



Consolidated Financial Statements
for the three-month-period ended December 31, 2012
and December 31, 2013 (in English)

On February 12, 2014, this report in the Japanese version was filed with the Director-General of the Kanto Local Finance Bureau of the Ministry of Finance pursuant to Japan's Financial Instruments and Exchange Act.

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

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Document to be filed:	Quarterly Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	February 12, 2014
Business year:	3rd quarter of 118th term (from October 1, 2013 to December 31, 2013)
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1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	March 31, 2013	December 31, 2013
Current assets:		
Cash and cash equivalents	¥ 213,687	264,281
Short-term investments	9,830	11,811
Marketable securities (Note 2)	900	-
Net trade receivables	190,080	228,485
Inventories (Note 3)	137,868	151,592
Other current assets	58,263	50,746
Total current assets	610,628	706,915
Investments in securities (Note 2)	32,213	39,222
Net property, plant and equipment	365,901	384,918
Goodwill and other intangible assets (Note 9)	114,042	121,202
Other assets	46,858	59,566
	¥ 1,169,642	1,311,823

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Yen (Millions)	
	March 31, 2013	December 31, 2013
Current liabilities:		
Short-term debt	¥ 146,624	121,823
Current installments of long-term debt	51,515	49,833
Trade payables	85,015	106,498
Accrued expenses	76,649	84,754
Other current liabilities	18,132	28,076
Total current liabilities	377,935	390,984
Long-term debt, excluding current installments	97,481	133,639
Retirement and severance benefits	94,521	102,220
Other noncurrent liabilities	19,089	21,882
Total liabilities	589,026	648,725
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares;		
issued 129,590,659 shares at March 31, 2013 and December 31, 2013		
outstanding 125,800,320 shares at March 31, 2013 and		
125,809,284 shares at December 31, 2013	32,641	32,641
Additional paid-in capital	64,199	56,937
Legal reserve	25,426	26,505
Retained earnings	617,377	624,484
Accumulated other comprehensive income (loss) (Notes 10 and 11)	(159,016)	(75,291)
Treasury stock at cost;		
3,790,339 shares at March 31, 2013 and 3,781,375 shares		
at December 31, 2013	(19,458)	(19,411)
Total TDK stockholders' equity	561,169	645,865
Noncontrolling interests (Notes 10 and 11)	19,447	17,233
Total equity	580,616	663,098
	¥ 1,169,642	1,311,823

2) Consolidated statements of income

and Consolidated statements of comprehensive income (Unaudited)

For the nine-month ended December 31, 2012 and 2013

Consolidated statements of income

	Yen (Millions)	
	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net sales	¥ 625,354	743,375
Cost of sales	491,125	574,495
Gross profit	134,229	168,880
Selling, general and administrative expenses (Note 13)	108,901	134,528
Operating income	25,328	34,352
Other income (deductions):		
Interest and dividend income	2,168	2,388
Interest expense	(2,142)	(2,533)
Equity in earnings of affiliates	(2,512)	612
Foreign exchange gain (loss)	(852)	(701)
Other - net	(646)	794
	(3,984)	560
Income from continuing operations before income taxes	21,344	34,912
Income taxes	8,301	13,213
Income from continuing operations	13,043	21,699
Loss from discontinued operations (Note 14)	(99)	(4,530)
Net income	12,944	17,169
Less: Net income attributable to noncontrolling interests	2,800	1,456
Net income attributable to TDK	¥ 10,144	15,713

Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 12):		
Basic	¥ 80.59	124.90
Diluted	77.16	119.52
Cash dividends paid during the period	¥ 80.00	60.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Net income	¥ 12,944	17,169
Other comprehensive income (loss), net of taxes (Note 11):		
Foreign currencies translation adjustments	29,423	79,424
Pension liability adjustments	1,382	1,596
Net unrealized gains (losses) on securities	(1,670)	3,988
Total other comprehensive income (loss)	29,135	85,008
Comprehensive income (Note 10)	42,079	102,177
Comprehensive income attributable to noncontrolling interests	3,642	3,473
Comprehensive income attributable to TDK	¥ 38,437	98,704

See accompanying notes to consolidated financial statements.

