



**Consolidated Financial Statements**  
**for the three-month ended and as of June 30, 2016 (in English)**

On August 10, 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.]

**[Cover]**

Document to be filed:	Quarterly Report
Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	August 10, 2016
Fiscal period:	1st quarter of 121th term (from April 1, 2016 to June 30, 2016)
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Company name (English):	TDK CORPORATION
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## 1) Consolidated balance sheets (Unaudited)

<b>ASSETS</b>	Yen (Millions)	
	March 31, 2016	<b>June 30, 2016</b>
<b>Current assets:</b>		
Cash and cash equivalents	¥ 285,468	¥ <b>258,351</b>
Short-term investments	21,964	<b>19,830</b>
Net trade receivables	226,218	<b>235,646</b>
Inventories (Note 3)	157,129	<b>152,568</b>
Other current assets	50,215	<b>48,239</b>
Total current assets	740,994	<b>714,634</b>
<b>Investments in securities (Note 2)</b>	35,335	<b>33,538</b>
<b>Net property, plant and equipment</b>	487,639	<b>494,609</b>
<b>Goodwill and other intangible assets (Note 9)</b>	118,836	<b>111,041</b>
<b>Other assets</b>	67,760	<b>62,181</b>
Total assets	¥ 1,450,564	¥ <b>1,416,003</b>

*See accompanying notes to consolidated financial statements.*

Yen (Millions)

<b>LIABILITIES AND EQUITY</b>	March 31, 2016	June 30, 2016
<b>Current liabilities:</b>		
Short-term debt	¥ 158,683	¥ 180,523
Current installments of long-term debt	36,228	36,068
Trade payables	112,664	127,988
Accrued expenses	123,892	123,096
Other current liabilities	19,767	21,197
Total current liabilities	451,234	488,872
<b>Long-term debt, excluding current installments</b>	140,826	155,560
<b>Retirement and severance benefits</b>	147,136	140,364
<b>Other noncurrent liabilities</b>	26,735	23,483
Total liabilities	765,931	808,279
<b>TDK stockholders' equity:</b>		
Common stock		
Authorized 480,000,000 shares; issued 129,590,659 shares at March 31, 2016 and June 30, 2016 outstanding 126,122,814 shares at March 31, 2016 and 126,136,286 shares at June 30, 2016	32,641	32,641
Additional paid-in capital	21,083	21,058
Legal reserve	34,221	34,555
Retained earnings	707,508	712,008
Accumulated other comprehensive income (loss) (Notes 10 and 11)	(102,285)	(183,243)
Treasury stock at cost; 3,467,845 shares at March 31, 2016 and 3,454,373 shares at June 30, 2016	(17,807)	(17,738)
Total TDK stockholders' equity	675,361	599,281
<b>Noncontrolling interests (Notes 10 and 11)</b>	9,272	8,443
Total equity	684,633	607,724
Total liabilities and equity	¥ 1,450,564	¥ 1,416,003

## 2) Consolidated statements of income

### and Consolidated statements of comprehensive income (loss) (Unaudited)

For the three-month ended June 30, 2015 and 2016

#### Consolidated statements of income

	Yen (Millions)	
	Three-month ended June 30, 2015	Three-month ended June 30, 2016
<b>Net sales</b>	¥ 279,556	¥ 278,769
<b>Cost of sales</b>	206,872	204,271
Gross profit	72,684	74,498
<b>Selling, general and administrative expenses</b>	54,544	57,996
Operating income	18,140	16,502
<b>Other income (deductions):</b>		
Interest and dividend income	1,084	953
Interest expense	(805)	(813)
Foreign exchange gain (loss)	20	(1,213)
Other - net	496	953
<b>Total other income (deductions)</b>	795	(120)
Income before income taxes	18,935	16,382
<b>Income taxes</b>	5,146	3,795
Net income	13,789	12,587
<b>Less: Net income attributable to noncontrolling interests</b>	690	186
Net income attributable to TDK	¥ 13,099	¥ 12,401

#### Amounts per share:

	Yen	
	Three-month ended June 30, 2015	Three-month ended June 30, 2016
Net income attributable to TDK per share (Note 12):		
Basic	¥ 103.96	¥ 98.32
Diluted	100.73	96.69
Cash dividends paid during the period	¥ 50.00	¥ 60.00

