



Consolidated Financial Statements
for the three-month period ended June 30, 2011
and June 30, 2010 (in English)

On August 10, 2011, this report in the Japanese version was filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to Japan's Financial Instruments and Exchange Act.

[ThisisanEnglishtranslationpreparedfortheconvenienceofnon-residentshareholders. Shouldthere beanyinconsistencybetweenthe translationandtheofficialJapanesetext,thelattershallprevail.]

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Companyname(English): TDKCORPORATION

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1) Consolidated balance sheets (Unaudited)

| ASSETS | Yen (Millions) | |
|---|----------------|----------------|
| | June 30, 2011 | March 31, 2011 |
| Current assets: | | |
| Cash and cash equivalents | ¥ 148,648 | 129,091 |
| Short-term investments | 12,336 | 50,803 |
| Marketable securities (Note 2) | 19,691 | 17,736 |
| Net trade receivables | 161,250 | 165,242 |
| Inventories (Note 4) | 135,978 | 121,679 |
| Other current assets | 48,388 | 42,331 |
| Total current assets | 526,291 | 526,882 |
| Investments in securities (Notes 2 and 3) | 38,073 | 34,117 |
| Net property, plant and equipment | 328,072 | 318,403 |
| Goodwill and other intangible assets (Note 11) | 115,032 | 118,176 |
| Other assets | 58,249 | 63,275 |
| | ¥ 1,065,717 | 1,060,853 |

See accompanying notes to consolidated financial statements.

Yen (Millions)

| LIABILITIES AND EQUITY | June 30, 2011 | March 31, 2011 |
|---|----------------------|----------------|
| Current liabilities: | | |
| Short-term debt | ¥ 106,624 | 98,294 |
| Current installments of long-term debt | 55,981 | 55,968 |
| Trade payables | 94,565 | 83,555 |
| Accrued expenses (Note 10) | 70,977 | 72,966 |
| Other current liabilities | 17,730 | 16,913 |
| Total current liabilities | 345,877 | 327,696 |
| Long-term debt, excluding current installments | 88,161 | 90,707 |
| Retirement and severance benefits | 77,708 | 80,036 |
| Other noncurrent liabilities | 21,590 | 22,648 |
| Total liabilities | 533,336 | 521,087 |
| TDK stockholders' equity: | | |
| Common stock | | |
| Authorized 480,000,000 shares; | | |
| issued 129,590,659 shares at June 30, 2011 and March 31, 2011 | | |
| outstanding 128,999,526 shares at June 30, 2011 and | | |
| 128,995,921 shares at March 31, 2011 | | |
| | 32,641 | 32,641 |
| Additional paid-in capital | 61,383 | 61,258 |
| Legal reserve | 22,026 | 21,459 |
| Retained earnings | 639,713 | 643,025 |
| Accumulated other comprehensive income (loss) (Note 12) | (222,684) | (217,979) |
| Treasury stock at cost; | | |
| 591,133 shares at June 30, 2011 and 594,738 shares | | |
| at March 31, 2011 | | |
| | (6,092) | (6,131) |
| Total TDK stockholders' equity | 526,987 | 534,273 |
| Noncontrolling interests (Note 12) | 5,394 | 5,493 |
| Total equity | 532,381 | 539,766 |
| | ¥ 1,065,717 | 1,060,853 |

2) Consolidated statements of income (Unaudited)

| | Yen (Millions) | |
|---|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 |
| Net sales | ¥ 206,771 | 221,925 |
| Cost of sales | 157,443 | 164,790 |
| Gross profit | 49,328 | 57,135 |
| Selling, general and administrative expenses | 43,685 | 36,926 |
| Operating income | 5,643 | 20,209 |
| Other income (deductions): | | |
| Interest and dividend income | 358 | 355 |
| Interest expense | (765) | (652) |
| Foreign exchange gain (loss) | (602) | (1,131) |
| Other - net | (1,312) | 37 |
| | (2,321) | (1,391) |
| Income before income taxes | 3,322 | 18,818 |
| Income taxes | 906 | 4,332 |
| Net income | 2,416 | 14,486 |
| Less: Net income (loss) | | |
| attributable to noncontrolling interests | (7) | (37) |
| Net income attributable to TDK | ¥ 2,423 | 14,523 |