For the three-month ended December 31, 2012 and 2013
Consolidated statements of income

	Yen (Millions)	
	Three months ended December 31, 2012	Three months ended December 31, 2013
Net sales	¥ 213,316	258,647
Cost of sales	170,021	195,979
Gross profit	43,295	62,668
Selling, general and administrative expenses (Note 13)	38,263	45,086
Operating income	5,032	17,582
Other income (deductions):		
Interest and dividend income	712	985
Interest expense	(683)	(855)
Equity in earnings of affiliates	(1,952)	10
Foreign exchange gain (loss)	(577)	(902)
Other - net	426	372
	(2,074)	(390)
Income from continuing operations before income taxes	2,958	17,192
Income taxes	1,528	6,070
Income from continuing operations	1,430	11,122
Income (loss) from discontinued operations (Note 14)	2	(979)
Net income	1,432	10,143
Less: Net income attributable to noncontrolling interests	1,013	834
Net income attributable to TDK	¥ 419	9,309

Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 12):		
Basic	¥ 3.33	73.99
Diluted	2.15	71.77
Cash dividends paid during the period	¥ 40.00	30.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three months ended December 31, 2012	Three months ended December 31, 2013
Net income	¥ 1,432	10,143
Other comprehensive income (loss), net of taxes (Note 11):		
Foreign currencies translation adjustments	62,433	50,668
Pension liability adjustments	454	505
Net unrealized gains (losses) on securities	261	857
Total other comprehensive income (loss)	63,148	52,030
Comprehensive income (Note 10)	64,580	62,173
Comprehensive income attributable to noncontrolling interests	2,454	2,034
Comprehensive income attributable to TDK	¥ 62,126	60,139

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Cash flows from operating activities:		
Net income	¥ 12,944	17,169
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	56,161	61,752
Equity in earnings of affiliates, net of dividends received	2,525	(580)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(997)	(11,278)
Decrease (increase) in inventories	(2,959)	622
Increase (decrease) in trade payables	(2,170)	5,652
Increase (decrease) in accrued expenses	(320)	602
Decrease (increase) in other assets and liabilities, net	4,587	8,800
Other - net	(2,091)	2,738
Net cash provided by operating activities	67,680	85,477
Cash flows from investing activities:		
Capital expenditures	(63,326)	(47,940)
Proceeds from sale and maturity of short-term investments	8,541	15,053
Payment for purchase of short-term investments	(9,640)	(16,241)
Payment for purchase of securities	(346)	(960)
Proceeds from sales of tangible and intangible assets	3,768	4,238
Acquisition of subsidiaries, net of cash acquired	(5,633)	(922)
Other - net	(2,076)	3,680
Net cash used in investing activities	(68,712)	(43,092)
Cash flows from financing activities:		
Proceeds from long-term debt	40,038	33,619
Repayment of long-term debt	(36,670)	(3,605)
Increase (decrease) in short-term debt, net	8,086	(27,687)
Dividends paid	(10,039)	(7,533)
Acquisition of noncontrolling interests	-	(13,981)
Other - net	(348)	(196)
Net cash provided by (used in) financing activities	1,067	(19,383)
Effect of exchange rate changes on cash and cash equivalents	7,904	27,592
Net increase in cash and cash equivalents	7,939	50,594
Cash and cash equivalents at beginning of period	167,015	213,687
Cash and cash equivalents at end of period	¥ 174,954	264,281

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 in 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 ("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 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.

(c) Adoption of New Accounting Standards

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-02 "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". This amendment requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. TDK adopted FASB ASU 2013-02 on April 1, 2013. The disclosure required by the amendment is presented in Note 11 of the Notes to Consolidated Financial Statements.

The adoption of FASB ASU 2013-02 did not have a material impact on TDK's financial position or results of operations.

(d) Change in Depreciation Method

Previously, TDK used the declining-balance method for calculating the depreciation of property, plant and equipment located in Japan and certain foreign subsidiaries. Effective April 1, 2013, TDK changed it to the straight-line method as a result of reviewing the depreciation method per change in business structure. Concurrently, estimated useful lives for certain assets were also changed. Because TDK thinks that the straight-line method better reflects the pattern of consumption of estimated future benefits to derive from those assets being depreciated and provides a better matching of cost and revenues over the assets' estimated useful lives. The effect of change in depreciation method is recognized prospectively as a change in accounting estimate in conformity with the FASB Accounting Standard Codification ("ASC") 250, "Accounting Changes and Error Corrections". The change in depreciation did not have a material impact on TDK's financial statements for the nine-month and the three-month ended December 31, 2013.

(e) Subsequent Events

TDK has evaluated the subsequent events through February 10, 2014, the date on which the financial statements are available to be issued.