#### Consolidated statements of comprehensive income (loss)

	Yen (Millions)	
	Three-month ended June 30, 2015	Three-month ended June 30, 2016
Net income	¥ 13,789	¥ 12,587
<b>Other comprehensive income (loss), net of taxes (Note 11):</b>		
Foreign currencies translation adjustments	18,684	(81,251)
Pension liability adjustments	645	935
Net unrealized gains (losses) on securities	(1,034)	(1,475)
Total other comprehensive income (loss)	18,295	(81,791)
Comprehensive income (loss) (Note 10)	32,084	(69,204)
Comprehensive income (loss) attributable to noncontrolling interests	993	(648)
Comprehensive income (loss) attributable to TDK	¥ 31,091	¥ (68,556)

See accompanying notes to consolidated financial statements.

### 3) Consolidated statements of cash flows (Unaudited)

	Yen (Millions)	
	Three-month ended June 30, 2015	Three-month ended June 30, 2016
<b>Cash flows from operating activities:</b>		
Net income	¥ 13,789	¥ 12,587
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,534	20,628
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	4,533	(35,538)
Decrease (increase) in inventories	(11,977)	(7,857)
Increase (decrease) in trade payables	7,341	32,767
Increase (decrease) in accrued expenses	(8,103)	(6,019)
Decrease (increase) in other assets and liabilities, net	419	(7,486)
Other - net	21	(351)
Net cash provided by operating activities	<u>26,557</u>	<u>8,731</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(28,690)	(53,486)
Proceeds from sales of tangible and intangible assets	397	5,411
Proceeds from sale and maturity of short-term investments	10,037	7,529
Payment for purchase of short-term investments	(8,533)	(7,503)
Proceeds from sale and maturity of securities	1,296	67
Payment for purchase of securities	(131)	(165)
Other - net	(57)	(95)
Net cash used in investing activities	<u>(25,681)</u>	<u>(48,242)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	6,870	21,137
Repayment of long-term debt	(139)	(208)
Increase (decrease) in short-term debt, net	10,011	23,881
Dividends paid	(6,184)	(7,406)
Other - net	(77)	(92)
Net cash provided by financing activities	<u>10,481</u>	<u>37,312</u>
Effect of exchange rate changes on cash and cash equivalents	5,690	(24,918)
Net increase (decrease) in cash and cash equivalents	<u>17,047</u>	<u>(27,117)</u>
Cash and cash equivalents at beginning of period	265,104	285,468
Cash and cash equivalents at end of period	<u>¥ 282,151</u>	<u>¥ 258,351</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) Adoption of New Accounting Standards

##### Simplifying the Presentation of Debt Issuance Costs

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03 "Simplifying the Presentation of Debt Issuance Costs".

The amendments in this Update require debt issuance costs to be presented as a deduction from the related debt liability. TDK adopted this Update on April 1, 2016. As a result, the bond issuance cost that used to be a part of Other assets is presented as a deduction from Long-term debt in the prior year's consolidated financial statements.

The adoption of this Update did not have a material impact on TDK's results of operations and financial position.

##### Simplifying the Accounting for Measurement – Period Adjustments

In September 2015, the FASB issued ASU 2015-16 "Simplifying the Accounting for Measurement – Period Adjustments".

The amendments in this Update require that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This Update is effective for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. TDK adopted this Update prospectively for adjustments to provisional amounts that occur after the effective date of this Update.

The effect of adopting this Update on TDK's results of operations and financial position depends on the status of the business combinations with measurement periods ending on or after April 1, 2016.

#### (d) Subsequent Events

TDK has evaluated the subsequent events through August 9, 2016, the date on which the consolidated financial statements are available to be issued.

#### (e) Reclassifications

Certain reclassifications have been made to the prior year's consolidated financial statements and quarterly consolidated financial statements to conform to the presentation used for the three-month ended June 30, 2016.