Amounts per share:

| | Yen | |
|---|----------------|--------|
| Net income attributable to TDK per share (Note 13): | | |
| Basic | ¥ 18.78 | 112.59 |
| Diluted | 18.77 | 112.50 |
| Cash dividends paid during the period | ¥ 40.00 | 30.00 |

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

| | Yen (Millions) | |
|---|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 |
| Cash flows from operating activities: | | |
| Net income | ¥ 2,416 | 14,486 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 18,671 | 18,789 |
| Changes in assets and liabilities, net of effects of acquisition of businesses: | | |
| Decrease (increase) in trade receivables | 393 | (5,104) |
| Decrease (increase) in inventories | (16,008) | (12,455) |
| Increase (decrease) in trade payables | 13,713 | 7,545 |
| Increase (decrease) in accrued expenses | (3,682) | (5,692) |
| Increase (decrease) in changes in other assets and liabilities, net | (3,584) | 3,319 |
| Other - net | 2,123 | 208 |
| Net cash provided by operating activities | <u>14,042</u> | <u>21,096</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (26,786) | (13,860) |
| Proceeds from sale and maturity of short-term investments | 39,773 | 42,722 |
| Payment for purchase of short-term investments | (2,495) | (30,136) |
| Payment for purchase of securities | (3,126) | (82) |
| Other - net | (31) | 68 |
| Net cash provided by (used in) investing activities | <u>7,335</u> | <u>(1,288)</u> |
| Cash flows from financing activities: | | |
| Repayment of long-term debt | (2,679) | (2,832) |
| Increase (decrease) in short-term debt, net | 8,619 | 2,063 |
| Dividends paid | (4,972) | (3,760) |
| Other - net | 13 | 422 |
| Net cash provided by (used in) financing activities | <u>981</u> | <u>(4,107)</u> |
| Effect of exchange rate changes on cash and cash equivalents | (2,801) | (7,535) |
| Net increase (decrease) in cash and cash equivalents | <u>19,557</u> | <u>8,166</u> |
| Cash and cash equivalents at beginning of period | 129,091 | 132,984 |
| Cash and cash equivalents at end of period | <u>¥ 148,648</u> | <u>141,150</u> |

See accompanying notes to consolidated financial statements.

4) Notes to Consolidated Financial Statements (Unaudited)

1. Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

(b) Consolidation Policy

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

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

(c) Subsequent Events

TDK has evaluated the subsequent events through August 9, 2011, the date on which the financial statements are available to be issued.

(d) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements and quarterly consolidated financial statements to conform to the presentation used for the three-month ended June 30, 2011.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at June 30, 2011 and March 31, 2011, are as follows:

| | Yen (Millions) | |
|------------------------------------|----------------|----------------|
| | June 30, 2011 | March 31, 2011 |
| Marketable securities | ¥19,691 | 17,736 |
| Investments in securities: | | |
| Long-term marketable securities | 20,317 | 13,133 |
| Nonmarketable securities | 833 | 850 |
| Investments in affiliates (Note 3) | 16,923 | 20,134 |
| Total investments in securities | 38,073 | 34,117 |
| Total | ¥57,764 | 51,853 |

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities at June 30, 2011 and March 31, 2011, are as follows:

| As of June 30, 2011 | Cost | Yen (Millions) | | Fair Value |
|--|---------|--------------------------------|---------------------------------|------------|
| | | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | |
| Marketable securities (Debt securities): | | | | |
| Government bonds | ¥999 | 1 | 0 | 1,000 |
| U.S. Treasury | 18,675 | 16 | - | 18,691 |
| Investments (Debt securities): | | | | |
| Government bonds | 596 | 1 | - | 597 |
| Commercial papers | 58 | 8 | - | 66 |
| Public-utility bonds | 4 | - | - | 4 |
| Investments (Equity securities): | | | | |
| Manufacturing companies | 16,720 | 3,298 | 2,485 | 17,533 |
| Other | 1,172 | 30 | 35 | 1,167 |
| Investments (Mutual funds) | 925 | 29 | 4 | 950 |
| Total | ¥39,149 | 3,383 | 2,524 | 40,008 |

| As of March 31, 2011 | Cost | Yen (Millions) | | Fair Value |
|--|---------|--------------------------------|---------------------------------|------------|
| | | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | |
| Marketable securities (Debt securities): | | | | |
| Government bonds | ¥998 | 1 | 0 | 999 |
| U.S. Treasury | 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 |

Debt securities classified as available-for-sale at June 30, 2011 have a weighted average remaining term of 0.6 years.

