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Company name (Japanese):	TDK *Kabushiki-Kaisha*
Company name (English):	TDK CORPORATION
Title and name of representative:	Shigenao Ishiguro, Representative Director, President and CEO
Location of head office:	3-9-1, Shibaura, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6852-7116
Contact person:	Tetsuji Yamanishi, Representative Director and Senior Vice President
Place of contact:	3-9-1, Shibaura, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-6852-7116
Contact person:	Tetsuji Yamanishi, Representative Director and Senior Vice President
Place where the document to be filed is available for public inspection	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)

A. COMPANY INFORMATION

I. Overview of the Company

1. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	118th term	119th term	120th term	121st term	122nd term
Accounting period	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Net sales (Millions of yen)	984,525	1,082,560	1,152,255	1,178,257	1,271,747
Income from continuing operations before income taxes (Millions of yen)	39,772	74,517	91,839	211,717	89,811
Net income attributable to TDK (Millions of yen)	16,288	49,440	64,828	145,099	63,463
Comprehensive income (loss) attributable to TDK (Millions of yen)	87,439	129,761	(34,469)	138,952	52,473
TDK stockholders’ equity (Millions of yen)	635,327	738,861	675,361	793,614	824,634
Net assets (Millions of yen)	652,243	758,007	684,633	802,118	831,232
Total assets (Millions of yen)	1,239,553	1,404,253	1,450,564	1,664,333	1,905,209
TDK stockholders’ equity per share (Yen)	5,049.72	5,864.56	5,354.79	6,288.55	6,532.01
Net income attributable to TDK per share (Yen)	129.47	392.78	514.23	1,150.16	502.80
Diluted net income attributable to TDK per share (Yen)	120.97	377.98	504.66	1,147.57	501.47
Stockholders’ equity ratio (%)	51.3	52.6	46.6	47.7	43.3
Return on stockholders’ equity (%)	2.7	7.2	9.2	19.8	7.8
Price earnings ratio (PER) (Times)	33.3	21.7	12.2	6.1	19.1
Net cash provided by operating activities (Millions of yen)	127,308	142,850	151,563	160,136	91,310
Net cash used in investing activities (Millions of yen)	(55,438)	(127,312)	(140,585)	(71,111)	(246,099)
Net cash provided by (used in) financing activities (Millions of yen)	(56,118)	(35,243)	29,305	(37,753)	110,088
Cash and cash equivalents at end of term (Millions of yen)	250,848	265,104	285,468	330,388	279,624
Number of employees (Person)	83,581	88,076	91,648	99,693	102,883

Notes: 1. Net sales do not include consumption taxes, etc.

2. Net assets per share, equity ratio and return on equity have been replaced with stockholders’ equity per share, stockholders’ equity ratio and return on stockholders’ equity because TDK Corporation prepared consolidated financial statements based on U.S. GAAP.

3. TDK adopted Accounting Standards Update (“ASU”) 2015-03 “Simplifying the Presentation of Debt Issuance Costs” issued by the Financial Accounting Standards Board (“FASB”) after the year ended March 31, 2017. As a result, the bond issuance cost that used to be a part of Total assets is presented as a deduction from Total assets in the prior years.

(2) Filing company's management benchmarks (non-consolidated)

Term	118th term	119th term	120th term	121st term	122nd term
Accounting period	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Net sales (Millions of yen)	92,621	99,005	264,304	244,361	292,146
Current income (loss) (Millions of yen)	(12,064)	(8,379)	(14,376)	78,686	3,454
Net income (loss) (Millions of yen)	19,603	(5,045)	(26,447)	72,377	3,685
Capital stock (Millions of yen)	32,641	32,641	32,641	32,641	32,641
Total number of issued shares (Thousands of shares)	129,591	129,591	129,591	129,591	129,591
Net assets (Millions of yen)	336,543	331,036	284,544	342,249	327,866
Total assets (Millions of yen)	742,758	767,313	751,913	774,572	942,543
Net assets per share (Yen)	2,664.93	2,617.73	2,246.11	2,701.20	2,585.20
Cash dividends per share (Yen)	70.00	90.00	120.00	120.00	130.00
[Interim dividends per share] (Yen)	[30.00]	[40.00]	[60.00]	[60.00]	[60.00]
Net income (loss) per share (Yen)	155.82	(40.08)	(209.79)	573.72	29.20
Diluted net income per share (Yen)	155.56	—	—	572.43	29.13
Equity ratio [%]	45.1	43.0	37.7	44.0	34.6
Return on equity [ROE] [%]	6.0	(1.5)	(8.6)	23.2	1.1
Price earnings ratio [PER] [Times]	27.7	—	—	12.3	328.4
Dividend payout ratio [%]	44.9	—	—	20.9	445.2
Number of employees [Person]	3,652	3,763	4,542	4,644	5,055

Notes:

1. Net sales do not include consumption taxes, etc.
2. Diluted net income per share in the 119th and 120th terms are not presented because, although there were potentially dilutive shares, net losses per share were reported.

2. Description of business operations

TDK Corporation prepares its consolidated financial statements according to U.S. generally accepted accounting principles (U.S. GAAP). It discloses information based on these consolidated financial statements pertaining to its subsidiaries and affiliates based on the definitions of U.S. GAAP. The same applies to “II. Review of operations” and “III. Facilities.”

As of March 31, 2018, the TDK Group (“TDK”) is comprised of TDK Corporation (the “Company”), 142 consolidated subsidiaries and 8 equity-method affiliates. Segment categories are manufacturing and sales of “Passive Components,” “Sensor Application Products,” “Magnetic Application Products,” “Film Application Products” and “Other” (not included in the other four segments). In addition, TDK newly established Sensor Application Products segment in accordance with the reorganization in the year ended March 31, 2018.

The following table presents a description of business operations and the respective placement of the Company and subsidiaries and affiliates with respect to these business operations.

Category	Main products	Major companies
Passive Components	Ceramic capacitors, Aluminum electrolytic capacitors, Film capacitors, Inductive devices (Coils/Ferrite cores/Transformers), High-frequency components, Piezoelectric materials products and Circuit protection components	The Company TDK Europe GmbH EPCOS AG TDK Hong Kong Co., Ltd. TDK(Shanghai)International Trading Co., Ltd. 62 other companies (Domestic: 2, Overseas:60) (Total: 67 companies)
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors	The Company InvenSense, Inc. TDK-Micronas GmbH 31 other companies (Domestic: 3, Overseas: 28) (Total: 34 companies)
Magnetic Application Products	HDD Heads, HDD suspension assemblies, Power supplies, Magnets	The Company SAE Magnetics (H.K.) Ltd. Magnecomp Precision Technology Public Co., Ltd. TDK-Lambda Corporation Headway Technologies, Inc. 41 other companies (Domestic: 1, Overseas: 40) (Total: 46 companies)
Film Application Products	Energy devices (Rechargeable batteries)	The Company Amperex Technology Ltd. 12 other companies (Domestic:-, Overseas: 12) (Total: 14 companies)
Other	Mechatronics (production equipment), other	The Company TDK Corporation of America 37 other companies (Domestic: 11, Overseas: 26) (Total: 39 companies)

3. Status of subsidiaries and affiliates

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
(Consolidated subsidiaries – Overseas)					
Ningde Amperex Technology Ltd. *1	Ningde, China	RMB 839,909,052	Film Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
Amperex Technology Ltd.*1 , *2	Hong Kong, China	US$ 277,588,100	Film Application Products	99.3 (57.5)	Manufacturing and sales of TDK products Interlocking directorate: Yes
SAE Magnetics (H.K.) Ltd. *1	Hong Kong, China	HK$ 50,000	Magnetic Application Products	100 (100)	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: Yes
Dongguan Amperex Technology Ltd. *1	Dongguan, China	RMB 485,509,727	Film Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Hong Kong Co., Ltd.*1	Hong Kong, China	HK$ 25,500,000	Passive Components and Magnetic Application Products	100	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: No
Navitasys Technology Ltd. *1	Hong Kong, China	US$ 86,160,571	Film Application Products	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Xiamen Co., Ltd. *1	Xiamen, China	RMB 681,074,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
EPCOS (Zhuhai FTZ) Co., Ltd.	Zhuhai, China	RMB 29,390,675	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
EPCOS (Zhuhai) Co., Ltd.	Zhuhai, China	RMB 127,150,185	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK (Suzhou) Co., Ltd.	Suzhou, China	RMB 93,325,000	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
TDK (Shanghai) International Trading Co., Ltd.	Shanghai, China	RMB 1,659,160	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
EPCOS Ltd.	Hong Kong, China	HK$ 2,000,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes
TDK China Co., Ltd. *1	Shanghai, China	RMB 260,973,200	Investment in and financing to subsidiaries and affiliates and their management	100	―――― Loans from TDK Interlocking directorate: Yes
Magnecomp Precision Technology Public Co., Ltd. *1	Ayutthaya, Thailand	US$ 96,333,296	Magnetic Application Products	99.8	Manufacturing and sales of TDK products Interlocking directorate: Yes
TDK Taiwan Corporation	Taipei, Taiwan	NT$ 424,125,200	Passive Components	95.4 (95.4)	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes
TDK Philippines Corporation *1	Laguna, Philippines	US$ 65,313,150	Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK (Thailand) Co., Ltd.	Ayutthaya, Thailand	BAHT 699,000,000	Passive Components and Magnetic Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: No
TDK Singapore (Pte) Ltd.	Singapore	US$ 126,050	Passive Components and Magnetic Application Products	100 (100)	Sales of TDK products Loans to TDK Interlocking directorate: No
InvenSense,Inc. *1	California, U.S.A.	US$ 79,923	Sensor Application Products	100	Manufacturing and sales of TDK products Interlocking directorate: Yes
Headway Technologies, Inc. *1	California, U.S.A.	US$ 163,161,945	Magnetic Application Products	100	Manufacturing and sales of TDK products Loans to TDK Interlocking directorate: Yes
TDK Corporation of America	Illinois, U.S.A.	US$ 3,800,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: Yes

Name	Location	Capital	Principal business	Holding rate of voting rights (%)	Business relationship
EPCOS Inc.	New Jersey, U.S.A	US$ 1,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: No
TDK U.S.A. Corporation *1	New York, U.S.A.	US$ 850	Investment in and financing to subsidiaries and affiliates and their management	100	――― Loans from TDK Interlocking directorate: Yes
EPCOS AG *1	Munich, Germany	EUR 66,682,270	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: Yes
EPCOS OHG	Deutschlandsberg, Austria	EUR 14,500,000	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
EPCOS Elektronikai Alkatresz Kft.	Szombathely, Hungary	EUR 9,670,320	Passive Components	100 (100)	Manufacturing and sales of TDK products Interlocking directorate: No
TDK-Micronas GmbH	Freiburg, Germany	EUR 500,000	Sensor Application Products	100 (74.8)	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: No
TDK Europe GmbH *1, *3	Munich, Germany	EUR 46,545,000	Passive Components	100 (100)	Sales of TDK products Interlocking directorate: No
TDK Europe S.A. *1	Windhof, Luxembourg	EUR 352,113,042	Investment in and financing to subsidiaries and affiliates and their management	100	――― Loans to TDK Interlocking directorate: Yes
TDK Germany GmbH	Dusseldorf, Germany	EUR 25,000	Investment in and financing to subsidiaries and affiliates and their management	100 (100)	――― Interlocking directorate: Yes
(Consolidated subsidiaries – Domestic) TDK-Lambda Corporation	Minato-ku, Tokyo	(Millions of yen) 2,976	Magnetic Application Products	100 (98.0)	Manufacturing and sales of TDK products Loans from TDK Interlocking directorate: Yes
TDK Akita Corporation	Yurihonjo City, Akita Prefecture	200	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: No
TDK Shonai Corporation	Tsuruoka City, Yamagata Prefecture	110	Passive Components	100 (100)	Manufacturing of TDK products Interlocking directorate: Yes
TDK Service Corporation	Ichikawa City, Chiba Prefecture	34	Insurance and real estate agency	100	Consignment of insurance agency and property management for TDK Interlocking directorate: No
TDK-EPC Corporation	Minato-ku, Tokyo	100	Investment in and financing to subsidiaries and affiliates and their management	100	――― Loans from TDK Interlocking directorate: Yes
107 other companies					
(Equity-method affiliates) RF360 Holdings Singapore PTE. Ltd.	Singapore	US$ 2,634,455,245	Holding company with subsidiaries of operation of High-frequency components business	49 (49)	――― Interlocking directorate: Yes
Semiconductor Energy Laboratory Co., Ltd.	Atsugi City, Kanagawa Prefecture	Millions of yen 4,348	Research and development of semiconductor products	31.7	Consignment of research and development Interlocking directorate: No
6 other companies					

Notes: 1. Descriptions in the “Principal business” column are names of business segments or other specific business activities.
2. Figures in parentheses in the “Holding rate of voting rights” column indicate indirect holding rates included in the figures outside the parentheses.
3. Descriptions of “Interlocking directorate” include corporate officers of the Company.
4. *1: Applies to specific subsidiaries.
5. *2: Net sales of Amperex Technology Ltd. exceeded 10% of net sales of TDK.
The major items of income are as follows:
i. Net sales ¥246,157 million
ii. Income before income taxes ¥2,436 million
iii. Net income ¥2,100 million
iv. Net assets ¥ 47,362 million

v. Total assets ¥117,338 million

6. *3: Net sales of TDK Europe GmbH exceeded 10% of net sales of TDK.

The major items of income are as follows:

i.	Net sales	¥141,054 million
ii.	Income before income taxes	¥1,327 million
iii.	Net Income	¥1,199 million
iv.	Net assets	¥7,799 million
v.	Total assets	¥47,395 million

4. Status of employees

(1) Status of consolidated companies

(As of March 31, 2018)

Name of business segment	Number of employees (Person)
Passive Components	40,326
Sensor Application Products	6,709
Magnetic Application Products	19,254
Film Application Products	30,935
Other	3,569
Corporate (Common)	2,090
Total	102,883

(2) Status of filing company (the Company)

(As of March 31, 2018)

Number of employees (Person)	Average age (Years old)	Average years of service (Years)	Average annual salary (Yen)
5,055	43.7	19.8	8,159,726

Name of business segment	Number of employees (Person)
Passive Components	1,361
Sensor Application Products	94
Magnetic Application Products	530
Film Application Products	13
Other	1,084
Corporate (Common)	1,973
Total	5,055

Notes:
1. The number of employees indicates the number of working employees.
2. Average annual salary includes bonuses and surplus wages.
3. The number of employees shown as Corporate (Common) is the number of employees who belong to the administrative departments.

(3) Status of labor union

The filing company and some of its subsidiaries have labor unions.

II. Review of operations

1. Management policies, Management environment and Pressing issues

① Fundamental Management Policy

TDK was established in 1935 as the world's first company to industrialize a magnetic material called ferrite. In the ensuing years, TDK has developed and commercialized passive components, sensor application products, magnetic application products and film application products, among other products. This drive has been based on the company's founding spirit: "Contribute to culture and industry through creativity."

To preserve its identity as a dynamic company, TDK believes that it must remain an organization that constantly creates even higher corporate value to all stakeholders, including shareholders, customers, suppliers, employees and society, by drawing on innovative thinking and a willingness to tackle new challenges.

② Medium- and Long-Term Management Strategy

TDK has formulated a new three-year medium-term management plan starting in the fiscal year ending March 31, 2019. Under the plan, TDK aims to achieve sustainable growth and increase corporate value by refining the components and process technologies it has cultivated and strengthening provision of solutions that respond to market needs. TDK will pursue a zero-defect quality strategy based on advanced technological capabilities, along with working to truly globalize its operations by speed-focused management.

Turning to TDK's business, it will create a new Energy Application Products segment to integrate the rechargeable battery, industrial equipment power supply, and automotive power supply businesses, and strengthen its business by generating synergies among its energy-related businesses. Four reorganized segments will form the main businesses: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products through which TDK will expand its sales. In addition to investing in these core businesses, TDK aims to enhance the Group's overall profitability and capital efficiency and achieve ROE 14% or more in medium-term, while efficiently investing in new product development and new businesses.

At the same time, as regards shareholder returns, TDK's policy is to continue paying stable dividends by leveraging the impact of these investments to grow earnings per share.

TDK has established the "TDK Basic Policy on Corporate Governance" to further activate its constructive engagement (dialogue) with shareholders and investors and fulfill the role and obligations of the Board of Directors appropriately and will endeavor to implement appropriate information disclosure and ensure transparency. Furthermore, TDK has established important issues in corporate social responsibility (CSR) activities based on both its own perspective and that of its stakeholders and the Group as a whole will focusing on working to solve social issues.

③ Pressing Issues of TDK

The electronics market is experiencing solid demand for electrical components due to increasing sophistication and multifunction of electronic equipment. At the same time, product safety standards are increasingly high, and customers are demanding higher levels of performance and quality for automotive electrical components in particular.

In this situation, TDK recognizes the importance of quickly implementing a zero-defect quality strategy and is pushing forward with further strengthening its production process with a management that unifies all stages from raw materials to manufacturing. On the other hand, TDK will implement measures to stably procure raw materials expected to be affected by tight supply-demand balance, and to develop new processing methods that reduce the use of rare metals.

In the previous fiscal year and the fiscal year under review, TDK positioned the sensor business as a core business for the Group and conducted M&As focused on sensor related companies. TDK has steadily proceeded with the post-merger integration process, and the early creation of targeted synergies has become a priority. One such measure is to organize a global personnel system and enhance appropriate evaluation and training schemes to utilize acquired human resources in management.

Moreover, to help realize a sustainable society, TDK will take steps to coexist with the global environment, including by reducing the environmental impact of its business activities (reducing CO2 emissions and so forth).

In July 2016, the Company had an on-site inspection by Japan Fair Trade Commission regarding its HDD suspension business under the Anti-Monopoly Act in Japan. In February 2018, Japan Fair Trade Commission officially announced that they had issued a cease-and-desist order and a surcharge payment order against manufacturers of HDD suspensions. The Company and its subsidiaries are exempted from any surcharges and also have received no cease-and-desist order pursuant to an application for leniency in advance.

TDK has appointed a Chief Compliance Officer to oversee the entire Group and has worked to develop a compliance structure with the aim of further reinforcing its compliance with laws and regulations. Going forward, TDK takes this situation very seriously and will pursue these efforts with increased vigor and speed and will strive to restore the trust of its stakeholders, etc.

In this way, TDK will strengthen its compliance structure, while the governance structure will also be strengthened by the establishment, etc. of a Corporate Governance Committee as an advisory body to the Board of Directors of the Company.

2. Business risks

Listed below are items that, among those relating to the review of operations and accounting, etc. stated in the Annual Securities Report, may significantly influence investor decisions. The following includes forward-looking statements based on judgments current as of the filing date of the Annual Securities Report on June 28, 2018.

(1) Risks concerning changes in economic trends

The electronics industry, TDK's field of operations, is highly susceptible to social and economic trends in the U.S., Europe, Asia, particularly China and Japan, which are the main markets for end products. In addition, markets in these countries and regions are constantly exposed to various risk factors such as political issues, international issues, and economic fluctuations. TDK monitors such world risk trends and takes timely measures in response to them. However, if changes beyond our expectations occur in such business environments, such changes could significantly affect business results.

(2) Risks concerning fluctuations in currency exchange

TDK conducts business activities globally. Indeed, more than 90% of net sales are accounted for by overseas sales, and many transactions are conducted in currencies other than the yen, such as the U.S. dollar or euro. A sudden appreciation of the yen against these currencies could affect earnings such as by reducing net sales and operating income. In order to mitigate these risks, TDK is working to purchase more raw materials in foreign currencies and increase the local procurement of supplies consumed overseas. Foreign currency fluctuations also give rise to conversion differences with respect to our investments in overseas assets and liabilities, which are converted into Japanese yen in our consolidated financial statements. Measures are taken against fluctuations in foreign currency exchange rates, including procuring foreign currency-denominated funds and concluding forward foreign exchange contracts; however, significant fluctuations in foreign currency exchange rates beyond our expectations could have a significant adverse effect on TDK's financial position and business results.

(3) Risks concerning interest rate fluctuation

TDK, as necessary, has financial assets, such as cash deposits and government bonds, and financial liabilities such as loans from banks, corporate bonds, and lease obligations. Fluctuations in interest rates beyond our expectations could affect the interest income, and interest expense, and the value of financial assets and liabilities, which could have a significant effect on TDK's financial position and business results.