## 2. Marketable Securities and Investments in Securities

Marketable securities and investments in securities as of March 31, 2016 and June 30, 2016, are as follows:

	Yen (Millions)	
	March 31, 2016	June 30, 2016
Investments in securities:		
Long-term marketable securities	¥ 10,649	¥ 8,483
Nonmarketable securities	2,473	2,296
Investments in affiliates	22,213	22,759
Total	¥ 35,335	¥ 33,538

Marketable securities and investments in securities include available-for-sale securities. Information with respect to such securities as of March 31, 2016 and June 30, 2016, is as follows:

As of March 31, 2016	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Investments (Debt securities):				
Commercial papers	¥ 6	¥ 108	¥ -	¥ 114
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	2,701	5,045	47	7,699
Other	1,171	448	-	1,619
Investments (Mutual funds)	1,055	160	0	1,215
Total	¥ 4,935	¥ 5,761	¥ 47	¥ 10,649

As of June 30, 2016	Yen (Millions)			Fair Value
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	
Investments (Debt securities):				
Commercial papers	¥ 26	¥ 79	¥ -	¥ 105
Public-utility bonds	1	-	-	1
Investments (Equity securities):				
Manufacturing companies	2,682	3,064	82	5,664
Other	1,147	330	-	1,477
Investments (Mutual funds)	1,071	165	-	1,236
Total	¥ 4,927	¥ 3,638	¥ 82	¥ 8,483

The proceeds from sale and maturity of available-for-sale securities and nonmarketable securities were ¥1,296 million for the three-month ended June 30, 2015. The proceeds from sale and maturity of available-for-sale securities were ¥67 million for the three-month ended June 30, 2016. The gross realized gains on the sale and settlement of available-for-sale securities was ¥29 million for the three-month ended June 30, 2016. The costs of available-for-sale securities sold were determined on average cost basis.

As of June 30, 2016, 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, 2016 and June 30, 2016 totaled ¥2,473 million and ¥2,296 million, respectively.

### 3. Inventories

Inventories as of March 31, 2016 and June 30, 2016, are summarized as follows:

	Yen (Millions)	
	March 31, 2016	June 30, 2016
Finished goods	¥ 68,731	¥ 65,040
Work in process	39,943	38,482
Raw materials	48,455	49,046
Total	¥ 157,129	¥ 152,568

### 4. Cost for Retirement and Severance Benefits

Net periodic benefit cost for TDK's employee retirement and severance defined benefit plans for the three-month ended June 30, 2015 and June 30, 2016 consist of the following components:

	Yen (Millions)	
	Three-month ended June 30, 2015	Three-month ended June 30, 2016
Service cost-benefits earned during the period	¥ 1,991	¥ 2,195
Interest cost on projected benefit obligation	1,087	912
Expected return on plan assets	(1,144)	(1,076)
Amortization of actuarial loss	1,330	1,680
Amortization of prior service cost (benefit)	(583)	(487)
Net periodic benefit cost	¥ 2,681	¥ 3,224

## 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, 2016 and June 30, 2016, are as follows:

	Yen (Millions)	
	March 31, 2016	June 30, 2016
Guarantees to third parties on bank loans of employees	¥ 1,213	¥ 1,129

As of June 30, 2016, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangement is not material.

Several claims against TDK are pending. A provision has been made for the estimated liabilities for the 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 result 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, non-deliverable forward contracts (NDF), currency swap contracts and currency option contracts 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 contracts 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 that these 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, 2016 and June 30, 2016, are as follows:

	Yen (Millions)	
	March 31, 2016	June 30, 2016
Forward foreign exchange contracts	¥ 104,623	¥ 95,108
Non-deliverable forward contracts (NDF)	4,345	3,878
Currency swap contracts	39,182	46,112
Currency option contracts	544	305
Commodity forward contracts	1,173	1,262
Total	¥ 149,867	¥ 146,665

Fair value of derivative financial instruments as of March 31, 2016 and June 30, 2016 are as follows:

	Yen (Millions)	
	As of March 31, 2016	
	Account	Fair value
<b>Assets:</b>		
Forward foreign exchange contracts	Other current assets	¥ 981
Currency swap contracts	Other current assets	176
Currency swap contracts	Other assets	273
Currency option contracts	Other current assets	15
Commodity forward contracts	Other current assets	18
Assets total		¥ 1,463
<b>Liabilities:</b>		
Forward foreign exchange contracts	Other current liabilities	¥ 517
Non-deliverable forward contracts (NDF)	Other current liabilities	34
Currency swap contracts	Other current liabilities	889
Currency swap contracts	Other noncurrent liabilities	10
Commodity forward contracts	Other current liabilities	78
Liabilities total		¥ 1,528
<b>Yen (Millions)</b>		
<b>As of June 30, 2016</b>		
	Account	Fair value
<b>Assets:</b>		
Forward foreign exchange contracts	Other current assets	¥ 1,342
Non-deliverable forward contracts (NDF)	Other current assets	4
Currency swap contracts	Other current assets	454
Currency swap contracts	Other assets	93
Currency option contracts	Other current assets	0
Commodity forward contracts	Other current assets	27
Commodity forward contracts	Other assets	11
Assets total		¥ 1,931
<b>Liabilities:</b>		
Forward foreign exchange contracts	Other current liabilities	¥ 513
Currency swap contracts	Other current liabilities	52
Currency swap contracts	Other noncurrent liabilities	17
Commodity forward contracts	Other current liabilities	32
Liabilities total		¥ 614

The effect of derivative financial instruments on the consolidated statements of income for the three-month ended June 30, 2015 and June 30, 2016 are as follows:

	Three-month ended June 30, 2015	
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 977
Currency swap contracts	Foreign exchange gain (loss)	(1,213)
Commodity forward contracts	Cost of sales	(26)
Total		¥ (262)

  

	Three-month ended June 30, 2016	
	Account	Yen (Millions)
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ (2,100)
Non-deliverable forward contracts (NDF)	Foreign exchange gain (loss)	473
Currency swap contracts	Foreign exchange gain (loss)	127
Currency option contracts	Foreign exchange gain (loss)	30
Commodity forward contracts	Cost of sales	42
Total		¥ (1,428)

## 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 quoted market prices for 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 for the same or similar issues. The long-term loans are classified as Level 2, one of the three levels of 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 issues. The long-term debt is classified as Level 2, one of the three levels of fair value hierarchy that is discussed in Note 8 of the Notes to Consolidated Financial Statements.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2016 and June 30, 2016, are summarized as follows:

As of March 31, 2016	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Investments in securities and other assets	¥ 23,547	¥ 23,547
Liability:		
Long-term debt, including current portion (excluding lease obligation)	(165,277)	(166,609)
As of June 30, 2016	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Investments in securities and other assets	<b>¥21,065</b>	<b>¥ 21,065</b>
Liability:		
Long-term debt, including current portion (excluding lease obligation)	<b>(181,027)</b>	<b>(182,293)</b>

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

### Limitations

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

### 8. Fair Value Measurements

FASB 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, 2016 and June 30, 2016 are as follows:

As of March 31, 2016	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 981	¥ -	¥ 981
Currency swap contracts	-	449	-	449
Currency option contracts	-	15	-	15
Commodity forward contracts	-	18	-	18
Investments (Debt securities):				
Commercial papers	-	114	-	114
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	7,699	-	-	7,699
Other	1,619	-	-	1,619
Investments (Mutual funds)	1,215	-	-	1,215
Rabbi trust investments	6,858	-	-	6,858
<b>Total</b>	<b>¥ 17,393</b>	<b>¥ 1,577</b>	<b>¥ -</b>	<b>¥ 18,970</b>
<b>Liabilities:</b>				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 517	¥ -	¥ 517
Non-deliverable forward contracts (NDF)	-	34	-	34
Currency swap contracts	-	899	-	899
Commodity forward contracts	-	78	-	78
<b>Total</b>	<b>¥ -</b>	<b>¥ 1,528</b>	<b>¥ -</b>	<b>¥ 1,528</b>
As of June 30, 2016	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 1,342	¥ -	¥ 1,342
Non-deliverable forward contracts (NDF)	-	4	-	4
Currency swap contracts	-	547	-	547
Currency option contracts	-	0	-	0
Commodity forward contracts	-	38	-	38
Investments (Debt securities):				
Commercial papers	-	105	-	105
Public-utility bonds	1	-	-	1
Investments (Equity securities):				
Manufacturing companies	5,664	-	-	5,664
Other	1,477	-	-	1,477
Investments (Mutual funds)	1,236	-	-	1,236
Rabbi trust investments	6,378	-	-	6,378
<b>Total</b>	<b>¥ 14,756</b>	<b>¥ 2,036</b>	<b>¥ -</b>	<b>¥ 16,792</b>
<b>Liabilities:</b>				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 513	¥ -	¥ 513
Currency swap contracts	-	69	-	69
Commodity forward contracts	-	32	-	32
<b>Total</b>	<b>¥ -</b>	<b>¥ 614</b>	<b>¥ -</b>	<b>¥ 614</b>

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

Level 2 derivative contracts include forward foreign exchange contracts, Non-deliverable forward contracts (NDF), currency swap contracts, currency option contracts and commodity forward contracts that are valued based on quotes obtained from counterparties and are verified using observable market inputs, such as foreign currency exchange rates and raw material prices. Investments consist of commercial papers and the fair values thereof are based on third-party assessments using observable market data.

