



Consolidated Financial Statements
for the three-month period ended December 31, 2011
and December 31, 2010 (in English)

On February 10, 2012, 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 translationandthe officialJapanesetext,thelattershallprevail.]

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December 31, 2011 and December 31, 2010 (in English)

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1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	December 31, 2011	March 31, 2011
Current assets:		
Cash and cash equivalents	¥ 179,965	129,091
Short-term investments	5,315	50,803
Marketable securities (Note 2)	8,597	17,736
Net trade receivables	150,216	165,242
Inventories (Note 4)	143,837	121,679
Other current assets (Note 16)	50,083	42,331
Total current assets	<u>538,013</u>	<u>526,882</u>
Investments in securities (Notes 2 and 3)	32,382	34,117
Net property, plant and equipment	326,427	318,403
Goodwill and other intangible assets (Note 10)	106,691	118,176
Other assets (Note 16)	42,406	63,275
	<u>¥ 1,045,919</u>	<u>1,060,853</u>

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Yen (Millions)	
	December 31, 2011	March 31, 2011
Current liabilities:		
Short-term debt	¥ 146,233	98,294
Current installments of long-term debt	54,277	55,968
Trade payables	83,766	83,555
Accrued expenses	68,519	72,966
Other current liabilities	22,050	16,913
Total current liabilities	374,845	327,696
Long-term debt, excluding current installments	81,341	90,707
Retirement and severance benefits	72,670	80,036
Other noncurrent liabilities (Note 16)	15,420	22,648
Total liabilities	544,276	521,087
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares; issued 129,590,659 shares at December 31, 2011 and March 31, 2011 outstanding 129,004,835 shares at December 31, 2011 and 128,995,921 shares at March 31, 2011	32,641	32,641
Additional paid-in capital	64,314	61,258
Legal reserve	23,648	21,459
Retained earnings	625,569	643,025
Accumulated other comprehensive income (loss) (Note 12)	(252,062)	(217,979)
Treasury stock at cost; 585,824 shares at December 31, 2011 and 594,738 shares at March 31, 2011	(6,032)	(6,131)
Total TDK stockholders' equity	488,078	534,273
Noncontrolling interests (Note 11)	13,565	5,493
Total equity	501,643	539,766
	¥ 1,045,919	1,060,853

2) Consolidated statements of operations (Unaudited)

	Yen (Millions)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net sales	¥ 608,925	662,171
Cost of sales	471,827	494,517
Gross profit	137,098	167,654
Selling, general and administrative expenses	116,278	113,253
Operating income	20,820	54,401
Other income (deductions):		
Interest and dividend income	1,392	1,035
Interest expense	(2,245)	(2,099)
Gain (loss) on securities, net (Note 2)	(4,553)	(4)
Foreign exchange gain (loss)	(179)	(2,323)
Other - net	(1,327)	191
Income before income taxes	13,908	51,201
Income taxes (Note 16)	17,615	12,441
Net income (loss)	(3,707)	38,760
Less: Net income (loss)		
attributable to noncontrolling interests	1,215	49
Net income (loss) attributable to TDK	¥ (4,922)	38,711
 Amounts per share:		
	Yen	
Net income (loss) attributable to TDK per share (Note 13):		
Basic	¥ (38.15)	300.10
Diluted	(38.15)	299.82
Cash dividends paid during the period	¥ 80.00	70.00

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
	Three months ended December 31, 2011	Three months ended December 31, 2010
Net sales	¥ 191,768	219,937
Cost of sales	151,557	165,731
Gross profit	40,211	54,206
Selling, general and administrative expenses	33,183	36,993
Operating income	7,028	17,213
Other income (deductions):		
Interest and dividend income	565	374
Interest expense	(713)	(688)
Gain (loss) on securities, net (Note 2)	(3,863)	(31)
Foreign exchange gain (loss)	567	(215)
Other - net	(357)	(96)
	(3,801)	(656)
Income before income taxes	3,227	16,557
Income taxes (Note 16)	14,179	3,921
Net income (loss)	(10,952)	12,636
Less: Net income (loss)		
attributable to noncontrolling interests	689	41
Net income (loss) attributable to TDK	¥ (11,641)	12,595