The proceeds from sale and maturity of available-for-sale securities are ¥33 million and ¥13 million for the three-month ended June 30, 2011 and 2010, respectively. The gross realized losses on the sale and settlement of available-for-sale securities are ¥1 million for the three-month ended June 30, 2010. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥690 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the three-month ended June 30, 2011. TDK recorded an impairment of ¥122 million on certain non-marketable securities representing other-than-temporary declines in the fair value for the three-month ended June 30, 2010.

At June 30, 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 June 30, 2011 and March 31, 2011 totaled ¥833 million and ¥850 million, respectively, and all of those securities as of June 30, 2011 and a part of those securities as of March 31, 2011 were not evaluated for impairment because (a) TDK did not estimate the fair value of those investments as it was not practicable to estimate the fair value of the investment and (b) TDK did not identify any events or changes in circumstances that might have had significant adverse effect on the fair value of those investments.

As of June 30, 2011, certain debt securities in the amount of ¥1,597 million were pledged as collateral for extended customs duty payments to Tokyo and Other Customs.

3. Investments in Affiliates

In June 2011, TDK sold a part of shares of common stock of Imation Corp. Neither the loss nor the proceeds from sale of the shares were not material.

As a result, proportion of ownership interest of Imation Corp. by TDK and its subsidiaries decreased under 20%, and according to Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 323 “Investments – Equity Method and Joint Ventures,” TDK excluded Imation Corp. from equity-method affiliates.

4. Inventories

Inventories at June 30, 2011 and March 31, 2011, are summarized as follows:

| | Yen (Millions) | |
|-----------------|----------------|----------------|
| | June 30, 2011 | March 31, 2011 |
| Finished goods | ¥57,559 | 51,074 |
| Work in process | 28,035 | 27,242 |
| Raw materials | 50,384 | 43,363 |
| Total | ¥135,978 | 121,679 |

5. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK’s employee retirement and severance defined benefit plans for the three-month ended June 30, 2011 and June 30, 2010 consisted of the following components:

| | Yen (Millions) | |
|---|----------------------------------|----------------------------------|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 |
| Service cost - benefit earned during the period | ¥1,526 | 1,808 |
| Interest cost on projected benefit obligation | 1,347 | 1,419 |
| Expected return on plan assets | (856) | (927) |
| Amortization of actuarial loss | 946 | 1,083 |
| Amortization of prior service benefit | (508) | (518) |
| Settlement loss | 3,216 | - |
| Total | ¥5,671 | 2,865 |

6. Contingent Liabilities

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

The maximum amounts of undiscounted payments TDK would have to make in the event of default at June 30, 2011 and March 31, 2011, are as follows:

| | Yen (Millions) | |
|---|----------------|----------------|
| | June 30, 2011 | March 31, 2011 |
| Contingent liabilities for guarantees of loans of TDK's employees | ¥3,103 | 3,247 |

As of June 30, 2011, the liability recognized for the obligation under the guarantee arrangement is not material.

Several claims against TDK and certain subsidiaries are pending. Provision has been made for the estimated liabilities for these 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.

7. Risk Management Activities and Derivative Financial Instruments

TDK operates internationally and is exposed to the risk of changes in foreign exchange rates and interest rates as well as changes in raw material prices. TDK assesses these risks by continuously monitoring changes in exchange rates, interest rates and raw material prices and by evaluating hedging opportunities. Derivative financial instruments are utilized to reduce these risks. TDK does not issue 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. Also, TDK uses commodity forward transactions in order to control the fluctuation risk of raw material prices. Although these contracts have not been designated as hedges, which is required to apply hedge accounting, TDK considers they are effective as hedges from the economic viewpoint. The fair values of these undesignated contracts are recognized as income or expenses as incurred.