(4) Risks concerning natural disasters, electricity supply and pandemics

TDK has many production factories and research and development facilities in Japan and overseas. These facilities and plants have taken disaster-protection and infection-control measures and purchased their own power generation facilities to cope with electricity shortages in preparation for unexpected natural disasters and infection outbreaks. However, significant damage could be incurred at these facilities and plants due to an event beyond business continuity planning (BCP) assumptions, such as a large earthquake, tsunami, typhoon, flood or volcanic eruption; a large-scale blackout or electricity shortages caused by them; or an outbreak of an unknown infectious disease such as a new strain of influenza. In the event of interruption to manufacturing, disruption of transportation routes, damage to or disconnection of information and communications infrastructure, impairment of central functions, or significant damage to our customers themselves due to the impact of such occurrences, orders and supply could be affected for a long period of time. This situation could have a significant effect on business results.

(5) Risks concerning overseas operations

TDK conducts operations globally, and its overseas sales accounts for more than 90% of total sales on a consolidated basis.

In many of our target markets and emerging countries that are expected to see economic development going forward, TDK may be exposed to international political risks such as war, terrorism or other events, domestic political and economic risks such as fluctuations in currency exchange, Tariff raising, Import/Export restrictions, and social risks including labor problems stemming from differences in cultures and customs, and diseases. Such risks may give rise to changes of a far greater magnitude than we anticipate. There may be unknown risks in building relationships with trading partners due to differences in commercial and business customs. If these risks materialize, they could reduce or halt manufacturing activities, force the stagnation of sales activities and in turn have a significant adverse effect on business results.

In particular, TDK has many manufacturing bases in China and has established a system for supplying both customers and local companies that have been setting up operations in China. If unexpected events occur in China due to political factors (such as changes in laws and regulations), economic factors (such as the continuity of high growth and status of infrastructure development such as electric power supply) or social environment, there could be a significant effect on business results.

(6) Risks concerning corporate social responsibility

TDK has, for the sustainable development of society, recognized corporate social responsibility such as care to global environment, improvement of working environment, and respect for human right as important management issues and has been working to realize it in the business operation including supply chain management However, in case there are environmental pollution, problem related to industrial health and safety such as industrial accident, child labor, forced labor, or problem related to human right such as discrimination to foreign workers happen despite of our effort, decline of social trust in TDK, suspension of business transaction, or withdrawal of partial business may have a significant effect on our business result.

In case related law and regulation are strictly tighten due to international initiative, expenses to adapt to such tightening may become unexpectedly high, or a part of business may be withdrawn. This could have a significant effect on our business result.

(7) Risks of taxation

TDK has manufacturing bases and sales entities throughout the world, and we conduct a lot of international transaction between group companies. We pay close attentions to make transaction price appropriate from the perspective of Transfer pricing taxation and customs laws in each applicable countries. However, due to the difference in opinion with tax authorities or customs authorities, we may incur additional tax burden as a result of indication that the transaction price is inappropriate. And, due to the new introduction or change of tax laws and its interpretation in various countries, we may incur tax burden more than expected.

With respect to deferred tax asset, we have periodically evaluated the feasibility according to the prospect of future taxable income and the plan to be realizable by tax. When the future profit plan cannot be realized or cannot be attained, or when the evaluation of feasibility is reviewed due to new introduction or changes of tax laws, we have to increase the valuation allowance of deferred tax assets.

When unexpected large amount of taxation is done, or when we increase the valuation allowance of deferred tax asset, that could have a significant effect on business results.

(8) Risks concerning technological innovation and new product development

In TDK, the launch of new products imbuing value on a timely basis helps boost our profitability. We also believe ongoing new product development is key to our survival. The Group believes that our ability to increase sales by developing appealing, innovative products has an important role to play in our growth. We are therefore engaged in new product development as an important element of our management strategies. However, it is extremely difficult to precisely predict future demand in the rapidly changing electronics industry. TDK may fail to continue to develop and supply, in a timely manner, attractive and new products with innovative technologies for this industry and our markets. As one strategy to avoid these risks, research and development divisions in TDK continuously reshape the framework based on analysis of market trends, along with conducting development management to promote the prioritization of development themes. Nevertheless, there is a risk that a loss of sales opportunities could result in the loss of future markets, as well as existing markets. This may have a significant adverse effect on business results and growth prospects.

(9) Risks concerning price competition

TDK supplies electronic components in a broad range of fields in an electronics industry where competition is intensifying. These fields include ICT represented by smartphones, the automobiles field, where use of onboard electronics is increasing, and energy related fields such as solar and wind power generation. Price is one of the main competitive factors differentiating us from other companies in the industry in which leading Japanese companies and international companies in South Korea, Taiwan and China have fueled intense price competition.

TDK is working to promote ongoing cost-cutting initiatives and increase profitability to counter this market competition. However, such price trends could have a significant effect on business results.

(10) Risks concerning raw material procurement

TDK’s manufacturing system is premised on securing raw materials and other supplies in adequate quality and quantity in a timely manner from multiple external suppliers. However, for major raw materials, we may rely on a limited number of difficult-to-replace suppliers. Because of this, there may be cases where supplies of raw materials and other products to us are interrupted by a disaster, an accident or some other event at a supplier, supply is suspended due to quality or other issues, or there is a shortage of supply due to a rapid increase in demand for finished products. Moreover, there may be cases where local procurement necessitated by increased overseas production is negatively affected by overseas circumstances. If any of these situations becomes protracted, it could have a significant, adverse effect on production and prevent us from fulfilling our responsibilities to supply products to our customers. If the supply-demand balance in the market is disrupted, it may considerably increase costs of manufacturing through steep run-ups in the prices we pay for raw materials and rises in fuel prices, including oil. We are implementing various measures to counter these risks, such as reviewing our suppliers on a timely basis. However, in cases where the situation is beyond our expectations, there could be a significant effect on business results.

(11) Risks concerning business-to-business transactions

TDK is developing business-to-business transactions on a global scale, whereby we supply electronic components to customers in the electronics and automotive markets.

We work to reduce risk by conducting transactions with a variety of customers and take measures such as setting transactions terms and conditions based on our evaluation of a customer’s credit risk. However, our business may be significantly affected by various factors that are beyond our control, such as changes in each customer’s business results and management strategies. In addition, a decline in purchasing demand due to a customer`s poor business results, increase discounting pressure from customers due to changes in their purchasing policies and policies, the unexpected termination of contracts or other occurrences could result in excess inventory or a reduction in profit margins.

In the event that our customers go through reorganizations caused by mergers and acquisitions effected by enterprises of different business types or by competitors domestically or abroad, this situation could have a significant effect on TDK’s sales, including a marked decline in orders or the cancellation of all business transactions.

(12) Risks concerning Compliance

TDK is subject to and required to comply with various regulations in Japan and other countries where we conduct business. These regulations are related to business and investments, the safety of electric and electronic products, national security between nations, export/import, commercial, antitrust, patens, product liability, environmental, consumer and taxation.

TDK has appointed a Chief Compliance Officer and has been promoting the establishment of organization and system for TDK Group, it’s Corporate Officer and employees to take action in line with compliance and global norm. And, we have established a Corporate Code of Ethics and have been striving to foster a sincere, fair, and transparent corporate culture. However, despite of above measures, confliction to related-regulation and wrong-doing by Corporate Officers or employees may not be avoidable.

In the event of such, a social credibility of TDK Group may decline, and customer may cease business with TKD. Then, a large amount of charges or damages could have a significant adverse effect on business results.

In the event that laws and regulations become more strengthened in the future, a large amount of charge to correspond to the regulation or a partial withdraw of the particular business, when adaption to the regulation is difficult, could have a significant adverse effect on business results.

(13) Risks concerning product quality

TDK conducts quality control of various products at domestic and overseas manufacturing bases in accordance with International Quality Management Standards (valid version of ISO 9001, IATF16949, and/or applicable other standards) and the strict standards required by customers in the remarkably technologically innovative electronics industry. Furthermore, TDK utilizes proprietary quality technologies and past data concerning quality issues to create a quality assurance system for building in quality from the earliest development stage so as to ensure that reliability and safety. This is achieved through design inspections, internal quality audits, supplier surveys and guidance, process management and in other ways at each product stage including planning, design, prototyping and manufacturing.

However, TDK cannot be fully certain that defects in quality (including cases where products contained restricted substances) and recalls due to those defects will not occur. Should a recall or a product liability claim against us occur, it could result in recall costs or damage claims and lower sales. Furthermore, it is assumed that a defect in quality in one of TDK’s name-bearing products would have a negative impact on our reputation and brand, and endanger the continued existence of the company. In such a way, a major quality problem could have a significant effect on business results.

(14) Risks concerning intellectual property

TDK is working hard to strengthen and use its patent portfolio by managing and acquiring patents, licenses and other intellectual property rights covering TDK’s products’ functions, designs and so forth (hereinafter “intellectual property rights”), as a strategic intellectual property activity that contributes to business earnings.

However, there are cases where our intellectual property rights cannot be fully protected in a particular region for reasons unique to that region. We may suffer damages resulting from the manufacture by a third party of similar products to our own with the unauthorized use of our intellectual property rights.

There may be cases where it is alleged that our products or processes infringe on the intellectual property rights of third parties that may sue for damages as a result of such alleged infringement. This would require either legal processes or settlement negotiations. If our defenses against such claims are not accepted in such disputes, we may have to pay damages and royalties and suffer losses such as the loss of markets.

Significant disputes over intellectual property rights could have a significant effect on business development and business results.

(15) Risks concerning information security

As part of its business operations, TDK holds confidential information and personal information relating to customers and trading partners as well as confidential information of the Group and personal information. We have constructed a group-wide control system to prevent this information from being leaked to outside parties, falsified, otherwise manipulated, or being destroyed. Moreover, we execute measures to ensure thorough management and IT security, improved facility security and employee training. However, there are still risks that such information could be leaked, destroyed, or falsified or that information systems are shut down through hacking, negligence, theft or other causes.

In such an event, TDK could suffer a lowering of credibility and be liable for huge costs relating to the compensation payment to the parties suffering damage. It could also have a significant effect on business results.

(16) Risks concerning securing personnel and training personnel

TDK generates a high percentage of total sales overseas and overseas production also accounts for a high proportion of production. Furthermore we have increased the number of employees globally as TDK Group companies have increased rapidly. In order to continuously develop business in the fast-changing electronics industry, we believe that we must continuously promote efforts to secure and develop personnel who possess various advanced technical skills, and personnel with excellent management capabilities, such as those necessary for formulating strategy and managing organizations.

TDK therefore actively hires university graduates and employs experienced people throughout the year in order to continuously develop its businesses. Moreover, we are working to retain and develop employees by putting in place frameworks for increasing their motivation. This includes enhancing fair evaluation and remuneration systems based on a target-based management system, improving and extending various training programs for developing employees that can act independently and globally, and passing on the “DNA” of our manufacturing.

However, competition to continuously recruit the necessary employees is intense. Moreover, in Japan, the employment environment is changing rapidly because of the falling birthrate, the aging population, and the declining workforce. A similar change is occurring at our overseas bases in China and other countries. The inability to recruit and train personnel as planned could have a significant effect on business development, business results and growth prospects from a long-term perspective.

(17) Risks concerning M&A

In the increasingly competitive electronics field, for necessary technologies and other elements which continuously increase corporate value, we conduct M&As as necessary if it is an effective means to accelerate business growth or major synergies can be expected in terms of establishing a competitive edge in the market in a short space of time.

When conducting M&As, we take sufficiently into account market trends, customer needs, the business results, financial position, technological advantage and market competitiveness of the target company, TDK’s business portfolio and other factors.

However, in case there are oversight or lack of prior research or prior consideration, tumultuous changes in the market and competitive environment after M&A, the acquired business fails to develop as planned, and the investment cannot be recovered or additional expenses are incurred, TDK’s business results, growth prospects and business development among others could be significantly affected.

(18) Risks of impairment of fixed asset and goodwill

TDK has continuously invested on capital expenses such as manufacturing facilities to improve production capacity, quality, or productivity. And, if necessary, we have implemented M&A to accelerate the growth of business. As a result of these investments, we own a large amount of assets such as “property, plant and equipment”, “intangible fixed asset with certain recognizable amortization period”, and “goodwill and other intangible asset”.

With respect to “property, plant and equipment” and “intangible fixed asset with certain recognizable amortization period”, we conduct an impairment test if there is an indication that we are not able to collect the carrying amount of the assets. With respect to “goodwill and other intangible asset”, we conduct an impairment test at least once a year or more often in case there is an indication of impairment. In the event that the impairment test judges that these assets no longer create enough cash flow in the future, there may be a necessity to recognize an impairment.

When we recognize a large amount of impairment, it could have a significant effect on business results.

3. Analysis of financial position, operating results and cash flow position by manager

(1) Overview of operating results, etc.

Overview of financial position, operating results and cash flow position of TDK for the year ended March 31, 2018 is provided below.

① Financial position and operating results

In the year ended March 31, 2018 ("fiscal 2018"), the global economy maintained a gradual pace of recovery overall. In the U.S., Europe and Japan, corporate business conditions, employment levels, and personal consumption trended firmly. Emerging economies continued to experience higher rates of growth than developed countries, despite some signs of a slight deceleration in China.

Looking at the electronics market, which has a large bearing on the consolidated performance of TDK, demand for components in the automotive market continued to surge, fueled by a continued increase in the number of components installed per vehicle in step with advances in the electrification of automobiles. In the industrial equipment market, demand was firm, supported mainly by surging investment in semiconductors and corporate investment in automation. In addition, demand was solid for home electric appliances such as game consoles and room air conditioners. Meanwhile, in the ICT (Information and Communications Technology) market, production of smartphones showed some signs of adjustment.

In this business environment, the TDK's consolidated financial position and operating results for fiscal 2018 were as follows.

a. Financial position

Total assets increased ¥240,876 million from ¥1,664,333 million, as of March 31, 2017, to ¥1,905,209 million, as of March 31, 2018.

Total liabilities increased ¥211,762 million from ¥862,215 million, as of March 31, 2017, to ¥1,073,977 million, as of March 31, 2018.

Total equity increased ¥29,114 million from ¥802,118 million, as of March 31, 2017, to ¥831,232 million, as of March 31, 2018.

b. Operating results

TDK recorded net sales of ¥1,271,747 million, up 7.9% from ¥1,178,257 million in fiscal 2017. TDK recorded operating income of ¥85,633 million, down 59.0% from ¥208,660 million in fiscal 2017. TDK also recorded income before income taxes of ¥89,811 million, down 57.6% from ¥211,717 million in fiscal 2017. Furthermore, TDK recorded net income attributable to TDK of ¥63,463 million, down 56.3% from ¥145,099 million in fiscal 2017. Basic net income attributable to TDK per common share was ¥502.80, compared with ¥1,150.16 in fiscal 2017.

Average exchange rates for the U.S. dollar and euro during fiscal 2018, were ¥110.93 and ¥129.64, respectively, as the yen depreciated 2.3% against the U.S. dollar and 9.0% against the euro year on year. This increased net sales by approximately ¥35.5 billion and operating income by approximately ¥6.1 billion. Besides, operating income for fiscal 2017 included one-time gain on sale of business according to forming a joint venture with Qualcomm Incorporated. With regard to tax expense, TDK recorded income taxes of approximately ¥3,513 million in fiscal 2018, in connection with the U.S. tax reforms enacted in December 2017.

TDK's business segments are aggregated into four reportable segments, "Passive Components," "Sensor Application Products" "Magnetic Application Products" and "Film Application Products," and businesses not belonging to either of these segments are classified under "Other." In accordance with the reorganization in fiscal 2018, TDK newly established the Sensor Application Products segment. As a result of the reorganization in fiscal 2018, certain products of Other were reclassified into Other Passive Components in Passive Components segment and certain products of Recording Devices in Magnetic Application Products segment were reclassified into Other. The prior year's figures are also reclassified to conform to the new segmentation.

The Passive Components segment recorded net sales of ¥437,639 million, down 17.1% from ¥528,225 million in fiscal 2017 and segment income of ¥46,278 million, down 76.9% from ¥200,320 million in fiscal 2017.

The Sensor Application Products segment recorded net sales of ¥77,578 million, up 81.0% from ¥42,850 million in fiscal 2017 and segment loss of ¥19,381 million, from ¥6,478 million in fiscal 2017.

The Magnetic Application Products segment recorded net sales of ¥333,235 million, up 1.0% from ¥329,850 million in fiscal 2017 and segment income of ¥20,877 million, up 115.1% from ¥9,706 million in fiscal 2017.

The Film Application Products segment recorded net sales of ¥370,953 million, up 49.8% from ¥247,693 million in fiscal 2017 and segment income of ¥70,384 million, up 70.8% from ¥41,217 million in fiscal 2017.

The Other segment, businesses which do not belong to any of the four reportable segments recorded net sales of ¥52,342 million, up 76.6% from ¥29,639 million in fiscal 2017 and segment loss of ¥2,381 million, from ¥7,324 million in fiscal 2017.

② Cash flows

Cash flows from operating activities

Operating activities provided net cash of ¥91,310 million, a decrease of ¥68,826 million year on year. It mainly came from an increase in working capital.

Cash flows from investing activities

Investing activities used net cash of ¥246,099 million, an increase of ¥174,988 million year on year. There was an increase in acquisition of subsidiaries.

Cash flows from financing activities

Financing activities provided net cash of ¥110,088 million, changed by ¥147,841 million year on year. It mainly came from an increase in short-term debt.

As a result of adding in the effects of currency fluctuations, cash and cash equivalents as of March 31, 2018 was ¥279,624 million, ¥50,764 million smaller than as of March 31, 2017.

③ Results of production, orders received and sales

a. Production results

A breakdown of production results by business segment for fiscal 2018 is given below.

(Millions of yen)

Name of business segment	Production Results	YoY Increase/ Decrease (%)
Passive Components	450,637	(11.3)
Sensor Application Products	79,715	80.9
Magnetic Application Products	338,268	1.7
Film Application Products	382,094	51.9
Other	54,684	79.9
Total	1,305,398	11.9

Notes: 1. Amounts are calculated by the sales price.
2. Consumption taxes, etc. are not included in the above figures.

b. Results of orders received

A breakdown of orders received by business segment for fiscal 2018 is given below.

(Millions of yen)

Name of business segment	Amount of orders received (Millions of yen)	YoY Increase/ Decrease (%)	Balance of orders received (Millions of yen)	YoY Increase/ Decrease (%)
Passive Components	485,053	(12.9)	153,390	27.6
Sensor Application Products	78,559	77.5	20,053	41.7
Magnetic Application Products	325,027	(3.6)	33,036	4.3
Film Application Products	478,757	44.0	95,687	35.2
Other	34,620	20.4	5,944	(5.1)
Total	1,402,016	7.9	308,110	26.8

Note: Amounts are calculated by the sales price.

c. Sales results

A breakdown of sales results by business segment for fiscal 2018 is given below.

(Millions of yen)

Name of business segment	Sales Results	YoY Increase/ Decrease (%)
Passive Components	437,639	(17.1)
Sensor Application Products	77,578	81.0
Magnetic Application Products	333,235	1.0
Film Application Products	370,953	49.8
Other	52,342	76.6
Total	1,271,747	7.9

Note: Consumption taxes, etc. are not included in the above figures.

(2) Analysis and discussion regarding operating results, etc. from a management viewpoint

Analysis and discussion regarding operating results, etc. from a management viewpoint are provided below. The forward looking statements in this report are based on judgment current as of March 31, 2018.

① Significant accounting policies and estimates

Significant accounting policies are those that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

The following is not intended to be a comprehensive list of all of TDK's accounting policies. TDK's significant accounting policies are more fully described in Note 1 of the Notes to Consolidated Financial Statements. In many cases, the accounting treatment of a particular transaction is specifically dictated by U.S. generally accepted accounting principles, with no need for management's judgment in their application. There are also areas in which management's judgment in selecting an available alternative would not produce a materially different result.

TDK has identified the following as critical accounting policies: impairment of long-lived assets, valuation of inventories, accounting for business combinations, goodwill and other intangible assets, pension benefit costs, and deferred tax assets.

<u>Impairment of long-lived assets</u>

As of March 31, 2017 and 2018, the aggregate of TDK's property, plant and equipment and amortized intangible assets was ¥512,021 million and ¥614,654 million, which accounted for 30.8% and 32.3% of total assets, respectively. TDK believes that impairment of long-lived assets is critical to TDK's financial statements because the recoverability of the amounts or lack thereof, could significantly affect its results of operations.

TDK's long-lived assets and certain identifiable intangibles with certain amortization periods are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. This review is performed using estimates of future cash flows. If the carrying amount of the asset is considered to be impaired, an impairment charge is recorded for the amount by which the carrying value of an asset exceeds its fair value. Management judges that the estimates of future cash flows and fair values are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuation of those long-lived assets and significantly affect TDK's financial position and results of operations. TDK makes investments with due prudence, taking sufficiently into consideration the future profitability of products and the recoverability of investments.