Amounts per share:

	Yen	
Net income (loss) attributable to TDK per share (Note 13):		
Basic	¥ (90.24)	97.64
Diluted	(90.24)	97.54
Cash dividends paid during the period	¥ 40.00	40.00

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Cash flows from operating activities:		
Net income (loss)	¥ (3,707)	38,760
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	56,186	57,511
Loss (gain) on securities, net	4,553	4
Changes in assets and liabilities, net of effects of acquisition of businesses:		
Decrease (increase) in trade receivables	3,249	(16,103)
Decrease (increase) in inventories	(31,115)	(21,986)
Increase (decrease) in trade payables	7,389	11,998
Increase (decrease) in accrued expenses	(1,972)	1,236
Increase (decrease) in changes in other assets and liabilities, net	555	5,061
Other - net	9,434	231
Net cash provided by operating activities	<u>44,572</u>	<u>76,712</u>
Cash flows from investing activities:		
Capital expenditures	(76,339)	(54,081)
Proceeds from sale and maturity of short-term investments	53,719	121,308
Payment for purchase of short-term investments	(9,820)	(106,727)
Proceeds from sale and maturity of securities	11,072	15,846
Payment for purchase of securities	(3,469)	(8,429)
Proceeds from sale of intangible assets and property, plant and equipment	5,294	824
Other - net	(1,861)	78
Net cash used in investing activities	<u>(21,404)</u>	<u>(31,181)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	193	6,162
Repayment of long-term debt	(11,123)	(32,023)
Increase (decrease) in short-term debt, net	48,611	21,770
Dividends paid	(10,294)	(9,011)
Proceeds from noncontrolling interest shareholders	11,061	-
Other - net	(1,294)	597
Net cash provided by (used in) financing activities	<u>37,154</u>	<u>(12,505)</u>
Effect of exchange rate changes on cash and cash equivalents	(9,448)	(16,214)
Net increase (decrease) in cash and cash equivalents	<u>50,874</u>	16,812
Cash and cash equivalents at beginning of period	129,091	132,984
Cash and cash equivalents at end of period	<u>¥ 179,965</u>	<u>149,796</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 February 9, 2012, 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 nine-month and the three-month ended December 31, 2011.

2. Marketable Securities and Investments in Securities

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

	Yen (Millions)	
	December 31, 2011	March 31, 2011
Marketable securities	¥8,597	17,736
Investments in securities:		
Long-term marketable securities	15,159	13,133
Nonmarketable securities	813	850
Investments in affiliates (Note 3)	16,410	20,134
Total investments in securities	32,382	34,117
Total	¥40,979	51,853

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

As of December 31, 2011	Cost	Yen (Millions)		Fair Value
		Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
U.S. Treasury	¥8,592	5	-	8,597
Investments (Debt securities):				
Government bonds	896	2	0	898
Commercial papers	53	-	2	51
Public-utility bonds	3	-	-	3
Investments (Equity securities):				
Manufacturing companies	11,731	1,955	1,374	12,312
Other	1,171	29	128	1,072
Investments (Mutual funds)	834	30	41	823
Total	¥23,280	2,021	1,545	23,756

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 December 31, 2011 have a weighted average remaining term of 0.4 years.

