



Consolidated Financial Statements
for the three-month ended and as of September 30, 2015
(in English)

On November 13, 2015, the Japanese version of this report 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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1) Consolidated balance sheets (Unaudited)

ASSETS	Yen (Millions)	
	March 31, 2015	September 30, 2015
Current assets:		
Cash and cash equivalents	¥ 265,104	¥ 252,993
Short-term investments	20,091	15,514
Marketable securities (Note 2)	1,301	700
Net trade receivables	238,089	254,952
Inventories (Note 3)	151,012	161,774
Other current assets	64,644	92,382
Total current assets	740,241	778,315
Investments in securities (Note 2)	45,733	39,043
Net property, plant and equipment	427,254	458,050
Goodwill and other intangible assets (Note 9)	111,006	111,108
Other assets	80,048	58,573
Total assets	¥ 1,404,282	¥ 1,445,089

See accompanying notes to consolidated financial statements.

	Yen (Millions)	
LIABILITIES AND EQUITY	March 31, 2015	September 30, 2015
Current liabilities:		
Short-term debt	¥ 136,098	¥ 152,628
Current installments of long-term debt	751	35,549
Trade payables	111,591	127,004
Accrued expenses	118,336	123,057
Other current liabilities	21,101	24,882
Total current liabilities	387,877	463,120
Long-term debt, excluding current installments	131,483	111,995
Retirement and severance benefits	105,687	104,957
Other noncurrent liabilities	21,228	21,451
Total liabilities	646,275	701,523
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares; issued 129,590,659 shares as of March 31, 2015 and September 30, 2015 outstanding 125,987,472 shares as of March 31, 2015 and 126,078,913 shares as of September 30, 2015	32,641	32,641
Additional paid-in capital	39,755	20,942
Legal reserve	29,685	30,288
Retained earnings	661,159	685,726
Accumulated other comprehensive income (loss) (Notes 10 and 11)	(5,882)	(15,845)
Treasury stock at cost; 3,603,187 shares as of March 31, 2015 and 3,511,746 shares as of September 30, 2015	(18,497)	(18,031)
Total TDK stockholders' equity	738,861	735,721
Noncontrolling interests (Notes 10 and 11)	19,146	7,845
Total equity	758,007	743,566
Total liabilities and equity	¥ 1,404,282	¥ 1,445,089

**2) Consolidated statements of income
and Consolidated statements of comprehensive income (Unaudited)**

For the six-month ended September 30, 2014 and 2015

Consolidated statements of income

	Yen (Millions)	
	Six-month ended September 30, 2014	Six-month ended September 30, 2015
Net sales	¥ 502,275	¥ 587,614
Cost of sales	376,145	429,384
Gross profit	126,130	158,230
Selling, general and administrative expenses	98,208	112,655
Operating income	27,922	45,575
Other income (deductions):		
Interest and dividend income	2,229	2,117
Interest expense	(1,447)	(1,511)
Foreign exchange gain (loss)	(1,276)	(942)
Other - net	(72)	(1,157)
Total other income (deductions)	(566)	(1,493)
Income before income taxes	27,356	44,082
Income taxes	7,769	11,368
Net income	19,587	32,714
Less: Net income attributable to noncontrolling interests	1,447	1,245
Net income attributable to TDK	¥ 18,140	¥ 31,469

Amounts per share:

	Yen	
	Six-month ended September 30, 2014	Six-month ended September 30, 2015
Net income attributable to TDK per share (Note 12):		
Basic	¥ 144.17	¥ 249.69
Diluted	140.45	239.43
Cash dividends paid during the period	¥ 40.00	¥ 60.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Six-month ended September 30, 2014	Six-month ended September 30, 2015
Net income	¥ 19,587	¥ 32,714
Other comprehensive income (loss), net of taxes (Note 11):		
Foreign currencies translation adjustments	37,228	(9,231)
Pension liability adjustments	(2,372)	1,198
Net unrealized gains (losses) on securities	1,305	(4,761)
Total other comprehensive income (loss)	36,161	(12,794)
Comprehensive income (Note 10)	55,748	19,920
Comprehensive income attributable to noncontrolling interests	2,653	1,307
Comprehensive income attributable to TDK	¥ 53,095	¥ 18,613

See accompanying notes to consolidated financial statements.