<u>Valuation of inventories</u>

Inventories are stated at the lower of cost or market. The carrying value of inventory is reduced for estimated obsolescence by the difference between its cost and the estimated market value based upon assumptions about future demand. TDK evaluates the inventory carrying value for potential excess and obsolete inventory exposures by analyzing historical and anticipated demand. In addition, known and anticipated engineering change orders are evaluated against on-hand quantities for their potential obsolescence affects. As fluctuations in estimates, which become a standard in recognizing adjustments in the carrying values of inventory for expected obsolescence, are influential to business results of TDK, we conclude it as a significant accounting policy. If actual demand were to be substantially lower than estimated, additional inventory adjustments for excess or obsolete inventory may be required, which could have a material adverse effect on TDK's business, financial condition and results of operations.

Regarding the appropriateness of estimates in the past, TDK does not use a method based on various scenarios, but a method to reconsider every quarter by comparing estimate and actual results. For example, in the operational management of product sectors with rapid development in technological innovation such as the recording devices sector, TDK revises the estimates of valuation of obsolete inventories arising from the timely response to customers' demands for high-efficiency products on a quarterly basis.

<u>Business combination</u>

We account for acquired businesses by using the acquisition method of accounting which requires that the assets acquired and liabilities assumed be recorded at the date of acquisition at their respective fair values. The judgments made in determining the estimated fair value assigned to each class of assets acquired, as well as asset lives, can materially impact net income of the periods subsequent to the acquisition through depreciation and amortization, and in certain instances by impairment charges, if the asset becomes impaired in the future.

In determining the estimated fair value for intangible assets, we typically utilize the income approach, which employs discounting of the projected future net cash flow using an appropriate discount rate that reflects the risk factors associated with the cash flow streams.

Determining the useful life of an intangible asset also requires judgment as different types of intangible assets will have different useful lives and certain assets may even be considered to have indefinite useful lives. Intangible assets determined to have an indefinite useful life have been reassessed periodically based on the factors prescribed in FASB Accounting Standards Codification 350 including, but not limited to, the expected use of the asset by us, legal or contractual provisions that may affect the useful life or renewal or extension of the asset's contractual life without substantial cost, and the effects of demand, competition and other economic factors.

Goodwill and other intangible assets

Goodwill and other intangible assets that are determined to have an indefinite life are not amortized but are tested for impairment on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of these assets below their carrying amount. Fair value for these assets is determined using a discounted cash flow analysis, which is based on an authorized business plan. Management believes that the estimates of future cash flows and fair value are reasonable; however, changes in estimates resulting in lower future cash flows and fair value due to unforeseen changes in business assumptions could negatively affect the valuations.

Pension benefit costs

Employee pension benefit costs and obligations are dependent on assumptions used by actuaries in calculating such amounts. These assumptions include discount rates, retirement rates and mortality rates which are based upon current statistical data, as well as salary growth, long-term return on plan assets and other factors. Actual results that differ from the assumptions are accumulated and amortized over future periods and, therefore, generally affect TDK's recognized expense and recorded obligation in future periods. While TDK believes that its assumptions used are appropriate, differences in actual experience or changes in assumptions may affect TDK's benefit obligations and future expense.

In preparing its consolidated financial statements for fiscal 2017, TDK established discount rates of 0.6% and 2.5% for domestic and overseas pension plans, respectively, and expected long-term rates of return of 1.9% and 6.0% on domestic and overseas plan assets, respectively. In estimating the discount rate, TDK uses available information about rates of return on long-term corporate bonds currently available and expected to be available during the period to the maturity of the pension benefits. TDK established the expected long-term rate of return on plan assets based on management's expectations in respect of the long-term returns of the various plan asset categories in which it invests. Management developed expectations with respect to each plan asset category based on actual historical returns and its current expectations for future returns.

A decrease in the discount rate leads to an increase in actuarial pension benefit obligations that could lead to an increase in net periodic pension cost through amortization of unrecognized actuarial gain or losses.

An increase in the expected return on plan assets may decrease net periodic pension cost. However, the difference between the expected return and the actual return on those assets could negatively affect net income in future years.

Deferred tax assets

TDK has significant deferred tax assets, which are subject to realizability assessment. In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. TDK considers the planned reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, TDK believes that it is more likely than not that all of the deferred tax assets less valuation allowance, will be realized. However, in the event future projections for income are not realized or are realized in lesser amounts, or in cases where TDK revises the assessment of the potential for realization of deferred tax assets based on other factors, deferred tax assets may be determined not to be realizable, which then would require TDK to increase a valuation allowance against the deferred tax assets resulting in additional income tax expenses.

② Recognition, analysis and discussion regarding operating results, etc. in the fiscal year

Operating results and factors significantly impact to operating results

In fiscal 2018, TDK posted consolidated net sales of ¥1,271,747 million, up 7.9% from fiscal 2017. TDK recorded operating income of ¥85,633 million, a decrease of 59.0% year on year. TDK recorded net income attributable to TDK of ¥63,463 million, a decrease of 56.3% compared to fiscal 2017.

Looking at the electronics market, which has a large bearing on the consolidated performance of the Company, demand for components in the automotive market continued to surge, fueled by a continued increase in the number of components installed per vehicle in step with advances in the electrification of automobiles. In the industrial equipment market, demand was firm, supported mainly by surging investment in semiconductors and corporate investment in automation. In addition, demand was solid for home electric appliances such as game consoles and room air conditioners. Meanwhile, in the ICT (Information and Communications Technology) market, production of smartphones showed some signs of adjustment.

Under these conditions, sales increased a little for the ICT markets, mainly for smartphones, with an increase in sales of rechargeable batteries, despite the impact of transferring part of the high-frequency devices business to RF360 Holdings Singapore PTE. Ltd., a joint venture with Qualcomm Incorporated. Orders for the automotive market increased and sales increased. In addition, the amount of TDK's net sales in the Industrial Equipment / Home Appliances markets fields increased for various components mounted on apparatus because of an increase in demand for automation investment, components for drones and game consoles, semiconductor production assisting equipment and so on. Sales in HDD components decreased a little due to a reduction in for PCs along with sifting to SSD while for data center is firm.

In fiscal 2018, overseas sales accounted for 91.1% of consolidated net sales, the same percentage as fiscal 2017. During fiscal 2018, the yen's value depreciated 2.3% against the U.S. dollar, and depreciated 9.0% against the euro, based on average exchange rates in markets. Overall, exchange rate fluctuations had the effect of increasing net sales by approximately ¥35.5 billion and operating income by approximately ¥6.1 billion in fiscal 2018.

By geographic area based on the location of customers, foreign exchange fluctuations increased sales in Japan by approximately ¥0.5 billion, in Asia (excluding Japan) and Oceania by approximately ¥21.7 billion, in the Americas by approximately ¥1.8 billion, and in Europe by approximately ¥11.5 billion.

Capital resources and liquidity of funds

TDK's operating funds demands are primarily manufacturing expenses such as the purchase of raw materials and parts for use in the manufacture of its products, operating expenses such as selling, general and administrative expenses and R&D expenses aimed to develop new product continuously. In addition, long term funds demands are capital investment to correspond precisely to rapid technological innovation in electronics markets and intensifying sells competition, M&A aimed for further strategic growth and so on.

TDK's fundamental policy is to keep liquidity needed for operating business and funds resources consistently and TDK has been trying to maintain its liquidity level of liquid funds, which includes cash and deposits with banks, short-term investments and marketable securities, etc., at 2.0 months or more of monthly net sales by introducing a cash management system in Japan, U.S., Europe, China and ASEAN to improve group efficiency funds, commitment line contract and so on for liquidity. The balance of liquid funds amounted to ¥323,291 million as of March 31, 2018, which was equal to approximately 3.1 months of average monthly net sales.

As procurement policy, basic for short term operating funds are own funds and short term loan from financial institution and for capital investment and long term funds are long term loan from financial institution and corporate bonds, etc. The balance of debt with interest, which includes loans from banks, corporate bonds, and lease obligations, amounted to ¥483,019 million as of March 31, 2018.

Management policy, management strategy, indicator to judge achievement status of management goal, etc.

TDK is working to strengthen our performance management framework as a part to put growth strategy conceived by TDK into practice with organically tying not only to our finance and capital strategy, but all the way to policies on the front lines. TDK has introduced TDK Value Added (TVA) as a comparison of return against capital cost (the weighted average cost of capital, or WACC, multiplied by invested capital), which was introduced in 1999. Under the logic tree tied to this TVA, we not only evaluate the profitability of each business, the efficiency of business assets, and the ability to capture cash, but also factorize and monitor KPIs tailored to specific front-line policies and business characteristics. This not only allows as to unite as a single company in promoting our growth strategy, but, we believe, will enable us to build a financial constitution capable of achieving ROE of 14% or more in mid-term by also tying that strategy to selection and consolidation of capital expenditures through stronger management of investment efficiency. ROE in fiscal 2018 was 7.8%.

Recognition, analysis and discussion regarding financial position and operation result by segment

(Passive Components Segment)

This segment is made up of (1) Capacitors, (2) Inductive Devices, and (3) Other Passive Components. Sales in the Passive Components segment were ¥437,639 million, down 17.1% year on year from ¥528,225 million. Segment profit was ¥46,278 million, down 76.9% year on year from ¥200,320 million. Segment asset was ¥658,811 million, down 6.1% year on year from ¥701,941 million.

Segment sales results by business for fiscal 2018 were as follows.

Capacitors is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Sales in the Capacitors were ¥156,990 million, up 14.8% year on year from ¥136,790 million. Sales of Ceramic Capacitors increased to the automotive and the industrial equipment markets, while decreased to the ICT market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors increased mainly to the industrial equipment market. Sales of Inductive Devices increased by 8.4% year on year from ¥145,334 million to ¥157,529 million. Sales increased to the automotive and the industrial equipment markets, while decreased to the ICT market. Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Sales of Other Passive Components decreased by 50.0% year on year from ¥246,101 million to ¥123,120 million. Sales to the ICT market decreased sharply due to the impact of transferring part of the high-frequency devices business to RF360 Holdings Singapore PTE. Ltd., a joint venture with Qualcomm Incorporated.

(Sensor Application Products Segment)

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Segment sales increased by 81.0% year on year from ¥42,850 million to ¥77,578 million. Segment loss was ¥19,381 million, year on year from ¥6,478 million. Segment asset was ¥239,006 million, up 202.2% year on year from ¥79,077 million.

Sales to the ICT market increased due to the consolidation of the sales of InvenSense, Inc., following the completion of its acquisition in fiscal 2018.

(Magnetic Application Products Segment)

This segment is made up of (1) Recording Devices, and (2) Other Magnetic Application Products. Segment sales increased by 1.0% year on year, from ¥329,850 million to ¥333,235 million. Segment profit was ¥20,877 million, up 115.1% year on year from ¥9,706 million. Segment asset was ¥410,684 million, down 2.8% year on year from ¥422,316 million.

Segment sales results by business for fiscal 2018 were as follows.

Recording Devices comprises mainly HDD (Hard Disk Drive) Heads and HDD Suspension Assemblies. It recorded sales of ¥237,865 million, down 1.8% from ¥242,287 million.

Other Magnetic Application Products include Power Supplies and Magnets. Sales increased by 8.9% year on year from ¥87,563 million to ¥95,370 million.

Sales of Power Supplies increased mainly to the industrial equipment market. Also, sales of Magnets increased mainly to the industrial equipment market.

(Film Application Products Segment)

This segment is made up of Energy Devices (Rechargeable Batteries). Segment sales increased by 49.8% from ¥247,693 million to ¥370,953 million. Segment profit was ¥70,384 million, up 70.8% year on year from ¥41,217 million. Segment asset was ¥502,567 million, up 36.5% year on year from ¥368,057 million.

Sales of Energy Devices increased significantly to the ICT market.

(Other)

The Other segment, businesses which do not belong to any of the four reportable segments , includes Mechatronics (Production Equipment) and Others. Segment sales increased by 76.6% from ¥29,639 million to ¥52,342 million. Segment loss was ¥2,381 million, year on year from ¥7,324 million. Segment asset was ¥53,055 million, up 31.6% year on year from ¥40,321 million.

4. Important operational contracts, etc.

Conclusion of acquisition agreement with Chirp Maicrosystems, Inc. (“Chirp”)

TDK entered into an agreement to acquire 100% ownership of Chirp, the primary businesses of which are R&D of high-performance ultrasonic 3D-sensing solutions, on February 28, 2018.

i. Purpose of acquisition

The acquisition of Chirp significantly expand TDK’s ultrasonic sensor solutions in combination to the existing fingerprint sensors offered by TDK.

ii. Overview of Chirp

Company : Chirp Microsystems, Inc.

Headquarters : Berkeley, California, U.S.A.

Representative : Michelle Kiang (CEO)

Main business : R&D of high-performance ultrasonic 3D-sensing solutions

5. Research and development activities

In its R&D activities, TDK is working to continuously strengthen and expand the development of new products that respond to diversification in the electronics field. In particular, TDK is concentrating on the ICT field, the automotive field, and the industrial equipment and energy field. By product development taking full advantage of its strengths in terms of manufacturing capabilities, TDK is contiributing to upgrade the functionality, drive the miniaturization, and raise the energy efficiency of electronic devices. Based on the technology strategy capturing the market change in these 3 fields, TDK sets sensors and actuators, energy units and next-generation electric components as strategic growth products, of that future demand increase is promising. TDK puts more effort into capturing business opportunities in the IoT market. For sensors and actuators, TDK is aiming to provide customers with a wide range of sensor solutions by connecting MEMS (Micro Electro Mechanical System) and software. For energy unit, TDK is focusing on the development of energy unit using TDK’s batteries, power supplies and wireless power transfer, and also focusing on magnet, of that demand is increasing for motor use. For next-generation electric components, TDK promotes to develop the high-value added products that respond to diversifying market needs by the fusion of SESUB(Semiconductor Embedded SUBstrate) technology, thin-film technology and materials technology. It was one of TDK’s achievements in fiscal 2018 that TDK presents CeraCharge™, the first solid-state rechargeable battery in SMD technology on November 21, 2017.

Looking at Head Office research and development functions, TDK flexibly reshapes the research and development framework to ensure that its highly specialized engineers in their respective market sectors are able to conduct research and development based on creative ideas. While honing the fundamental technologies shared by the entire Company, TDK is focused on development activities aimed at commercializing products over the medium and long terms. Guided by the slogan, "Link Technology to customers, Prepare technology for the future," TDK is pushing ahead with development activities that will benefit customers in preparation for tomorrow's society. In doing so, we aim to put our technologies at the service for customers.
In the Passive Components field, TDK is developing next-generation multilayer ceramic chip capacitors, inductors and EMC components with miniaturization and high performance. Moreover, TDK is strengthening its hand in modules, where high-frequency applications are becoming prevalent.
In the Sensor Application Product field, TDK is developing sensor elements that offer higher accuracy and package solutions with high integration and greater reliability.
In the Magnetic Application Products field, TDK is strengthening the development of high performance rare earth magnets, next-generation ferrite magnets and high recording density next-generation heads, and devices for hybrid and electric vehicles. TDK aims to develop highly efficient power supplies appropriate to the societal trend towards low energy consumption. TDK allocates development resources to the reduction of the amount of rare earth elements and the development of magnets that do not contain rare earth elements. Through these efforts, TDK aims to avoid sales price rises caused by soaring prices of raw materials for rare earth elements.
In the Film Application Products field, TDK is developing materials for next-generation lithium batteries.
For these R&D activities, based on a technology strategy of grasping market change, TDK is focusing on developing strategic growth products (Sensors and Actuators, Energy Units, and Next-Generation Electronic Components) in the core markets above, where future growth is promising, and also has built a four-base system for global R&D (Japan, America, Europe, Asia), and is developing products in collaboration with R&D organizations and leading companies around the world based on a first-to-market mindset.
Especially with Sensors, which are a vital device for the IoT era, TDK aims to offer innovative next generation products and platforms by sensor fusion, the combination of sensor technologies and software taking into consideration for collaboration with the companies holding technology assets necessary for the realization.

Furthermore, in its R&D activities, TDK is pushing ahead to recruit and train outstanding talent and introduce cutting-edge theoretical research. Under this policy, TDK is proactively forming industry-government-academic alliances with public institutions, universities and research institutions around the world regarding source technologies that TDK does not possess. Notably, TDK has concluded an organizational alliance agreement with the Tokyo Institute of Technology that includes advanced joint research based on magnetic and magnet technology. Under this agreement, the joint research is being advanced with the aim of achieving highly original development results. R&D expenses in fiscal 2018 increased 13.4% year on year to ¥103,457 million, 8.1% of net sales.

III. Facilities

1. Outline of capital expenditures

In fiscal 2018, TDK spent ¥178,612 million on capital expenditures to accurately respond to the rapid technological innovation and the intensified sales competition in the electronics market to which TDK belongs.

Capital expenditures in the Passive Components segment totaled ¥45,647 million. These expenditures were mainly for the purpose of increasing the production capacity and rationalization of ceramic capacitors and inductive devices.

Capital expenditures in the Sensor Application Products segment totaled ¥9,514 million. These expenditures were mainly for the purpose of increasing the production capacity of each sensor products.

Capital expenditures in the Magnetic Application Products segment totaled ¥32,199 million, mainly for the production of high-density next-generation heads for HDDs and micro actuator suspensions.

Capital expenditures in the Film Application Products segment totaled ¥67,305 million, mainly to boost and rationalize production of lithium-ion polymer batteries.

Capital expenditures in the Other totaled ¥7,588 million.

Capital expenditures for the R&D divisions at the headquarters totaled ¥16,359 million mainly for investments in internal IT infrastructure construction and fundamental development research.

2. Main facilities

Main facilities of TDK are as follows.

(1) Passive Components

a. Filing company (the Company)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Lease assets	Construction in progress	Total	
Honjo Plant (Nikaho City, Akita Pref.) 3 other plants in the Pref. 1 other plant in Yamanashi Pref	Manufacturing passive components	36,458	42,685	3,916 (547)	—	6,042	89,102	1,121

Note: Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
TDK Shonai Corporation (Tsuruoka City, Yamagata Pref. and other locations)	Manufacturing passive components	4,530	2,761	1,248 (94)	43	8,582	872
TDK Akita Corporation (Yurihonjo City, Akita Pref. and other locations)	Manufacturing passive components	4,876	190	1,107 (191)	6	6,179	2,529

c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
EPCOS OHG (Austria)	Manufacturing passive components	5,554	10,563	589 (123)	682	17,388	852
TDK Xiamen Co., Ltd. (China)	Manufacturing passive components	4,114	10,970	—	1,855	16,939	7,614
EPCOS Elektronikai Alkatresz Kft. (Hungary)	Manufacturing passive components	3,278	5,886	353 (32)	2,511	12,028	2,183
TDK Dalian Corporation (China)	Manufacturing passive components	2,004	7,384	—	816	10,204	1,619
EPCOS (Zhuhai FTZ) Co., Ltd. (China)	Manufacturing passive components	1,510	5,853	—	519	7,882	3,316
EPCOS (Zhuhai) Co., Ltd. (China)	Manufacturing passive components	366	5,545	—	1,148	7,059	6,018

(2) Sensor Application Products

a. Overseas subsidiaries

Name of facility (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Construction in progress	Total	
TDK-Micronas GmbH (Germany)	Manufactureings ensor application products	3,357	8,005	1,075 (51)	1,716	14,153	734

(3) Magnetic Application Products

a. Filing company (the Company)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Lease assets	Construction in progress	Total	
Narita Plant (Narita City, Chiba Pref.) 1 other plant in Shizuoka Pref.	Manufacturing magnetic application products	1,618	1,781	2,889 (237)	—	562	6,852	519

Note: Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

b. Domestic subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
TDK-Lambda Corporation (Minato-ku, Tokyo and other locations)	Manufacturing magnetic application products	1,150	640	363 (64)	7	2,160	590

c. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
Hutchinson Technology Incorporated (U.S.A)	Manufacturing magnetic application products	3,166	4,437	208 (137)	4,785	12,596	1,434
SAE Magnetics (H.K.) Ltd. (China (Hong Kong))	Manufacturing magnetic application products	983	8,599	—	445	10,027	509
Magnecomp Precision Technology Public Co., Ltd. (Thailand)	Manufacturing magnetic application products	1,683	5,097	564 (136)	1,543	8,887	5,513
Headway Technologies, Inc (U.S.A)	Manufacturing magnetic application products	436	4,239	—	2,691	7,366	602

(4) Film Application Products

a. Overseas subsidiaries

Name of company (Location)	Description	Book value (Millions of yen)					Number of employees (Person)
		Buildings	Machinery and equipment	Land (thousand m^2)	Construction in progress	Total	
Ningde Amperex Technology Ltd. (China)	Manufacturing film application products	51,920	68,001	—	30,670	150,591	19,449
Dongguan Amperex Technology Ltd. (China)	Manufacturing film application products	4,054	9,909	—	2,549	16,512	6,823

(5) Corporate (Common) and Other

a. Filing company (the Company)

Name of facility (Location)	Description	Book value (Millions of yen)						Number of employees (Person)
		Buildings and structures	Machinery, equipment and vehicles	Land (thousand m^2)	Lease assets	Construction in progress	Total	
Technical Center (Ichikawa City, Chiba Pref.)	Corporate (Common) and Other	7,586	3,702	1,465 (93)	294	477	13,526	1,461
Asama Techno Plant (Saku City, Nagano Pref) 1 other plant in Oita Pref.	Other	1,890	6,067	986 (196)	—	1,387	10,312	856

Notes: 1. Tools, furniture and fixtures are included in the book value of "Machinery, equipment and vehicles."

