



Consolidated Financial Statements
for the three-month ended and as of December 31, 2015
(in English)

On February 12, 2016, 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	December 31, 2015
Current assets:		
Cash and cash equivalents	¥ 265,104	¥ 322,998
Short-term investments	20,091	15,982
Marketable securities (Note 2)	1,301	-
Net trade receivables	238,089	250,207
Inventories (Note 3)	151,012	161,819
Other current assets	64,644	83,287
Total current assets	740,241	834,293
Investments in securities (Note 2)	45,733	34,397
Net property, plant and equipment	427,254	475,526
Goodwill and other intangible assets (Note 10)	111,006	110,480
Other assets	80,048	59,128
Total assets	¥ 1,404,282	¥ 1,513,824

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Yen (Millions)	
	March 31, 2015	December 31, 2015
Current liabilities:		
Short-term debt	¥ 136,098	¥ 206,351
Current installments of long-term debt	751	36,108
Trade payables	111,591	125,487
Accrued expenses	118,336	123,692
Other current liabilities	21,101	26,067
Total current liabilities	387,877	517,705
Long-term debt, excluding current installments	131,483	114,196
Retirement and severance benefits	105,687	101,276
Other noncurrent liabilities	21,228	22,177
Total liabilities	646,275	755,354
TDK stockholders' equity:		
Common stock		
Authorized 480,000,000 shares;		
issued 129,590,659 shares as of March 31, 2015 and December 31, 2015		
outstanding 125,987,472 shares as of March 31, 2015 and		
126,112,366 shares as of December 31, 2015	32,641	32,641
Additional paid-in capital	39,755	20,969
Legal reserve	29,685	34,068
Retained earnings	661,159	699,326
Accumulated other comprehensive income (loss) (Notes 11 and 12)	(5,882)	(18,841)
Treasury stock at cost;		
3,603,187 shares as of March 31, 2015 and 3,478,293 shares		
as of December 31, 2015	(18,497)	(17,860)
Total TDK stockholders' equity	738,861	750,303
Noncontrolling interests (Notes 11 and 12)	19,146	8,167
Total equity	758,007	758,470
Total liabilities and equity	¥ 1,404,282	¥ 1,513,824

2) Consolidated statements of income

and Consolidated statements of comprehensive income (Unaudited)

For the nine-month ended December 31, 2014 and 2015

Consolidated statements of income

	Yen (Millions)	
	Nine-month ended December 31, 2014	Nine-month ended December 31, 2015
Net sales	¥ 802,652	¥ 889,342
Cost of sales	596,073	640,800
Gross profit	206,579	248,542
Selling, general and administrative expenses (Note 9)	153,475	172,670
Operating income	53,104	75,872
Other income (deductions):		
Interest and dividend income	3,149	3,373
Interest expense	(2,239)	(2,288)
Foreign exchange gain (loss)	(4,064)	(1,783)
Other - net	(353)	(1,238)
Total other income (deductions)	(3,507)	(1,936)
Income before income taxes	49,597	73,936
Income taxes	12,722	15,784
Net income	36,875	58,152
Less: Net income attributable to noncontrolling interests	2,339	1,738
Net income attributable to TDK	¥ 34,536	¥ 56,414

Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	¥ 274.43	¥ 447.54
Diluted	265.25	429.05
Cash dividends paid during the period	¥ 80.00	¥ 110.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Nine-month ended December 31, 2014	Nine-month ended December 31, 2015
Net income	¥ 36,875	¥ 58,152
Other comprehensive income (loss), net of taxes (Note 12):		
Foreign currencies translation adjustments	105,445	(12,729)
Pension liability adjustments	(1,619)	1,744
Net unrealized gains (losses) on securities	1,251	(4,882)
Total other comprehensive income (loss)	105,077	(15,867)
Comprehensive income (Note 11)	141,952	42,285
Comprehensive income attributable to noncontrolling interests	5,019	1,723
Comprehensive income attributable to TDK	¥ 136,933	¥ 40,562

See accompanying notes to consolidated financial statements.

