thousands)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities for which it is:		
Practicable to estimate fair value	**$ 213,687**	**213,687**
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	**268,048**	**268,048**
Not practicable to estimate fair value	**5,361**	**-**
Liability:		
Long-term debt, including current portion	**(1,767,169)**	**(1,794,566)**

Derivative financial instruments are presented in Note 15 of the Notes to Consolidated Financial Statements.

Limitations

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

17. Fair Value Measurements

FASB ASC 820 “Fair Value Measurements and Disclosures” defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. ASC 820 establishes a three-level fair value hierarchy for material inputs used in measuring fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that TDK has the ability to access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

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

Assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2011 and 2010 are as follows:

As of March 31, 2011	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	**¥ 999**	**-**	**-**	**¥ 999**
U.S. Treasury	**16,737**	**-**	**-**	**16,737**
Derivative contracts:				
Forward foreign exchange contracts	**-**	**495**	**-**	**495**
Currency swaps	**-**	**10**	**-**	**10**
Investments (Debt securities):				
Government bonds	**596**	**-**	**-**	**596**
Commercial papers	**-**	**75**	**-**	**75**
Public-utility bonds	**4**	**-**	**-**	**4**
Investments (Equity securities):				
Manufacturing companies	**10,337**	**-**	**-**	**10,337**
Other	**1,263**	**-**	**-**	**1,263**
Investments (Mutual funds)	**858**	**-**	**-**	**858**
Rabbi trust investments	**3,628**	**-**	**-**	**3,628**
Total	**¥ 34,422**	**580**	**-**	**¥ 35,002**
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	**¥ -**	**486**	**-**	**¥ 486**
Currency swaps	**-**	**616**	**-**	**616**
Total	**¥ -**	**1,102**	**-**	**¥ 1,102**

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

As of March 31, 2011	U.S. Dollars (Thousands)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	**$ 12,036**	**-**	**-**	**$ 12,036**
U.S. Treasury	**201,651**	**-**	**-**	**201,651**
Derivative contracts:				
Forward foreign exchange contracts	**-**	**5,964**	**-**	**5,964**
Currency swaps	**-**	**120**	**-**	**120**
Investments (Debt securities):				
Government bonds	**7,181**	**-**	**-**	**7,181**
Commercial papers	**-**	**904**	**-**	**904**
Public-utility bonds	**48**	**-**	**-**	**48**
Investments (Equity securities):				
Manufacturing companies	**124,542**	**-**	**-**	**124,542**
Other	**15,217**	**-**	**-**	**15,217**
Investments (Mutual funds)	**10,337**	**-**	**-**	**10,337**
Rabbi trust investments	**43,711**	**-**	**-**	**43,711**
Total	**$ 414,723**	**6,988**	**-**	**$ 421,711**
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	**$ -**	**5,855**	**-**	**$ 5,855**
Currency swaps	**-**	**7,422**	**-**	**7,422**
Total	**$ -**	**13,277**	**-**	**$ 13,277**

Level 1 marketable securities and investments are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Rabbi trusts investments included in other assets in which a part of 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

The fair values measured on a nonrecurring basis for the years ended March 31, 2011 and 2010 are as follows:

	Yen (Millions)			
2011	Total gains (losses) for 2011	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	**¥ (228)**	**-**	**-**	**406**
Property, plant and equipment	**(1,513)**	**-**	**-**	**2,745**

	Yen (Millions)			
2010	Total gains (losses) for 2010	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	¥ (91)	-	-	449
Property, plant and equipment	(4,403)	-	-	1,940
Intangible assets	(271)			26

	U.S. Dollars (Thousands)			
2011	Total gains (losses) for 2011	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	**$ (2,747)**	**-**	**-**	**4,892**
Property, plant and equipment	**(18,229)**	**-**	**-**	**33,072**

For the year ended March 31, 2011, investments which consist of nonmarketable securities valued using the cost method with the book value of ¥634 million ($7,639 thousand) was impaired to the fair value of ¥406 million ($4,892 thousand). 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 ¥4,258 million ($51,301 thousand) was written down to its fair value of ¥2,745 million ($33,072 thousand), as a result of the impairment. Because unobservable inputs were used for each respective fair value, it is classified as Level 3.