2. Technical Center is mainly a corporate (common) facility, but it also includes business segments which are classified as Other. However, due to difficulties in drawing such distinctions, it is displayed under "Corporate (Common) and Other".

3. Plan for installation and retirement, etc. of facilities

TDK conducts a broad range of operations in Japan and overseas. As of March 31, 2018, plans of new constructions and expansions of facilities for these operations had not been decided for each individual project. For this reason, figures are disclosed by each business segment. Capital expenditure plans (new constructions and expansions) within the one year period following fiscal 2018 are ¥210,000 million and the breakdown by business segment is as follows.

Name of business segment	Projected amount at the end of fiscal 2018 (Millions of yen)	Main contents and objectives of facilities, etc.	Capital resource
Passive Components	52,000	Production capacity increase and rationalization of ceramic capacitors and inductive devices	–
Sensor Application Products	10,000	Production capacity increase of each sensor products	–
Magnetic Application Products	45,000	Developing and manufacturing facilities of high-density next-generation heads for HDD and micro actuator suspensions	–
Energy Application Products	85,000	Production capacity increase of lithium-ion polymer batteries and rationalization of facilities	–
Other	6,000	–	–
HQ/R&D divisions	12,000	Establishment of internal IT system and basic research and development	–
Total	210,000	–	Own capital and borrowing

Notes: 1. Consumption taxes, etc. are not included.

2. There are no plans for retirement or sale of important facilities except for the regular retirement or sale related to updating facilities.

3. TDK's business segments are aggregated into four reportable segments, "Passive Components," "Sensor Application Products," "Magnetic Application Products" and "Energy Application Products," and businesses not belonging to either of these segments are classified under "Other." from April 1, 2018 and capital expenditure plans are planed based on the current business segments, and stated.

IV. Filing company

1. Status of the Company's shares

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

Class	Total number of shares authorized by the Company(Shares)
Common stock	480,000,000
Total	480,000,000

b. Number of shares issued

Class	Number of issued shares (As of March 31, 2018)	Number of issued shares (As of the date of filing: June 28, 2018)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Common stock	129,590,659	129,590,659	Tokyo Stock Exchange (First Section)	Share unit number 100 shares
Total	129,590,659	129,590,659	–	–

Note: The number of shares issued by exercise of stock acquisition rights between June 1, 2018 and the date of filing of this Annual Securities Report, is not included in "Number of shares issued (as of the date of filing: June 28, 2018)".

(2) Status of stock acquisition rights

Stock Acquisition Rights, Etc., Granted to the Company's Directors and Audit & Supervisory Board Members as of the End of the Fiscal Year Under Review in Consideration for the Performance of Their Duties

a. Share-Based Compensation Type Stock Acquisition Rights

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Amount to be paid for stock acquisition rights (issue price)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
2005	June 29, 2005	26	2,600 shares of common stock	Free of charge	From July 1, 2005 to June 30, 2025	1 person, 26 rights	–
2008	May 28, 2008	17	1,700 shares of common stock	¥5,967 (fair value)	From July 6, 2008 to July 5, 2028	1 person, 17 rights	–
2009	May 27, 2009	125	12,500 shares of common stock	¥4,021 (fair value)	From July 5, 2009 to July 4, 2029	2 people, 57 rights	–
2010	May 26, 2010	144	14,400 shares of common stock	¥4,213 (fair value)	From July 4, 2010 to July 3, 2030	2 people, 67 rights	–
2011	May 25, 2011	282	28,200 shares of common stock	¥3,925 (fair value)	From July 3, 2011 to July 2, 2031	2 people, 75 rights	1 person 20 rights
2012	June 21, 2012	282	28,200 shares of common stock	¥2,770 (fair value)	From July 8, 2012 to July 7, 2032	2 people, 98 rights	1 person 19 rights
2013	June 19, 2013	281	28,100 shares of common stock	¥3,112 (fair value)	From July 7, 2013 to July 6, 2033	2 people, 94 rights	1 person 26 rights
2014	June 18, 2014	321	32,100 shares of common stock	¥4,136 (fair value)	From July 6, 2014 to July 5, 2034	2 people, 94 rights	1 person 26 rights
2015	July 31, 2015	927	92,700 shares of common stock	¥6,806 (fair value)	From August 23, 2015 to August 22, 2035	4 people, 331 rights	–
2016	June 17, 2016	470	47,000 shares of common stock	¥4,273 (fair value)	From July 10, 2016 to July 9, 2036	4 people, 235 rights	–
2017	June 16, 2017	271	27,100 shares of common stock	¥6,584 (fair value)	From July 9, 2017 to July 8, 2037	4 people, 111 rights	–
2018	March 23, 2018	898	89,800 shares of common stock	¥8,373 (fair value)	From April 8, 2018 to April 7, 2038	3 people, 286 rights	–
2018	June 20, 2018	24	2,400 shares of common stock	¥10,410 (fair value)	From July 8, 2018 to July 7, 2033	1 person, 24 rights	–

b. Stock Acquisition Rights

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Exercise price (per share)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
11th	July 31, 2012	245	24,500 shares of common stock	¥3,550	From August 1, 2014 to July 31, 2018	–	–
12th	July 31, 2013	403	40,300 shares of common stock	¥3,836	From August 1, 2015 to July 31, 2019	–	–

Notes: 1. The exercise price of share-based compensation type stock acquisition rights is ¥1 per share.
2. Stock acquisition rights are issued free of charge.
3. Stock acquisition rights have not been granted to Outside Directors and Audit & Supervisory Board Members.
4. Stock acquisition rights held by Directors include stock acquisition rights granted when they were Corporate Officers or employees of the Company.
5. Stock acquisition rights held by an Audit & Supervisory Board Member were granted during appointment as a Director.

(Reference) Stock acquisition rights, etc., held by Directors, Audit & Supervisory Board Members, Corporate Officers and employees, etc., of the Company and its subsidiaries as of March 31, 2018

	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Percentage of the number of stock acquisition rights in the total number of the issued shares
Stock-Linked Compensation Stock Acquisition Rights	3,146	314,600 shares of common stock	0.24%
Stock Acquisition Rights	648	64,800 shares of common stock	0.05%
Total	3,794	379,400 shares of common stock	0.29%

(3) Status of exercise of moving strike convertible bonds (MSCB), etc.

No items to report

(4) Details of rights plan

No items to report

(5) Trends in total number of issued shares, capital stock, etc.

Date	Fluctuation in the total number of issued shares (shares)	Balance of total number of issued shares (shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in additional paid-in capital (Millions of yen)	Balance of additional paid-in capital (Millions of yen)
August 10, 2007 (Note)	(3,599,000)	129,590,659	–	32,641	–	59,256

Note: Decrease due to cancellation of treasury stock.

(6) Shareholder composition

(As of March 31, 2018)

<table>
<tr><th rowspan="3">Category</th><th colspan="8">Shareholder composition (Number of shares consisting one unit: 100)</th><th rowspan="3">Shares less than one unit (Shares)</th></tr>
<tr><th rowspan="2">Public sector</th><th rowspan="2">Financial institutions</th><th rowspan="2">Financial instruments business operators</th><th rowspan="2">Other corporations</th><th colspan="2">Foreign investors</th><th rowspan="2">Individuals, etc.</th><th rowspan="2">Total</th></tr>
<tr><th>Companies, etc.</th><th>Individuals</th></tr>
<tr><td>Number of shareholders (Person)</td><td>–</td><td>108</td><td>47</td><td>228</td><td>721</td><td>32</td><td>19,276</td><td>20,412</td><td>—</td></tr>
<tr><td>Number of shares held (Share units)</td><td>–</td><td>629,340</td><td>35,415</td><td>10,669</td><td>499,707</td><td>101</td><td>120,180</td><td>1,295,412</td><td>49,459</td></tr>
<tr><td>Holding rate of shares (%)</td><td>–</td><td>48.58</td><td>2.73</td><td>0.82</td><td>38.58</td><td>0.01</td><td>9.28</td><td>100.00</td><td>—</td></tr>
</table>

Notes: 1. In the “Other corporations” column, three share units in the name of Japan Securities Depository Center, Inc. are included.

2. 3,345,580 treasury shares of which 33,455 share units are included in “Individuals, etc.” and 80 shares are included in “Shares less than one unit.”

(7) Status of major shareholders

(As of March 31, 2018)

Name of shareholder	Address	Number of shares held (Thousands of shares)	Percentage of number of shares held in the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd.(Trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo, Japan	24,086	19.08
Japan Trustee Services Bank, Ltd.(Trust account)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	14,404	11.41
Trust & Custody Services Bank, Ltd.(Securities investment trust account)	1-8-12, Harumi, Chuo-ku, Tokyo, Japan	3,437	2.72
STATE STREET BANK WEST CLIENT - TREATY 505234	Massachusetts, USA (2-15-11, Konan, Minato-ku, Tokyo, Japan)	2,355	1.87
Japan Trustee Services Bank, Ltd.(Trust account 5)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	1,999	1.58
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	Colorado, USA (2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan)	1,839	1.46
STATE STREET BANK AND TRUST COMPANY 505001	Boston, USA (2-15-11, Konan, Minato-ku, Tokyo, Japan)	1,797	1.42
Nippon Life Insurance Company	1-9-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,640	1.30
Japan Trustee Services Bank, Ltd.(Trust account 7)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	1,634	1.29
Japan Trustee Services Bank, Ltd.(Trust account 9)	1-8-11, Harumi, Chuo-ku, Tokyo, Japan	1,626	1.29
Total	-	54,817	43.42

Notes:
1. Other than the above, the Company holds 3,346 thousand shares of treasury stock.
2. The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd. on April 1, 2018.
3. In a Change Report that was disclosed to public on April 17, 2017, the share possessions by shareholders as of April 10, 2017, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2018, the details were not included in the above "Status of major shareholders."

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	540,372	0.42
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-ku, Tokyo, Japan	3,171,900	2.45
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1,Yurakucho, Chiyoda-ku, Tokyo, Japan	3,068,400	2.37
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	2-5-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	1,062,533	0.82
Total	–	7,843,205	6.05

3. In a Change Report that was disclosed to public on June 6, 2017, the share possessions by shareholders as of May 31, 2017, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of March 31, 2018, the details were not included in the above “Status of major shareholders.”

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo, Japan	2,858,000	2.21
BlackRock Investment Management LLC	New Jersey, USA	172,943	0.13
BlackRock Life Limited	London, UK	259,204	0.20
BlackRock Asset Management Ireland Limited	Dublin, Ireland	601,751	0.46
BlackRock Fund Advisors	San Francisco, USA	1,689,800	1.30
BlackRock Institutional Trust Company, N.A.	San Francisco, USA	2,004,106	1.55
BlackRock Investment Management (UK) Limited	London, UK	308,781	0.24
Total	–	7,894,585	6.09

4. In a Change Report that was disclosed to public on July 24, 2017, the share possessions by shareholders as of July 14, 2017, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2018, the details were not included in the above “Status of major shareholders.”

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates held (%)
Asset Management One Co., Ltd.	1-8-2, Marunouchi, Chiyoda-ku, Tokyo, Japan	7,927,100	6.12
Mizuho Securities Co., Ltd.	1-5-1, Otemachi, Chiyoda-ku, Tokyo, Japan	179,237	0.14
Total	–	8,106,337	6.26

5. In a Change Report that was disclosed to public on March 16, 2018, the share possessions by shareholders as of March 9, 2018, detailed below were described.. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2018, the details were not included in the above “Status of major shareholders.”

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of shares certificates held (%)
Nomura Securities Co., Ltd.	1-9-1, Nihonbashi, Chuo-ku, Tokyo, Japan	139,700	0.11
NOMURA INTERNATIONAL PLC	London, UK	206,890	0.16
Nomura Asset Management Co., Ltd.	1-12-1 Nihonbashi, Chuo-ku, Tokyo, Japan	15,738,700	12.14
Total	–	16,085,360	12.41

6. In a Change Report that was disclosed to public on March 22, 2018, the share possessions by shareholders as of March 15, 2018, detailed below were described. However, as the Company cannot confirm the numbers of such shares substantially held as of the end of March 31, 2018, the details were not included in the above “Status of major shareholders.”

Name of shareholder	Address	Number of share certificates, etc. held (Shares)	Percentage of share certificates held (%)
Sumitomo Mitsui Trust Bank, Limited	1-4-1, Marunouchi, Chiyoda-ku, Tokyo, Japan	4,431,300	3.42
Sumitomo Mitsui Trust Asset Management Co., Ltd.	3-33-1, Shiba, Minato-ku, Tokyo, Japan	645,200	0.50
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo, Japan	7,391,700	5.70
Total	–	12,465,500	9.62

(8) Status of voting rights

a. Issued shares

(As of March 31, 2018)

Classification	Number of shares (Shares)	Number of voting rights (Units)	Content
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	Common stock 3,345,500	–	–
Shares with full voting rights (Other)	Common stock 126,195,700	1,261,957	–
Shares less than one unit	Common stock 49,459	–	–
Total number of issued shares	129,590,659	–	–
Total number of voting rights	–	1,261,957	–

Note: The number of “Shares with full voting rights (Other)” includes 300 shares in the name of Japan Securities Depository Center, Inc. “Number of voting rights” includes three units of voting rights related to shares with full voting rights in its name.

b. Treasury stock, etc.

(As of March 31, 2018)

Name of shareholder	Address	Number of shares held under own name (Shares)	Number of shares held under the name of others (Shares)	Total number of shares held (Shares)	Percentage of total number of shares held in the total number of issued shares (%)
TDK Corporation	3-9-1, Shibaura, Minato-ku, Tokyo, Japan	3,345,500	–	3,345,500	2.58
Total	–	3,345,500	–	3,345,500	2.58

2. Status of acquisition, etc. of treasury stock

[Class of shares] Acquisitions of common stock that fall under Article 155, item (VII) of the Companies Act

(1) Acquisition by resolution of the General Meeting of Shareholders

No items to report

(2) Acquisition by resolution of the Board of Directors

No items to report

(3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (Shares)	Total value (Yen)
Treasury stock acquired during the fiscal year ended March 31, 2018	825	6,859,810
Treasury stock acquired during the period under review	-	-

Note: Shares acquired by the purchase of shares less than one unit between June 1, 2018 and the date of filing of this Annual Securities Report are not included in the "Treasury stock acquired during the period under review."

(4) Status of disposal and ownership of acquired treasury stock

Category	Fiscal 2018		Period under review	
	Number of shares (Shares)	Total disposal value (Yen)	Number of shares (Shares)	Total disposal value (Yen)
Treasury stock acquired, for which subscription was offered	–	–	–	–
Treasury stock acquired, which were disposed	–	–	–	–
Treasury stock acquired, which were transferred for merger, share exchange or company split	–	–	–	–
Other (Note 1)	46,089	236,688,601	4,100	15,155,600
Treasury stock held	3,345,580	—	3,341,480	—

Notes:

1. "Fiscal 2018" consist of disposals due to exercises of stock acquisition rights (number of shares: 46,000 shares; total disposal value: ¥236,231,566) and sales due to requests to sell shares less than one unit (number of shares: 89 shares; total disposal value: ¥457,035). Also, "Period under review" consists of disposals due to exercises of stock acquisition rights.
2. Shares disposed of between June 1, 2018 and the date of filing of this Annual Securities Report are not included in treasury stock disposed of during the period under review.
3. Shares acquired or disposed of between June 1, 2018 and the date of filing of this Annual Securities Report are not included in "Treasury stock held" during the period under review.

3. Dividend policy

The Company recognizes that achieving growth in corporate value over the medium-and long term ultimately translates into higher shareholder value. In line with this recognition, the Company's fundamental policy is to work to consistently increase dividends through growth in earnings per share. By actively investing for growth, mainly in the development of new products and technologies in key fields so as to respond precisely to rapid technological innovation in the electronics industry, the Company is aiming to increase medium- and long-term corporate value. Accordingly, the Company actively reinvests its profits in business activities and determines its dividends taking into consideration comprehensive factors such as return on stockholders' equity (ROE) and dividends on stockholders' equity (DOE) on a consolidated basis, as well as changes in the business environment.

The Company's basic policy is to pay dividends from surplus twice a year, at end of year and midterm, with the former determined by the Ordinary General Meeting of Shareholders and the latter by the Board of Directors.

The Articles of Incorporation of the Company prescribe "By resolution of the Board of Directors, the Company may pay interim dividends on September 30 of each year as a record date."

Dividends from surplus for the fiscal year ended March 31,2018 term are as follows.

Resolution date	Total amount of dividends (Millions of yen)	Dividends per share (Yen)
Resolution of the Board of Directors held on October 30, 2017	7,573	60
The General Meeting of Shareholders held on June 28, 2018	8,837	70

4. Trends in share price

(1) Highest and lowest share prices for the most recent five years by term

Term	118th term	119th term	120th term	121st term	122nd term
Accounting period	From April 1, 2013 to March 31, 2014	From April 1, 2014 to March 31, 2015	From April 1, 2015 to March 31, 2016	From April 1, 2016 to March 31, 2017	From April 1, 2017 to March 31, 2018
Highest (Yen)	5,360	9,260	10,450	8,470	10,860
Lowest (Yen)	3,095	4,045	5,230	5,170	6,380

Note: The above share prices were those recorded on the first section of the Tokyo Stock Exchange.

(2) Monthly highest and lowest share prices for the most recent six months

Month	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018
Highest (Yen)	8,690	9,480	9,320	10,860	10,410	10,420
Lowest (Yen)	7,460	8,410	8,600	9,200	8,900	9,060

Note: The above share prices were those recorded on the first section of the Tokyo Stock Exchange.