For the three-month ended September 30, 2014 and 2015
Consolidated statements of income

	Yen (Millions)	
	Three-month ended September 30, 2014	Three-month ended September 30, 2015
Net sales	¥ 264,813	¥ 308,058
Cost of sales	196,151	222,512
Gross profit	68,662	85,546
Selling, general and administrative expenses	50,335	58,111
Operating income	18,327	27,435
Other income (deductions):		
Interest and dividend income	1,093	1,033
Interest expense	(618)	(706)
Foreign exchange gain (loss)	(1,587)	(962)
Other - net	(214)	(1,653)
Total other income (deductions)	(1,326)	(2,288)
Income before income taxes	17,001	25,147
Income taxes	3,701	6,222
Net income	13,300	18,925
Less: Net income attributable to noncontrolling interests	914	555
Net income attributable to TDK	¥ 12,386	¥ 18,370

Amounts per share:

	Yen	
	Three-month ended September 30, 2014	Three-month ended September 30, 2015
Net income attributable to TDK per share (Note 12):		
Basic	¥ 98.43	¥ 145.72
Diluted	95.16	138.98
Cash dividends paid during the period	¥ -	¥ -

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three-month ended September 30, 2014	Three-month ended September 30, 2015
Net income	¥ 13,300	¥ 18,925
Other comprehensive income (loss), net of taxes (Note 11):		
Foreign currencies translation adjustments	47,368	(27,915)
Pension liability adjustments	(2,739)	553
Net unrealized gains (losses) on securities	1,458	(3,727)
Total other comprehensive income (loss)	46,087	(31,089)
Comprehensive income (loss) (Note 10)	59,387	(12,164)
Comprehensive income attributable to noncontrolling interests	2,371	314
Comprehensive income (loss) attributable to TDK	¥ 57,016	¥ (12,478)

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Six-month ended September 30, 2014	Six-month ended September 30, 2015
Cash flows from operating activities:		
Net income	¥ 19,587	¥ 32,714
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,183	41,550
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(18,634)	(20,396)
Decrease (increase) in inventories	(8,925)	(11,865)
Increase (decrease) in trade payables	9,660	19,275
Increase (decrease) in accrued expenses	1,125	(336)
Decrease (increase) in other assets and liabilities, net	(3,608)	(2,830)
Other - net	5,527	2,798
Net cash provided by operating activities	<u>43,915</u>	<u>60,910</u>
Cash flows from investing activities:		
Capital expenditures	(42,802)	(72,482)
Proceeds from sale and maturity of short-term investments	6,369	17,461
Payment for purchase of short-term investments	(10,898)	(13,486)
Proceeds from sale and maturity of securities	135	3,457
Payment for purchase of securities	(225)	(490)
Acquisition of affiliates	-	(2,313)
Proceeds from sales of tangible and intangible assets	1,727	475
Other - net	682	(9)
Net cash used in investing activities	<u>(45,012)</u>	<u>(67,387)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	18,650	13,474
Repayment of long-term debt	(1,538)	(251)
Increase (decrease) in short-term debt, net	(18,826)	18,212
Dividends paid	(5,033)	(6,298)
Acquisition of noncontrolling interests	(14,995)	(28,504)
Other - net	2,817	(28)
Net cash used in financing activities	<u>(18,925)</u>	<u>(3,395)</u>
Effect of exchange rate changes on cash and cash equivalents	13,415	(2,239)
Net decrease in cash and cash equivalents	<u>(6,607)</u>	<u>(12,111)</u>
Cash and cash equivalents at beginning of period	250,848	265,104
Cash and cash equivalents at end of period	<u>¥ 244,241</u>	<u>¥ 252,993</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 the generally accepted accounting principles in Japan, and its foreign subsidiaries' books of accounts are 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 its 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 balances and transactions have been eliminated in consolidation.

The investments in affiliates where TDK exercises significant influence over their operating and financial policies are accounted for using the equity method of accounting. All significant intercompany profits from transactions with these affiliates have been eliminated.

(c) Subsequent Events

TDK has evaluated the subsequent events through November 12, 2015, the date on which the consolidated 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 six-month and the three-month ended September 30, 2015.