As a result of the above, the impairment of ¥1,741 million ($20,976 thousand) caused by other-than-temporary declines in fair values during the year ended March 31, 2011 was 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, and the book value of intangible assets of ¥297 million was 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.

As a result of the above, the impairment of ¥4,765 million caused by other-than-temporary declines in fair values during the year ended March 31, 2010 was included in consolidated statements of operations.

18. Restructuring Cost

For the year ended March 31, 2009, TDK experienced a sharp deterioration in earnings due to falling orders and a lower capacity utilization rate. Under these circumstances, TDK established in November 2008 an internal “Earnings Structure Reform Committee” as an emergency measure. The Committee had formulated measures to reform TDK’s earnings structure and implemented them steadily after obtaining the required approvals, while particularly deliberating the revision and rationalization of operating and production systems in response to falling orders. TDK recorded impairment mainly on manufacturing facilities and began reducing personnel. In line with these actions, TDK recorded an impairment, expenses related to workforce reductions and others totaled to ¥15,884 million for the year ended March 31, 2009. A breakdown includes ¥4,802 million for the Passive Components segment, ¥10,462 million for the Magnetic Application Products segment, ¥381 million for the Other and ¥239 million for the head office function section included in Corporate.

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 movement of liabilities related to restructuring activities for the years ended March 31, 2011 and 2010 are as follows:

	Yen (Millions)			
	Workforce reduction obligations	Impairment	Others	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
Noncash adjustments	84	1,630	705	2,419
March 31, 2010	¥ 427	-	268	695
Costs and expenses	**-**	**-**	**-**	**-**
Payments	**328**	**-**	**178**	**506**
Noncash adjustments	**26**	**-**	**16**	**42**
March 31, 2011	**¥ 73**	**-**	**74**	**147**
	U.S. Dollars (Thousands)			
March 31, 2010	**$ 5,145**	**-**	**3,229**	**8,374**
Costs and expenses	**-**	**-**	**-**	**-**
Payments	**3,952**	**-**	**2,145**	**6,097**
Noncash adjustments	**313**	**-**	**193**	**506**
March 31, 2011	**$ 880**	**-**	**891**	**1,771**

A breakdown of costs and expenses recorded as others mainly relates to removal costs of property and equipment and contract termination fees for both years ended March 31, 2010 and 2009.

Liabilities relating the restructuring were mainly included in accrued expenses in the consolidated balance sheets as of March 31, 2011. TDK expects that most of the accrued liabilities of ¥147 million ($1,771 thousand) recognized at March 31, 2011 will be paid by March 31, 2012.

19. Impairment of Long-Lived Assets

For the years ended March 31, 2011, 2010 and 2009, an impairment of ¥1,513 million ($18,229 thousand), ¥3,044 million and ¥8,159 million, respectively, are recorded mainly with respect to the property, plant and equipment of the Passive Components and Magnetic Application Products segments. These are the result of a reduction of the carrying value of the long-lived assets to the fair value because of a reduction in profitability derived from lower demand.

Impairment is included in selling, general and administrative expenses in the consolidated statements of operations.

For the years ended March 31, 2011, 2010 and 2009, a breakdown of the impairment includes ¥248 million ($2,988 thousand), ¥132 million and ¥1,906 million, respectively, for the Passive Components segment, ¥1,263 million ($15,217 thousand), ¥1,664 million and ¥6,212 million, respectively, for the Magnetic Application Products segment and ¥2 million ($24 thousand), ¥1,248 million and ¥41 million, respectively, for the head office function section included in Corporate.

See Note 18 “Restructuring Cost” for details on impairment recognized as part of the Earnings Structure Reform.

20. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2011 and 2010 are as follows:

	Yen (Millions)		
	2011		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	**¥ 39,108**	**14,101**	**25,007**
Customer relationships	**22,286**	**11,091**	**11,195**
Software	**17,057**	**8,559**	**8,498**
Unpatented technologies	**26,365**	**13,553**	**12,812**
Other	**5,025**	**754**	**4,271**
Total	**109,841**	**48,058**	**61,783**
Unamortized intangible assets			
Trademark	**7,355**		**7,355**
Other	**550**		**550**
Total	**¥ 7,905**		**7,905**

	Yen (Millions)		
	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

	U.S. Dollars (Thousands)		
	2011		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	**$ 471,181**	**169,892**	**301,289**
Customer relationships	**268,506**	**133,627**	**134,879**
Software	**205,506**	**103,120**	**102,386**
Unpatented technologies	**317,651**	**163,290**	**154,361**
Other	**60,542**	**9,084**	**51,458**
Total	**1,323,386**	**579,013**	**744,373**
Unamortized intangible assets			
Trademark	**88,614**		**88,614**
Other	**6,627**		**6,627**
Total	**$ 95,241**		**95,241**

Intangible assets acquisitions for the year ended March 31, 2009 primarily represent the intangible assets acquired in connection with the acquisition of EPCOS AG in the amount of ¥32,508 million (Note 22).

No significant intangible assets other than goodwill were acquired in the years ended March 31, 2011 and 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, 2 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 10 years for Other intangible assets.

Aggregate amortization expense for the years ended March 31, 2011, 2010 and 2009 was ¥13,082 million ($157,614 thousand), ¥13,972 million and ¥11,766 million, respectively. Estimated amortization expense for the next five years is: ¥11,580 million in 2012, ¥11,614 million in 2013, ¥10,507 million in 2014, ¥9,176 million in 2015 and ¥6,456 million in 2016.

The changes in the carrying amount of goodwill by segment for the years ended March 31, 2011 and 2010 are as follows:

	Yen (Millions)			
	Passive Components	Magnetic Application Products	Other	Total
March 31 , 2009				
Goodwill	¥ 28,955	24,436	3,337	56,728
Accumulated impairment losses	-	(1,530)	-	(1,530)
	28,955	22,906	3,337	55,198
Acquisitions	-	-	-	-
Impairments	-	-	-	-
Others	(80)	(303)	-	(383)
Translation adjustment	(1,390)	(1,208)	(177)	(2,775)
March 31 , 2010				
Goodwill	27,485	22,925	3,160	53,570
Accumulated impairment losses	-	(1,519)	-	(1,519)
	27,485	21,406	3,160	52,051
Acquisitions	-	-	-	-
Impairments	-	-	-	-
Others	-	-	-	-
Translation adjustment	**(1,566)**	**(1,660)**	**(337)**	**(3,563)**
March 31 , 2011				
Goodwill	**25,919**	**21,104**	**2,823**	**49,846**
Accumulated impairment losses	**-**	**(1,358)**	**-**	**(1,358)**
	¥ 25,919	**19,746**	**2,823**	**48,488**

	U.S. Dollars (Thousands)			
	Passive Components	Magnetic Application Products	Other	Total
March 31 , 2010				
Goodwill	$ 331,145	276,205	38,072	645,422
Accumulated impairment losses	-	(18,301)	-	(18,301)
	331,145	257,904	38,072	627,121
Acquisitions	-	-	-	-
Impairments	-	-	-	-
Others	-	-	-	-
Translation adjustment	**(18,868)**	**(20,000)**	**(4,060)**	**(42,928)**
March 31 , 2011				
Goodwill	**312,277**	**254,265**	**34,012**	**600,554**
Accumulated impairment losses	**-**	**(16,361)**	**-**	**(16,361)**
	$ 312,277	**237,904**	**34,012**	**584,193**

Goodwill was tested for impairment and TDK recognized an impairment of ¥1,530 million for goodwill in the Magnetic Application Products segment during the year ended March 31, 2009. The impairment charge was derived from a decline in the fair value of certain reporting unit. The fair value of the reporting unit was estimated using the present value of expected future cash flow.

21. 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 is as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2011	2010	2009	**2011**
Net income (loss) attributable to TDK available to common stockholders	**¥ 45,264**	13,520	(63,160)	**$ 545,349**

	Number of shares (Thousands)		
	2011	2010	2009
Weighted average common shares outstanding - Basic	**128,993**	128,987	128,974
Effect of dilutive stock options	**123**	97	-
Weighted average common shares outstanding - Diluted	**129,116**	129,084	128,974

	Yen			U.S. Dollars
	2011	2010	2009	**2011**
Net income (loss) attributable to TDK per share:				
Basic	**¥ 350.90**	104.82	(489.71)	**$ 4.23**
Diluted	**350.57**	104.74	(489.71)	**4.22**

For the years ended March 31, 2011, 2010 and 2009, stock options to purchase 516,500 shares, 571,200 shares and 615,500 shares, respectively, were excluded from the calculation of diluted earnings attributable to TDK per share as the effect would have been antidilutive.