## 9. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill as of March 31, 2016 and June 30, 2016 are as follows:

As of March 31, 2016	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
<b>Amortizable intangible assets:</b>			
Patent	¥ 31,946	¥ 20,808	¥ 11,138
Customer relationships	23,376	19,173	4,203
Software	31,957	16,789	15,168
Unpatented technologies	24,517	22,182	2,335
Other	7,763	1,846	5,917
<b>Total</b>	<b>¥ 119,559</b>	<b>¥ 80,798</b>	<b>¥ 38,761</b>
<b>Nonamortizable intangible assets:</b>			
Trademark	¥ 6,820		¥ 6,820
Other	243		243
<b>Total</b>	<b>¥ 7,063</b>		<b>¥ 7,063</b>
As of June 30, 2016	Yen (Millions)		Net Amount
	Gross Carrying Amount	Accumulated Amortization	
<b>Amortizable intangible assets:</b>			
Patent	¥ 31,462	¥ 20,916	¥ 10,546
Customer relationships	22,157	18,181	3,976
Software	28,601	12,718	15,883
Unpatented technologies	22,342	20,444	1,898
Other	10,887	1,994	8,893
<b>Total</b>	<b>¥ 115,449</b>	<b>¥ 74,253</b>	<b>¥ 41,196</b>
<b>Nonamortizable intangible assets:</b>			
Trademark	¥ 3,198		¥ 3,198
Other	243		243
<b>Total</b>	<b>¥ 3,441</b>		<b>¥ 3,441</b>

No significant intangible assets other than goodwill were acquired in the three-month ended June 30, 2015 and June 30, 2016.

Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives to their estimated residual value of zero. Aggregate amortization expense for the three-month ended June 30, 2016 was ¥2,055 million.

There are no significant changes in the carrying amount of goodwill for the three-month ended June 30, 2016.





Net income attributable to TDK and transfers (to) from noncontrolling interests for the three-month ended June 30, 2015 and June 30, 2016 are as follows:

	Yen (Millions)	
	Three-month ended	
	June 30,	
	2015	2016
Net income attributable to TDK	¥ 13,099	¥ <b>12,401</b>
Decrease in TDK's additional paid-in capital for purchase of Micronas Semiconductor Holding AG's common shares from third parties	-	(5)
Net transfers to noncontrolling interests	-	(5)
Changes arising from net income attributable to TDK and transfers to noncontrolling interests	¥ 13,099	¥ <b>12,396</b>

## 11. Other Comprehensive Income (Loss)

The changes in the carrying amount of accumulated other comprehensive income (loss) for the three-month ended June 30, 2015 and June 30, 2016 are as follows:

	Yen (Millions)			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2015	¥ 36,547	¥ (53,332)	¥ 10,903	¥ (5,882)
Other comprehensive income (loss) before reclassifications	18,684	84	(1,034)	17,734
Amounts reclassified from accumulated other comprehensive income (loss)	-	561	-	561
Other comprehensive income (loss)	18,684	645	(1,034)	18,295
Other comprehensive income attributable to noncontrolling interests	303	-	-	303
June 30, 2015	¥ 54,928	¥ (52,687)	¥ 9,869	¥ 12,110

	Yen (Millions)			
	Foreign currency translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
<b>March 31, 2016</b>	<b>¥ (21,309)</b>	<b>¥ (84,885)</b>	<b>¥ 3,909</b>	<b>¥ (102,285)</b>
Equity transaction of consolidated subsidiaries and other	(1)	-	-	(1)
Other comprehensive income (loss) before reclassifications	(81,251)	(149)	(1,446)	(82,846)
Amounts reclassified from accumulated other comprehensive income (loss)	-	1,084	(29)	1,055
Other comprehensive income (loss)	(81,251)	935	(1,475)	(81,791)
Other comprehensive income (loss) attributable to noncontrolling interests	(834)	0	-	(834)
<b>June 30, 2016</b>	<b>¥ (101,727)</b>	<b>¥ (83,950)</b>	<b>¥ 2,434</b>	<b>¥ (183,243)</b>