The proceeds from sale and maturity of available-for-sale securities are ¥11,072 million and ¥6,900 million for the nine-month and the three-month ended December 31, 2011, respectively. The proceeds from sale and maturity of available-for-sale securities are ¥15,846 million and ¥9,980 million for the nine-month and the three-month ended December 31, 2010, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥639 million for the nine-month and the three-month ended December 31, 2011. The gross realized gains on the sale and settlement of available-for-sale securities are ¥150 million for the nine-month and the three-month ended December 31, 2010. The gross realized losses on the sale and settlement of available-for-sale securities are ¥1 million for the nine-month and the three-month ended December 31, 2010. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥5,192 million and ¥4,502 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the nine-month and the three-month ended December 31, 2011, respectively. TDK recorded an impairment of ¥31 million on certain available-for-sale securities and nonmarketable securities representing other-than-temporary declines in the fair value for the nine-month and the three-month ended December 31, 2010. TDK recorded an impairment of ¥153 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the nine-month and the three-month ended December 31, 2010. TDK recorded an impairment of ¥153 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the nine-month and the three-month ended December 31, 2010.

At December 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 December 31, 2011 and March 31, 2011 totaled ¥813 million and ¥850 million, respectively, and all of those securities as of December 31, 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 a significant adverse effect on the fair value of those investments.

As of December 31, 2011, certain debt securities in the amount of ¥898 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 December 31, 2011 and March 31, 2011, are summarized as follows:

	Yen (Millions)	
	December 31, 2011	March 31, 2011
Finished goods	¥57,670	51,074
Work in process	29,988	27,242
Raw materials	56,179	43,363
Total	¥143,837	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 nine-month ended December 31, 2011 and December 31, 2010 consisted of the following components:

	Yen (Millions)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Service cost-benefit earned during the period	¥4,555	5,330
Interest cost on projected benefit obligation	3,961	4,211
Expected return on plan assets	(2,566)	(2,755)
Amortization of actuarial loss	2,817	3,186
Amortization of prior service benefit	(1,523)	(1,555)
Curtailment and Settlement loss	3,619	-
Total	¥10,863	8,417

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended December 31, 2011 and December 31, 2010 consisted of the following components:

	Yen (Millions)	
	Three months ended December 31, 2011	Three months ended December 31, 2010
Service cost-benefit earned during the period	¥1,509	1,749
Interest cost on projected benefit obligation	1,296	1,397
Expected return on plan assets	(864)	(912)
Amortization of actuarial loss	908	1,041
Amortization of prior service benefit	(507)	(520)
Total	¥2,342	2,755

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 December 31, 2011 and March 31, 2011, are as follows:

	Yen (Millions)	
	December 31, 2011	March 31, 2011
Contingent liabilities for guarantees of loans of TDK's employees	¥2,842	3,247

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

Several claims against TDK and certain subsidiaries are pending. Provision has been made for the estimated liabilities for 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 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. 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 December 31, 2011 and March 31, 2011, are as follows:

	Yen (Millions)	
	December 31, 2011	March 31, 2011
Forward foreign exchange contracts	¥34,622	41,323
Currency swaps	22,453	17,223
	¥57,075	58,546

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

		Yen (Millions)	
		As of December 31, 2011	
		Account	Fairvalue
Assets:			
Forward foreign exchange contracts	Other current assets		¥727
Currency swaps	Other current assets		1,040
Currency swaps	Other assets		221
	Total assets		¥1,988
Liabilities:			
Forward foreign exchange contracts	Other current liabilities		¥531
Currency swaps	Other current liabilities		1
	Total liabilities		¥532
		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 effects of derivative financial instruments on the consolidated statements of operations for the nine-month ended December 31, 2011 and December 31, 2010 areas follows:

NinemonthsendedDecember31,2011		
	Account	Yen(Millions)
Forwardforeignexchangecontracts	Foreignexchange gain(loss)	¥(218)
Currencyswaps	Foreignexchange gain(loss)	2,007
		¥1,789
NinemonthsendedDecember31,2010		
	Account	Yen(Millions)
Forwardforeignexchangecontracts	Foreignexchange gain(loss)	¥1,193
Currencyswaps	Foreignexchange gain(loss)	(307)
Commodityforwardtransactions	Costofsales	0
		¥886

The effects of derivative financial instruments on the consolidated statements of operations for the three-month ended December 31, 2011 and December 31, 2010 areas follows:

ThreemonthsendedDecember31,2011		
	Account	Yen(Millions)
Forwardforeignexchangecontracts	Foreignexchange gain(loss)	¥37
Currencyswaps	Foreignexchange gain(loss)	935
		¥972
ThreemonthsendedDecember31,2010		
	Account	Yen(Millions)
Forwardforeignexchangecontracts	Foreignexchange gain(loss)	¥844
Currencyswaps	Foreignexchange gain(loss)	322
		¥1,166

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 December 31, 2011 and March 31, 2011, are summarized as follows:

<u>A of December 31, 2011</u>	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities for which it is practicable to estimate fair value	¥8,597	8,597
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	23,874	23,874
Not practicable to estimate fair value	814	-
Liability:		
Long-term debt, including current portion	(135,618)	(137,821)
<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 December 31, 2011 and March 31, 2011 are as follows :

<u>As of December 31, 2011</u>	<u>Yen (Millions)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Marketable securities (Debt securities):				
U.S. Treasury	¥8,597	-	-	¥8,597
Derivative contracts:				
Forward foreign exchange contracts	-	727	-	727
Currency swaps	-	1,261	-	1,261
Investments (Debt securities):				
Government bonds	898	-	-	898
Commercial papers	-	51	-	51
Public-utility bonds	3	-	-	3
Investments (Equity securities):				
Manufacturing companies	12,312	-	-	12,312
Other	1,072	-	-	1,072
Investments (Mutual funds)	823	-	-	823
Rabbit trust investments	3,141	-	-	3,141
Total	¥26,846	2,039	-	¥28,885
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	531	-	¥531
Currency swaps	-	1	-	1
Total	¥ -	532	-	¥532
<u>As of March 31, 2011</u>	<u>Yen (Millions)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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. Rabbitrust 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 nine-month ended December 31, 2010 are as follows:

<u>Nine months ended December 31, 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
Property, plant and equipment	(89)	-	-	97

For the nine-month ended December 31, 2010, investments which consist of nonmarketable securities valued using the cost method with the book value of ¥236 million was impaired to the fair value of ¥114 million. These nonmarketable securities are classified as Level 3 because their fair value was calculated using unobservable inputs. Additionally, for the nine-month and the three-month ended December 31, 2010, 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 ¥186 million was written down to its fair value of ¥97 million, as a result of the impairment. Because unobservable inputs were used for its fair value, it is classified as Level 3.

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

10. Goodwill and Other Intangible Assets

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

Yen (Millions)			
As of December 31, 2011			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	¥39,744	17,702	¥22,042
Customer relationships	20,791	12,023	8,768
Software	19,349	9,381	9,968
Unpatented technologies	25,405	15,867	9,538
Other	4,724	778	3,946
Total	¥110,013	55,751	¥54,262
Unamortized intangible assets:			
Trademark	¥6,878		¥6,878
Other	530		530
Total	¥ 7,408		¥ 7,408
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 nine-month period ended December 31, 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 nine-month period ended December 31, 2011 was ¥9,388 million.

There are no significant changes in the carrying amount of goodwill by segment for the nine-month period ended December 31, 2011.

Net income (loss) attributable to TDK and transfers (to) from noncontrolling interests for the nine-month ended December 31, 2011 and December 31, 2010 areas follows:

	Yen (Millions)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net income (loss) attributable to TDK	¥(4,922)	38,711
Increase in TDK's paid-in capital for allocation of Ampere Technology Limited new common shares to third parties	2,942	-
Decrease in TDK's paid-in capital for purchase of EPCOS (Anhui) Feida Electronics Co., Ltd. common shares	(367)	-
Net transfers (to) from noncontrolling interests	2,575	-
Change from net income (loss) attributable to TDK and transfers (to) from noncontrolling interests	¥(2,347)	38,711