2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities as of March 31, 2015 and September 30, 2015, are as follows:

	Yen (Millions)	
	March 31, 2015	September 30, 2015
Marketable securities	¥ 1,301	¥ 700
Investments in securities:		
Long-term marketable securities	26,695	16,955
Nonmarketable securities	548	850
Investments in affiliates	18,490	21,238
Total investments in securities	45,733	39,043
Total	¥ 47,034	¥ 39,743

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities as of March 31, 2015 and September 30, 2015, is as follows:

As of March 31, 2015	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
Government bonds	¥ 1,301	¥ 0	¥ -	¥ 1,301
Investments (Debt securities):				
Commercial papers	66	73	-	139
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	8,407	14,684	33	23,058
Other	1,175	1,032	-	2,207
Investments (Mutual funds)	996	293	-	1,289
Total	¥ 11,947	¥ 16,082	¥ 33	¥ 27,996

As of September 30, 2015	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Marketable securities (Debt securities):				
Government bonds	¥ 700	¥ 0	¥ -	¥ 700
Investments (Debt securities):				
Commercial papers	60	74	-	134
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	5,453	8,119	33	13,539
Other	1,175	789	-	1,964
Investments (Mutual funds)	1,169	153	6	1,316
Total	¥ 8,559	¥ 9,135	¥ 39	¥ 17,655

Debt securities classified as available-for-sale as of September 30, 2015 have a weighted average remaining term of 0.3 year.

The proceeds from sale and maturity of available-for-sale securities and nonmarketable securities were ¥135 million and ¥34 million for the six-month and the three-month ended September 30, 2014, respectively. The proceeds from sale and maturity of available-for-sale securities and nonmarketable securities were ¥3,457 million for the six-month ended September 30, 2015. The proceeds from sale and maturity of available-for-sale securities were ¥2,161 million for the three-month ended September 30, 2015. The gross realized gains on the sale and settlement of available-for-sale securities and nonmarketable securities were ¥14 million for the six-month ended September 30, 2014. The gross realized gains on the sale and settlement of available-for-sale securities were ¥96 million for the six-month and the three-month ended September 30, 2015. The cost of available-for-sale securities and nonmarketable securities sold were determined on average cost basis.

TDK recorded an impairment of ¥150 million on certain nonmarketable securities representing other-than-temporary declines in the fair value for the six-month ended September 30, 2014. TDK recorded an impairment of ¥1,567 million on certain available-for-sale securities representing other-than-temporary declines in the fair value for the six-month and the three-month ended September 30, 2015.

As of September 30, 2015, 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 as of March 31, 2015 and September 30, 2015 totaled ¥548 million and ¥850 million, respectively.

As of September 30, 2015, certain debt securities in the amount of ¥700 million were pledged as collateral for extended custom duty payments to Tokyo Customs and other customs.

3. Inventories

Inventories as of March 31, 2015 and September 30, 2015, are summarized as follows:

	Yen (Millions)	
	March 31, 2015	September 30, 2015
Finished goods	¥ 64,176	¥ 69,218
Work in process	37,680	40,728
Raw materials	49,156	51,828
Total	¥ 151,012	¥ 161,774

4. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the six-month ended September 30, 2014 and September 30, 2015 consist of the following components:

	Yen (Millions)	
	Six-month ended September 30, 2014	Six-month ended September 30, 2015
Service cost-benefits earned during the period	¥ 3,453	¥ 3,978
Interest cost on projected benefit obligation	2,683	2,171
Expected return on plan assets	(2,040)	(2,278)
Amortization of actuarial loss	1,991	2,656
Amortization of prior service cost (benefit)	(1,009)	(1,165)
Net periodic benefit cost	¥ 5,078	¥ 5,362

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended September 30, 2014 and September 30, 2015 consist of the following components:

	Yen (Millions)	
	Three-month ended September 30, 2014	Three-month ended September 30, 2015
Service cost-benefits earned during the period	¥ 1,722	¥ 1,987
Interest cost on projected benefit obligation	1,338	1,084
Expected return on plan assets	(1,025)	(1,134)
Amortization of actuarial loss	985	1,326
Amortization of prior service cost (benefit)	(505)	(582)
Net periodic benefit cost	¥ 2,515	¥ 2,681

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 as of March 31, 2015 and September 30, 2015, are as follows:

	Yen (Millions)	
	March 31, 2015	September 30, 2015
Guarantees to third parties on bank loans of employees	¥ 1,524	¥ 1,351

As of September 30, 2015, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangement was not material.