(f) 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, 2013.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities at March 31, 2013 and December 31, 2013, are as follows:

	Yen (Millions)	
	March 31, 2013	December 31, 2013
Marketable securities	¥ 900	-
Investments in securities:		
Long-term marketable securities	14,456	21,114
Nonmarketable securities	1,098	1,179
Investments in affiliates	16,659	16,929
Total investments in securities	<u>32,213</u>	<u>39,222</u>
Total	<u>¥ 33,113</u>	<u>39,222</u>

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities at March 31, 2013 and December 31, 2013, is as follows:

As of March 31, 2013	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
Government bonds	¥ 899	1	-	900
Investments (Debt securities):				
Commercial papers	57	40	-	97
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	10,205	2,738	957	11,986
Other	1,163	183	-	1,346
Investments (Mutual funds)	961	64	-	1,025
Total	<u>¥ 13,287</u>	<u>3,026</u>	<u>957</u>	<u>15,356</u>

As of December 31, 2013	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Investments (Debt securities):				
Government bonds	¥ 898	-	0	898
Commercial papers	67	53	-	120
Public-utility bonds	3	-	-	3
Investments (Equity securities):				
Manufacturing companies	10,338	7,118	274	17,182
Other	1,167	395	-	1,562
Investments (Mutual funds)	1,240	109	-	1,349
Total	<u>¥ 13,713</u>	<u>7,675</u>	<u>274</u>	<u>21,114</u>

Debt securities classified as available-for-sale at December 31, 2013 have a weighted average remaining term of 2 years.

The proceeds from sale and maturity of available-for-sale securities are ¥829 million and ¥2 million for the nine-month and the three-month ended December 31, 2012, respectively. The proceeds from sale and maturity of available-for-sale securities are ¥1,185 million and ¥1,087 million for the nine-month and the three-month ended December 31, 2013, respectively. The gross realized gains on the sale and settlement of available-for-sale securities are ¥172 million and ¥154 million for the nine-month and the three-month ended December 31, 2013, respectively. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥1,067 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the nine-month ended December 31, 2012. TDK recorded an impairment of ¥80 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the nine-month ended December 31, 2013.

At December 31, 2013, all of the available-for-sale securities with unrealized losses were 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, 2013 and December 31, 2013 totaled ¥1,098 million and ¥1,179 million, respectively. A part of those securities as of March 31, 2013 and all of those securities as of December 31, 2013 were not evaluated for impairment because (a) TDK did not estimate the fair value of those investments as it was not practicable to estimate the fair value of the investment and (b) TDK did not identify any events or changes in circumstances that might have had significant adverse effect on the fair value of those investments.

As of December 31, 2013, certain debt securities in the amount of ¥898 million were pledged as collateral for extended custom duty payments to Tokyo and other customs.

3. Inventories

Inventories at March 31, 2013 and December 31, 2013, are summarized as follows:

	Yen (Millions)	
	March 31, 2013	December 31, 2013
Finished goods	¥ 60,141	67,923
Work in process	31,016	32,905
Raw materials	46,711	50,764
Total	¥ 137,868	151,592

4. Cost for Retirement and Severance Benefits

Net periodic benefit cost (including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the nine-month ended December 31, 2012 and December 31, 2013 consist of the following components:

	Yen (Millions)	
	Nine months ended December 31, 2012	Nine months ended December 31, 2013
Service cost-benefits earned during the period	¥ 4,754	5,298
Interest cost on projected benefit obligation	3,696	3,647
Expected return on plan assets	(2,593)	(2,641)
Amortization of actuarial loss	3,573	3,509
Amortization of prior service benefit	(1,523)	(1,514)
Curtailment/settlement loss	-	138
Net periodic benefit cost	<u>¥ 7,907</u>	<u>8,437</u>

Net periodic benefit cost(including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the three-month ended December 31, 2012 and December 31, 2013 consist of the following components:

	Yen (Millions)	
	Three months ended December 31, 2012	Three months ended December 31, 2013
Service cost-benefits earned during the period	¥ 1,584	1,779
Interest cost on projected benefit obligation	1,243	1,229
Expected return on plan assets	(871)	(883)
Amortization of actuarial loss	1,189	1,175
Amortization of prior service benefit	(507)	(505)
Net periodic benefit cost	<u>¥ 2,638</u>	<u>2,795</u>

5. Contingent Liabilities

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

The maximum amount of undiscounted payments TDK would have to make in the event of default at March 31, 2013 and December 31, 2013, are as follows:

	Yen (Millions)	
	March 31, 2013	December 31, 2013
Guarantees to third parties on bank loans of employees	<u>¥ 2,306</u>	<u>1,950</u>

As of December 31, 2013, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangement is not material.

Several claims against TDK are pending. A provision has been made for the estimated liabilities for the items. In the opinion of TDK management, based on discussions with legal counsel, any additional liability not currently provided for will not materially affect TDK's financial position or results of operations.