For the three-month ended December 31, 2014 and 2015
Consolidated statements of income

	Yen (Millions)	
	Three-month ended December 31, 2014	Three-month ended December 31, 2015
Net sales	¥ 300,377	¥ 301,728
Cost of sales	219,928	211,416
Gross profit	80,449	90,312
Selling, general and administrative expenses (Note 9)	55,267	60,015
Operating income	25,182	30,297
Other income (deductions):		
Interest and dividend income	920	1,256
Interest expense	(792)	(777)
Foreign exchange gain (loss)	(2,788)	(841)
Other - net	(281)	(81)
Total other income (deductions)	(2,941)	(443)
Income before income taxes	22,241	29,854
Income taxes	4,953	4,416
Net income	17,288	25,438
Less: Net income attributable to noncontrolling interests	892	493
Net income attributable to TDK	¥ 16,396	¥ 24,945

Amounts per share:

	Yen	
Net income attributable to TDK per share (Note 13):		
Basic	¥ 130.24	¥ 197.83
Diluted	124.94	189.55
Cash dividends paid during the period	¥ 40.00	¥ 60.00

Consolidated statements of comprehensive income

	Yen (Millions)	
	Three-month ended December 31, 2014	Three-month ended December 31, 2015
Net income	¥ 17,288	¥ 25,438
Other comprehensive income (loss), net of taxes (Note 12):		
Foreign currencies translation adjustments	68,217	(3,498)
Pension liability adjustments	753	546
Net unrealized gains (losses) on securities	(54)	(121)
Total other comprehensive income (loss)	68,916	(3,073)
Comprehensive income (loss) (Note 11)	86,204	22,365
Comprehensive income attributable to noncontrolling interests	2,366	416
Comprehensive income (loss) attributable to TDK	¥ 83,838	¥ 21,949

See accompanying notes to consolidated financial statements.

3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Nine-month ended December 31, 2014	Nine-month ended December 31, 2015
Cash flows from operating activities:		
Net income	¥ 36,875	¥ 58,152
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,773	62,503
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(10,338)	(15,830)
Decrease (increase) in inventories	(9,014)	(12,513)
Increase (decrease) in trade payables	1,536	17,219
Increase (decrease) in accrued expenses	974	(2,400)
Decrease (increase) in other assets and liabilities, net	(2,230)	6,162
Other - net	11,740	4,235
Net cash provided by operating activities	89,316	117,528
Cash flows from investing activities:		
Capital expenditures	(70,604)	(114,799)
Proceeds from sale and maturity of short-term investments	11,347	24,274
Payment for purchase of short-term investments	(19,230)	(20,749)
Proceeds from sale and maturity of securities	145	3,990
Payment for purchase of securities	(230)	(829)
Acquisition of affiliates	-	(2,313)
Disbursement for loans made by TDK	(23,706)	(128)
Proceeds from sales of tangible and intangible assets	6,945	2,635
Other - net	2,257	4,495
Net cash used in investing activities	(93,076)	(103,424)
Cash flows from financing activities:		
Proceeds from long-term debt	26,711	13,664
Repayment of long-term debt	(1,761)	(385)
Increase (decrease) in short-term debt, net	(12,709)	75,212
Dividends paid	(10,053)	(13,843)
Acquisition of noncontrolling interests	(24,608)	(28,504)
Other - net	2,706	24
Net cash provided by (used in) financing activities	(19,714)	46,168
Effect of exchange rate changes on cash and cash equivalents	36,241	(2,378)
Net increase in cash and cash equivalents	12,767	57,894
Cash and cash equivalents at beginning of period	250,848	265,104
Cash and cash equivalents at end of period	¥ 263,615	¥ 322,998

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 February 10, 2016, 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 nine-month and the three-month ended December 31, 2015.