The reclassifications out of accumulated other comprehensive income (loss) for the three-month ended June 30, 2015 and June 30, 2016 are as follows:

For the three-month ended June 30,	Amount reclassified from accumulated other comprehensive income (loss) *1		Affected line items in consolidated statements of income
	2015	2016	
Pension liability adjustments:	(746)	<b>(1,190)</b>	*2
	185	<b>106</b>	Tax (expense) or benefit
	<u>(561)</u>	<u><b>(1,084)</b></u>	Net of tax
Net unrealized gains (losses) on securities:	-	<b>29</b>	Others
	-	-	Tax (expense) or benefit
	<u>-</u>	<u><b>29</b></u>	Net of tax
Total amount reclassified, net of tax	<u>¥ (561)</u>	<u>¥ <b>(1,055)</b></u>	

\*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 three-month ended June 30, 2015 and June 30, 2016 are as follows:

For the three-month ended June 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	¥ 18,708	¥ (24)	¥ 18,684
Net foreign currency translation adjustments	18,708	(24)	18,684
Pension liability adjustments:			
Amount arising during the period	138	(54)	84
Reclassification adjustments for amortization	746	(185)	561
Net pension liability adjustments	884	(239)	645
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(1,484)	450	(1,034)
Net unrealized gains (losses)	(1,484)	450	(1,034)
Other comprehensive income	¥ 18,108	¥ 187	¥ 18,295

For the three-month ended June 30, 2016	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	¥ (81,299)	¥ 48	¥ (81,251)
Net foreign currency translation adjustments	(81,299)	48	(81,251)
Pension liability adjustments:			
Amount arising during the period	(152)	3	(149)
Reclassification adjustments for amortization	1,190	(106)	1,084
Net pension liability adjustments	1,038	(103)	935
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the period	(2,094)	648	(1,446)
Reclassification adjustment	(29)	-	(29)
Net unrealized gains (losses)	(2,123)	648	(1,475)
Other comprehensive income (loss)	¥ (82,384)	¥ 593	¥ (81,791)

## 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)			
	Three-month ended June 30, 2015		Three-month ended June 30, 2016	
	Basic	Diluted	Basic	Diluted
Net income attributable to TDK	¥ 13,099	¥ 12,729	<b>¥ 12,401</b>	<b>¥ 12,220</b>
	Number of shares (Thousands)			
Weighted average common shares outstanding	126,004	126,004	<b>126,128</b>	<b>126,128</b>
Incremental shares arising from the exercise of stock option	-	369	-	<b>259</b>
Weighted average common shares outstanding – Total	126,004	126,373	<b>126,128</b>	<b>126,387</b>
	Yen			
Per common share:				
Net income attributable to TDK	¥ 103.96	¥ 100.73	<b>¥ 98.32</b>	<b>¥ 96.69</b>

The decline of net income attributable to TDK for the three-month ended June 30, 2015 and June 30, 2016 were caused by a diluted effect of stock options issued by a subsidiary of TDK Corporation.

For the three-month ended June 30, 2015 and June 30, 2016, 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 TDK Corporation and 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 three-month ended June 30, 2015 and June 30, 2016 as it was not probable that the performance condition would be achieved as of June 30, 2015 and June 30, 2016.

### **13. Acquisition**

On March 8, 2016 (“acquisition date”), TDK acquired 26,154 thousand shares (93.33% of equity interest that excludes treasury shares) of Micronas Semiconductor Holding AG (“Micronas”) at a cost of ¥22,440 million through a public tender in accordance with a transaction agreement dated December 17, 2015. As a result, Micronas and its subsidiaries became consolidated subsidiaries of TDK Corporation. The fair value of noncontrolling interests was measured based on the market price of the common shares of Micronas as of the acquisition date. As of August 10, 2016, the date on which the consolidated financial statements were issued, the allocation of the acquisition cost had not been completed yet.