5. Status of Directors and Audit & Supervisory Board Members

Men: 11 Women: － (Percentage of women among directors and audit & supervisory board members: －%

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Representative Director	President and CEO, and General Manager of Humidifier Countermeasures HQ	Shigenao Ishiguro	Oct. 30, 1957	Jan. 1982: Entered the Company Apr. 2002: Senior Manager of Planning Group of Europe Sales Group of Recording Media & Solutions Business Group of the Company Jul. 2004: Leader of Planning Group of Japan Operation of HDD Head Business Division of Data Storage & Thin Film Technology Components Business Group of the Company Apr. 2007: Leader of Japan Operation of HDD Head Business Division of Data Storage & Thin Film Technology Components Business Group of the Company Apr. 2011: Deputy General Manager of Data Storage & Thin Film Technology Components Business Group of the Company Jun. 2012: General Manager of Data Storage & Thin Film Technology Components Business Group of the Company Jun. 2014: Corporate Officer of the Company Apr. 2015: CEO of Magnetic Heads and Sensors Business Company of the Company Jun. 2015: Senior Vice President of the Company Apr. 2016: General Manager of Magnetic Sensors Business Group of Magnetic Heads and Sensors Business Company of the Company Jun. 2016: President & Representative Director of the Company (present post) General Manager of Manufacturing HQ of the Company General Manager of Humidifier Countermeasures HQ of the Company (present post)	Note: 3	31
Representative Director	General Manager of Finance & Accounting HQ	Tetsuji Yamanishi	May. 29, 1960	Apr. 1983: Entered the Company Jan. 2005: Senior Manager of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company Jul. 2008: Head of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company Jun. 2013: General Manager of Finance & Accounting Department of the Company Apr. 2015: General Manager of Finance & Accounting Group of the Company Jun. 2015: Corporate Officer of the Company Jun. 2016: Director of the Company Apr. 2017: General Manager of Finance & Accounting HQ of the Company (present post) Jun. 2017: Senior Vice President of the Company(present post) Jun. 2018: Representative Director of the Company(present post)	Note: 3	15

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Director	Chairman	Makoto Sumita	Jan. 6, 1954	Apr. 1980: Jun. 1996: Apr. 2005: Jun. 2005: Apr. 2007: Jun. 2011: Apr. 2013: Jun. 2013 Feb. 2015: Jun. 2018:	Entered Nomura Research Institute, Ltd. Director of INNOTECH CORPORATION Executive Vice President & Representative Director of the said company Director of IT Access Co., Ltd. President & CEO of INNOTECH CORPORATION Outside Audit & Supervisory Board Member of the Company Chairman & CEO of INNOTECH CORPORATION Resigned Outside Audit & Supervisory Board Member of the Company Outside Director of the Company Chairman & CEO of INNOTECH FRONTIER, Inc. Chairman & Director of INNOTECH CORPORATION (present post) Chairman & Director of the Company (present post)	Note: 3	—
Director	General Manager of the Corporate Strategy HQ	Seiji Osaka	Oct.28 1958	Apr. 1982: Apr. 2003: Jun. 2009: May. 2011: Jun. 2012: Apr. 2015: Apr. 2017: Jun. 2017:	Entered the Company Senior Manager if Corporate Planning Dept. of the Company Corporate Officer of the Company General Manager of Corporate Planning Dept. of Corporate Strategy Group of the Company General Manager of Corporate Planning Group of the Company General Manager of Corporate Planning Dept. of Corporate Planning Group of the Company Senior Vice President of the Company Senior Executive Vice President & COO of TDK-EPC Corporation General Manager of the Electronic Components Sales & Marketing Group of the Company General Manager of the ICT Group of the Electronic Components Sales & Marketing Group of the Company General Manager of the Corporate Strategy HQ of the Company (present post) In charge of Human Resources Director & Executive Vice President of the Company (present post) Outside Director of TABUCHI ELECTRIC CO.,LTD. (present post)	Note: 3	20

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Hundreds of shares)
Director		Kazumasa Yoshida	Aug. 20, 1958	Oct. 1984: Entered Intel Corporation Oct. 1999: Manager of Technology/OEM Alliance Business Strategy of Enterprise Service Group of the said company Mar. 2000: General Manager of Communication Product Group of Intel K.K. May. 2002: General Manager of Intel Architecture Business of the said Company Jun. 2003: Representative Director and President of the said company Dec. 2004: Vice President of Sales and Marketing Group of Intel Corporation Jun. 2012: Outside Director of Onkyo Corporation (present post) Feb. 2013: Outside Director of Gibson Brands, Inc. (present post) Jun. 2013: Outside Director of CYBERDYNE Inc. (present post) Oct. 2013: Advisor of Intel K.K. Jun. 2014: Outside Director of the Company (present post) Jun. 2015: Outside Director of Mamezou Holdings Co., LTD (present post) Jul. 2016: Outside Director of FreeBit Co., LTD (present post)	Note: 3	–
Director		Kazuhiko Ishimura	Sep.18, 1954	Apr. 1979 Entered Asahi Glass Co., Ltd. Jan. 2006 Executive Officer of the said company Jan. 2007 Senior Executive Officer and GM of Electronics & Energy General Division of the said company Mar. 2008 President & COO & Representative Director of the said company Jan. 2010 President & CEO & Representative Director of the said company Jan. 2015 Chairman & Representative Director of the said company Jun. 2015 Outside Director of the Company (present post) Jun. 2017 Outside Director of IHI Corporation (present post) Jan. 2018 Chairman & Director of ASAHI GLASS CO.,LTD. (present post) Jun. 2018 Outside Director of Nomura Holdings, Inc. (present post)	Note: 3	–
Director		Kazunori Yagi	Apr 1, 1949	Apr. 1972: Entered Yokogawa Electric Corporation Oct. 1999: Vice President (Officer) and General Manager of Finance & Business Planning, in charge of Corporate Marketing of the said company Apr. 2001: Senior Vice President and General Manager of Finance & Business Planning of the said company Jun. 2001: Director, Senior Vice President and General Manager of Finance & Business Planning of the said company Jul. 2002: Director, Executive Vice President and General Manager of Finance & Business Planning of the said company Jul. 2005: Director, Executive Vice President and General Manager of Management Administration Headquarters of the said company Jun. 2011: Advisor to the said company Outside Company Auditor of Yokogawa Bridge Holdings Corporation Jun. 2012: Outside Director of JSR Corporation Jun. 2013: Outside Audit & Supervisory Board Member of the Company Mar. 2014: Outside Director of OYO Corporation (present post) Jun. 2017: Outside Audit & Supervisory Board Member of Sojitz Corporation (present post) Jun. 2018: Outside Director of the Company (present post)	Note: 3	–

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Full-time Audit & Supervisory Board Member		Junji Yoneyama	Mar. 16, 1955	Mar. 1984:	Entered the Company	Note: 4	20
				Jan. 2002:	President & CEO of TDK Philippines Corporation		
				Jul. 2003:	General Manager of the General Affairs Department of Ichikawa Technical Center of the Administration Group of the Company		
				Apr. 2005:	President of TDK Taiwan Corporation		
				Oct. 2006:	General Manager of the Human Resources Department of the Administration Group of the Company		
				Jun. 2008:	Corporate Officer of the Company		
				Jun. 2010:	Director of the Company General Manager of the Administration Group of the Company		
				Apr. 2013:	General Manager of Administration HQ of the Company		
				Jun. 2013:	Senior Vice President of the Company		
				Jun. 2014:	In charge of Corporate Systems Reformation, Human Resources, General Affairs, Legal, CSR Promotion of the Company		
				Apr. 2015:	In charge of Corporate Systems Reformation of the Company		
				Jun. 2015:	Full-time Audit & Supervisory Board Member of the Company (present post)		
Full-time Audit & Supervisory Board Member		Osamu Yotsui	Jan. 28, 1956	Apr. 1979:	Entered the Company	Note: 4	31
				May. 1991:	Accounting Manager of TDK Recording Media Europe S.A		
				Jul. 1999:	Manager of Managerial Analysis Division of Finance and Accounting Department of the Company		
				Apr. 2008:	General Manager of Management Review & Support Department of the Company		
				Jun. 2011:	Full-time Audit & Supervisory Board Member of the Company (present post)		

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Hundreds of shares)
Audit & Supervisory Board Member		Toru Ishiguro	Jun.19, 1954	Apr. 1980:	Registered as lawyer Joined the law firm of Hamada & Matsumoto	Note: 4	–
				Apr. 1984:	Registered as lawyer in New York, the United States of America		
				Jan. 1985:	Partner of the law firm of Hamada & Matsumoto		
				Sep.1987:	Resident Partner of the London office of the law firm of Hamada & Matsumoto		
				Jun. 2000:	Outside Company Auditor of Monex Securities Ltd.		
				Dec.2002:	Partner of the law firm of Mori Hamada & Matsumoto (present post)		
				Jun. 2015:	Outside Audit & Supervisory Board Member of the Company (present post)		
				Jul. 2015:	Outside Director of Daiwa Asset Management Co. Ltd. (present post)		
				Jul. 2016:	Director of Japan Investor Protection Fund (present post)		
				Jun. 2017:	Director of Japan Exchange Regulation. (present post)		
Audit & Supervisory Board Member		Kiyoshi Fujimura	Nov.3, 1949	Apr.1972:	Entered Mitsubishi Corporation	Note: 4	–
				Feb.2002:	Member of the Board, President and CEO of Mitsubishi Corporation Financial & Management Services (Japan) Ltd.		
				Jun. 2003	Senior Corporate Auditor of Mitsubishi Corporation		
				Jun. 2007:	Senior Vice President of the said company, CIO & CISO and Senior Assistant to person in charge of Work Restructuring & Internal Control System		
				Apr. 2008:	Executive Vice President of the said company, CIO, Work Restructuring & Internal Control System		
				Jun. 2008:	Member of the Board, Executive Vice President of the said company, CIO, Work Restructuring & Internal Control System		
				Apr. 2009:	Member of the Board, Executive Vice President of the said company, Work Restructuring & Internal Control System, IT Service Business Development, CIO		
				Apr. 2010:	Member of the Board, Executive Vice President of the said company, Audit & Internal Control System		
				Jun. 2012:	Adviser of the said Company Outside Corporate Auditor of AJINOMOTO CO., INC.		
				Jun. 2015:	Outside Audit & Supervisory Board Member of the Company (present post)		
				Jun. 2018:	Outside Director of Takasago Thermal Engineering Co., Ltd (present post)		
						Total	117

Notes:
1. Directors Mr. Kazumasa Yoshida, Mr. Kazuhiko Ishimura and Mr. Kazunori Yagi are Outside Directors.
2. Audit & Supervisory Board Member Mr. Toru Ishiguro and Mr. Kiyoshi Fujimura are Outside Audit & Supervisory Board Member.
3. One year from the closing date of the Ordinary General Meeting of Shareholders held on June 28, 2018.
4. Four years from the closing date of the Ordinary General Meeting of Shareholders held on June 26, 2015.
5. The Company, aiming to boost execution of duties and improve management efficiency, has introduced a Corporate Officer System. the Company has 17 Corporate Officers.

6. Status of corporate governance, etc.

(1) Status of corporate governance

Corporate governance system of TDK is as follows:

1. Systems for ensuring the execution of duties by Directors of the Company complies with laws and regulations and the Articles of Incorporation:

The Company was established in 1935 as the world's first company to industrialize a magnetic material called ferrite. In the ensuing years, the Company has unremittingly pursued originality and increased corporate value through provisions of products and services which have created new value, based on the founding spirit "Contribute to culture and industry through creativity" as its Corporate Motto. In addition, TDK will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continue to be helpful by resolving social issues and contribute to the development of a more sustainable society. TDK clearly declares as "TDK Charter of Corporate Behavior" that TDK will continue to respect human rights; comply with relevant laws, regulations, and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting TDK seek to behave in strict compliance with the "Corporate Standards of Business Conduct" prescribed by the "TDK Code of Conduct".

In addition, the Company aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, the Company strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, the Company will be accountable to stakeholders through comprehensive, accurate, timely and impartial disclosure of information.

As mentioned above, the Company sincerely and devotedly seeks to achieve its management philosophy and to establish the following effective and orderly corporate governance systems to continue to ensure soundness, compliance, and transparency in its business operations.

① Adoption of the Audit & Supervisory Board Member System and Strengthening of the Supervisory Function:

The Company has adopted the Audit & Supervisory Board Member System pursuant to the Companies Act of Japan and has appointed independent Outside Audit & Supervisory Board Members who are disinterested in the Company to strengthen the supervision of the Company's management.

② Strengthening the Supervisory Function of the Board of Directors:

The Company has a small number of Directors to expedite the management decision-making process. At the same time, the Company has appointed disinterested, independent Outside Directors in order to enhance the supervision of the Company's management. In addition, the Company's basic policy is to elect independent Outside Directors which account for one-third or more of the Directors and form the perspective of ensuring clear separation between management oversight and business execution, an independent Outside Director serves as the Chairperson of the Board of Directors in principle. Furthermore, the Directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every fiscal year.

③ Adoption of a Corporate Officer System for Expeditious Business Execution:

The Company has adopted a Corporate Officer system that separates the management decision making and Director supervisory functions of the Board of Directors from the execution of business. This aims to accelerate decision-making by delegation of authority and to clarify the authority and responsibility of business execution. Corporate Officers are in charge of business execution and carrying out decisions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

④ Establishment of Advisory Bodies to the Board of Directors (Business Ethics & CSR Committee, Disclosure Advisory Committee, Compensation Advisory Committee, and Nomination Advisory Committee):

The aim of the Business Ethics & CSR Committee is to ensure compliance with the TDK Corporate Motto, understanding of corporate ethics, and improvement of awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Audit & Supervisory Board Members, Corporate Officers and all other members of TDK are made fully aware of the "TDK Code of Conduct", which stipulates concrete standards of business conduct in compliance with the TDK's management philosophy, including the TDK Corporate Motto, Corporate Principle and social norms, including relevant laws, regulations and international rules and the spirit thereof.

The Disclosure Advisory Committee reviews and examines important corporate information and disclosure materials of the Company that are required for investment decisions by shareholders and investors, to ensure that the Company discloses appropriate information in a comprehensive, accurate, timely and impartial manner, in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchange on which the Company's shares are listed.

The Compensation Advisory Committee is chaired by an Outside Director of the Company and a half or more of the members are independent Outside Directors. The said Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers, as well as presidents and qualifying officers of the Company's principal subsidiaries. It also reviews the transparency of the remuneration decision-making process and verifies whether such remuneration is reasonable in light of corporate business performance, individual performance, and general industry standards.

The Nomination Advisory Committee is chaired by an Outside Director of the Company and a half or more of the members are independent Outside Directors. The said Committee reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members and Corporate Officers, and provides transparency in the decision-making process.

Under the foregoing corporate systems, the Audit & Supervisory Board Members in charge of supervising management, ensure soundness, compliance, and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Audit & Supervisory Board, the Code of Audit & Supervisory Board Members' Auditing Standards and Audit Practice Standards for Internal Control Systems and by auditing whether the Directors' performance is appropriately and reasonably in compliance with relevant laws and regulations and the Articles of Incorporation.

Similarly, Directors in charge of management decision-making and supervision of business execution ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Directors' Business and the Regulations of the Board of Directors established in accordance with relevant laws and regulations and the Articles of Incorporation. In addition, Corporate Officers in charge of business execution ensure soundness, compliance and transparency in the Company's business operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business.

The Company establishes the following procedures and system to ensure compliance with all applicable securities and exchange laws and other similar laws and regulations of all relevant countries, as well as the rules and regulations of the stock exchange on which the Company's shares are listed (hereinafter collectively referred to as the "Securities Regulations").

(i) Internal control and other procedures to collect, record, analyze, process, summarize and report all information required to be disclosed under the Securities Regulations and warrant timely disclosures within the deadlines stipulated by the Securities Regulations.

(ii) System to ensure that the Company has procedures designed to obtain reasonable assurance that all the transactions that the Company conducts are properly authorized, that the Company's assets are protected from unauthorized or improper use and that all trading activities are appropriately recorded and reported for the purpose of enabling the Company to prepare financial statements in accordance with the accounting standards applied by the Company.

(iii) System to ensure that the Company is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.

2. System under which information regarding the execution of business by Directors of the Company shall be preserved and controlled:

The President, who is responsible for the business execution of the Company, has established the Document Control Regulations, which are applicable to TDK and provide basic rules for the preservation and control of information regarding the execution of business by Directors.

3. Regulations and other systems for managing the risk of loss(es) of the Company and its subsidiaries:

To enhance the risk management system of TDK, the Company has established the following three committees (which is chaired by a Corporate Officer appointed by the President) under the direct control of the Executive Committee.

(i) ERM* Committee

For the purpose of the company-wide treatment of factors that obstruct the achievement of the business targets and business operations of the Company, the Company has established the ERM Committee and promotes enterprise risk management.

Corporate regulations, bylaws, guidelines and departmental guidelines established in each department provide for operating rules for specific risks, including legal, financial and IT-related risks. These risks are managed by managers in charge of the particular areas of operation.

*ERM (Enterprise Risk Management)

(ii) Crisis Management Committee

In order to prepare for unexpected situations such as natural disasters, the Company has established the Crisis Management Committee, which developed the Business Continuity Plan (BCP). Accordingly, if such an unexpected situation arises, the Company will assess the situation immediately and respond appropriately.

(iii) Information Security Committee

In order to appropriately manage important information including information provided by customers, the Company has established the Basic Policy on Information Security and the Information Security Committee and appropriately takes risk-based security measures.

The Company has ensured that a structure for receiving advice in relation to enhancing the risk management system and increasing its effectiveness (including, but not limited to, identifying, evaluating and reviewing material management risks at TDK and establishing effective countermeasures) is in place through regular confirmation and audit by the Audit & Supervisory Board Members and the internal audit department of the management operations described above. In addition, the Company will seek advice from specialists, including outside legal counsel and other experts, as needed regarding risks surrounding TDK.

4. System for ensuring Directors of the Company and Directors, etc. of the Company's subsidiaries execute their duties efficiently and system for reporting matters concerning the execution of duties of Directors, etc. of the Company's subsidiaries to the Company:

The Company has a small number of Directors and has adopted the Corporate Officer system to facilitate the Directors' ability to make quick and efficient management decisions.

At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing and financing of TDK, are deliberated and decided upon by the Executive Committee, which consists of Corporate Officers and General Managers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. As to the status of the execution of their duties, the Company ensures efficient management via regular reports to the Board of Directors and regular reports from Corporate Officers to the Executive Committee.

In addition, the Company establishes midterm management targets shared by all members of TDK and strives to inform them of such targets. The Company also establishes systems that enable it to understand the targets and implementation plans of each department as well as the progress of each department in relation to such targets. With respect to the business management of subsidiaries, the Company establishes systems that enable it to understand their business conditions through quarterly reports submitted by each subsidiary.

5. System for ensuring performance of duties by employees of the Company and Directors, etc. and employees of the Company's subsidiaries are in compliance with laws and regulations and the Articles of Incorporation:

The Company strives to ensure that all members of TDK are fully familiar with TDK's management philosophy, "TDK Code of Conduct" and "TDK Charter of Corporate Behavior" in order to ensure improved soundness, compliance and transparency of management, as well as compliance with laws, regulations and the Articles of Incorporation throughout the performance of duties by all members of TDK.

Furthermore, the Company has established a corporate ethics management system under the Business Ethics & CSR Committee, to regularly monitor the Company's compliance with corporate ethics, including the Company's subsidiaries worldwide. The Consultations and Help Lines also enable employees to directly report all relevant information and opinions concerning corporate ethics, etc. within TDK.

In addition, the Company appoints a Chief Compliance Officer from among Corporate Officers upon resolution of the Board of Directors and establishes a compliance promotion department under the direct control of the President. The Chief Compliance Officer and compliance promotion department, together with Regional Chief Compliance Officers appointed in each region of the world as well as in Japan, operate in order to establish and strengthen a compliance system of TDK.

Especially as to compliance with cartel regulations in each country, the Company establishes a system of checks, monitoring, etc., achieves thorough compliance with the applicable code of conduct and ensures a strict performance of duties.

6. System for ensuring proper business execution by the corporate group consisting of the Company and its subsidiaries:

Each Director, Corporate Officer and manager in charge of operations strives to achieve proper business operations by making decisions in compliance with the "TDK Code of Conduct", the Job Authority Regulations and other applicable corporate regulations for the entire TDK, in order to maintain soundness, compliance, and transparency in business operations, and to achieve the business targets of TDK.

The Audit & Supervisory Board Members audit, on a regular basis, the condition of the business operations of each department of TDK by researching the departments, examining important documents, and attending important meetings. In addition, the internal audit department audits and supports each department of TDK in order to promote consistency in relation to business operations and management policies, efficiency of management, and compliance with relevant laws and regulations.

7. Matters relating to employees who support the duties of Audit & Supervisory Board Members of the Company when Audit & Supervisory Board Members request such employees:

The Audit & Supervisory Board Members Office, consisting of designated full-time employees who do not perform any business execution duties, assists duties of the Audit & Supervisory Board Members.

8. Matters regarding the independence of employees in the preceding item from Directors and the ensuring of the effectiveness of instructions of Audit & Supervisory Board Members of the Company to such employees:

The authority to instruct or order the employees who serve as members of the Audit & Supervisory Board Members Office belongs exclusively to the Audit & Supervisory Board Members. In addition, the Audit & Supervisory Board Members directly evaluate the performance of such employees and any transfer or discipline of these employees is determined pursuant to the operating rules of the Company subject to the consent of the Audit & Supervisory Board Members.

9. System for ensuring Directors or employees of the Company report to Audit & Supervisory Board Members of the Company and system for ensuring Directors, Audit & Supervisory Board Members, employees of the Company's subsidiaries or persons who have received reports from these persons report to Audit & Supervisory Board Members of the Company:

All members of TDK provide an appropriate report immediately, if an Audit & Supervisory Board Member requests a report regarding the execution of business. Information regarding management policies of TDK and conditions of business execution by Corporate Officers is timely provided to Audit & Supervisory Board Members who attend important meetings such as Executive Committee meetings and business plan review meetings, and minutes of such meetings are also provided to the Audit & Supervisory Board Members immediately. Furthermore, Audit & Supervisory Board Members may receive explanations directly from Corporate Officers and other personnel as necessary. Audit & Supervisory Board Members may review reports prepared by each department of the Company or company of TDK, and Audit & Supervisory Board Members may thereby confirm the conditions of the business operations of TDK.

In addition, all members of TDK may report any fact which may cause significant damage to TDK, such as violation of law or regulation, to the Business Ethics and CSR Committee through the Consultations or Help Lines established by the said Committee and covering the whole of TDK. In cases where the Business Ethics and CSR Committee finds any fact which may cause significant damage to TDK, such as violation of law or regulation, it will immediately report such fact to Audit & Supervisory Board Members or the Audit & Supervisory Board.

Furthermore, information regarding the activities of the ERM Committee and other committees is provided to Audit & Supervisory Board Members from time to time, enabling the Audit & Supervisory Board Members to confirm the overall status of corporate activities.

10. System for ensuring persons who have reported as provided in the preceding item will not be treated unfavorably on grounds of such reporting

The Company prohibits any member of TDK who has reported to the Consultation or Help Line from being treated unfavorably on the grounds of such reporting, and stipulates to that effect in the “TDK Code of Conduct” and clearly informs all members of TDK of that fact.