2. Marketable Securities and Investments in Securities

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

	Yen (Millions)	
	March 31, 2015	December 31, 2015
Marketable securities	¥ 1,301	¥ -
Investments in securities:		
Long-term marketable securities	26,695	14,068
Nonmarketable securities	548	842
Investments in affiliates	18,490	19,487
Total investments in securities	45,733	34,397
Total	¥ 47,034	¥ 34,397

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

As of March 31, 2015	Yen (Millions)			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
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 December 31, 2015	Yen (Millions)			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Investments (Debt securities):				
Commercial papers	¥ 20	¥ 109	¥ -	¥ 129
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	2,903	7,743	115	10,531
Other	1,175	888	-	2,063
Investments (Mutual funds)	1,156	187	-	1,343
Total	¥ 5,256	¥ 8,927	¥ 115	¥ 14,068

The proceeds from sale and maturity of available-for-sale securities and nonmarketable securities were ¥145 million and ¥10 million for the nine-month and the three-month ended December 31, 2014, respectively. The proceeds from sale and maturity of available-for-sale securities and nonmarketable securities were ¥3,990 million and ¥533 million for the nine-month and the three-month ended December 31, 2015, respectively. The gross realized gains on the sale and settlement of available-for-sale securities and nonmarketable securities were ¥15 million and ¥1 million for the nine-month and the three-month ended December 31, 2014, respectively. The gross realized gains on the sale and settlement of available-for-sale securities were ¥261 million and ¥165 million for the nine-month and the three-month ended December 31, 2015, respectively. The gross realized losses on the sale and settlement of available-for-sale securities and nonmarketable securities were ¥1,718 million for both the nine-month and the three-month ended December 31, 2015. Gains on available-for-sale securities contributed to an employee retirement benefit trust were ¥1,213 million for both the nine-month and the three-month ended December 31, 2015. Losses on available-for-sale securities contributed to an employee retirement benefit trust were ¥18 million for both the nine-month and the three-month ended December 31, 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 nine-month ended December 31, 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 nine-month ended December 31, 2015.

As of December 31, 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 December 31, 2015 totaled ¥548 million and ¥842 million, respectively.

3. Inventories

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

	Yen (Millions)	
	March 31, 2015	December 31, 2015
Finished goods	¥ 64,176	¥ 71,732
Work in process	37,680	39,523
Raw materials	49,156	50,564
Total	¥ 151,012	¥ 161,819

4. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the nine-month ended December 31, 2014 and December 31, 2015 consist of the following components:

	Yen (Millions)	
	Nine-month ended December 31, 2014	Nine-month ended December 31, 2015
Service cost-benefits earned during the period	¥ 5,218	¥ 5,954
Interest cost on projected benefit obligation	3,986	3,249
Expected return on plan assets	(3,083)	(3,412)
Amortization of actuarial loss	3,124	3,972
Amortization of prior service cost (benefit)	(1,592)	(1,746)
Net periodic benefit cost	¥ 7,653	¥ 8,017

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended December 31, 2014 and December 31, 2015 consist of the following components:

	Yen (Millions)	
	Three-month ended December 31, 2014	Three-month ended December 31, 2015
Service cost-benefits earned during the period	¥ 1,765	¥ 1,976
Interest cost on projected benefit obligation	1,303	1,078
Expected return on plan assets	(1,043)	(1,134)
Amortization of actuarial loss	1,133	1,316
Amortization of prior service cost (benefit)	(583)	(581)
Net periodic benefit cost	¥ 2,575	¥ 2,655

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 December 31, 2015, are as follows:

	Yen (Millions)	
	March 31, 2015	December 31, 2015
Guarantees to third parties on bank loans of employees	¥ 1,524	¥ 1,261

As of December 31, 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, currency swaps and currency options 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 December 31, 2015, are as follows:

	Yen (Millions)	
	March 31, 2015	December 31, 2015
Forward foreign exchange contracts	¥ 92,963	¥ 94,612
Currency swaps	40,326	47,587
Commodity forward transactions	-	1,139
Total	¥ 133,289	¥ 143,338

Fair value of derivative financial instruments as of March 31, 2015 and December 31, 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 December 31, 2015		
	Account	Fair value
Assets:		
Forward foreign exchange contracts	Other current assets	¥ 501
Currency swaps	Other current assets	534
Currency swaps	Other assets	266
Commodity forward transactions	Other current assets	12
Commodity forward transactions	Other assets	1
Assets total		¥ 1,314
Liabilities:		
Forward foreign exchange contracts	Other current liabilities	¥ 802
Currency swaps	Other current liabilities	279
Currency swaps	Other noncurrent liabilities	43
Commodity forward transactions	Other current liabilities	101
Commodity forward transactions	Other noncurrent liabilities	12
Liabilities total		¥ 1,237

The effect of derivative financial instruments on the consolidated statements of income for the nine-month ended December 31, 2014 and December 31, 2015 are as follows:

Nine-month ended December 31, 2014		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (1,972)
Currency swaps	Foreign exchange gain (loss)	3,487
Currency options	Foreign exchange gain (loss)	-
Commodity forward transactions	Cost of sales	82
Total		¥ 1,597

Nine-month ended December 31, 2015		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 1,050
Currency swaps	Foreign exchange gain (loss)	50
Currency options	Foreign exchange gain (loss)	(35)
Commodity forward transactions	Cost of sales	(152)
Total		¥ 913

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended December 31, 2014 and December 31, 2015 are as follows:

Three-month ended December 31, 2014		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (307)
Currency swaps	Foreign exchange gain (loss)	1,231
Currency options	Foreign exchange gain (loss)	-
Commodity forward transactions	Cost of sales	18
	Total	¥ 942

Three-month ended December 31, 2015		
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 537
Currency swaps	Foreign exchange gain (loss)	980
Currency options	Foreign exchange gain (loss)	(35)
Commodity forward transactions	Cost of sales	(83)
	Total	¥ 1,399

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 December 31, 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)
As of December 31, 2015	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ -	¥ -
Investments in securities and other assets	30,966	30,966
Liability:		
Long-term debt, including current portion (excluding lease obligation)	(139,554)	(140,621)

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 December 31, 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 December 31, 2015	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 501	¥ -	¥ 501
Currency swaps	-	800	-	800
Commodity forward transactions	-	13	-	13
Investments (Debt securities):				
Commercial papers	-	129	-	129
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	10,531	-	-	10,531
Other	2,063	-	-	2,063
Investments (Mutual funds)	1,343	-	-	1,343
Rabbi trust investments	7,317	-	-	7,317
Total	¥ 21,256	¥ 1,443	¥ -	¥ 22,699
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 802	¥ -	¥ 802
Currency swaps	-	322	-	322
Commodity forward transactions	-	113	-	113
Total	¥ -	¥ 1,237	¥ -	¥ 1,237

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 nine-month ended December 31, 2014 is as follows:

Nine-month ended December 31, 2014	Yen (Millions)			
	Total gains (losses)	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	¥ (150)	¥ -	¥ -	¥ -
Long-lived assets (Property, plant and equipment)	(3,082)	-	-	3,411
Long-lived assets (Intangible assets)	(368)	-	-	279
Goodwill	(2,247)	-	-	4,417

For the nine-month ended December 31, 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. The book value of long-lived assets (property, plant and equipment) of ¥6,493 million was written down to its fair value of ¥3,411 million, and 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. The fair value of these long-lived assets was determined mainly based on the discounted future cash flows expected from the use of each of the assets. According to discounted cash flow method, guideline public company method and guideline merged and acquired company method, the book value of goodwill of ¥6,664 million was written down to its fair value of ¥4,417 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 ¥5,847 million caused by other-than-temporary declines in fair values during the nine-month ended December 31, 2014 was included in the consolidated statements of income.