12. Comprehensive Income (Loss)

Comprehensive income (loss) for the nine-month ended December 31, 2011 and December 31, 2010 areas follows:

	Yen (Millions)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net income (loss)	¥(3,707)	38,760
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	(37,648)	(64,515)
Pension liability adjustments	3,650	856
Net unrealized gains (losses) on securities	(916)	(613)
Other comprehensive income (loss), net of tax	(34,914)	(64,272)
Comprehensive income (loss)	(38,621)	(25,512)
Comprehensive income (loss) attributable to noncontrolling interests	1,472	54
Comprehensive income (loss) attributable to TDK	¥(40,093)	(25,566)

Comprehensive income (loss) for the three-month ended December 31, 2011 and December 31, 2010 areas follows:

	Yen (Millions)	
	Three months ended December 31, 2011	Three months ended December 31, 2010
Net income (loss)	¥(10,952)	12,636
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	3,262	(15,876)
Pension liability adjustments	213	292
Net unrealized gains (losses) on securities	2,856	806
Other comprehensive income (loss), net of tax	6,331	(14,778)
Comprehensive income (loss)	(4,621)	(2,142)
Comprehensive income (loss) attributable to noncontrolling interests	1,017	166
Comprehensive income (loss) attributable to TDK	¥(5,638)	(2,308)

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

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

	Yen (Millions)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net income (loss) attributable to TDK	¥(4,922)	38,711
	Number of shares (Thousands)	
	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Weighted average common shares outstanding—Basic	129,001	128,992
Effect of dilutive stock options	-	122
Weighted average common shares outstanding—Diluted	129,001	129,114
	Yen	
	Nine months ended December 31, 2011	Nine months ended December 31, 2010
Net income (loss) attributable to TDK per share:		
Basic	¥(38.15)	300.10
Diluted	¥(38.15)	299.82
	Yen (Millions)	
	Three months ended December 31, 2011	Three months ended December 31, 2010
Net income (loss) attributable to TDK	¥(11,641)	12,595
	Number of shares (Thousands)	
	Three months ended December 31, 2011	Three months ended December 31, 2010
Weighted average common shares outstanding—Basic	129,004	128,993
Effect of dilutive stock options	-	131
Weighted average common shares outstanding—Diluted	129,004	129,124
	Yen	
	Three months ended December 31, 2011	Three months ended December 31, 2010
Net income (loss) attributable to TDK per share:		
Basic	¥(90.24)	97.64
Diluted	¥(90.24)	97.54

14. Transfer of Business

On September 28, 2011, TDK made the decision to transfer as subsidiary TDK Micro Device Corporation (Headquarters: Kitaibaraki City, Ibaraki Prefecture; President: Toshihiko Honma) with the equity of 75% share to Futaba Corporation (Headquarters: Mobara City, Chiba Prefecture; President: Hiroshi Sakurada) with regard to Organic Electroluminescent Display Business alliance on April 1, 2012.

Since the three-month ended September 30, 2011, in conformity with FASB ASC 205-20 "Presentation of Financial Statements: Discontinued Operations", the Organic Electroluminescent Display Business is classified as discontinued operations. However, because the business does not have a material impact on TDK's results of operations, it is not excluded from the results of continuing operations. The business does not belong to either of two reportable segments, which are the Passive Component segment and the Magnetic Application Products segment.

The transfer share price is still under consideration since it is decided by the fair value of assets/liabilities of the subsidiary.

15. Effect of Flood in Thailand on TDK's Results of Operations

Because of the damage of a large-scale flood in Thailand that spread in October 2011, Rojanaplant and Wangnoiplant of TDK's subsidiaries were forced to stop operations.

Although the operations were resumed gradually, restoration had not been fully achieved yet.

The value of damages that TDK directly suffered was not material although a part of it had not been fixed yet.