6. Risk Management Activities and Derivative Financial Instruments

TDK operates internationally and are exposed to the risk of changes in foreign exchange rates and changes in raw material prices. TDK assesses these risks by continuously monitoring changes in the exchange 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. 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 an economic viewpoint. The fair values of these undesignated contracts are recognized as income or expenses as earned or incurred.

Notional amounts of derivative financial instruments at March 31, 2013 and December 31, 2013, are as follows:

	Yen (Millions)	
	March 31, 2013	December 31, 2013
Forward foreign exchange contracts	¥ 60,877	113,706
Currency swaps	32,130	35,398
Commodity forward transactions	-	767
	¥ 93,007	149,871

Fair value of derivative financial instruments at March 31, 2013 and December 31, 2013 are as follows:

Yen (Millions)		
As of March 31, 2013		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Other current assets	¥ 416
Currency swaps	Other current assets	799
Currency swaps	Other assets	209
Assets total		¥ 1,424
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 993
Currency swaps	Other current liabilities	46
Currency swaps	Other noncurrent liabilities	58
Liabilities total		¥ 1,097

Yen (Millions)		
As of December 31, 2013		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Other current assets	¥ 619
Currency swaps	Other current assets	323
Currency swaps	Other assets	329
Commodity forward transactions	Other current assets	16
Assets total		¥ 1,287
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 3,160
Currency swaps	Other current liabilities	394
Commodity forward transactions	Other current liabilities	16
Liabilities total		¥ 3,570

The effect of derivative financial instruments on the consolidated statements of income for the nine-month ended December 31, 2012 and December 31, 2013 are as follows:

Nine months ended December 31, 2012		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (408)
Currency swaps	Foreign exchange gain (loss)	2,290
		¥ 1,882

Nine months ended December 31, 2013		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (3,892)
Currency swaps	Foreign exchange gain (loss)	(1,223)
Commodity forward transactions	Cost of sales	11
		¥ (5,104)

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended December 31, 2012 and December 31, 2013 are as follows:

Three months ended December 31, 2012		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (925)
Currency swaps	Foreign exchange gain (loss)	1,924
		<u>¥ 999</u>
Three months ended December 31, 2013		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (3,305)
Currency swaps	Foreign exchange gain (loss)	(902)
Commodity forward transactions	Cost of sales	(21)
		<u>¥ (4,228)</u>

7. Fair Value of Financial Instruments

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

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

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

(b) Marketable securities and Investments in securities

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

(c) Long-term debt

The fair value of TDK's long-term debt is estimated based on the amount of future cash flows associated with the instrument discounted using TDK's current borrowing rate for similar debt of comparable maturity, or based on the quoted market prices for the same or similar issues. The long-term debt is classified as level 2, one of three levels of fair value hierarchy that is discussed in Note 8 of the Notes to Consolidated Financial Statements.

The carrying amounts and estimated fair values of TDK's financial instruments at March 31, 2013 and December 31, 2013, are summarized as follows:

<u>As of March 31, 2013</u>	<u>Yen (Millions)</u>	
	<u>Carrying amount</u>	<u>Estimated fair value</u>
Assets:		
Marketable securities for which it is:		
Practicable to estimate fair value	¥ 900	900
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	27,582	27,582
Not practicable to estimate fair value	1,099	-
Liability:		
Long-term debt, including current portion	(148,996)	(151,006)
<hr/>		
<u>As of December 31, 2013</u>	<u>Yen (Millions)</u>	
	<u>Carrying amount</u>	<u>Estimated fair value</u>
Assets:		
Investments in securities and other assets for which it is:		
Practicable to estimate fair value	¥ 34,795	34,795
Not practicable to estimate fair value	1,180	-
Liability:		
Long-term debt, including current portion	(183,472)	(184,483)

Derivative financial instruments are presented in Note 6 of the Notes to Consolidated Financial Statements.