22. Acquisition

EPCOS AG

On October 17, 2008 (“acquisition date”), TDK acquired 36.0 percent of the issued and outstanding common shares of EPCOS AG (“EPCOS”) by a public tender offer (“Offer”) in accordance with Business Combination Agreement (“BCA”) that TDK and EPCOS concluded on July 31, 2008.

As a result of the Offer and the acquisitions of shares outside the Offer, TDK obtained 55,993 thousand shares (84.3 percent equity interest) in EPCOS at the acquisition date, and EPCOS became a consolidated subsidiary of TDK.

EPCOS is headquartered in Munich, Germany, and is a leading manufacturer of electronic components, modules and systems. With its broad portfolio, EPCOS offers a comprehensive range of products and focuses on fast-growing and technologically demanding markets, in particular in the areas of information and communication technology, as well as automotive, industrial and consumer electronics. EPCOS and its subsidiaries have design and manufacturing locations and sales offices in Europe, Asia, and in North and South America.

TDK and EPCOS are both engaged in the electronic components business, but there is little overlap in terms of product fields or markets, and TDK expects to capture powerful synergies.

TDK acquired 23,890 thousand shares (36.0 percent equity interest) at a cost of ¥63,560 million through the Offer. Prior to the conclusion of the Offer, TDK had acquired 32,103 thousand shares of EPCOS in the market, giving it 48.3 percent equity interest at a cost of ¥79,466 million. As of the acquisition date, TDK held 55,993 thousand shares (84.3 percent equity interest) in EPCOS at a total cost of ¥143,026 million.

As a result of the successful Offer, TDK conducted an additional public tender offer from October 14, 2008 through October 27, 2008 ("Additional Offer") in accordance with the German regulations. TDK acquired an additional 7,904 thousand shares (11.5 percent equity interest) for ¥17,858 million including shares acquired outside of the Additional Offer.

As of March 31, 2009, TDK held 63,897 thousand shares (95.8 percent equity interest) in EPCOS at a total cost of ¥163,727 million, which was paid in cash. The total cost includes direct costs of ¥2,843 million.

On October 22, 2009, the squeeze out of the shares of noncontrolling interests (4.2 percent of the issued stocks) of EPCOS was completed in accordance with German Stock Corporation Act, and TDK acquired 2,785 thousand shares of EPCOS for the year ended March 31, 2010 at a total cost of ¥6,912 million ($74,323 thousand). As a result, EPCOS became a TDK's wholly owned subsidiary.

The acquisition has been accounted for by the purchase method of accounting. TDK applied equity method of accounting prior to the acquisition date.

TDK has included the results of operations of EPCOS and its subsidiaries in its consolidated financial statements since the acquisition date.

There are no significant changes in goodwill for the year ended March 31, 2010.

The preliminary allocation of the total purchase price of EPCOS to the assets acquired and liabilities assumed as of acquisition date is as follows:

	Yen (Millions)
Current assets	¥ 113,429
Property, plant and equipment	92,247
Intangible assets	32,508
Goodwill	31,097
Other assets	18,554
Total assets acquired	287,835
Current liabilities	(70,381)
Noncurrent liabilities	(46,654)
Minority interests	(7,073)
Total liabilities assumed	(124,108)
Net assets acquired	¥ 163,727

For the year ended March 31, 2010, allocation of the total purchase price of EPCOS was completed. The final allocation of total purchase price of EPCOS was not materially difference from the preliminary allocation of the total purchase price.

Of the ¥32,508 million of acquired intangible assets, ¥4,149 million was assigned to registered trademarks that are not subject to amortization and ¥799 million was assigned to in-process research and development assets that were written off at the acquisition date. Those write-offs are included in selling, general and administrative expenses. In-process research and development assets are defined as those projects that had not reached technological feasibility and had no alternative future use when acquired. The remaining ¥27,560 million of acquired intangible assets have a weighted average useful life of approximately 5.7 years. The intangible assets that make up that amount include technology of ¥12,698 million (7.0-year weighted average useful life), customer relationship of ¥12,084 million (4.5-year weighted average useful life), patents and licenses of ¥2,220 million (6.0-year weighted average useful life), order backlog of ¥434 million (0.3-year weighted average useful life) and other intangible assets of ¥124 million. The ¥31,097 million of goodwill is expected to be nondeductible for tax purposes.