16. Taxes

On November 30, 2011, in Japan, amendments to Japanese tax regulations and new surtaxes were approved and enacted, the reduction of the national corporate tax rate is required for annual reporting periods beginning on or after April 1, 2012. The effect on the deferred tax assets and liabilities of the change in tax rate is recognized in earnings in the period that include the enactment date.

Accordingly, TDK recognizes ¥3,478 million as income taxes on the effect of the deferred tax assets and liabilities in the nine-month and the three-month ended December 31, 2011.

The difference between the statutory tax rate of 40.4 percent and the effective tax rates for the nine-month and the three-month ended December 31, 2011 is due to the recognition of income taxes in the amount of ¥3,478 million for the effect of the aforementioned change in the tax rate as well as the increase of the valuation allowance in the amount of ¥8,517 million due to the change in estimate of the realizability of the deferred tax assets.

17. 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 nine-month ended December 31, 2011 and December 31, 2010 are as follows:

Certain products are reclassified from "Passive Components" to "Other (other than 2 reportable segments)" due to reorganization in the three-month ended June 30, 2011. The sales and profit for the nine-month and the three-month ended December 31, 2010 are also reclassified to conform to the new segmentation.

Netsales

	Yen (Millions)	
	Nine months ended December 31, 2011	2010
Passive Components:		
External customers	¥291,089	320,560
Intersegment	2,066	2,019
Total	293,155	322,579
Magnetic Application Products:		
External customers	238,972	283,291
Intersegment	3,535	4,183
Total	242,507	287,474
Other:		
External customers	78,864	58,320
Intersegment	16,622	10,153
Total	95,486	68,473
Intersegment eliminations	(22,223)	(16,355)
Consolidated total	¥608,925	662,171

Segment profit

	Yen (Millions)	
	Nine months ended December 31, 2011	2010
Passive Components	¥6,554	19,683
Magnetic Application Products	22,765	40,133
Other	5,726	4,704
Subtotal	35,045	64,520
Corporate and eliminations	(14,225)	(10,119)
Operating income	20,820	54,401
Other income (deductions), net	(6,912)	(3,200)
Income before income taxes	¥13,908	51,201

The business segment information for the three-month ended December 31, 2011 and December 31, 2010 are as follows:

Netsales

	Yen (Millions)	
	Three months ended December 31,	
	2011	2010
Passive Components:		
External customers	¥89,488	107,110
Intersegment	547	878
Total	90,035	107,988
Magnetic Application Products:		
External customers	71,796	90,785
Intersegment	1,162	1,138
Total	72,958	91,923
Other:		
External customers	30,484	22,042
Intersegment	4,494	3,721
Total	34,978	25,763
Intersegment eliminations	(6,203)	(5,737)
Consolidated total	¥191,768	219,937

Segment profit

	Yen (Millions)	
	Three months ended December 31,	
	2011	2010
Passive Components	¥1,513	6,176
Magnetic Application Products	6,409	11,520
Other	2,479	2,026
Subtotal	10,401	19,722
Corporate and eliminations	(3,373)	(2,509)
Operating income	7,028	17,213
Other income (deductions), net	(3,801)	(656)
Income before income taxes	¥3,227	16,557

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 function that are not allocated to operating segments.

Geographic segment information

The geographic segment information for the nine-month period ended December 31, 2011 and December 31, 2010 are as follows:

Netsales

	Yen (Millions)	
	Nine months ended December 31,	
	2011	2010
Japan	¥81,577	83,900
Americas	62,642	68,151
Europe	94,210	94,408
China	175,961	213,749
Asia and others	194,535	201,963
Consolidated total	¥608,925	662,171

The geographic segment information for the three-month period ended December 31, 2011 and December 31, 2010 are as follows:

Netsales

	Yen (Millions)	
	Three months ended December 31,	
	2011	2010
Japan	¥29,616	28,818
Americas	19,916	20,768
Europe	27,238	31,554
China	52,724	69,978
Asia and others	62,274	68,819
Consolidated total	¥191,768	219,937

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 Taiwan, Thailand, Malaysia, Korea