Limitations

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

8. Fair Value Measurements

FASB ASC 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. FASB 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, 2013 and December 31, 2013 are as follows:

<u>As of March 31, 2013</u>	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	¥ 900	-	-	¥ 900
Derivative contracts:				
Forward foreign exchange contracts	-	416	-	416
Currency swaps	-	1,008	-	1,008
Investments (Debt securities):				
Commercial papers	-	97	-	97
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	11,986	-	-	11,986
Other	1,346	-	-	1,346
Investments (Mutual funds)	1,025	-	-	1,025
Rabbi trust investments	4,813	-	-	4,813
Total	¥ 20,072	1,521	-	¥ 21,593
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	993	-	¥ 993
Currency swaps	-	104	-	104
Total	¥ -	1,097	-	¥ 1,097

<u>As of December 31, 2013</u>	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	619	-	¥ 619
Currency swaps	-	652	-	652
Commodity forward transactions	-	16	-	16
Investments (Debt securities):				
Government bonds	898	-	-	898
Commercial papers	-	120	-	120
Public-utility bonds	3	-	-	3
Investments (Equity securities):				
Manufacturing companies	17,182	-	-	17,182
Other	1,562	-	-	1,562
Investments (Mutual funds)	1,349	-	-	1,349
Rabbi trust investments	5,875	-	-	5,875
Total	¥ 26,869	1,407	-	¥ 28,276
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	3,160	-	¥ 3,160
Currency swaps	-	394	-	394
Commodity forward transactions	-	16	-	16
Total	¥ -	3,570	-	¥ 3,570

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 the 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 third-party assessments using observable market data.

9. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill at March 31, 2013 and December 31, 2013 are as follows:

Yen (Millions)			
As of March 31, 2013			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	¥ 41,721	23,218	¥ 18,503
Customer relationships	22,621	15,628	6,993
Software	23,055	11,414	11,641
Unpatented technologies	32,030	23,066	8,964
Other	5,762	1,133	4,629
Total	¥ 125,189	74,459	¥ 50,730
Unamortized intangible assets:			
Trademark	¥ 6,622		¥ 6,622
Other	252		252
Total	¥ 6,874		¥ 6,874

Yen (Millions)			
As of December 31, 2013			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortized intangible assets:			
Patent	¥ 40,954	25,424	¥ 15,530
Customer relationships	24,809	18,498	6,311
Software	26,272	13,290	12,982
Unpatented technologies	34,736	27,725	7,011
Other	7,010	1,381	5,629
Total	¥ 133,781	86,318	¥ 47,463
Unamortized intangible assets:			
Trademark	¥ 7,312		¥ 7,312
Other	243		243
Total	¥ 7,555		¥ 7,555

No significant intangible assets other than goodwill were acquired in the nine-month ended December 31, 2012 and December 31, 2013.

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 ended December 31, 2013 was ¥8,359 million.

There are no significant changes in the carrying amount of goodwill for the nine-month ended December 31, 2013.

10. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the nine-month ended December 31, 2012 and December 31, 2013 are as follows:

	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2012	¥ 498,159	13,887	¥ 512,046
Equity transaction of consolidated subsidiaries and other	(5)	28	23
Comprehensive income (loss):			
Net income	10,144	2,800	12,944
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	28,581	842	29,423
Pension liability adjustments	1,382	(0)	1,382
Net unrealized gains (losses) on securities	(1,670)	(0)	(1,670)
Total other comprehensive income (loss)	28,293	842	29,135
Comprehensive income	38,437	3,642	42,079
Dividends	(10,070)	(60)	(10,130)
December 31, 2012	¥ 526,521	17,497	¥ 544,018

	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2013	¥ 561,169	19,447	¥ 580,616
Equity transaction of consolidated subsidiaries and other	(6,460)	(5,561)	(12,021)
Comprehensive income (loss):			
Net income	15,713	1,456	17,169
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	77,412	2,012	79,424
Pension liability adjustments	1,591	5	1,596
Net unrealized gains (losses) on securities	3,988	(0)	3,988
Total other comprehensive income (loss)	82,991	2,017	85,008
Comprehensive income	98,704	3,473	102,177
Dividends	(7,548)	(126)	(7,674)
December 31, 2013	¥ 645,865	17,233	¥ 663,098

Net income attributable to TDK and transfers (to) from noncontrolling interests for the nine-month ended December 31, 2012 and December 31, 2013 are as follows:

	Yen (Millions)	
	Nine months ended December 31,	
	2012	2013
Net income attributable to TDK	¥ 10,144	15,713
Decrease in TDK's paid-in capital for purchase of Becromal Iceland ehf common shares	-	(1,125)
Decrease in TDK's paid-in capital for purchase of Ampere Technology Ltd. common shares	-	(7,758)
Net transfers (to) from noncontrolling interests	-	(8,883)
Change from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ 10,144	6,830

11. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the nine-month ended December 31, 2013 are as follows:

	Yen (Millions)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2013	¥ (114,027)	(46,707)	1,718	¥ (159,016)
Equity transaction of consolidated subsidiaries and other	734	-	-	734
Other comprehensive income before reclassifications	79,486	54	4,093	83,633
Amounts reclassified from accumulated other comprehensive income (loss)	(62)	1,542	(105)	1,375
Other comprehensive income	79,424	1,596	3,988	85,008
Other comprehensive income (loss) attributable to noncontrolling interests	2,012	5	(0)	2,017
December 31, 2013	¥ (35,881)	(45,116)	5,706	¥ (75,291)