Pro Forma Results

The following unaudited Pro Forma result presents the combined results of operations of TDK and EPCOS as if the acquisition had occurred at the beginning of the reporting period being presented. The unaudited Pro Forma result is not intended to represent or be indicative of TDK's consolidated results of operations that would have been reported had the acquisition been completed as of the beginning of the periods presented and should not be taken as indicative of the TDK's future consolidated results of operations.

(Unaudited)	Yen (Millions)
	2009
Net sales	¥ 849,250
Net income (loss) attributable to TDK	(64,180)
	Yen
	2009
Net income (loss) per share attributable to TDK:	
Basic	¥ (497.62)
Diluted	(497.62)

23. Related Party Transaction

Receivables and payables include the following balances with affiliated companies at March 31, 2011 and 2010:

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Due from	**¥ 2,505**	2,681	**$ 30,181**
Due to	**3,742**	4,993	**45,084**

Payables at March 31, 2011 and 2010 included lease obligation of ¥2,312 million ($27,855 thousand) and ¥2,557 million.

Purchases, research and development expenses, patent fee, interest expense, and sales transactions with affiliated companies for the years ended March 31, 2011, 2010 and 2009 are as follows:

	Yen (Millions)			U.S. Dollars (Thousands)
	2011	2010	2009	**2011**
Gross purchase	**¥ 18,882**	20,563	28,978	**$ 227,494**
Less raw materials sold with no mark-up	**(11,801)**	(13,232)	(20,157)	**(142,181)**
Net purchases	**7,081**	7,331	8,821	**85,313**
Research and development expenses and patent fee	**1,442**	1,634	1,786	**17,373**
Interest expense	**335**	234	-	**4,036**
Sales	**3,264**	4,448	9,253	**39,325**

24. Supplementary Information

	Yen (Millions)			U.S. Dollars (Thousands)
	2011	2010	2009	**2011**
(a) Statements of Operations				
Research and development	**¥ 52,973**	53,942	57,645	**$ 638,229**
Rent	**7,232**	7,893	8,431	**87,133**
Maintenance and repairs	**21,870**	18,982	13,799	**263,494**
Advertising costs	**2,966**	2,363	3,178	**35,735**
(b) Statements of Cash Flows				
Cash paid during year for:				
Interest	**¥ 2,845**	4,039	2,106	**$ 34,277**
Income taxes	**13,093**	(9,733)	22,539	**157,747**

Noncash activities

For the year ended March 31, 2011, there were no material noncash investing and financing activities.

For the year ended March 31, 2010, ¥3,425 million of assets were acquired through capital leases.

For the year ended March 31, 2009, the acquisition of subsidiaries resulted in assuming ¥23,514 million of short-term debt and ¥14,125 million of long-term debt.

25. Segment Information

Business Segment Information

Operating segments are components of TDK for which discrete financial information is available and whose operating results are regularly reviewed by management to make decisions about resources to be allocated to the segment and assess its performance.

Multiple operating segments that have similarities, including type and nature of products, production process, market and so on, are aggregated into the Passive Components segment 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 years ended March 31, 2011 and 2010 are as follows:

Net sales

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Passive Components:			
External customers	**¥ 431,111**	364,805	**$ 5,194,108**
Intersegment	**2,810**	86	**33,856**
Total	**433,921**	364,891	**5,227,964**
Magnetic Application Products:			
External customers	**368,481**	383,740	**4,439,530**
Intersegment	**4,985**	3,737	**60,060**
Total	**373,466**	387,477	**4,499,590**
Other:			
External customers	**76,145**	60,313	**917,410**
Intersegment	**13,620**	8,143	**164,096**
Total	**89,765**	68,456	**1,081,506**
Intersegment eliminations	**(21,415)**	(11,966)	**(258,012)**
Consolidated total	**¥ 875,737**	808,858	**$ 10,551,048**