11. Matters concerning policies for disposal of expenses and obligations associated with the execution of duties by Audit & Supervisory Board Members

When Audit & Supervisory Board Members demand payment of expenses or obligations associated with execution of their duties from the Company pursuant to Article 388 of the Companies Act of Japan, the Company shall pay such expenses or obligations immediately after deliberation at the department in charge unless the expenses or obligations concerning such demand are proven to be unnecessary for the execution of such duties of the Audit & Supervisory Board Members.

12. System for ensuring Audit & Supervisory Board Members of the Company conduct audits effectively:

The Audit & Supervisory Board Members and the Audit & Supervisory Board meet with the President on a regular basis to confirm management policies and exchange opinions on pressing issues and risks affecting TDK and other important matters from the perspective of the Audit & Supervisory Board Members' audits. These meetings also strengthen the mutual understanding between the Audit & Supervisory Board Members and the President.

The Audit & Supervisory Board Members and the internal audit department meet regularly and receive regular audit reports from the Accounting Auditor. Audit & Supervisory Board Members conduct efficient audits by sharing information regarding initial audit plans and results. Furthermore, the Audit & Supervisory Board has entered into an advisory contract with an attorney who is independent from the business execution department and has established a system to ensure that it receives advice with respect to matters which need to be reviewed or confirmed from the perspective of the Audit & Supervisory Board Members or the Audit & Supervisory Board.

13. Overview of current system and reason for adoption

The Company is a company with the Audit & Supervisory Board and has implemented various measures to strengthen its corporate governance. In 2002, efforts to reform governance included the introduction of an executive officer system along with a significant reduction in the number of Directors for the purpose of clearly separating management's monitoring and execution functions. In addition, to fortify the system for boosting shareholders' confidence, we shortened the term of office of Directors from 2 years to 1 year and actively invited the participation of Outside Directors.

In addition, the Company has established 4 committees acting as advisory organizations to the Board of Directors, namely the Business Ethics & CSR Committee and Compensation Advisory Committee formed in 2002, the Disclosure Advisory Committee formed in 2005 and the Nomination Advisory Committee formed in 2008 to exact our business ethics and fulfill our social responsibilities as well as strengthen our management supervision functions and framework for fulfilling our duty of explanation to our shareholders and investors.

Further, TDK established "TDK Basic Policy on Corporate Governance" in 2016 June. The policy request to elect Independent Outside Directors which account for one-third or more of the Directors and to assign an Independent Outside Director as the chairperson of the Board of Directors in principle. TDK complies them.

In short, the Company has always believed it can realize a system to continuously ensure sound, compliant and transparent management through the introduction of a new framework that strengthens corporate governance based on its Audit & Supervisory Board System.

14. Matters regarding Outside Directors and Outside Audit & Supervisory Board Members

- Appointment of Outside Directors and Outside Audit & Supervisory Board Members

The Company is actively inviting Outside Directors to participate in our organization for the purpose of strengthening management supervision functions, and building a management conscious of our various stakeholders including shareholders and an effective and disciplined corporate governance framework. As a result, the date of filing of this Annual Securities Report, three of the seven Directors are Outside Directors and two of the four Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members.

The Outside Directors confirm significant issues that have become evident with regards to the above policy (6. (1) para items 3, 6 and 12, the same share apply hereafter) through reports from Corporate Officers and others in the Board of Directors and express their opinions as necessary to fulfill their supervisory function. Furthermore, the Outside Audit & Supervisory Board Members confirm the details of the above policy through reports from the full-time Audit & Supervisory Board Members and reports from the Accounting Auditors and discuss the details of such reports to fulfill their supervisory function.

- Criteria for independence of Outside Directors and Outside Audit & Supervisory Board Members

In order to secure the independence of the Outside Directors and Outside Audit & Supervisory Board Members it invites, the Company has established "items to be verified regarding independence" with reference to such criteria as Rule 436-2 of the Securities Listing Regulation regarding securing independent directors/auditors and Rule III. 5. (3)-2 of Guidelines Concerning Listed Company Compliance, etc., both of which are stipulated by Tokyo Stock Exchange, Inc. The outline of these items is as follows.

(1) In cases where the relevant Outside Director/ Audit & Supervisory Board Member has a business relationship with TDK

An Outside Director/ Audit & Supervisory Board Member shall be judged not to be independent if they are at present, or have been during the past five years, a party with a business relationship with TDK as described in (i) below, or a person who executes business for such party, or if (ii) below applies to them.

(i) Where it is recognized, objectively and reasonably, that such business relationship is necessary for, or has a substantial influence on, the continued operation of TDK or the other party to such business relationship (where there is a high degree of dependence in the relationship, where the relationship is the source of 2% or more of consolidated sales, and where the other party to the relationship receives money or other assets from TDK other than remuneration for officers)

(ii) Where it is recognized within TDK that the relevant Outside Director/ Audit & Supervisory Board Member is involved in the business relationship with the other party to such relationship

(2) In cases where the relevant Outside Director/ Audit & Supervisory Board Member is a consultant, an accounting professional or a law professional

An Outside Officer shall be judged not to be independent if any of the following cases apply to such person at present or have applied to such person during the past five years.

(i) Where it is recognized, objectively and reasonably, that the relevant Outside Director/ Audit & Supervisory Board Member (including candidates for such position; the same shall apply hereinafter) cannot perform duties as an Independent Outside Director/ Audit & Supervisory Board Member because they receive money or other assets from TDK other than remuneration for officers (where there is a high degree of dependence)

(ii) Where it is recognized, objectively and reasonably, that the relevant Outside Director/ Audit & Supervisory Board Member cannot perform duties as an Independent Outside Director/ Audit & Supervisory Board Member because the organization to which such person belongs (hereinafter the "Relevant Organization") receives money or other assets from the TDK other than remuneration for officers (where this income is equivalent to 2% or more of total annual remuneration)

(iii) Where TDK has a high degree of dependence on a professional or a Relevant Organization, such as a case where services, etc. rendered by such party are essential to the corporate management of TDK or it would be difficult to find an alternative provider of the same services, etc.

(iv) Where it is recognized within TDK that the relevant Outside Director/ Audit & Supervisory Board Member is involved with the services, etc. provided by the Relevant Organization

(3) In the case of a close relative of the relevant Outside Director/ Audit & Supervisory Board Member

An Outside Director/ Audit & Supervisory Board Member shall be judged not to be independent if either of the following cases apply to their close relative at present or have applied to them during the past five years.

(i) A person to whom (1) or (2) above applies (except persons without material significance)

(ii) A person who executes business for the Company or a subsidiary of the Company (except persons without material significance)

The Company has in place a Nomination Advisory Committee as an advisory body to the Board of Directors which is chaired by an Outside Director and of which more than half of the members are composed of Outside Directors. In accordance with the “items to be verified regarding independence” shown above, the committee investigates and deliberates over the independence of the candidates for Outside Directors and Outside Audit & Supervisory Board Members (including cases where there is a change in an Outside Director/ Audit & Supervisory Board Member’s status of independence during their current term of office). After making a comprehensive judgment on the independence of candidates, the committee reports the results of its deliberations to the Board of Directors.

Taking into account the above, the Company has notified the Tokyo Stock Exchange of its Outside Directors, namely Mr. Kazumasa Yoshida, Mr. Kazuhiko Ishimura and Mr. Kazunori Yagi and its Outside Audit & Supervisory Board Members, namely Mr. Kiyoshi Fujimura, who serve as independent directors/auditors pursuant to Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.

- Activities during the fiscal year under review

Attendance at meetings of the Board of Directors, etc. during the fiscal year under review is as follows.

Kazumasa Yoshida (Outside Director):	All 15 meetings of the Board of Directors, all 6 meetings of the Nomination Advisory Committee, all 8 meetings of the Compensation Advisory Committee
Kazuhiko Ishimura (Outside Director):	All 15 meetings of the Board of Directors, all 6 meetings of the Nomination Advisory Committee, all 8 meetings of the Compensation Advisory Committee
Kazunori Yagi (Outside Director):	14 of 14 meetings of the Audit & Supervisory Board, 15 of 15 meetings of the Board of Directors Mr. Yagi was Outside Audit & Supervisory Board Member during the fiscal year
Toru Ishiguro (Outside Audit & Supervisory Board Member):	All 14 meetings of the Audit & Supervisory Board, all 15 meetings of the Board of Directors
Kiyoshi Fujimura (Outside Audit & Supervisory Board Member):	All 14 meetings of the Audit & Supervisory Board, all 15 meetings of the Board of Directors

Outside Directors participate as committee chairman and members of the Nomination Advisory Committee and Compensation Advisory Committee, which are advisory bodies to the Board of Directors, and in doing so, contribute to the transparency of the personnel and remuneration determination process and the adequacy of appointments and remunerations.

15. Appointment of Audit & Supervisory Board Member with knowledge of finance and accounting

Full-time Audit & Supervisory Board Member Mr. Osamu Yotsui has the experience of serving for many years in the fields of accounting at TDK, and, thus, possesses considerable knowledge as regards finance and accounting.

Outside Audit & Supervisory Board Member Mr. Kiyoshi Fujimura has the experience of serving for many years in the fields of accounting at Mitsubishi Corporation, and, thus, possesses considerable knowledge as regards finance and accounting.

16. Limited liability agreements with Outside Directors and Audit & Supervisory Board Members

The Company entered into contracts with each Outside Directors and Audit & Supervisory Board Members pursuant to Article 427 paragraph 1 of the Companies Act to limit the liabilities of each such Outside Director/Audit & Supervisory Board Member to the Company under Article 423 paragraph 1 of the same Act to the amount set forth in each such contact, which amount shall be equal to or greater than the amount provided for in Article 425 paragraph 1 of the same Act.

17. Overview of personal, capital and business relationships or other interests between TDK and its Outside Directors and Outside Audit & Supervisory Board Members

- Special interests between TDK and its Outside Directors and Outside Audit & Supervisory Board Members

There are no special interests between TDK and any of its current Outside Directors and Outside Audit & Supervisory Board Members (three Outside Directors and two Outside Audit & Supervisory Board Members).

- Business relationships between TDK and companies where Outside Directors and Outside Audit & Supervisory Board Members serve as officers

Business relationships between TDK and companies where Outside Directors serve as officers are as follows.

- Although the Company has business relationships relating to electronic components, glass and chemical goods, etc. with Asahi Glass Co., Ltd., where Outside Director Mr. Kazuhiko Ishimura serves as Director, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of TDK to Asahi Glass Group represented less than 1% of the consolidated net sales of TDK, and the ratio of sales of the Asahi Glass Group to TDK represented less than 1% of the Asahi Glass Group's consolidated net sales.
- Although the Company has business relationships relating to electronic components and manufacturing equipment, etc. with IHI Corporation, where Outside Director Mr. Kazuhiko Ishimura serves as the Outside Director, the transacted amount is so small for both entities that this business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of the TDK to the IHI Group represented less than 1% of the consolidated net sales of the TDK, and the ratio of sales of the IHI Group to the TDK represented less than 1% of the IHI Group's consolidated net sales.
- Although the Company has business relationships relating to electronic components and manufacturing equipment, etc. with Nomura Holdings, Inc., where Outside Director Mr. Kazuhiko Ishimura serves as the Outside Director, the transacted amount is so small for both entities that this business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of the Nomura Group to the TDK represented less than 1% of the Nomura Group's consolidated net sales.
- Although the Company has a business relationship relating to metallic materials with Sojitz Corporation, where Outside Director Mr. Kazunori Yagi serves as Outside Audit & Supervisory Board Member, the transacted amount is so small for both entities that this business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of the Sojitz Group to TDK represented less than 1% of the consolidated net sales of the Sojitz Group.
- Although the Company has a business relationship relating to metallic materials with Takasago Thermal Engineering Co., Ltd, where Outside Audit & Supervisory Board Member Mr. Kiyoshi Fujimura serves as Outside Audit & Supervisory Board Member, the transacted amount is so small for both entities that this business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of the Takasago Group to TDK represented less than 1% of the consolidated net sales of the Takasago Group..

18. Number of Directors

The Company's Articles of Incorporation stipulate that the number of Directors of the Company shall be ten or less.

19. Resolution requirements for election and dismissal of Directors

The Company's Articles of Incorporation stipulate that resolutions of the General Meeting of Shareholders concerning the election or dismissal of Directors shall be adopted by an affirmative vote of a majority of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting.

20. Items for resolution by the General Meeting of Shareholders that can be approved by resolution by the Board of Directors

1) Acquisition of treasury stock

Pursuant to Article 165, paragraph 2 of the Companies Act, for the purpose of enabling the execution of flexible capital policy, the Company's Articles of Incorporation provide for the acquisition of treasury stock to be possible by resolution of the Board of Directors.

2) Interim dividend

The Company's Articles of Incorporation provide that the Company may distribute an interim dividend with the record date of September 30 each year by resolution of the Board of Directors, pursuant to the provisions of Article 454, paragraph 5 of the Companies Act, to the effect that the Company may flexibly distribute profits to shareholders.

21. Requirements of special resolution of the General Meeting of Shareholders

The Company's Articles of Incorporation stipulate that special resolutions of the General Meeting of Shareholders as provided for in Article 309, paragraph 2 of the Companies Act shall be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights of shareholders present at the General Meeting of Shareholders, a quorum for which shall be the presence of shareholders with one-third (1/3) or more of the voting rights exercisable for such meeting. This constitutes an easier quorum for special resolutions, which has been provided to facilitate the smooth conduct of General Meeting of Shareholders.

22. Details of Director and Audit & Supervisory Board Member Remunerations

Remuneration and other payments to Directors and Audit & Supervisory Board Member for the fiscal year under review are as follows.

Officer category	Total amount of remuneration and other payments (Millions of yen)	Total amount of remuneration and other payments by type (Millions of yen)			Number of eligible officers
		Basic remuneration	Results-linked bonus	Share-based compensation type stock options	
Directors (Excluding Outside Directors)	477	203	101	173	5
Outside Directors	42	42			3
Audit & Supervisory Board Members (Excluding Outside Audit & Supervisory Board Members)	58	58			2
Outside Audit & Supervisory Board Members	29	29			3

Although there were four Directors (Excluding Outside Directors), three Outside Directors, two Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Member as of March 31, 2018 in the table above, the number of eligible officers, the total amount of remuneration and other payments and the basic remuneration in the breakdown thereof include two Director who retired at the closing of the 121st Ordinary General Meeting of Shareholders held on June 29, 2017 and remuneration and other payments paid to them, respectively.

A breakdown of remuneration and other payments for individuals receiving a total of ¥100 million or more is provided below.

Name	Officer category	Company category	Total amount of remuneration and other payments by type (Millions of yen)			Total amount of remuneration and other payments (Millions of yen)
			Basic remuneration	Results-linked bonus	Share-based compensation type stock options	
Takehiro Kamigama	Representative Director, Chairman	Filing company	72	—	61	133
Shigeno Ishiguro	Representative Director, President and CEO	Filling company	72	58	36	166

23. Policy and determination method regarding the amounts of remuneration and other payments for Directors and Audit & Supervisory Board Members of the Company and its method of calculation

1) Policy on remuneration

(1) Purpose of remuneration system

The Company's remuneration system is designed for the following purpose based on the consultation and deliberation of the Compensation Advisory Committee (see 2) Remuneration determination process below for the detail), an advisory body to the Board of Directors.

By constantly pursuing the competitive remuneration system that focuses on linkage with short-term as well as mid- to long-term results and hiring various and excellent human resources, the Company promotes as much as possible behavior on the part of Directors and Audit & Supervisory Board Members geared towards enhancing corporate results and stock value to constantly increase the corporate value of the overall TDK.

(2) Remuneration level

The Company aims to set remuneration at levels enabling the maintenance of competitiveness compared with other companies in the same business category or of similar scale in different business categories. The adequacy of its level is examined by the Compensation Advisory Committee based on studies, etc., on corporate management remuneration performed periodically by third parties.

(3) Composition of remuneration

a. Remuneration for Directors who concurrently serve as Corporate Officer

Composed of basic remuneration, results-linked bonuses and share-based compensation type stock options

b. Remuneration for Directors who do not concurrently serve as Corporate Officer

Composed of basic remuneration and share-based compensation type stock options

c. Remuneration for Outside Directors

Basic remuneration only

d. Remuneration for Audit & Supervisory Board Members

Basic remuneration only

(4) Results linkage system

a. Short-term results linkage system (results-lined bonus)

A system whereby remuneration fluctuates within a range of 0% to 200% of the standard payment amount depending on the consolidated results for the year (operating income, ROE) and the degree of achievement of targets set for each division in charge.

b. Mid- to long-term results linkage system (share-based compensation type stock options)

Under this system, recipients share the same advantage of a rising stock value of the Company and the same risk of it falling as shareholders. The introduction of such a system is intended to increase the ambition and morale of eligible Directors and Corporate Officers with respect to the enhancement of results of operations and stock value. To further strengthen the link between executive remuneration and mid- to long-term results and corporate value, a performance condition is attached to some share-based compensation type stock options. The performance condition takes the consolidated medium-term management plan (operating income, ROE) as an index, and the number of exercisable options varies between 0% and 100% of the number of options granted, depending on the degree of achievement of targets.

The Company has established Corporate Stock Ownership Guidelines. The Company makes an effort to ensure that eligible Directors and Corporate Officers hold at least a certain number of shares in the Company pursuant to their rank, including share-based compensation type stock options.

2) Remuneration determination process (establishment and operation of the Compensation Advisory Committee)

In order to achieve the purpose of the aforementioned remuneration system, the Company has in place a "Compensation Advisory Committee" acting as an advisory body to the Board of Directors which is chaired by an Outside Director and of which more than half of the members are Outside Directors.

The Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers and reports the result to the Board of Directors in order to preserve the transparency of the remuneration decision-making process and help to ensure that the individual remuneration is reasonable in light of corporate business performance, individual performance and general industry standards, among other factors.

24. Share ownership

1) Total number of issues and balance sheet amounts for investment stock whose holding purpose is other than for net investment

17 issues	¥8,644 million

2) Issues, number of shares, balance sheet amounts and holding purpose of investment stock whose holding purpose is other than for net investment

As of March 31, 2017

Specified investment stocks

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Mabuchi Motor Co., Ltd.	600,000	3,762	Strategic holding on business development
Tabuchi Electric Co., Ltd.	8,000,000	2,696	Strategic holding on business development
ALPS LOGISTICS CO., LTD.	2,804,400	2,181	Strategic holding on business development
SIIX Corporation	35,052	157	Strategic holding on business development
FIDEA Holdings Co. Ltd.	32,541	6	Maintaining and Strengthening business to business transactions

Regarded as holding shares

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
OMRON Corporation	364,000	1,778	Contribution on retirement benefit trust
Fukuda Denshi Co., Ltd.	269,100	1,714	Contribution on retirement benefit trust
KYOCERA Corporation	210,000	1,302	Contribution on retirement benefit trust
Tokio Marine Holdings, Inc.	129,500	608	Contribution on retirement benefit trust
Foster Electric Company, Limited	300,000	572	Contribution on retirement benefit trust
TODA KOGYO CORP.	1,994,000	544	Contribution on retirement benefit trust
SUMIDA CORPORATION	310,000	514	Contribution on retirement benefit trust
Shinko Shoji Co., Ltd.	349,000	424	Contribution on retirement benefit trust
NIKKO COMPANY	2,500,000	285	Contribution on retirement benefit trust
Mitsubishi UFJ Financial Group, Inc.	260,000	181	Contribution on retirement benefit trust
Ricoh Company, Ltd.	108,000	98	Contribution on retirement benefit trust
DENKYOSHA CO., LTD.	55,500	71	Contribution on retirement benefit trust
Sumitomo Mitsui Trust Holdings, Inc.	10,300	39	Contribution on retirement benefit trust
Resona Holdings, Inc.	61,300	36	Contribution on retirement benefit trust

Note: Specified investment stocks and regarded as holding shares are not combined when selecting the top issues by balance sheet amount.

As of March 31, 2018

Specified investment stocks

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Mabuchi Motor Co., Ltd.	600,000	3,144	Strategic holding on business development
ALPS LOGISTICS CO., LTD.	2,804,400	2,658	Strategic holding on business development
Tabuchi Electric Co., Ltd.	8,000,000	2,200	Strategic holding on business development
SIIX Corporation	72,000	169	Strategic holding on business development

Regarded as holding shares

Issue	Number of shares (Shares)	Balance sheet amounts (Millions of yen)	Holding purpose
Fukuda Denshi Co., Ltd.	269,100	2,104	Contribution on retirement benefit trust
KYOCERA Corporation	210,000	1,260	Contribution on retirement benefit trust
TODA KOGYO CORP.	199,400	759	Contribution on retirement benefit trust
Shinko Shoji Co., Ltd.	349,000	615	Contribution on retirement benefit trust
Tokio Marine Holdings, Inc.	129,500	613	Contribution on retirement benefit trust
NIKKO COMPANY	2,500,000	365	Contribution on retirement benefit trust
Mitsubishi UFJ Financial Group, Inc.	260,000	181	Contribution on retirement benefit trust
Ricoh Company, Ltd.	108,000	113	Contribution on retirement benefit trust
DENKYOSHA CO., LTD.	55,500	88	Contribution on retirement benefit trust
Sumitomo Mitsui Trust Holdings, Inc.	10,300	44	Contribution on retirement benefit trust
Resona Holdings, Inc.	61,300	34	Contribution on retirement benefit trust

Note: Specified investment stocks and regarded as holding shares are not combined when selecting the top issues by balance sheet amount.