Notional amounts of derivative financial instruments at June 30, 2011 and March 31, 2011, are as follows:

| | Yen (Millions) | |
|------------------------------------|----------------|----------------|
| | June 30, 2011 | March 31, 2011 |
| Forward foreign exchange contracts | ¥28,108 | 41,323 |
| Currency swaps | 16,846 | 17,223 |
| | ¥44,954 | 58,546 |

Fair value of derivative financial instruments at June 30, 2011 and March 31, 2011 are as follows:

| | | Yen (Millions) | |
|------------------------------------|------------------------------|----------------------------|-----------|
| | | As of June 30, 2011 | |
| | | Account | Fairvalue |
| Assets: | | | |
| Forward foreign exchange contracts | Other current assets | | ¥232 |
| Currency swaps | Other assets | | 15 |
| Total assets | | | ¥247 |
| Liabilities: | | | |
| Forward foreign exchange contracts | Other current liabilities | | ¥152 |
| Currency swaps | Other current liabilities | | 53 |
| Currency swaps | Other noncurrent liabilities | | 50 |
| Total liabilities | | | ¥255 |

| | | Yen (Millions) | |
|------------------------------------|------------------------------|-----------------------------|-----------|
| | | As of March 31, 2011 | |
| | | Account | Fairvalue |
| Assets: | | | |
| Forward foreign exchange contracts | Other current assets | | ¥495 |
| Currency swaps | Other assets | | 10 |
| Total assets | | | ¥505 |
| Liabilities: | | | |
| Forward foreign exchange contracts | Other current liabilities | | ¥486 |
| Currency swaps | Other current liabilities | | 579 |
| Currency swaps | Other noncurrent liabilities | | 37 |
| Total liabilities | | | ¥1,102 |

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended June 30, 2011 and June 30, 2010 are as follows:

| | | Three months ended June 30, 2011 | |
|------------------------------------|-----------------------------|---|----------------|
| | | Account | Yen (Millions) |
| Forward foreign exchange contracts | Foreign exchange gain(loss) | | ¥105 |
| Currency swaps | Foreign exchange gain(loss) | | (241) |
| | | | ¥(136) |

| | | Three months ended June 30, 2010 | |
|------------------------------------|-----------------------------|----------------------------------|----------------|
| | | Account | Yen (Millions) |
| Forward foreign exchange contracts | Foreign exchange gain(loss) | | ¥(435) |
| Currency swaps | Foreign exchange gain(loss) | | 577 |
| Commodity forward transactions | Cost of sales | | 0 |
| | | | ¥142 |

8. Fair Value of Financial Instruments

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

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

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

(b) Marketable securities and Investments in securities

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

(c) Long-term debt

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

The carrying amounts and estimated fair values of TDK's financial instruments at June 30, 2011 and March 31, 2011, are summarized as follows:

| <u>A of June 30, 2011</u> | Yen (Millions) | |
|--|-----------------|----------------------|
| | Carrying amount | Estimated fair value |
| Assets: | | |
| Marketable securities for which it is practicable to estimate fair value | ¥19,691 | 19,691 |
| Investments in securities and other assets for which it is: | | |
| Practicable to estimate fair value | 28,868 | 28,868 |
| Not practicable to estimate fair value | 834 | - |
| Liability: | | |
| Long-term debt, including current portion | (144,142) | (146,472) |
| | | |
| <u>A of March 31, 2011</u> | 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) |

Derivative financial instruments are represented in Note 7 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.

9. Fair Value Measurements

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

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

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

Level 3: Unobservable inputs for the asset or liability.

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

Assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2011 and March 31, 2011 are as follows:

| <u>AsofJune30,2011</u> | Yen(Millions) | | | |
|--|---------------|--------|--------|---------|
| | Level1 | Level2 | Level3 | Total |
| Assets: | | | | |
| Marketable securities (Debt securities): | | | | |
| Government bonds | ¥1,000 | - | - | ¥1,000 |
| U.S. Treasury | 18,691 | - | - | 18,691 |
| Derivative contracts: | | | | |
| Forward foreign exchange contracts | - | 232 | - | 232 |
| Currency swaps | - | 15 | - | 15 |
| Investments (Debt securities): | | | | |
| Government bonds | 597 | - | - | 597 |
| Commercial papers | - | 66 | - | 66 |
| Public-utility bonds | 4 | - | - | 4 |
| Investments (Equity securities): | | | | |
| Manufacturing companies | 17,533 | - | - | 17,533 |
| Other | 1,167 | - | - | 1,167 |
| Investments (Mutual funds) | 950 | - | - | 950 |
| Rabbit trust investments | 3,571 | - | - | 3,571 |
| Total | ¥43,513 | 313 | - | ¥43,826 |
| Liabilities: | | | | |
| Derivative contracts: | | | | |
| Forward foreign exchange contracts | ¥ - | 152 | - | ¥152 |
| Currency swaps | - | 103 | - | 103 |
| Total | ¥ - | 255 | - | ¥255 |
| | | | | |
| <u>AsofMarch31,2011</u> | Yen(Millions) | | | |
| | Level1 | Level2 | Level3 | 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 |
| Rabbit 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 |

Level 1 marketable securities and investments are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Rabbit trust investments included in other assets in which a part of employees' salary is deposited is valued using unadjusted quoted prices in inactive markets.