The reclassifications out of accumulated other comprehensive income (loss) for the nine-month and three-month ended December 31, 2013 are as follows:

	Yen (Millions)	
For the nine-month ended December 31, 2013	Amount reclassified from accumulated other comprehensive income (loss) *1	Affected line items in consolidated statements of income
Foreign currencies translation adjustments:		
	14	Selling, general and administrative expenses
	48	Equity in earnings of affiliates
	-	Tax (expense) or benefit
	62	Net of tax
Pension liability adjustments:		
	(2,052)	*2
	510	Tax (expense) or benefit
	(1,542)	Net of tax
Net unrealized gains (losses) on securities:		
	88	Others
	17	Tax (expense) or benefit
	105	Net of tax
Total amount reclassified, net of tax	(1,375)	

	Yen (Millions)	
For the three-month ended December 31, 2013	Amount reclassified from accumulated other comprehensive income (loss) *1	Affected line items in consolidated statements of income
Foreign currencies translation adjustments:		
	14	Selling, general and administrative expenses
	-	Tax (expense) or benefit
	14	Net of tax
Pension liability adjustments:		
	(673)	*2
	168	Tax (expense) or benefit
	(505)	Net of tax
Net unrealized gains (losses) on securities:		
	150	Others
	(3)	Tax (expense) or benefit
	147	Net of tax
Total amount reclassified, net of tax	(344)	

*1 Amounts in parentheses indicate losses in consolidated statements of income.

*2 This accumulated other comprehensive income (loss) component is included in the computation of net periodic benefit cost for TDK's employee retirement and severance

defined benefit plans that is presented in Note 4 of the Notes to Consolidated Financial Statements.

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the nine-month ended December 31, 2013 are as follows:

For the nine-month ended December 31, 2013	Yen (Millions)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Amount arising during the period from investments in foreign entities	¥ 79,486	0	79,486
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	(62)	-	(62)
Net foreign currency translation adjustments	79,424	0	79,424
Pension liability adjustments:			
Amount arising during the period	78	(24)	54
Reclassification adjustments for amortization and curtailment/settlement	2,052	(510)	1,542
Net pension liability adjustments	2,130	(534)	1,596
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	5,425	(1,332)	4,093
Reclassification adjustments	(88)	(17)	(105)
Net unrealized gains (losses)	5,337	(1,349)	3,988
Other comprehensive income (loss)	¥ 86,891	(1,883)	85,008

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the three-month ended December 31, 2013 are as follows:

For the three-month ended December 31, 2013	Yen (Millions)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax amount
Foreign currency translation adjustments:			
Amount arising during the period from investments in foreign entities	¥ 50,682	-	50,682
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	(14)	-	(14)
Net foreign currency translation adjustments	50,668	-	50,668
Pension liability adjustments:			
Reclassification adjustments for amortization and curtailment/settlement	673	(168)	505
Net pension liability adjustments	673	(168)	505
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	1,296	(292)	1,004
Reclassification adjustments	(150)	3	(147)
Net unrealized gains (losses)	1,146	(289)	857
Other comprehensive income (loss)	¥ 52,487	(457)	52,030

12. Net Income Attributable to TDK per Share

A reconciliation of the numerators and denominators of the basic and diluted net income attributable to TDK per share calculations is as follows:

	Yen (Millions)			
	Nine months ended December 31, 2012		Nine months ended December 31, 2013	
	Basic	Diluted	Basic	Diluted
Income from continuing operations attributable to TDK	¥ 10,267	9,849	19,139	18,487
Loss from discontinued operations attributable to TDK	(123)	(123)	(3,426)	(3,426)
Net income attributable to TDK	10,144	9,726	15,713	15,061
Number of shares (Thousands)				
Weighted average common shares outstanding	125,869	125,869	125,807	125,807
Incremental shares arising from the exercise of stock option	-	176	-	201
Weighted average common shares outstanding – Total	125,869	126,045	125,807	126,008
Yen				
Per common share:				
Income from continuing operations attributable to TDK	81.57	78.14	152.13	146.71
Loss from discontinued operations attributable to TDK	(0.98)	(0.98)	(27.23)	(27.23)
Net income attributable to TDK	80.59	77.16	124.90	119.52