25. Circumstances of accounting audit

The Company has an auditing agreement with KPMG AZSA LLC for this company to conduct the accounting audit of TDK.

The three certified public accountants who conducted the accounting audit of the Company were Mr. Yutaka Terasawa, Mr. Hiroto Yamane and Mr. Kohei Shingaki, and all three were Designated Limited Liability Partners and Engagement Partners affiliated with KPMG AZSA LLC. The number of years of continued audits is seven years or less.

In addition, working to assist the above accountants in conducting the accounting audit of the Company were 12 certified public accountants, 7 assistant certified public accountants, and 16 other people.

(2) Audit fees, etc.

a. Details of fees to auditors

(Millions of yen)

Category	Fiscal 2017		Fiscal 2018	
	Audit fees	Fees for non-attest service	Audit fees	Fees for non-attest service
Filing company	377	7	376	5
Consolidated subsidiaries	62	–	42	–
Total	439	7	419	5

b. Details of other material fees

In fiscal 2017 and fiscal 2018, principal overseas consolidated subsidiaries of TDK Corporation pay audit fees to member firms of KPMG to which KPMG AZSA LLC, TDK Corporation’s auditors, belong.

c. Details of non-attest service rendered by auditors to the filing company

In fiscal 2018, the Company needs to pay the fee for non-attest service to KPMG AZSA LLC. The detail of non-attest service rendered by the auditor is to supervise and to advise for U.S. GAAP.

d. Policy of deciding audit fees

TDK Corporation carefully considers the independence of auditors and decides the audit fees by resolution of the Board of Directors.

V. Consolidated Financial Statements and Notes to Consolidated Financial Statements

Consolidated statements of income

For the years ended March 31, 2017 and 2018

	Yen (Millions)		U.S. Dollars (Thousands) (Note 2)
	2017	**2018**	**2018**
Net sales	¥ 1,178,257	**¥ 1,271,747**	**$ 11,997,613**
Cost of sales	855,948	**930,516**	**8,778,453**
Gross profit	322,309	**341,231**	**3,219,160**
Selling, general and administrative expenses	239,446	**259,698**	**2,449,981**
Other operating expense (income) (Note 1)	(125,797)	**(4,100)**	**(38,679)**
Operating income	208,660	**85,633**	**807,858**
Other income (deductions):			
Interest and dividend income	4,152	**6,369**	**60,085**
Interest expense	(3,428)	**(4,461)**	**(42,085)**
Gain（loss）on securities, net (Note 3)	80	**(248)**	**(2,340)**
Equity in earnings of affiliates (Note 4)	1,396	**2,989**	**28,198**
Foreign exchange gain (loss)	368	**(786)**	**(7,415)**
Other - net	489	**315**	**2,973**
	3,057	**4,178**	**39,416**
Income before income taxes	211,717	**89,811**	**847,274**
Income taxes (Note 7)			
Current	35,434	**27,188**	**256,491**
Deferred	30,723	**(1,354)**	**(12,774)**
	66,157	**25,834**	**243,717**
Net income	145,560	**63,977**	**603,557**
Less: Net income attributable to noncontrolling interests	461	**514**	**4,849**
Net income attributable to TDK	¥ 145,099	**¥ 63,463**	**$ 598,708**

Amounts per share:	Yen		U.S. Dollars (Note 2)
Net income attributable to TDK (Note 20):			
Basic	¥ 1,150.16	**¥ 502.80**	**$ 4.74**
Diluted	1,147.57	**501.47**	**4.73**
Cash dividends paid during the year (Note 9)	¥ 120.00	**¥ 120.00**	**$ 1.13**

Consolidated statements of comprehensive income

For the years ended March 31, 2017 and 2018

	Yen (Millions)		U.S. Dollars (Thousands) (Note 2)
	2017	**2018**	**2018**
Net income	¥ 145,560	**¥ 63,977**	**$ 603,557**
Other comprehensive income (loss), net of taxes:			
Foreign currencies translation adjustments	(18,866)	**(12,682)**	**(119,642)**
Pension liability adjustments	13,465	**2,134**	**20,132**
Net unrealized gains (losses) on securities	(274)	**(387)**	**(3,651)**
Total other comprehensive income (loss)	(5,675)	**(10,935)**	**(103,161)**
Comprehensive income	139,885	**53,042**	**500,396**
Comprehensive income attributable to noncontrolling interests	933	**569**	**5,368**
Comprehensive income attributable to TDK	¥ 138,952	**¥ 52,473**	**$ 495,028**

See accompanying notes to consolidated financial statements.

Consolidated balance sheets

As of March 31, 2017 and 2018

ASSETS	Yen (Millions) 2017	Yen (Millions) 2018	U.S. Dollars (Thousands) (Note 2) 2018
Current assets:			
Cash and cash equivalents	¥ 330,388	**¥ 279,624**	**$ 2,637,962**
Short-term investments	56,131	**43,613**	**411,444**
Marketable securities (Note 3)	-	**54**	**509**
Trade receivables:			
Notes	40,867	**55,162**	**520,396**
Accounts	215,783	**250,568**	**2,363,849**
Allowance for doubtful receivables	(1,741)	**(1,714)**	**(16,170)**
Net trade receivables	254,909	**304,016**	**2,868,075**
Inventories (Note 5)	154,499	**207,532**	**1,957,849**
Income taxes receivables	6,153	**6,068**	**57,245**
Prepaid expenses and other current assets	64,056	**59,029**	**556,878**
Total current assets	866,136	**899,936**	**8,489,962**
Investments in affiliates (Notes 3 and 4)	149,057	**143,589**	**1,354,613**
Other investments in securities (Notes 3)	12,768	**11,651**	**109,915**
Property, plant and equipment, at cost (Note 18):			
Land	23,714	**23,337**	**220,160**
Buildings	299,196	**318,899**	**3,008,481**
Machinery and equipment	762,788	**834,484**	**7,872,491**
Construction in progress	64,118	**82,015**	**773,727**
	1,149,816	**1,258,735**	**11,874,859**
Less accumulated depreciation	(685,149)	**(713,094)**	**(6,727,302)**
Net property, plant and equipment	464,667	**545,641**	**5,147,557**
Goodwill (Note 19)	61,031	**157,858**	**1,489,226**
Intangible assets (Note 19)	51,821	**85,531**	**806,896**
Deferred income taxes (Notes 7)	29,546	**31,131**	**293,689**
Other assets (Note 21)	29,307	**29,872**	**281,812**
Total assets	¥ 1,664,333	**¥ 1,905,209**	**$ 17,973,670**

See accompanying notes to consolidated financial statements.

LIABILITIES AND EQUITY	Yen (Millions) 2017	Yen (Millions) 2018	U.S. Dollars (Thousands) (Note 2) 2018
Current liabilities:			
Short-term debt (Note 6)	¥ 77,680	**¥ 124,573**	**$ 1,175,217**
Current installments of long-term debt (Note 6)	42,517	**64,566**	**609,113**
Trade payables:			
Notes	87,157	**122,849**	**1,158,953**
Accounts	89,487	**103,942**	**980,585**
Accrued salaries and wages	57,551	**69,576**	**656,377**
Accrued expenses (Note 8)	91,058	**90,042**	**849,453**
Income taxes payables (Note 7)	16,650	**10,989**	**103,670**
Other current liabilities	15,494	**16,500**	**155,660**
Total current liabilities	477,594	**603,037**	**5,689,028**
Long-term debt, excluding current installments (Note 1 and 6)	213,935	**293,880**	**2,772,453**
Retirement and severance benefits (Note 8)	125,202	**125,137**	**1,180,538**
Deferred income taxes (Notes 7)	29,786	**35,432**	**334,264**
Other noncurrent liabilities (Note 7)	15,698	**16,491**	**155,575**
Total noncurrent liabilities	384,621	**470,940**	**4,442,830**
Total liabilities	862,215	**1,073,977**	**10,131,858**
TDK stockholders' equity:			
Common stock			
Authorized 480,000,000 shares;			
issued 129,590,659 shares in 2017 and 2018;			
outstanding 126,199,815 shares in 2017			
and 126,245,079 shares in 2018	32,641	**32,641**	**307,934**
Additional paid-in capital (Note 11)	15,349	**8,738**	**82,434**
Legal reserve (Note 9)	37,727	**45,366**	**427,981**
Retained earnings (Note 9)	833,884	**874,563**	**8,250,594**
Accumulated other comprehensive income (loss) (Note 12)	(108,575)	**(119,492)**	**(1,127,283)**
Treasury stock at cost; 3,390,844 shares in 2017			
and 3,345,580 shares in 2018	(17,412)	**(17,182)**	**(162,094)**
Total TDK stockholders' equity	793,614	**824,634**	**7,779,566**
Noncontrolling interests	8,504	**6,598**	**62,246**
Total equity	802,118	**831,232**	**7,841,812**
Total liabilities and equity	¥ 1,664,333	**¥ 1,905,209**	**$ 17,973,670**

Consolidated statements of equity

For the years ended March 31, 2017 and 2018

Yen (Millions)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 11	Note 9	Note 9	Note 12			Note 11	
Balance at March 31, 2016	**¥ 32,641**	**¥ 21,083**	**¥ 34,221**	**¥ 707,508**	**¥ (102,285)**	**¥ (17,807)**	**¥ 675,361**	**¥ 9,272**	**¥ 684,633**
Equity transaction of consolidated subsidiaries and other		**(5,931)**			**(143)**		**(6,074)**	**(1,625)**	**(7,699)**
Cash dividends				**(15,137)**			**(15,137)**	**(76)**	**(15,213)**
Transferred to legal reserve			**3,506**	**(3,506)**			**-**		**-**
Comprehensive income									
Net income				**145,099**			**145,099**	**461**	**145,560**
Other comprehensive income (loss)					**(6,147)**		**(6,147)**	**472**	**(5,675)**
Total comprehensive income (loss)							**138,952**	**933**	**139,885**
Acquisition of treasury stock						**(3)**	**(3)**		**(3)**
Sale of treasury stock						**1**	**1**		**1**
Compensation expenses related to stock options		**310**					**310**		**310**
Exercise of stock options		**(113)**		**(80)**		**397**	**204**		**204**
Balance at March 31, 2017	**¥ 32,641**	**¥ 15,349**	**¥ 37,727**	**¥ 833,884**	**¥ (108,575)**	**¥ (17,412)**	**¥ 793,614**	**¥ 8,504**	**¥ 802,118**
Equity transaction of consolidated subsidiaries and other		**(6,893)**			**73**		**(6,820)**	**(1,977)**	**(8,797)**
Cash dividends				**(15,145)**			**(15,145)**	**(498)**	**(15,643)**
Transferred to legal reserve			**8,735**	**(8,735)**			**-**		**-**
Transferred to retained earnings			**(1,096)**	**1,096**			**-**		**-**
Comprehensive income									
Net income				**63,463**			**63,463**	**514**	**63,977**
Other comprehensive income (loss)					**(10,990)**		**(10,990)**	**55**	**(10,935)**
Total comprehensive income (loss)							**52,473**	**569**	**53,042**
Acquisition of treasury stock						**(7)**	**(7)**		**(7)**
Sale of treasury stock						**1**	**1**		**1**
Compensation expenses related to stock options		**370**					**370**		**370**
Exercise of stock options		**(88)**				**236**	**148**		**148**
Balance at March 31, 2018	**¥ 32,641**	**¥ 8,738**	**¥ 45,366**	**¥ 874,563**	**¥ (119,492)**	**¥ (17,182)**	**¥ 824,634**	**¥ 6,598**	**¥ 831,232**

See accompanying notes to consolidated financial statements.

U.S.Dollars (Thousands) (Note 2)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Total TDK stockholders' equity	Noncontrolling interests	Total equity
Notes		Note 11	Note 9	Note 9	Note 12			Note 11	
Balance at March 31, 2017	**$ 307,934**	**$ 144,802**	**$ 355,915**	**$ 7,866,830**	**$ (1,024,292)**	**$ (164,264)**	**$ 7,486,925**	**$ 80,226**	**$ 7,567,151**
Equity transaction of consolidated subsidiaries and other		**$ (65,028)**			**689**		**(64,339)**	**(18,651)**	**(82,990)**
Cash dividends				**(142,878)**			**(142,878)**	**(4,698)**	**(147,576)**
Transferred to legal reserve			**82,406**	**(82,406)**			**-**		**-**
Transferred to retained earnings			**(10,340)**	**10,340**			**-**		**-**
Comprehensive income									
Net income				**598,708**			**598,708**	**4,849**	**603,557**
Other comprehensive income (loss)					**(103,680)**		**(103,680)**	**519**	**(103,161)**
Total comprehensive income (loss)							**495,028**	**5,368**	**500,396**
Acquisition of treasury stock						**(66)**	**(66)**		**(66)**
Sale of treasury stock						**9**	**9**		**9**
Compensation expenses related to stock options		**3,491**					**3,491**		**3,491**
Exercise of stock options		**(831)**				**2,227**	**1,396**		**1,396**
Balance at March 31, 2018	**$ 307,934**	**$ 82,434**	**$ 427,981**	**$ 8,250,594**	**$ (1,127,283)**	**$ (162,094)**	**$ 7,779,566**	**$ 62,245**	**$ 7,841,811**

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

For the years ended March 31, 2017 and 2018

	Yen (Millions)		U.S. Dollars (Thousands) (Note 2)
	2017	**2018**	**2018**
Cash flows from operating activities:			
Net income	¥ 145,560	**¥ 63,977**	**$ 603,557**
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	87,491	**92,171**	**869,538**
Deferred income taxes	30,723	**(1,354)**	**(12,774)**
Loss (gain) on sale or disposal of property, plant and equipment	601	**704**	**6,642**
Impairment loss on long-lived assets	16,811	**1,282**	**12,094**
Impairment loss on goodwill	2,600	**-**	**-**
Gain on sale of business	(149,538)	**(5,427)**	**(51,198)**
Loss (gain) on securities, net	(80)	**248**	**2,340**
Equity in earnings of affiliates, net of dividends received	(1,280)	**(2,924)**	**(27,585)**
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	(59,152)	**(51,961)**	**(490,198)**
Decrease (increase) in inventories	(21,709)	**(49,731)**	**(469,160)**
Decrease (increase) in other current assets	6,152	**(14,817)**	**(139,783)**
Increase (decrease) in trade payables	67,913	**53,761**	**507,178**
Increase (decrease) in accrued expenses	12,467	**8,410**	**79,340**
Increase (decrease) in income taxes payables, net	11,097	**(6,280)**	**(59,245)**
Increase (decrease) in other current liabilities	1,046	**4,380**	**41,321**
Increase (decrease) in retirement and severance benefits, net	1,646	**(1,560)**	**(14,717)**
Other - net	7,788	**431**	**4,065**
Net cash provided by operating activities	160,136	**91,310**	**861,415**
Cash flows from investing activities:			
Capital expenditures	(167,631)	**(178,612)**	**(1,685,019)**
Proceeds from sales of tangible and intangible assets	21,085	**9,083**	**85,689**
Proceeds from sale and maturity of short-term investments	38,697	**168,256**	**1,587,321**
Payment for purchase of short-term investments	(73,632)	**(156,621)**	**(1,477,557)**
Proceeds from sale and maturity of securities	523	**24,933**	**235,217**
Payment for purchase of securities	(837)	**(1,208)**	**(11,396)**
Proceeds from sale of business, net of cash transferred	128,210	**30,365**	**286,462**
Acquisition of subsidiaries, net of cash acquired	(16,819)	**(141,499)**	**(1,334,896)**
Other - net	(707)	**(796)**	**(7,510)**
Net cash used in investing activities	(71,111)	**(246,099)**	**(2,321,689)**
Cash flows from financing activities:			
Proceeds from long-term debt	119,275	**147,010**	**1,386,887**
Repayment of long-term debt	(52,246)	**(61,643)**	**(581,538)**
Proceeds from short-term debt with maturities longer than three months	2,457	**4,086**	**38,547**
Repayment of short-term debt with maturities longer than three months	(1,578)	**(3,220)**	**(30,377)**
Increase (decrease) in short-term debt, net	(81,942)	**48,067**	**453,462**
Dividends paid	(15,132)	**(15,138)**	**(142,811)**
Acquisition of noncontrolling interests	(8,914)	**(8,796)**	**(82,981)**
Other - net	327	**(278)**	**(2,623)**
Net cash provided by (used in) financing activities	(37,753)	**110,088**	**1,038,566**
Effect of exchange rate changes on cash and cash equivalents	(6,352)	**(6,063)**	**(57,198)**
Net increase (decrease) in cash and cash equivalents	44,920	**(50,764)**	**(478,906)**
Cash and cash equivalents, beginning of year	285,468	**330,388**	**3,116,868**
Cash and cash equivalents, end of year	¥ 330,388	**¥ 279,624**	**$ 2,637,962**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

(1) Nature of Operations

TDK Corporation, a Tokyo-based company founded in 1935 to accomplish the world's first industrialization of a magnetic material called ferrite, and its subsidiaries (collectively "TDK") have always been a multinational developer, manufacturer and distributor of unique and diverse products, including ferrite cores, inductive devices, ceramic capacitors, magnetic heads, magnets and other items created by pursuing core technologies.

TDK's four basic reportable segments, Passive Components, Sensor Application Products, Magnetic Application Products and Film Application Products, and the "Other", which is unrelated to the aforementioned four segments, accounted for 34.4 percent, 6.1 percent, 26.2 percent, 29.2 percent, and 4.1 percent of net sales, respectively, for the year ended March 31, 2018.

These four segments and the Other consist of the following businesses:

(i) Passive Components:
Ceramic Capacitors, Aluminum Electrolytic Capacitors, Film Capacitors, Inductive Devices (Coils / Ferrite Cores / Transformers), High-Frequency Devices, Piezoelectric Materials Products, Circuit Protection Components

(ii) Sensor Application Products:
Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors

(iii) Magnetic Application Products:
HDD Heads, HDD Suspension Assemblies, Power Supplies, Magnets

(iv) Film Application Products:
Energy Devices (Rechargeable Batteries)

(v) Other:
Mechatronics (Production Equipment), Others

(2) Basis of Presentation

TDK Corporation and its domestic subsidiaries maintain their books of account in conformity with the generally accepted accounting principles in Japan, and its foreign subsidiaries mainly maintain their books of account 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").

(3) 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 as defined 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 by the equity method of accounting. All significant intercompany profits from these affiliates have been eliminated.

(4) Cash Equivalents and Short-term Investments

Cash equivalents include all highly liquid investments with an original maturity of three months or less. All other highly liquid investments not considered to be cash equivalents are classified as short-term investments. TDK determines the appropriate classification of its investments at the time of purchase.

(5) Allowance for Doubtful Receivables

The allowance for doubtful receivables is TDK's best estimate of the amount of probable credit losses in TDK's existing trade receivables. An additional reserve for individual receivables is recorded when TDK becomes aware of a customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in a customer's operating results or financial position. If customer circumstances change, estimates of the recoverability of receivables would be further adjusted.

(6) Investments in Securities

TDK classifies its debt and equity securities into one of the three categories: trading, available-for-sale, or held-to-maturity. Trading securities are acquired and held principally for the purpose of selling them in the near future. Held-to-maturity securities are those securities in which TDK has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses on trading securities are included in earnings. Unrealized holding gains and losses, net of the related tax effect, on available-for-sale securities are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized. As of March 31, 2017 and 2018, TDK did not hold any trading or held-to-maturity securities. Available-for-sale securities, which mature or are expected to be sold in less than one year, are classified as marketable securities.

If a decline in the fair value below the cost basis of an equity security which is an available-for-sale security is deemed to be other-than-temporary, a decline in the fair value below amortized cost basis of an debt security which is available for sale but not expected to be sold is deemed to be other-than-temporary and represents a credit loss, and a decline in the fair value of a debt security which is an available-for-sale security and expected to be sold before recovery of its amortized cost basis exists, an impairment is recognized in earnings and the fair value becomes the new cost basis of the security. To determine whether an impairment is other-than-temporary, TDK periodically reviews the fair value of available-for-sale securities for possible impairment by taking into consideration the financial and operating conditions of the issuer, general market conditions in the issuer's industry, degree and period of the decline in fair value and other relevant factors.