Segment profit (loss)

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Passive Components	**¥ 24,722**	(10,251)	**$ 297,855**
Magnetic Application Products	**46,931**	46,746	**565,434**
Other	**5,492**	5,190	**66,169**
Sub total	**77,145**	41,685	**929,458**
Corporate and Eliminations	**(13,303)**	(15,911)	**(160,277)**
Operating income	**63,842**	25,774	**769,181**
Other income (deductions), net	**(3,777)**	(3,867)	**(45,506)**
Income before income taxes	**¥ 60,065**	21,907	**$ 723,675**

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) was determined principally using the accounting principles of countries where components of operating segments were located for the year ended March 31, 2010. The method of measurement of Segment profit (loss) was changed during the year ended March 31, 2011. The Segment profit (loss) information for the year ended March 31, 2010 has been restated to conform to the presentation for the year ended March 31, 2011. TDK elected not to restate and is not providing comparable Segment profit (loss) information for the year ended March 31, 2009.

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

Assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Passive Components	**¥ 489,339**	477,152	**$ 5,895,650**
Magnetic Application Products	**401,818**	418,456	**4,841,181**
Other	**78,712**	68,342	**948,337**
Corporate and Eliminations	**90,984**	127,508	**1,096,193**
Consolidated total	**¥ 1,060,853**	1,091,458	**$ 12,781,361**

Corporate mainly includes cash and cash equivalents and property, plant and equipment for general corporate use, and deferred tax assets that are not allocated to operating segments.

Depreciation and amortization (including Intangible assets other than Goodwill)

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Passive Components	**¥ 37,809**	40,221	**$ 455,530**
Magnetic Application Products	**30,825**	35,425	**371,386**
Other	**4,243**	3,657	**51,120**
Corporate and Eliminations	**4,717**	4,485	**56,831**
Consolidated total	**¥ 77,594**	83,788	**$ 934,867**

Capital expenditure

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Passive Components	**¥ 38,219**	29,003	**$ 460,470**
Magnetic Application Products	**27,781**	22,997	**334,711**
Other	**8,365**	4,055	**100,783**
Corporate and Eliminations	**4,273**	8,315	**51,482**
Consolidated total	**¥ 78,638**	64,370	**$ 947,446**

Geographic Segment Information

The geographic segment information for the years ended March 31, 2011 and 2010 are as follows:

Net sales

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Japan	**¥ 110,930**	103,984	**$ 1,336,506**
Americas	**89,627**	82,065	**1,079,844**
Europe	**128,614**	112,167	**1,549,566**
China	**275,960**	263,558	**3,324,819**
Asia and others	**270,606**	247,084	**3,260,313**
Consolidated total	**¥ 875,737**	808,858	**$ 10,551,048**

Net sales are based on the location of the customers.

Major countries in each geographic area (except for Japan):
(1) Americas .... United States of America
(2) Europe .... Germany, Italy, Hungary
(3) Asia and others .... Thailand, Taiwan, Korea, Malaysia

Property, plant and equipment

	Yen (Millions)		U.S. Dollars (Thousands)
	2011	2010	**2011**
Japan	**¥ 149,571**	154,950	**$ 1,802,060**
Americas	**14,228**	15,910	**171,422**
Europe	**54,183**	54,920	**652,807**
China	**68,884**	61,806	**829,928**
Asia and others	**31,537**	30,619	**379,964**
Total	**¥ 318,403**	318,205	**$ 3,836,181**

Major countries in each geographic area (except for Japan):
(1) Americas .... United States of America
(2) Europe .... Germany, Austria, Iceland
(3) Asia and others .... Thailand, Singapore

Sales to major customers

For the years ended March 31, 2011 and 2010, there was one customer group and were two customer groups, respectively, that accounted for more than 10% of consolidated net sales. The net sales to one customer group for the years ended March 31, 2011 and 2010, respectively, were approximately ¥105.0 billion ($1,265.1 million) and ¥100.0 billion. The net sales to the other customer group for the year ended March 31, 2010 were approximately ¥89.0 billion.

The net sales to each customer group are included mainly in Magnetic Application Products segment and Passive Components segment.