9. Impairment of Long-lived Assets

For the nine-month ended December 31, 2014, impairment losses of ¥3,450 million were recognized. This is the result of a reduction of the carrying value of the long-lived assets to the fair value because of a reduction in profitability derived from lower demand.

The impairment losses are included in selling, general and administrative expenses in the consolidated statements of income.

For the nine-month ended December 31, 2014, the impairment losses include ¥374 million for the Passive Components segment, ¥3,076 million for the Magnetic Application Product segment.

10. Goodwill and Other Intangible Assets

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

As of March 31, 2015	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
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 December 31, 2015	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
Amortizable intangible assets:			
Patent	¥ 32,023	¥ 20,332	¥ 11,691
Customer relationships	23,809	19,348	4,461
Software	30,846	16,325	14,521
Unpatented technologies	25,513	22,814	2,699
Other	8,266	1,909	6,357
Total	¥ 120,457	¥ 80,728	¥ 39,729
Nonamortizable intangible			
Trademark	¥ 6,935		¥ 6,935
Other	243		243
Total	¥ 7,178		¥ 7,178

No significant intangible assets other than goodwill were acquired in the nine-month ended December 31, 2014 and December 31, 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 nine-month ended December 31, 2015 was ¥6,188 million.

There are no significant changes in the carrying amount of goodwill for the nine-month ended December 31, 2015.

11. Equity

The changes in the carrying amount of stockholders' equity, noncontrolling interests and total equity for the nine-month ended December 31, 2014 and December 31, 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	(16,432)	(3,562)	(19,994)
Comprehensive income:			
Net income	34,536	2,339	36,875
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	102,765	2,680	105,445
Pension liability adjustments	(1,619)	(0)	(1,619)
Net unrealized gains (losses) on securities	1,251	-	1,251
Total other comprehensive income	102,397	2,680	105,077
Comprehensive income	136,933	5,019	141,952
Dividends	(10,067)	(141)	(10,208)
December 31, 2014	¥ 745,761	¥ 18,232	¥ 763,993

	Yen (Millions)		
	Stockholders' equity	Noncontrolling interests	Total equity
March 31, 2015	¥ 738,861	¥ 19,146	¥ 758,007
Equity transaction of consolidated subsidiaries and other	(15,256)	(12,525)	(27,781)
Comprehensive income:			
Net income	56,414	1,738	58,152
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustments	(12,714)	(15)	(12,729)
Pension liability adjustments	1,744	-	1,744
Net unrealized gains (losses) on securities	(4,882)	-	(4,882)
Total other comprehensive income (loss)	(15,852)	(15)	(15,867)
Comprehensive income	40,562	1,723	42,285
Dividends	(13,864)	(177)	(14,041)
December 31, 2015	¥ 750,303	¥ 8,167	¥ 758,470

Net income attributable to TDK and transfers (to) from noncontrolling interests for the nine-month ended December 31, 2014 and December 31, 2015 are as follows:

	Yen (Millions)	
	Nine-month ended	
	December 31,	
	2014	2015
Net income attributable to TDK	¥ 34,536	¥ 56,414
Decrease in TDK's additional paid-in capital for purchase of Amperex Technology Ltd.'s common shares from third parties	(17,209)	(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	-
Increase in TDK's additional paid-in capital for purchase of TDK (Shanghai) Electro-Energy Co., Ltd.'s common shares from third parties	419	-
Net transfers (to) from noncontrolling interests	(19,065)	(18,959)
Changes arising from net income attributable to TDK and transfers (to) from noncontrolling interests	¥ 15,471	¥ 37,455

12. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the nine-month ended December 31, 2014 and December 31, 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	931	-	-	931
Other comprehensive income (loss) before reclassifications	105,473	(2,743)	1,252	103,982
Amounts reclassified from accumulated other comprehensive income (loss)	(28)	1,124	(1)	1,095
Other comprehensive income (loss)	105,445	(1,619)	1,251	105,077
Other comprehensive income (loss) attributable to noncontrolling interests	2,680	(0)	-	2,680
December 31, 2014	¥ 49,650	¥ (41,147)	¥ 7,691	¥ 16,194

	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	(13,063)	79	(5,327)	(18,311)
Amounts reclassified from accumulated other comprehensive income (loss)	334	1,665	445	2,444
Other comprehensive income (loss)	(12,729)	1,744	(4,882)	(15,867)
Other comprehensive income (loss) attributable to noncontrolling interests	(15)	-	-	(15)
December 31, 2015	¥ 26,726	¥ (51,588)	¥ 6,021	¥ (18,841)

The reclassifications out of accumulated other comprehensive income (loss) for the nine-month ended December 31, 2014 and December 31, 2015 are as follows:

For the nine-month ended December 31,	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	¥ (334)	Selling, general and administrative expenses
	-	-	Tax (expense) or benefit
	28	(334)	Net of tax
Pension liability adjustments:			
	(1,523)	(2,217)	*2
	399	552	Tax (expense) or benefit
	(1,124)	(1,665)	Net of tax
Net unrealized gains (losses) on securities:			
	1	(281)	Others
	-	(164)	Tax (expense) or benefit
	1	(445)	Net of tax
Total amount reclassified, net of tax	¥ (1,095)	¥ (2,444)	

*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 December 31, 2014 and December 31, 2015 are as follows:

For the three-month ended December 31,	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:			
	¥ -	¥ (334)	Selling, general and administrative expenses
	-	-	Tax (expense) or benefit
	-	(334)	Net of tax
Pension liability adjustments:			
	(551)	(728)	*2
	147	182	Tax (expense) or benefit
	(404)	(546)	Net of tax
Net unrealized gains (losses) on securities:			
	1	1,190	Others
	-	(361)	Tax (expense) or benefit
	1	829	Net of tax
Total amount reclassified, net of tax	¥ (403)	¥ (51)	

*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, 2014 and December 31, 2015 are as follows:

For the nine-month ended December 31, 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	¥ 105,473	¥ 0	¥ 105,473
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	105,445	0	105,445
Pension liability adjustments:			
Amount arising during the period	(2,746)	3	(2,743)
Reclassification adjustments for amortization	1,523	(399)	1,124
Net pension liability adjustments	(1,223)	(396)	(1,619)
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	3,004	(1,752)	1,252
Reclassification adjustments	(1)	-	(1)
Net unrealized gains (losses)	3,003	(1,752)	1,251
Other comprehensive income (loss)	¥ 107,225	¥ (2,148)	¥ 105,077

For the nine-month ended December 31, 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	¥ (13,204)	¥ 141	¥ (13,063)
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	334	-	334
Net foreign currency translation adjustments	(12,870)	141	(12,729)
Pension liability adjustments:			
Amount arising during the period	133	(54)	79
Reclassification adjustments for amortization	2,217	(552)	1,665
Net pension liability adjustments	2,350	(606)	1,744
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(7,427)	2,100	(5,327)
Reclassification adjustments	281	164	445
Net unrealized gains (losses)	(7,146)	2,264	(4,882)
Other comprehensive income (loss)	¥ (17,666)	¥ 1,799	¥ (15,867)

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the three-month ended December 31, 2014 and December 31, 2015 are as follows:

For the three-month ended December 31, 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	¥ 68,217	¥ -	¥ 68,217
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	-	-	-
Net foreign currency translation adjustments	68,217	-	68,217
Pension liability adjustments:			
Amount arising during the period	346	3	349
Reclassification adjustments for amortization	551	(147)	404
Net pension liability adjustments	897	(144)	753
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(332)	279	(53)
Reclassification adjustments	(1)	-	(1)
Net unrealized gains (losses)	(333)	279	(54)
Other comprehensive income (loss)	¥ 68,781	¥ 135	¥ 68,916