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

6. Risk Management Activities and Derivative Financial Instruments

TDK operates internationally and is exposed to the risk of changes in foreign exchange rates as well as 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 the 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 are not 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 as of March 31, 2015 and September 30, 2015, are as follows:

	Yen (Millions)	
	March 31, 2015	September 30, 2015
Forward foreign exchange contracts	¥ 92,963	¥ 118,287
Currency swaps	40,326	47,810
Commodity forward transactions	-	1,503
Total	¥ 133,289	¥ 167,600

Fair value of derivative financial instruments as of March 31, 2015 and September 30, 2015 are as follows:

		Yen (Millions)	
		As of March 31, 2015	
		Account	Fair value
Assets:			
Forward foreign exchange contracts	Other current assets		¥ 1,452
Currency swaps	Other current assets		2,217
Currency swaps	Other assets		153
Assets total			¥ 3,822
Liabilities:			
Forward foreign exchange contracts	Other current liabilities		¥ 1,521
Currency swaps	Other current liabilities		29
Currency swaps	Other noncurrent liabilities		19
Liabilities total			¥ 1,569
		Yen (Millions)	
		As of September 30, 2015	
		Account	Fair value
Assets:			
Forward foreign exchange contracts	Other current assets		¥ 915
Currency swaps	Other current assets		488
Currency swaps	Other assets		277
Assets total			¥ 1,680
Liabilities:			
Forward foreign exchange contracts	Other current liabilities		¥ 724
Currency swaps	Other current liabilities		378
Currency swaps	Other noncurrent liabilities		30
Commodity forward transactions	Other current liabilities		39
Commodity forward transactions	Other noncurrent liabilities		5
Liabilities total			¥ 1,176

The effect of derivative financial instruments on the consolidated statements of income for the six-month ended September 30, 2014 and September 30, 2015 are as follows:

		Six-month ended September 30, 2014	
		Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)		¥ (1,665)
Currency swaps	Foreign exchange gain (loss)		2,256
Commodity forward transactions	Cost of sales		64
	Total		¥ 655
		Six-month ended September 30, 2015	
		Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)		¥ 513
Currency swaps	Foreign exchange gain (loss)		(930)
Commodity forward transactions	Cost of sales		(69)
	Total		¥ (486)

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended September 30, 2014 and September 30, 2015 are as follows:

			Three-month ended September 30, 2014	
			Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)		¥ (2,162)	
Currency swaps	Foreign exchange gain (loss)		2,042	
Commodity forward transactions	Cost of sales		15	
			Total	¥ (105)

			Three-month ended September 30, 2015	
			Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)		¥ (464)	
Currency swaps	Foreign exchange gain (loss)		283	
Commodity forward transactions	Cost of sales		(43)	
			Total	¥ (224)

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, Investments in securities and Other assets

The fair values of marketable securities and investments in securities are primarily estimated based on the quoted market prices of these instruments. The fair value of TDK's long-term loans included in other assets are estimated based on the amount of future cash flows associated with the instrument discounted using the borrower's current borrowing rate for similar borrowing of comparable maturity, or based on the quoted market prices of the same or similar instruments. The long-term loans are classified as level 2, one of the three levels of the fair value hierarchy that is discussed in Note 8 of the Notes to Consolidated Financial Statements.

(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 instruments. The long-term debt is classified as level 2, one of the three levels of the 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 as of March 31, 2015 and September 30, 2015, are summarized as follows:

As of March 31, 2015	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 1,301	¥ 1,301
Investments in securities and other assets	68,328	68,328
Liability:		
Long-term debt, including current portion (excluding lease obligation)	(125,768)	(126,942)
<hr/>		
As of September 30, 2015	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ 700	¥ 700
Investments in securities and other assets	33,750	33,750
Liability:		
Long-term debt, including current portion (excluding lease obligation)	(139,699)	(140,937)

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

The Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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, 2015 and September 30, 2015 are as follows:

As of March 31, 2015	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities)				
Government bonds	¥ 1,301	¥ -	¥ -	¥ 1,301
Derivative contracts:				
Forward foreign exchange contracts	-	1,452	-	1,452
Currency swaps	-	2,370	-	2,370
Investments (Debt securities):				
Commercial papers	-	139	-	139
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	23,058	-	-	23,058
Other	2,207	-	-	2,207
Investments (Mutual funds)	1,289	-	-	1,289
Rabbi trust investments	7,309	-	-	7,309
Total	¥ 35,166	¥ 3,961	¥ -	¥ 39,127
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,521	¥ -	¥ 1,521
Currency swaps	-	48	-	48
Total	¥ -	¥ 1,569	¥ -	¥ 1,569
As of September 30, 2015				
	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities)				
Government bonds	¥ 700	¥ -	¥ -	¥ 700
Derivative contracts:				
Forward foreign exchange contracts	-	915	-	915
Currency swaps	-	765	-	765
Investments (Debt securities):				
Commercial papers	-	134	-	134
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	13,539	-	-	13,539
Other	1,964	-	-	1,964
Investments (Mutual funds)	1,316	-	-	1,316
Rabbi trust investments	7,069	-	-	7,069
Total	¥ 24,590	¥ 1,814	¥ -	¥ 26,404
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 724	¥ -	¥ 724
Currency swaps	-	408	-	408
Commodity forward transactions	-	44	-	44
Total	¥ -	¥ 1,176	¥ -	¥ 1,176

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 in which a part of the employees' salary is deposited, are included in other assets and are 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 raw material price. Investments consist of commercial papers and the fair values thereof are based on third-party assessments 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 six-month ended September 30, 2014 is as follows:

Six-month ended September 30, 2014	Yen (Millions)			
	Total gains (losses)	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	¥ (150)	¥ -	¥ -	¥ -
Long-lived assets (Intangible assets)	(368)	-	-	279

For the six-month ended September 30, 2014, investments which consist of nonmarketable securities valued using the cost method with the book value of ¥150 million was fully written down due to impairment. For the six-month and three-month ended September 30, 2014, mainly based on the discounted future cash flows expected from the use of each of the assets, the book value of long-lived assets (intangible assets) of ¥647 million was written down to its fair value of ¥279 million due to impairment. These fair values are classified as Level 3 because they were calculated using unobservable inputs.

As a result of the above, impairment loss of ¥518 million caused by other-than-temporary declines in fair values during the six-month ended September 30, 2014 was included in the consolidated statements of income.

9. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill as of March 31, 2015 and September 30, 2015 are as follows:

As of March 31, 2015	Yen (Millions)		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 30,921	¥ 18,722	¥ 12,199
Customer relationships	23,684	18,444	5,240
Software	28,958	14,927	14,031
Unpatented technologies	34,512	30,842	3,670
Other	7,070	1,571	5,499
Total	¥ 125,145	¥ 84,506	¥ 40,639
Nonamortizable intangible			
Trademark	¥ 6,894		¥ 6,894
Other	243		243
Total	¥ 7,137		¥ 7,137
As of September 30, 2015	Yen (Millions)		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 30,961	¥ 19,816	¥ 11,145
Customer relationships	24,065	19,349	4,716
Software	30,097	15,716	14,381
Unpatented technologies	25,764	22,769	2,995
Other	8,266	1,770	6,496
Total	¥ 119,153	¥ 79,420	¥ 39,733
Nonamortizable intangible			
Trademark	¥ 7,026		¥ 7,026
Other	243		243
Total	¥ 7,269		¥ 7,269

No significant intangible assets other than goodwill were acquired in the six-month ended September 30, 2014 and September 30, 2015.

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 six-month ended September 30, 2015 was ¥4,185 million.

There are no significant changes in the carrying amount of goodwill for the six-month ended September 30, 2015.

10. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the six-month ended September 30, 2014 and September 30, 2015 are as follows:

	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2014	¥ 635,327	¥ 16,916	¥ 652,243
Equity transaction of consolidated subsidiaries and other	(9,710)	(1,016)	(10,726)
Comprehensive income:			
Net income	18,140	1,447	19,587
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	36,022	1,206	37,228
Pension liability adjustments	(2,372)	(0)	(2,372)
Net unrealized gains (losses) on securities	1,305	-	1,305
Total other comprehensive income (loss)	34,955	1,206	36,161
Comprehensive income	53,095	2,653	55,748
Dividends	(5,033)	(141)	(5,174)
September 30, 2014	¥ 673,679	¥ 18,412	¥ 692,091
	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2015	¥ 738,861	¥ 19,146	¥ 758,007
Equity transaction of consolidated subsidiaries and other	(15,454)	(12,431)	(27,885)
Comprehensive income:			
Net income	31,469	1,245	32,714
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	(9,293)	62	(9,231)
Pension liability adjustments	1,198	-	1,198
Net unrealized gains (losses) on securities	(4,761)	-	(4,761)
Total other comprehensive income (loss)	(12,856)	62	(12,794)
Comprehensive income	18,613	1,307	19,920
Dividends	(6,299)	(177)	(6,476)
September 30, 2015	¥ 735,721	¥ 7,845	¥ 743,566