	Yen (Millions)			
	Three months ended December 31, 2012		Three months ended December 31, 2013	
	Basic	Diluted	Basic	Diluted
Income from continuing operations attributable to TDK	¥ 423	275	10,075	9,812
Loss from discontinued operations attributable to TDK	(4)	(4)	(766)	(766)
Net income attributable to TDK	419	271	9,309	9,046
Number of shares (Thousands)				
Weighted average common shares outstanding	125,834	125,834	125,810	125,810
Incremental shares arising from the exercise of stock option	-	187	-	225
Weighted average common shares outstanding – Total	125,834	126,021	125,810	126,035
Yen				
Per common share:				
Income from continuing operations attributable to TDK	3.36	2.18	80.08	77.85
Loss from discontinued operations attributable to TDK	(0.03)	(0.03)	(6.09)	(6.09)
Net income attributable to TDK	3.33	2.15	73.99	71.77

176,000 and 187,000 incremental shares arising from the exercise of stock options were excluded from the per share calculation of diluted loss from discontinued operations attributable to TDK for the nine-month and the three-month ended December 31, 2012 as the effect would have been antidilutive. Also, 201,000 and 225,000 incremental shares arising from the exercise of stock options were excluded from the per share calculation of diluted loss from discontinued operations attributable to TDK for the nine-month and the three-month ended December 31, 2013 as the effect would have been antidilutive.

The decline of income from continuing operations attributable to TDK and net income attributable to TDK for the nine-month and the three-month ended December 31, 2012 and December 31, 2013 were caused by presuming the exercise of stock options issued by a subsidiary of TDK Corporation.

Per common share data are calculated separately for income from continuing operations attributable to TDK, loss from discontinued operations attributable to TDK and net income attributable to TDK. Consequently diluted net income attributable to TDK per share for the nine-month and the three-month ended December 31, 2012 and December 31, 2013 were not equal to the sum of diluted income from continuing operations attributable to TDK per share and loss from discontinued operations attributable to TDK per share.

For the nine-month and the three-month ended December 31, 2012 and December 31, 2013, some stock options issued by TDK Corporation were excluded from the diluted per share calculation of income from continuing operations attributable to TDK, loss from discontinued operations attributable to TDK, and net income attributable to TDK as the effect would have been antidilutive. The stock options issued by a subsidiary that are vested when a certain performance condition is achieved were also excluded from the diluted per share calculation of income from continuing operations attributable to TDK and net income attributable to TDK for the nine-month and the three-month ended December 31, 2012 and December 31, 2013 as it was not probable that the performance condition would be achieved as of December 31, 2012 and December 31, 2013.

13. Impact of the Damage from the Flood in Thailand on TDK Group's Consolidated Performance

The Rojana plant and Wangnoi plant of TDK subsidiaries were directly affected by the major Thai floods that occurred in 2011. Their facilities and buildings were submerged, and their operations were forced to stop. However, TDK booked an insurance payout of ¥5,885 million that covers the damage as operating income for the nine-month ended December 31, 2012.

14. Discontinued Operations

As a part of reviewing the entire group portfolio and concentration in core competence, TDK decided to withdraw from the data tape business which belongs to Applied films business composes Film Application Products segment.

In accordance with the provisions of FASB ASC 205-20 "Presentation of Financial Statements – Discontinued Operations", profit and loss pertaining to the data tape business are presented under discontinued operations in the consolidated statements of income.

The selected financial information for the discontinued operations for the nine-month ended December 31, 2012 and December 31, 2013, are as follows:

	Yen (Millions)	
	Nine months ended December 31,	
	2012	2013
Net sales	¥ 5,694	3,460
Cost of sales and expenses (includes impairment loss ¥1,708 million for the nine-month ended December 31, 2013)	5,793	7,885
Loss from discontinued operations before income taxes	(99)	(4,425)
Income taxes	0	105
Loss from discontinued operations	(99)	(4,530)
Income (loss) from discontinued operations attributable to noncontrolling interests	24	(1,104)
Loss from discontinued operations attributable to TDK	(123)	(3,426)

The selected financial information for the discontinued operations for the three-month ended December 31, 2012 and December 31, 2013, are as follows:

	Yen (Millions)	
	Three months ended December 31,	
	2012	2013
Net sales	¥ 2,086	982
Cost of sales and expenses	2,104	2,007
Loss from discontinued operations before income taxes	(18)	(1,025)
Income taxes	(20)	(46)
Income (loss) from discontinued operations	2	(979)
Income (loss) from discontinued operations attributable to noncontrolling interests	6	(213)
Loss from discontinued operations attributable to TDK	(4)	(766)

15. 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, the Magnetic Application Products segment and the Film Application Products segment. Operating segments which are not reportable segments are included in Other.