For the three-month ended December 31, 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	¥ (3,716)	¥ (116)	¥ (3,832)
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	334	-	334
Net foreign currency translation adjustments	(3,382)	(116)	(3,498)
Pension liability adjustments:			
Amount arising during the period	1	(1)	0
Reclassification adjustments for amortization	728	(182)	546
Net pension liability adjustments	729	(183)	546
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	1,000	(292)	708
Reclassification adjustments	(1,190)	361	(829)
Net unrealized gains (losses)	(190)	69	(121)
Other comprehensive income (loss)	¥ (2,843)	¥ (230)	¥ (3,073)

13. 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-month ended December 31, 2014		Nine-month ended December 31, 2015	
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 34,536	¥ 33,461	¥ 56,414	¥ 54,225
Number of shares (Thousands)				
Weighted average common shares outstanding	125,846	125,846	126,052	126,052
Incremental shares arising from the exercise of stock option	-	302	-	332
Weighted average common shares outstanding – Total	125,846	126,148	126,052	126,384
Yen				
Per common share:				
Net income attributable to TDK	¥ 274.43	¥ 265.25	¥ 447.54	¥ 429.05
Yen (Millions)				
	Three-month ended December 31, 2014		Three-month ended December 31, 2015	
	Basic	Diluted	Basic	Diluted
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 16,396	¥ 15,773	¥ 24,945	¥ 23,965
Number of shares (Thousands)				
Weighted average common shares outstanding	125,886	125,886	126,092	126,092
Incremental shares arising from the exercise of stock option	-	361	-	336
Weighted average common shares outstanding – Total	125,886	126,247	126,092	126,428
Yen				
Per common share:				
Net income attributable to TDK	¥ 130.24	¥ 124.94	¥ 197.83	¥ 189.55

The decline of net income attributable to TDK for the nine-month and the three-month ended December 31, 2014 and December 31, 2015 were caused by a diluted effect of stock options issued by a subsidiary of TDK Corporation.

For the nine-month and the three-month ended December 31, 2014 and December 31, 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 nine-month and the three-month ended December 31, 2014 and December 31, 2015 as it was not probable that the performance condition would be achieved as of December 31, 2014 and December 31, 2015.

14. Material Subsequent Events

TDK announced that its Board of Directors resolved at a meeting of the Board of Directors held on January 13, 2016 that TDK and Qualcomm Incorporated (“Qualcomm”), which develops communication technology for mobile communications and designs and develops semiconductors, agreed to form a joint venture for the expansion of collaboration and the agreement was concluded on the same day. The closing of this agreement will be completed by the beginning of 2017, subject to the completion of certain procedures for licensing and establishing joint venture. The effect on consolidated financial statements for the nine-month ended and as of December 31, 2015 is minor.

① Purpose of and Reasons for the Establishment of Joint Venture and Expansion of collaboration

TDK determined that in order to timely provide the wireless solutions and module solutions demanded in the global market of mobile communications, it is essential to create a close-knit and swift management environment together with a semiconductor manufacturer. TDK therefore decided to conclude a business alliance involving the establishment of a joint venture with Qualcomm, which designs and sells highly reliable state-of-the-art semiconductors with a proven track record in the global market.

② Outline of the Establishment of Joint Venture and Expansion of collaboration

According to TDK’s plan, EPCOS AG (“EPCOS”), a subsidiary of TDK, will establish an umbrella company that holds EPCOS’s relevant high-frequency components operations and sell the majority in such company to Qualcomm Global Trading PTE. Ltd. (“QGT”), which is a 100% indirect ownership subsidiary of Qualcomm. Thereafter, EPCOS and QGT will run the umbrella company as a joint venture. The name of the joint venture is RF360 Holdings Singapore PTE. Ltd. QGT holds 51% of the equity interest, while EPCOS holds 49%.