Micronas is headquartered in Zurich, Switzerland, and its primary businesses are designing, manufacturing, and sales of magnetic sensors and IC systems for automobiles and industrial equipment.

TDK acquired Micronas, which excels in hall elements technology effective for magnetic sensors, integrated circuit design technology and packaging technology, to bolster its strength in magnetic sensors and grow the magnetic sensor business further. Capitalizing on the synergies between TDK’s magnetic sensor business and Micronas will enable TDK to expand the business even more in the global market.

As of June 30, 2016, TDK held 26,352 thousand shares (94.04% of equity interest that excludes treasury shares) of Micronas at a cost of ¥22,607 million, which was paid in cash.

Although TDK included the results of operations of Micronas and its subsidiaries subsequent to the acquisition date in its consolidated financial statements, the results were not material. The effect of the acquisition to net sales and net income attributable to TDK for the three-month ended June 30, 2015 as though the acquisition had occurred as of the beginning of the year ended March 31, 2016 were not material either.

### **14. Material Subsequent Events**

EPCOS AG (“EPCOS”), a subsidiary of TDK Corporation, concluded a tender offer agreement for Tronics Microsystems SA (“Tronics”), a R&D, manufacturing and sales company of MEMS (Micro Electro Mechanical System) sensor, on August 1, 2016. EPCOS will acquire 66.67% or above of the Tronics’ shares, and Tronics will become a subsidiary of TDK Corporation. Through the acquisition of Tronics, TDK would be able to further broaden its portfolio of cutting-edge sensor technologies, and to provide customers with a wide range of sensor solutions.

## 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/Transformers), High-Frequency Devices, Piezoelectric Material Products, Circuit Protection Components, Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Magnetic Sensors, Power Supplies, Magnets
Film Application Products	Energy Devices (Rechargeable Batteries)
Other	Mechatronics (Production Equipment), Others

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



The business segment information for the three-month ended June 30, 2015 and June 30, 2016 are as follows:

As a result of the reorganization in the three-month ended June 30, 2016, certain products of Other were reclassified into the Passive Components segment and certain products of Film Application Products segment were reclassified into Other. The figures for the three-month ended June 30, 2015 are also reclassified to conform to the new segmentation.

### Net sales

	Yen (Millions)	
	Three-month ended June 30,	
	2015	2016
Passive Components:		
External customers	¥ 150,280	¥ 137,661
Intersegment	765	765
	<u>151,045</u>	<u>138,426</u>
Magnetic Application Products:		
External customers	79,358	82,400
Intersegment	63	35
	<u>79,421</u>	<u>82,435</u>
Film Application Products:		
External customers	42,931	51,812
Intersegment	-	-
	<u>42,931</u>	<u>51,812</u>
Other:		
External customers	6,987	6,896
Intersegment	5,569	5,810
	<u>12,556</u>	<u>12,706</u>
Intersegment eliminations	(6,397)	(6,610)
Total	<u>¥ 279,556</u>	<u>¥ 278,769</u>

### Segment profit (loss)

	Yen (Millions)	
	Three-month ended June 30,	
	2015	2016
Passive Components	¥ 15,030	¥ 15,988
Magnetic Application Products	3,787	1,742
Film Application Products	5,077	7,062
Other	28	(1,352)
	<u>23,922</u>	<u>23,440</u>
Corporate and eliminations	(5,782)	(6,938)
Operating income	18,140	16,502
Other income (deductions), net	795	(120)
Income before income taxes	<u>¥ 18,935</u>	<u>¥ 16,382</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 three-month ended June 30, 2015 and June 30, 2016 are as follows:

### Net sales

	Yen (Millions)	
	Three-month ended June 30,	
	2015	2016
Japan	¥ 22,544	¥ 24,136
Americas	25,208	27,176
Europe	36,469	37,261
China	144,566	139,095
Asia and others	50,769	51,101
Total	¥ 279,556	¥ 278,769

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
- (3) Asia and others ..... Thailand, Korea, Philippine, Vietnam

## 16. Other

On July 26, 2016, the Japan Fair Trade Commission started an investigation of TDK Corporation based on suspicion of a violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in connection with the HDD suspension assembly business. At this stage, it is not possible to reasonably predict the outcome of the investigation and the impact on TDK's results of operations.