VI. Outline of filing company's business concerning shares

Business year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Number of shares consisting one unit	100 shares
Purchase demands or additional purchase requests of shares less than one unit:	
Office for handling business	(Special Account) Head office, The Chuo Mitsui Trust and Banking Company, Limited 3-33-1, Shiba, Minato-ku, Tokyo, Japan
Administrator of shareholder registry	(Special Account) The Chuo Mitsui Trust and Banking Company, Limited 3-33-1, Shiba, Minato-ku, Tokyo, Japan
Forwarding office	–
Handling charge for purchase	Amount separately specified as an amount equivalent to the fees pertaining to the entrustment of sale and purchase of shares
Method of public notice	Electronic public notice will be made. However, if TDK is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice on "The Nikkei" newspaper. Electronic public notice will be notified on TDK's website (http://www.tdk.co.jp).
Special benefits for shareholders	None

Note: Pursuant to the provisions of TDK's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following: (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to request to TDK in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to TDK to sell shares less than one unit.

VII. Reference information on filing company

1. Information on filing company's parent company

TDK does not have a parent company.

B. INFORMATION ON GUARANTEE COMPANIES, ETC. OF FILING COMPANY

No items to report

Independent Auditors' Report

The Board of Directors
TDK Corporation:

We have audited the accompanying consolidated balance sheets of TDK Corporation and subsidiaries (the "Company") as of March 31, 2011 and 2010, and the related consolidated statements of operations, equity, and cash flows for each of the years in the three-year period ended March 31, 2011, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of EPCOS AG, a wholly owned subsidiary, and its subsidiaries, which financial statements reflect total assets constituting 19.3 percent and 17.9 percent as of March 31, 2011 and 2010, respectively, and total revenues constituting 23.9 percent, 20.9 percent and 9.3 percent for each of the years in the three-year period ended March 31, 2011, respectively, of the related consolidated totals. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for EPCOS AG and its subsidiaries, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our report dated July 22, 2010, we expressed an opinion that the consolidated financial statements for the year ended March 31, 2009 presented fairly, in all material respects, the financial position, results of operations and cash flows of TDK Corporation and subsidiaries in conformity with U.S. generally accepted accounting principles. As described in Note 25, during the year ended March 31, 2011, the Company changed the method of measurement of segment profit and loss, but did not restate and declined to present segment information for the year ended March 31, 2009. In our opinion, disclosures of segment and related information about the different types of business activities in which the Company engages and the different economic environments in which it operates are required by U.S. generally accepted accounting principles. The omission of segment information results in an incomplete presentation of the Company's consolidated financial statements. Accordingly, our present opinion on the consolidated financial statements for the year ended March 31, 2009, as presented herein, is qualified rather than unqualified.

In our opinion, based on our audits and the report of the other auditors, except for the omission of segment information as discussed in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TDK Corporation and subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended March 31, 2011, in conformity with U.S. generally accepted accounting principles.

The accompanying consolidated financial statements as of and for the year ended March 31, 2011 have been translated into United States dollars solely for convenience of the reader. We have audited the translation and, in our opinion, the consolidated financial statements, expressed in Japanese yen, have been translated into United States dollars on the basis set forth in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

Tokyo, Japan
July 22, 2011

Management's Annual Report on Internal Control over Financial Reporting

1. Matters relating to the basic framework for internal control over financial reporting

President & Representative Director Takehiro Kamigama, and Chief Financial Officer Takakazu Momozuka of TDK Corporation ("TDK") are responsible for designing and operating effective internal control over financial reporting of TDK and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting (Council Opinion)" released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2011, which is the end of the current fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this evaluation, we selected business processes to be tested. In assessing the business processes, we analyzed these selected business processes, identified key controls that may have a material impact on the reliability of TDK's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of TDK.

We determined the scope of assessment of internal control over financial reporting, covering TDK, consolidated subsidiaries and equity-method affiliates and deemed necessary from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls covering all locations and business units except for consolidated subsidiaries and equity-method affiliates whose materiality of such impacts were deemed immaterial, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and/or business units to be tested in descending order of sales for the previous fiscal year, and the locations and/or business units whose combined sales volume reaches approximately two thirds of consolidated sales amount were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of TDK. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of the current fiscal year, we concluded that TDK's internal control over financial reporting was effectively maintained.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.