Net income attributable to TDK and transfers (to) from noncontrolling interests for the six-month ended September 30, 2014 and September 30, 2015 are as follows:

	Yen (Millions)	
	Six-month ended	
	September 30,	
	2014	2015
Net income attributable to TDK	¥ 18,140	¥ 31,469
Decrease in TDK's additional paid-in capital for purchase of Amperex Technology Ltd.'s common shares from third parties	(9,061)	(18,959)
Decrease in TDK's additional paid-in capital for issue of Amperex Technology Ltd.'s common shares to third parties	(2,284)	-
Increase in TDK's additional paid-in capital for purchase of Magnecomp Precision Technology Public Co., Ltd.'s common shares from third parties	9	-
Net transfers (to) from noncontrolling interests	(11,336)	(18,959)
Changes arising from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ 6,804	¥ 12,510

11. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the six-month ended September 30, 2014 and September 30, 2015 are as follows:

	Yen (Millions)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2014	¥ (54,046)	¥ (39,528)	¥ 6,440	¥ (87,134)
Equity transaction of consolidated subsidiaries and other	288	-	-	288
Other comprehensive income (loss) before reclassifications	37,256	(3,092)	1,305	35,469
Amounts reclassified from accumulated other comprehensive income (loss)	(28)	720	-	692
Other comprehensive income (loss)	37,228	(2,372)	1,305	36,161
Other comprehensive income (loss) attributable to noncontrolling interests	1,206	(0)	-	1,206
September 30, 2014	¥ (17,736)	¥ (41,900)	¥ 7,745	¥ (51,891)
	Yen (Millions)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2015	¥ 36,547	¥ (53,332)	¥ 10,903	¥ (5,882)
Equity transaction of consolidated subsidiaries and other	2,893	-	-	2,893
Other comprehensive income (loss) before reclassifications	(9,231)	79	(6,035)	(15,187)
Amounts reclassified from accumulated other comprehensive income (loss)	-	1,119	1,274	2,393
Other comprehensive income (loss)	(9,231)	1,198	(4,761)	(12,794)
Other comprehensive income (loss) attributable to noncontrolling interests	62	-	-	62
September 30, 2015	¥ 30,147	¥ (52,134)	¥ 6,142	¥ (15,845)

The reclassifications out of accumulated other comprehensive income (loss) for the six-month ended September 30, 2014 and September 30, 2015 are as follows:

For the six-month ended September 30,	Yen (Millions)		Affected line items in consolidated statements of income
	Amount reclassified from accumulated other comprehensive income (loss) *1		
	2014	2015	
Foreign currencies translation adjustments:			
	¥ 28	¥ -	Selling, general and administrative expenses
	-	-	Tax (expense) or benefit
	<u>28</u>	<u>-</u>	Net of tax
Pension liability adjustments:			
	(972)	(1,489)	*2
	252	370	Tax (expense) or benefit
	<u>(720)</u>	<u>(1,119)</u>	Net of tax
Net unrealized gains (losses) on securities:			
	-	(1,471)	Others
	-	197	Tax (expense) or benefit
	<u>-</u>	<u>(1,274)</u>	Net of tax
Total amount reclassified, net of tax	¥ (692)	¥ (2,393)	

*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.

The reclassifications out of accumulated other comprehensive income (loss) for the three-month ended September 30, 2014 and September 30, 2015 are as follows:

For the three-month ended September 30,	Yen (Millions)		Affected line items in consolidated statements of income
	Amount reclassified from accumulated other comprehensive income (loss) *1		
	2014	2015	
Foreign currencies translation adjustments:			
	¥ 28	¥ -	Selling, general and administrative expenses
	-	-	Tax (expense) or benefit
	<u>28</u>	<u>-</u>	Net of tax
Pension liability adjustments:			
	(477)	(743)	*2
	124	185	Tax (expense) or benefit
	<u>(353)</u>	<u>(558)</u>	Net of tax
Net unrealized gains (losses) on securities:			
	-	(1,471)	Others
	-	197	Tax (expense) or benefit
	<u>-</u>	<u>(1,274)</u>	Net of tax
Total amount reclassified, net of tax	¥ (325)	¥ (1,832)	

*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 six-month ended September 30, 2014 and September 30, 2015 are as follows:

For the six-month ended September 30, 2014	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	¥ 37,256	¥ 0	¥ 37,256
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	(28)	-	(28)
Net foreign currency translation adjustments	37,228	0	37,228
Pension liability adjustments:			
Amount arising during the period	(3,092)	-	(3,092)
Reclassification adjustments for amortization	972	(252)	720
Net pension liability adjustments	(2,120)	(252)	(2,372)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	3,336	(2,031)	1,305
Net unrealized gains (losses)	3,336	(2,031)	1,305
Other comprehensive income (loss)	¥ 38,444	¥ (2,283)	¥ 36,161

For the six-month ended September 30, 2015	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	¥ (9,488)	¥ 257	¥ (9,231)
Net foreign currency translation adjustments	(9,488)	257	(9,231)
Pension liability adjustments:			
Amount arising during the period	132	(53)	79
Reclassification adjustments for amortization	1,489	(370)	1,119
Net pension liability adjustments	1,621	(423)	1,198
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(8,427)	2,392	(6,035)
Reclassification adjustments	1,471	(197)	1,274
Net unrealized gains (losses)	(6,956)	2,195	(4,761)
Other comprehensive income (loss)	¥ (14,823)	¥ 2,029	¥ (12,794)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the three-month ended September 30, 2014 and September 30, 2015 are as follows:

For the three-month ended September 30, 2014	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	¥ 47,396	¥ 0	¥ 47,396
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	(28)	-	(28)
Net foreign currency translation adjustments	47,368	0	47,368
Pension liability adjustments:			
Amount arising during the period	(3,092)	-	(3,092)
Reclassification adjustments for amortization	477	(124)	353
Net pension liability adjustments	(2,615)	(124)	(2,739)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	2,310	(852)	1,458
Net unrealized gains (losses)	2,310	(852)	1,458
Other comprehensive income (loss)	¥ 47,063	¥ (976)	¥ 46,087

For the three-month ended September 30, 2015	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	¥ (28,196)	¥ 281	¥ (27,915)
Net foreign currency translation adjustments	(28,196)	281	(27,915)
Pension liability adjustments:			
Amount arising during the period	(6)	1	(5)
Reclassification adjustments for amortization	743	(185)	558
Net pension liability adjustments	737	(184)	553
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(6,943)	1,942	(5,001)
Reclassification adjustments	1,471	(197)	1,274
Net unrealized gains (losses)	(5,472)	1,745	(3,727)
Other comprehensive income (loss)	¥ 32,931	¥ 1,842	¥ (31,089)

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)			
	Six-month ended September 30, 2014		Six-month ended September 30, 2015	
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 18,140	¥ 17,710	¥ 31,469	¥ 30,258
	Number of shares (Thousands)			
Weighted average common shares outstanding	125,826	125,826	126,032	126,032
Incremental shares arising from the exercise of stock option	-	264	-	342
Weighted average common shares outstanding – Total	125,826	126,090	126,032	126,374
	Yen			
Per common share:				
Net income attributable to TDK	¥ 144.17	¥ 140.45	¥ 249.69	¥ 239.43
	Yen (Millions)			
	Three-month ended September 30, 2014		Three-month ended September 30, 2015	
	Basic	Diluted	Basic	Diluted
	¥ 12,386	¥ 12,003	¥ 18,370	¥ 17,564
Net income attributable to TDK				
	Number of shares (Thousands)			
Weighted average common shares outstanding	125,836	125,836	126,060	126,060
Incremental shares arising from the exercise of stock option	-	299	-	317
Weighted average common shares outstanding – Total	125,836	126,135	126,060	126,377
	Yen			
Per common share:				
Net income attributable to TDK	¥ 98.43	¥ 95.16	¥ 145.72	¥ 138.98

The decline of net income attributable to TDK for the six-month and the three-month ended September 30, 2014 and September 30, 2015 were caused by a diluted effect of stock options issued by a subsidiary of TDK Corporation.

For the six-month and the three-month ended September 30, 2014 and September 30, 2015, certain stock options issued by TDK Corporation were excluded from the diluted per share calculation of 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 net income attributable to TDK for the six-month and the three-month ended September 30, 2014 and September 30, 2015 as it was not probable that the performance condition would be achieved as of September 30, 2014 and September 30, 2015.

13. 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.

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	HDD heads, HDD suspension assemblies, 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.