The figures related to the data tape business which was a part of Applied films of Film Application Products are excluded as discontinued operations.

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
Film Application Products	Energy devices (Rechargeable batteries), Applied films
Other	Mechatronics (Production equipment), other

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

The business segment information for the nine-month ended December 31, 2012 and December 31, 2013 are as follows:

Net sales

	Yen (Millions)	
	Nine months ended December 31,	
	2012	2013
Passive Components:		
External customers	¥ 275,231	353,568
Intersegment	2,483	2,224
	<u>277,714</u>	<u>355,792</u>
Magnetic Application Products:		
External customers	255,827	274,789
Intersegment	241	336
	<u>256,068</u>	<u>275,125</u>
Film Application Products:		
External customers	78,299	101,565
Intersegment	2,203	2,208
	<u>80,502</u>	<u>103,773</u>
Other:		
External customers	15,997	13,453
Intersegment	14,022	6,662
	<u>30,019</u>	<u>20,115</u>
Intersegment eliminations	(18,949)	(11,430)
Total	<u>¥ 625,354</u>	<u>743,375</u>

Segment profit (loss)

	Yen (Millions)	
	Nine months ended December 31,	
	2012	2013
Passive Components	¥ (7,118)	15,117
Magnetic Application Products	35,252	22,692
Film Application Products	10,625	11,606
Other	(1,437)	(2,434)
	<u>37,322</u>	<u>46,981</u>
Corporate and eliminations	(11,994)	(12,629)
Operating income	25,328	34,352
Other income (deductions), net	(3,984)	560
Income from continuing operations before income taxes	<u>¥ 21,344</u>	<u>34,912</u>

The business segment information for the three-month ended December 31, 2012 and December 31, 2013 are as follows:

Net sales

	Yen (Millions)	
	Three months ended December 31,	
	2012	2013
Passive Components:		
External customers	¥ 93,135	117,137
Intersegment	976	690
	<u>94,111</u>	<u>117,827</u>
Magnetic Application Products:		
External customers	84,215	95,739
Intersegment	34	15
	<u>84,249</u>	<u>95,754</u>
Film Application Products:		
External customers	30,932	41,439
Intersegment	701	754
	<u>31,633</u>	<u>42,193</u>
Other:		
External customers	5,034	4,332
Intersegment	4,789	2,229
	<u>9,823</u>	<u>6,561</u>
Intersegment eliminations	(6,500)	(3,688)
Total	<u>¥ 213,316</u>	<u>258,647</u>

Segment profit (loss)

	Yen (Millions)	
	Three months ended December 31,	
	2012	2013
Passive Components	¥ (1,752)	6,084
Magnetic Application Products	7,524	10,256
Film Application Products	3,556	6,471
Other	(551)	(796)
	<u>8,777</u>	<u>22,015</u>
Corporate and eliminations	(3,745)	(4,433)
Operating income	5,032	17,582
Other income (deductions), net	(2,074)	(390)
Income from continuing operations before income taxes	<u>¥ 2,958</u>	<u>17,192</u>

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

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

Net sales and segment profit (loss) related to discontinued operations are excluded from the nine-month and the three-month ended December 31, 2013. The prior year's figures are also excluded to conform to the presentation used for the nine-month and the three-month ended December 31, 2013.

Geographic segment information

The geographic segment information for the nine-month ended December 31, 2012 and December 31, 2013 are as follows:

Net sales

	Yen (Millions)	
	Nine months ended December 31,	
	2012	2013
Japan	¥ 83,638	70,782
Americas	40,211	62,331
Europe	78,072	101,859
China	259,598	374,044
Asia and others	163,835	134,359
Total	<u>¥ 625,354</u>	<u>743,375</u>

The geographic segment information for the three-month ended December 31, 2012 and December 31, 2013 are as follows:

Net sales

	Yen (Millions)	
	Three months ended December 31,	
	2012	2013
Japan	¥ 25,040	24,131
Americas	13,750	20,082
Europe	24,182	32,911
China	99,407	139,796
Asia and others	50,937	41,727
Total	<u>¥ 213,316</u>	<u>258,647</u>

Net sales are based on the location of the customers.

The figures for the nine-month and the three-month ended December 31, 2012 are restated based on current calculation method for sales by region.

Net sales related to discontinued operations are excluded from the nine-month and the three-month ended December 31, 2013. The prior year's sales are also excluded to conform to the presentation used for the nine-month and the three-month ended December 31, 2013.

Major countries in each geographic area:

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