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.

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 nine-month and the three-month ended December 31, 2014 are also reclassified to conform to the new segmentation.

The business segment information for the nine-month ended December 31, 2014 and December 31, 2015 is as follows:

Net sales

	Yen (Millions)	
	Nine-month ended December 31,	
	2014	2015
Passive Components:		
External customers	¥ 395,078	¥ 439,482
Intersegment	2,261	2,110
	<u>397,339</u>	<u>441,592</u>
Magnetic Application Products:		
External customers	274,813	246,417
Intersegment	162	275
	<u>274,975</u>	<u>246,692</u>
Film Application Products:		
External customers	107,136	175,760
Intersegment	2,204	2,273
	<u>109,340</u>	<u>178,033</u>
Other:		
External customers	25,625	27,683
Intersegment	8,497	11,492
	<u>34,122</u>	<u>39,175</u>
Intersegment eliminations	(13,124)	(16,150)
Total	<u>¥ 802,652</u>	<u>¥ 889,342</u>

Segment profit (loss)

	Yen (Millions)	
	Nine-month ended December 31,	
	2014	2015
Passive Components	¥ 28,607	¥ 49,906
Magnetic Application Products	23,371	12,990
Film Application Products	15,154	30,933
Other	(42)	498
	<u>67,090</u>	<u>94,327</u>
Corporate and eliminations	(13,986)	(18,455)
Operating income	53,104	75,872
Other income (deductions), net	(3,507)	(1,936)
Income before income taxes	<u>¥ 49,597</u>	<u>¥ 73,936</u>

The business segment information for the three-month ended December 31, 2014 and December 31, 2015 is as follows:

Net sales

	Yen (Millions)	
	Three-month ended December 31,	
	2014	2015
Passive Components:		
External customers	¥ 143,234	¥ 141,515
Intersegment	795	599
	<u>144,029</u>	<u>142,114</u>
Magnetic Application Products:		
External customers	100,369	81,793
Intersegment	76	165
	<u>100,445</u>	<u>81,958</u>
Film Application Products:		
External customers	47,417	68,463
Intersegment	736	771
	<u>48,153</u>	<u>69,234</u>
Other:		
External customers	9,357	9,957
Intersegment	3,544	4,248
	<u>12,901</u>	<u>14,205</u>
Intersegment eliminations	(5,151)	(5,783)
Total	<u>¥ 300,377</u>	<u>¥ 301,728</u>

Segment profit (loss)

	Yen (Millions)	
	Three-month ended December 31,	
	2014	2015
Passive Components	¥ 11,435	¥ 17,494
Magnetic Application Products	7,657	4,745
Film Application Products	9,642	14,558
Other	243	(86)
	<u>28,977</u>	<u>36,711</u>
Corporate and eliminations	(3,795)	(6,414)
Operating income	25,182	30,297
Other income (deductions), net	(2,941)	(443)
Income before income taxes	<u>¥ 22,241</u>	<u>¥ 29,854</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 nine-month ended December 31, 2014 and December 31, 2015 is as follows:

Net sales

	Yen (Millions)	
	Nine-month ended December 31,	
	2014	2015
Japan	¥ 69,986	¥ 67,117
Americas	65,318	76,630
Europe	110,429	109,040
China	422,872	482,205
Asia and others	134,047	154,350
Total	¥ 802,652	¥ 889,342

The geographic segment information for the three-month ended December 31, 2014 and December 31, 2015 is as follows:

Net sales

	Yen (Millions)	
	Three-month ended December 31,	
	2014	2015
Japan	¥ 22,968	¥ 22,752
Americas	23,831	25,436
Europe	36,542	35,240
China	166,427	167,836
Asia and others	50,609	50,464
Total	¥ 300,377	¥ 301,728

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