As a result of the reorganization in the three-month ended June 30, 2015, certain products of the Passive Components segment and the Magnetic Application Products segment were reclassified into Other. The figures for the six-month and the three-month ended September 30, 2014 are also reclassified to conform to the new segmentation.

The business segment information for the six-month ended September 30, 2014 and September 30, 2015 is as follows:

Net sales

	Yen (Millions)	
	Six-month ended September 30,	
	2014	2015
Passive Components:		
External customers	¥ 251,844	¥ 297,967
Intersegment	1,466	1,511
	<u>253,310</u>	<u>299,478</u>
Magnetic Application Products:		
External customers	174,444	164,624
Intersegment	86	110
	<u>174,530</u>	<u>164,734</u>
Film Application Products:		
External customers	59,719	107,297
Intersegment	1,468	1,502
	<u>61,187</u>	<u>108,799</u>
Other:		
External customers	16,268	17,726
Intersegment	4,953	7,244
	<u>21,221</u>	<u>24,970</u>
Intersegment eliminations	(7,973)	(10,367)
Total	<u>¥ 502,275</u>	<u>¥ 587,614</u>

Segment profit (loss)

	Yen (Millions)	
	Six-month ended September 30,	
	2014	2015
Passive Components	¥ 17,172	¥ 32,412
Magnetic Application Products	15,714	8,245
Film Application Products	5,512	16,375
Other	(285)	584
	<u>38,113</u>	<u>57,616</u>
Corporate and eliminations	(10,191)	(12,041)
Operating income	27,922	45,575
Other income (deductions), net	(566)	(1,493)
Income before income taxes	<u>¥ 27,356</u>	<u>¥ 44,082</u>

The business segment information for the three-month ended September 30, 2014 and September 30, 2015 is as follows:

Net sales

	Yen (Millions)	
	Three-month ended September 30,	
	2014	2015
Passive Components:		
External customers	¥ 129,922	¥ 150,151
Intersegment	651	746
	<u>130,573</u>	<u>150,897</u>
Magnetic Application Products:		
External customers	89,195	85,266
Intersegment	65	47
	<u>89,260</u>	<u>85,313</u>
Film Application Products:		
External customers	37,235	64,065
Intersegment	755	766
	<u>37,990</u>	<u>64,831</u>
Other:		
External customers	8,461	8,576
Intersegment	3,005	4,162
	<u>11,466</u>	<u>12,738</u>
Intersegment eliminations	(4,476)	(5,721)
Total	<u>¥ 264,813</u>	<u>¥ 308,058</u>

Segment profit (loss)

	Yen (Millions)	
	Three-month ended September 30,	
	2014	2015
Passive Components	¥ 9,415	¥ 17,382
Magnetic Application Products	8,453	4,458
Film Application Products	5,226	11,643
Other	209	211
	<u>23,303</u>	<u>33,694</u>
Corporate and eliminations	(4,976)	(6,259)
Operating income	18,327	27,435
Other income (deductions), net	(1,326)	(2,288)
Income before income taxes	<u>¥ 17,001</u>	<u>¥ 25,147</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.

Geographic segment information

The geographic segment information for the six-month ended September 30, 2014 and September 30, 2015 is as follows:

Net sales

	Yen (Millions)	
	Six-month ended September 30,	
	2014	2015
Japan	¥ 47,018	¥ 44,365
Americas	41,487	51,194
Europe	73,887	73,800
China	256,445	314,369
Asia and others	83,438	103,886
Total	¥ 502,275	¥ 587,614

The geographic segment information for the three-month ended September 30, 2014 and September 30, 2015 is as follows:

Net sales

	Yen (Millions)	
	Three-month ended September 30,	
	2014	2015
Japan	¥ 23,121	¥ 21,821
Americas	22,292	25,986
Europe	36,969	37,331
China	138,869	169,803
Asia and others	43,562	53,117
Total	¥ 264,813	¥ 308,058

Net sales are based on the location of the customers.

Major countries in each geographic area:

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

14. Material Subsequent Events

TDK Corporation has entered into a definitive agreement to acquire Hutchinson Technology Incorporated (“HTI”) that is a U.S. entity, manufactures components for HDD suspensions on November 1, 2015. A subsidiary of TDK Corporation will acquire all of the outstanding shares of common stock of HTI. The transaction is currently expected to close by March 31, 2016, after obtaining approvals from shareholders of HTI and related authorities. The purpose of the acquisition is to strengthen TDK’s HDD suspension assemblies business and HDD heads business.