Level 2 derivative contracts include forward foreign exchange contracts and currency swaps and are valued based on quotes obtained from counterparties and are verified using observable market inputs, such as foreign currency exchange rates. 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 three-month ended June 30, 2010 are as follows:

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

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

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

10. Restructuring Cost

For the year ended March 31, 2010, TDK continued to deliberate the revision and rationalization of operations and production system as part of structural reforms, and implemented them steadily.

The movement of liabilities related to restructuring activities for the year ended March 31, 2011 and the three-month ended June 30, 2011 are as follows:

| | Yen (Millions) | | | |
|-----------------------|---------------------------------------|------------|-----------|-------------|
| | Workforce reduction obligations | Impairment | Others | Total |
| March 31, 2010 | ¥427 | - | 268 | ¥695 |
| Costs and expenses | - | - | - | - |
| Payments | 328 | - | 178 | 506 |
| Non-cash adjustments | 26 | - | 16 | 42 |
| March 31, 2011 | ¥73 | - | 74 | ¥147 |
| Costs and expenses | - | - | - | - |
| Payments | 28 | - | 30 | 58 |
| Non-cash adjustments | 0 | - | 2 | 2 |
| June 30, 2011 | ¥45 | - | 42 | ¥87 |

A breakdown of costs and expenses recorded as other mainly relate to removal costs of property and equipment and contract termination fees.

Liabilities relating to restructuring were mainly included in accrued expenses in the consolidated balance sheets as of June 30, 2011. TDK expects that the accrued liabilities of ¥87 million recognized at June 30, 2011 will be paid by March 31, 2012.

11. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at June 30, 2011 and March 31, 2011 are as follows:

| | Yen (Millions) | | |
|--------------------------------|-----------------------|--------------------------|----------------|
| | As of June 30, 2011 | | |
| | Gross Carrying Amount | Accumulated Amortization | Net Amount |
| Amortized intangible assets: | | | |
| Patent | ¥39,089 | 15,085 | ¥24,004 |
| Customer relationships | 22,203 | 11,754 | 10,449 |
| Software | 17,918 | 9,079 | 8,839 |
| Unpatented technologies | 26,134 | 14,278 | 11,856 |
| Other | 4,918 | 764 | 4,154 |
| Total | ¥110,262 | 50,960 | ¥59,302 |
| Unamortized intangible assets: | | | |
| Trademark | ¥7,335 | | ¥7,335 |
| Other | 552 | | 552 |
| Total | ¥7,887 | | ¥7,887 |
| | Yen (Millions) | | |
| | As of March 31, 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 |

No significant intangible assets other than goodwill were acquired in the three-month period ended June 30, 2011 and the year ended March 31, 2011. Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives to their estimated residual value of zero. Aggregate amortization expense for the three-month period ended June 30, 2011 was ¥3,236 million.

There are no significant changes in the carrying amount of goodwill by segment for the three-month period ended June 30, 2011.

12. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the three-month ended June 30, 2011 and June 30, 2010 are as follows:

| | Yen (Millions) | | |
|---|----------------------|--------------------------|-----------------|
| | Stockholders' equity | Noncontrolling interests | Total equity |
| March 31, 2011 | ¥534,273 | 5,493 | ¥539,766 |
| Equity transaction of consolidated subsidiaries and other | 156 | - | 156 |
| Comprehensive income (loss): | | | |
| Net income (loss) | 2,423 | (7) | 2,416 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustments | (6,884) | (22) | (6,906) |
| Pension liability adjustments | 3,094 | 0 | 3,094 |
| Net unrealized gains (losses) on securities | (915) | 0 | (915) |
| Other comprehensive income (loss), net of tax | (4,705) | (22) | (4,727) |
| Total comprehensive income (loss), net of tax: | (2,282) | (29) | (2,311) |
| Dividends | (5,160) | (70) | (5,230) |
| June 30, 2011 | ¥526,987 | 5,394 | ¥532,381 |
| | | | |
| | Yen (Millions) | | |
| | Stockholders' equity | Noncontrolling interests | Total equity |
| March 31, 2010 | ¥543,756 | 5,913 | ¥549,669 |
| Equity transaction of consolidated subsidiaries and other | 72 | - | 72 |
| Comprehensive income (loss): | | | |
| Net income (loss) | 14,523 | (37) | 14,486 |
| Other comprehensive income (loss), net of tax: | | | |
| Foreign currency translation adjustments | (37,519) | 107 | (37,412) |
| Pension liability adjustments | (10) | (2) | (12) |
| Net unrealized gains (losses) on securities | (1,420) | 0 | (1,420) |
| Other comprehensive income (loss), net of tax | (38,949) | 105 | (38,844) |
| Total comprehensive income (loss), net of tax: | (24,426) | 68 | (24,358) |
| Dividends | (3,870) | - | (3,870) |
| June 30, 2010 | ¥515,532 | 5,981 | ¥521,513 |

13. Net Income Attributable to TDK per Share

Reconciliation of the numerators and denominators of the basic and diluted net income attributable to TDK per share computations are as follows:

| | Yen (Millions) | |
|---|-------------------------------------|-------------------------------------|
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 |
| Net income attributable to TDK | ¥2,423 | 14,523 |
| | Number of shares (Thousands) | |
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 |
| Weighted average common shares outstanding—Basic | 128,997 | 128,992 |
| Effect of dilutive stock options | 125 | 100 |
| Weighted average common shares outstanding—Diluted | 129,122 | 129,092 |
| | Yen | |
| | Three months ended June 30, 2011 | Three months ended June 30, 2010 |
| Net income attributable to TDK per share: | | |
| Basic | ¥18.78 | 112.59 |
| Diluted | ¥18.77 | 112.50 |

14. 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 these segments and assess its performance.

Multiple operating segments that have similarities, including type and nature of products, production process, market and so on, are aggregated into the Passive Components segment and the Magnetic Application Products segment. Operating segments which are not reportable segments are included within the Other.

Principal businesses of each segment are as follows :

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

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

The business segment information for the three-month ended June 30, 2011 and June 30, 2010 are as follows:

Certain products are reclassified from "Passive Components" to "Other (other than reportable segments)" due to reorganization in the three-month ended June 30, 2011. The sales and profit for the three-month ended June 30, 2010 are also reclassified to conform to the new segmentation.

Netsales

| | Yen (Millions) | |
|--------------------------------|---------------------------------|---------|
| | Three-month ended June 30, 2011 | 2010 |
| Passive Components: | | |
| External customers | ¥101,710 | 104,702 |
| Intersegment | 826 | 546 |
| Total | 102,536 | 105,248 |
| Magnetic Application Products: | | |
| External customers | 82,668 | 100,262 |
| Intersegment | 1,100 | 1,490 |
| Total | 83,768 | 101,752 |
| Other: | | |
| External customers | 22,393 | 16,961 |
| Intersegment | 5,847 | 2,817 |
| Total | 28,240 | 19,778 |
| Intersegment eliminations | (7,773) | (4,853) |
| Consolidated total | ¥206,771 | 221,925 |

Segment profit

| | Yen (Millions) | |
|--------------------------------|---------------------------------|---------|
| | Three-month ended June 30, 2011 | 2010 |
| Passive Components | ¥3,775 | 6,255 |
| Magnetic Application Products | 7,555 | 16,077 |
| Other | 1,499 | 979 |
| Subtotal | 12,829 | 23,311 |
| Corporate and eliminations | (7,186) | (3,102) |
| Operating income | 5,643 | 20,209 |
| Other income (deductions), net | (2,321) | (1,391) |
| Income before income taxes | ¥3,322 | 18,818 |

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

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

Geographic segment information

The geographic segment information for the three-month ended June 30, 2011 and June 30, 2010 areas follows:

Netsales

| | Yen (Millions) | |
|--------------------|----------------------------|---------|
| | Three-month ended June 30, | |
| | 2011 | 2010 |
| Japan | ¥24,622 | 27,406 |
| Americas | 21,405 | 23,738 |
| Europe | 34,856 | 31,773 |
| China | 61,323 | 74,012 |
| Asia and others | 64,565 | 64,996 |
| Consolidated total | ¥206,771 | 221,925 |

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

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

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