Nonmarketable securities are recorded at cost. TDK periodically evaluates whether an event or change in circumstances may have a significant adverse effect on the fair value of the investment. Factors considered in assessing whether an indication of impairment exists include the financial and operating conditions of the issuer, general market conditions in the issuer's industry and other relevant factors. If an indication of impairment is present, TDK estimates the fair value of nonmarketable securities. If the fair value is less than cost and the impairment is determined to be other-than-temporary, a nonmarketable security is written down to its impaired value through a charge to earnings.

(7) Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the average cost method.

The cost elements for finished goods and work in process include direct costs for materials such as primary materials and purchased semi-finished products, direct labor costs such as basic salaries, bonuses, and legal welfare expenses, direct costs such as expenses paid to subcontractors, and indirect manufacturing costs comprising material costs, labor costs and other overhead costs.

(8) Property, Plant and Equipment

Depreciation of property, plant and equipment is principally calculated using the straight-line method over the following estimated useful lives:

Buildings	2 to 60 years
Machinery and equipment	2 to 20 years

(9) Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. TDK uses a specific identification method to release the residual tax effects associated with components of accumulated other comprehensive income (loss) resulting from a change in tax law or rate.

The financial statement impact of tax positions are recognized when it is more likely than not that the tax positions will be sustained upon examination by the tax authorities. Benefits from tax positions are measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon settlement with the tax authorities.

(10) Stock Option Plan

TDK measures the expenses of employee services received in exchange for equity awards based on the grant date fair value of the awards and use the straight-line attribution method to recognize compensation expenses related to stock options over the requisite service period. TDK will continue to use the simplified method to estimate expected remaining term until TDK has the historical data necessary to provide reasonable estimates of the expected term.

(11) Other operating expense (income)

Other operating expense (income) for the year ended March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Gain on sale of business (Note 23)	¥ (145,208)	**¥ (5,277)**	**$ (49,783)**
Impairment of long-lived assets (Note 18)	16,811	**1,282**	**12,094**
Impairment of goodwill (Note 19)	2,600	**-**	**-**
Other	-	**(105)**	**(990)**
Total	¥ (125,797)	**¥ (4,100)**	**$ (38,679)**

(12) Research and Development Expenses

Research and development expenses are expensed as incurred.

(13) Advertising Costs

Advertising costs are expensed as incurred.

(14) Shipping and Handling Fees and Costs

Shipping and handling fees and costs amounted to ¥15,552 million and ¥16,932 million ($159,736 thousand) for the years ended March 31, 2017 and 2018, respectively, and are included in selling, general and administrative expenses in the consolidated statements of income.

(15) Foreign Currency Translation

Foreign currency financial statements have been translated in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 830, "Foreign Currency Matters". Under FASB ASC 830, the assets and liabilities of TDK's subsidiaries located outside Japan are translated into Japanese yen at the rates of exchange in effect at the balance sheet date. Revenue and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from foreign currency transactions are included in other income (deductions), and those resulting from translation of financial statements of foreign subsidiaries are excluded from the statements of income and are accumulated in TDK stockholders' equity as a component of accumulated other comprehensive income (loss).

(16) Use of Estimates

Management of TDK has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingencies to prepare these consolidated financial statements in conformity with U.S. GAAP. Significant items subject to such estimates and assumptions include the valuation of goodwill and other intangible assets, long-lived assets, trade receivables, inventories, investments in securities, deferred tax assets, and assumptions related to the estimation of actuarial determined employee benefit obligations. Actual results could differ from those estimates.

(17) Accounting for the Impairment of Long-Lived Assets

Property, plant and equipment and certain identifiable intangible assets with finite useful lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest charges) expected to be generated by the asset. If such assets are considered to be impaired, an impairment loss to be recognized is measured by the amount by which the carrying amount of the assets exceed the fair value of the assets. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value less costs to sell.

(18) Goodwill and Other Intangible Assets

Goodwill is not amortized, but instead is tested for impairment at least annually, except for a case in which it is not more likely than not that the fair value of a reporting unit is less than its carrying amount. The test is conducted more frequently if certain indicators arise.

Intangible assets with finite useful lives are amortized over their respective estimated useful lives. Intangible assets determined to have indefinite useful lives are not amortized, but instead are tested for impairment annually or more frequently if certain indicators arise until the useful life is determined to no longer be indefinite except TDK determines that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount.

(19) Derivative Financial Instruments

TDK applies ASC 815 ("Derivatives and Hedging"), and all derivatives held by TDK are recognized on the consolidated balance sheets at fair value. The accounting treatment of subsequent changes in the fair value depends on their use, and whether they qualify as effective "hedges" for accounting purposes. Derivatives that are not hedges must be adjusted to fair value through the consolidated statement of income. If a derivative is a hedge, then depending on its nature, changes in its fair value will be either offset against changes in the fair value of hedged assets or liabilities through the consolidated statement of income, or recorded in other comprehensive income (loss).

If a derivative is used as a hedge of a net investment in a foreign operation, changes in its fair value, to the extent effective as a hedge, are recognized in the foreign currency translation adjustments section of other comprehensive income (loss).

The required disclosures in accordance with FASB ASC 815 "Derivatives and Hedging" are presented in Note 15 of the Notes to Consolidated Financial Statements.

(20) Net Income attributable to TDK per Share

Basic net income attributable to TDK per share has been computed by dividing net income attributable to TDK available to common stockholders by the weighted average number of common shares outstanding for each year. Diluted net income attributable to TDK per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock of TDK.

(21) Revenue Recognition

TDK generates revenue principally through the sale of products under separate contractual arrangements. TDK recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred and title and risk of loss have been transferred to the customer, the sales price is fixed or determinable, and collectability is probable.

In principle, revenue from sales of products is recognized when the products are received by customers based on the free on board destination sales term. With regards to sales of products, TDK's policy is not to accept product returns unless the products are defective. TDK reduces revenue for estimated future returns based upon historical experience at the time the related revenue is recorded. The conditions of acceptance are governed by the terms of the contract or customer arrangement and those not meeting the predetermined specification are not recorded as revenue.

Warranties offered on TDK's products are insignificant.

(22) Receipt of Contingent Consideration

Contingent consideration is recognized when the amount of the contingent consideration becomes realized or realizable.

(23) Adoption of New Accounting Standards

Simplifying the Measurement of Inventory

In July 2015, FASB issued Accounting Standards Update ("ASU") 2015-11 "Simplifying the Measurement of Inventory". This ASU applies to all inventory except for which is measured using last-in, first-out (LIFO) or the retail inventory method, and requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. TDK adopted this ASU prospectively from April 1, 2017. The adoption of this ASU did not have a material impact on TDK's results of operations and financial position.

Simplifying the Test for Goodwill Impairment

In January 2017, FASB issued ASU 2017-04 "Simplifying the Test for Goodwill Impairment". This ASU eliminates Step 2 of the goodwill impairment test, instead requires an entity to recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. TDK early adopted this ASU prospectively from April 1, 2017.

The adoption of this ASU did not have an impact on TDK's results of operations and financial position for the year ended March 31, 2018.

(24) Subsequent Events

TDK has evaluated the subsequent events through July 20, 2018, the date on which the consolidated financial statements are available to be issued.

(25) Reclassifications

Certain reclassifications have been made to the prior years' consolidated financial statements to conform to the presentation used for the year ended March 31, 2018.

2. Financial Statement Translation

The consolidated financial statements are expressed in Japanese yen, the functional currency of TDK Corporation. As a supplement, the Japanese yen amounts as of and for the year ended March 31, 2018, have also been translated into U.S. dollar amounts, solely for the convenience of the reader, at the rate of ¥106=U.S.$1, the approximate exchange rate on the Tokyo Foreign Exchange Market on March 31, 2018. This translation should not be construed as a representation that the amounts shown could be converted into U.S. dollars at such rate.

3. Investments in Securities

Marketable securities and investments in securities as of March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Marketable securities	¥ -	**¥ 54**	**$ 509**
Investments in affiliates (Note 4)	¥ 149,057	**¥ 143,589**	**$ 1,354,613**
Other investments in securities:			
Long-term marketable securities	10,118	**9,690**	**91,416**
Nonmarketable securities	2,650	**1,961**	**18,500**
Total other investments in securities	12,768	**11,651**	**109,916**
Total	¥ 161,825	**¥ 155,294**	**$ 1,465,038**

Marketable securities and other investments in securities include available-for-sale securities. Information with respect to such securities as of March 31, 2017 and 2018 is as follows:

2017

Yen (Millions):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Investments (Debt securities):				
Commercial papers	¥ 25	¥ 91	¥ -	¥ 116
Public-utility bonds	2	-	-	2
Investments (Equity securities):				
Manufacturing companies	2,717	4,179	112	6,784
Other	1,147	1,042	-	2,189
Investments (Mutual funds)	936	96	5	1,027
Total	¥ 4,827	¥ 5,408	¥ 117	¥ 10,118

2018

Yen (Millions):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	**¥ 54**	**¥ -**	**¥ 0**	**¥ 54**
Investments (Debt securities):				
Commercial papers	**7**	**102**	**-**	**109**
Public-utility bonds	**0**	**-**	**-**	**0**
Investments (Equity securities):				
Manufacturing companies	**2,725**	**3,073**	**67**	**5,731**
Other	**1,143**	**1,516**	**-**	**2,659**
Investments (Mutual funds)	**1,108**	**86**	**3**	**1,191**
Total	**¥ 5,037**	**¥ 4,777**	**¥ 70**	**¥ 9,744**

2018

U.S. Dollars (Thousands):	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Marketable securities (Debt securities):				
Government bonds	**$ 509**	**$ -**	**$ 0**	**$ 509**
Investments (Debt securities):				
Commercial papers	**66**	**963**	**-**	**1,029**
Public-utility bonds	**0**	**-**	**-**	**0**
Investments (Equity securities):				
Manufacturing companies	**25,708**	**28,990**	**632**	**54,066**
Other	**10,783**	**14,302**	**-**	**25,085**
Investments (Mutual funds)	**10,453**	**811**	**28**	**11,236**
Total	**$ 47,519**	**$ 45,066**	**$ 660**	**$ 91,925**

The proceeds from sale and maturity of available-for-sale securities and nonmarketable securities were ¥523 million and ¥24,933 million ($235,217 thousand) for the year ended March 31, 2017 and 2018, respectively. The gross realized gains on the sale and settlement of available-for-sale securities and nonmarketable securities were ¥80 million and ¥574 million ($5,415 thousand) for the year ended March 31, 2017 and 2018, respectively. The gross realized losses on the sale and settlement of available-for-sale securities and nonmarketable securities were ¥275 million ($2,594 thousand) for the year ended March 31, 2018. The cost of available-for-sale securities sold was determined on average cost basis. TDK recorded an impairment of ¥547 million ($5,160 thousand) on certain available-for-sale securities or nonmarketable securities representing other-than-temporary declines in the fair value for the years ended March 31, 2018.

As of March 31, 2018, 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, 2017 and 2018 totaled ¥2,650 million and ¥1,961 million ($18,500 thousand), respectively.

4. Investments in Affiliates

As of March 31, 2018, investments in affiliates accounted for under the equity method consist of 49.0 percent of the common stock of RF360 Holdings Singapore PTE. Ltd. (“RF360”), a holding company with subsidiaries that run high-frequency components operations, 31.7 percent of the common stock of Semiconductor Energy Laboratory Co., Ltd., a research and development company, 48.7 percent of the common stock of Amperex Recycling Technology Co., Ltd., a holding company with subsidiary that runs energy devices operations, 34.0 percent of the common stock of Toppan TDK Label Co., Ltd., a magnetic products manufacturing company, and four other affiliated companies. Since TDK holds an option to sell TDK’s interest in RF360 for $1.15 billion 30 months after the closing date (February 3, 2017) and does not have the right to receive any profit sharing such as dividends, TDK concluded that it is not material to disclose summarized financial information of RF360 and omitted to disclose it. The effect of investments in affiliates accounted for under the equity method, which includes this investment in RF360, to our financial statements, collectively, is not significant, as of March 31, 2017 and 2018. As of March 31, 2017 and 2018, the difference between TDK’s carrying value of investments in affiliates and its share of the underlying net equity in such affiliates substantially consists of unamortized amounts of equity method goodwill of ¥44,180 million and ¥47,719 million ($450,179 thousand), respectively. The details of the sale of business related to RF360 is presented in Note 23 of the Notes to Consolidated Financial Statements.

5. Inventories

Inventories as of March 31, 2017 and 2018 are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Finished goods	¥ 62,278	**¥ 77,486**	**$ 731,000**
Work in process	38,582	**51,159**	**482,632**
Raw materials	53,639	**78,887**	**744,217**
Total	¥ 154,499	**¥ 207,532**	**$ 1,957,849**

6. Short-Term and Long-Term Debt

Short-term debt and weighted average interest rates as of March 31, 2017 and 2018 are as follows:

	2017		**2018**		**2018**
	Yen (Millions)	Weighted average interest rate	Yen (Millions)	Weighted average interest rate	U.S. Dollars (Thousands)
Short-term bank loans - unsecured	¥ 77,680	0.20%	**¥ 124,573**	**0.38%**	**$ 1,175,217**

Long-term debt as of March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Loans from banks, unsecured (weighted average: 2017-0.53%, 2018-0.68%)	¥ 237,983	**¥ 339,351**	**$ 3,201,425**
Unsecured Bonds due 2019 ― 2.038% (issuance by TDK Corporation)	13,000	**13,000**	**122,641**
Unsecured Bonds due 2019―1.75% (issuance by subsidiary)	-	**392**	**3,698**
Bond issuance cost	(14)	(7)	(66)
Lease obligation (weighted average: 2017―11.99%, 2018―11.35%)	5,483	**5,710**	**53,868**
	256,452	**358,446**	**3,381,566**
Less current portion	42,517	**64,566**	**609,113**
Total	¥ 213,935	**¥ 293,880**	**$ 2,772,453**

The aggregate annual maturities of long-term debt outstanding as of March 31, 2018 are as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Year ending March 31,		
2019	¥ 64,032	$ 604,075
2020	86,987	820,632
2021	67,044	632,491
2022	134,239	1,266,406
2023	51	481
2024 and thereafter	390	3,679
Total	¥ 352,743	$ 3,327,764

The aggregate annual maturities of long-term debt outstanding as of March 31, 2018 do not include lease obligation. A schedule by years of future minimum lease payments is presented in Note 13 of the Notes to Consolidated Financial Statements.

Short-term and long-term debt from banks were made under general agreements in which security and guarantees for present and future indebtedness will be given upon request of the banks, and that the banks shall have the rights, as the obligations become due, or in the event of default, to offset cash deposits against such obligations due to the banks.

As of March 31, 2017 and 2018, property, plant and equipment having a net book value of ¥292 million and ¥233 million ($2,198 thousand), respectively, were pledged as collateral for lease obligation.

There were no debt covenants or cross-default provisions under TDK’s financing arrangements. Furthermore, there were no subsidiary level dividend restrictions under the financing arrangements.

7. Income Taxes

TDK Corporation and its domestic subsidiaries are subject to a national corporate tax of 24.43 percent, an inhabitants tax of between 3.0 percent and 3.8 percent and a deductible enterprise tax of between 4.8 percent and 5.2 percent, which in the aggregate resulted in statutory rate of approximately 31.3 percent for the year ended March 31, 2017 and 2018.

The effective tax rates of TDK for the years ended March 31, 2017 and 2018 are reconciled with the Japanese statutory tax rate in the following table:

	2017	**2018**
Japanese statutory tax rate for income from continuing operations, before income taxes	31.3%	**31.3%**
Difference in statutory tax rates of foreign subsidiaries	(9.6)	**(9.7)**
Expenses not deductible for tax purposes	5.4	**14.5**
Nontaxable income	(12.1)	**(5.9)**
Change in valuation allowance	4.1	**14.4**
Investment tax credit	(1.4)	**(2.5)**
Research and development tax credit	(0.2)	**(1.5)**
Prior-year tax adjustments	(0.2)	**(0.1)**
Undistributed earnings of subsidiaries and affiliates	12.0	**1.4**
Unrealized gains (losses) on subsidiaries' and affiliates' securities	0.5	**1.4**
Effect of enacted changes in U.S. tax laws	-	**3.9**
Tax effect of investments in subsidiaries' and affiliates' securities	-	**(16.0)**
Other	1.4	**(2.4)**
Effective tax rate of continuing operations	31.2%	**28.8%**

Total income taxes for the years ended March 31, 2017 and 2018 are allocated as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Net income attributable to TDK	¥ 66,157	**¥ 25,834**	**$ 243,717**
Other comprehensive income (loss):			
Foreign currency translation adjustments	435	**3,567**	**33,651**
Pension liability adjustments	432	**1,656**	**15,623**
Net unrealized gains (losses) on securities	(108)	**(188)**	**(1,774)**
Total income taxes	¥ 66,916	**¥ 30,869**	**$ 291,217**

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Deferred tax assets:			
Inventories	¥ 2,248	**¥ 1,908**	**$ 18,000**
Accrued expenses	10,226	**11,988**	**113,094**
Retirement and severance benefits	36,213	**35,129**	**331,406**
Net operating loss carryforwards	79,581	**82,692**	**780,113**
Tax credit carryforwards	5,319	**9,769**	**92,161**
Property, plant and equipment, and Intangible assets	10,029	**11,026**	**104,019**
Tax effect of investments in subsidiaries' and affiliates' securities	-	**14,401**	**135,859**
Other	2,766	**2,865**	**27,028**
Total gross deferred tax assets	146,382	**169,778**	**1,601,680**
Less valuation allowance	(103,998)	**(129,919)**	**(1,225,651)**
Net deferred tax assets	¥ 42,384	**¥39,859**	**$ 376,029**
Deferred tax liabilities:			
Marketable securities and investments adjustments	¥ (2,095)	**¥ (1,898)**	**$ (17,906)**
Undistributed earnings of foreign subsidiaries and affiliated companies	(30,675)	**(31,794)**	**(299,943)**
Fixed assets acquired through business combination	(8,110)	**(7,369)**	**(69,519)**
Other	(1,744)	**(3,099)**	**(29,236)**
Total gross deferred tax liabilities	(42,624)	**(44,160)**	**(416,604)**
Net deferred tax assets	¥ (240)	**¥ (4,301)**	**$ (40,575)**

The United States of America enacted the new tax legislation in December 2017, and reduction of federal corporate tax rates etc. came into effect from January 1, 2018. The impact of this reform is recognized in earnings in the period that includes the date of enactment of the tax legislation.

The main impact from the tax reform results from the revaluation of deferred tax assets and deferred tax liabilities due to the reduction of federal corporate tax rates. As a result, income taxes increased by ¥3,513 million ($33,142 thousand) for the year ended March 31, 2018.

The net changes in total valuation allowance were a decrease of ¥11,823 million for the year ended March 31, 2017 and an increase of ¥ 25,921 million ($244,538 thousand) for the year ended March 31, 2018. The valuation allowance primarily relates to deferred tax assets associated with net operating loss carryforwards.

In assessing the realizability of deferred tax assets, TDK considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible and tax loss carryforwards are utilized. TDK considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, TDK believes it is more likely than not that TDK will realize the benefits of these deductible differences and tax loss carryforwards, net of the existing valuation allowance as of March 31, 2018.

As of March 31, 2018, TDK Corporation and its subsidiaries have net operating loss carryforwards for income tax purposes of ¥286,746million ($2,705,151 thousand) which are available to offset future taxable income, if any.

Periods available to offset future taxable income vary in each tax jurisdiction and range from one year to an indefinite period as follows:

	Yen (Millions)	U.S. Dollars (Thousands)
Within 1 year	¥ 3,201	$ 30,198
1 to 5 years	22,913	216,160
5 to 20 years	130,902	1,234,925
Indefinite periods	129,730	1,223,868
	¥ 286,746	$ 2,705,151

As of March 31, 2018, TDK Corporation and its subsidiaries have tax credit carryforwards for income tax purposes of ¥9,769 million ($92,160 thousand) which are available to reduce future income taxes, if any. Approximately ¥5,046 million ($47,604 thousand) of the tax credit carryforwards will expire through 2037, while the remainder has an indefinite carryforward period.

As of March 31, 2017 and 2018, TDK did not recognize deferred tax liabilities of approximately ¥4,297 million and ¥5,025 million ($47,406 thousand), respectively, for certain portions of undistributed earnings of foreign subsidiaries because TDK currently does not expect those unremitted earnings to reverse and become taxable to TDK in the foreseeable future.

A deferred tax liability will be recognized when TDK expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investments. As of March 31, 2017 and 2018, the undistributed earnings of these subsidiaries are approximately ¥193,710 million and ¥72,459million ($683,575 thousand), respectively.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits for the years ended March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Balance at beginning of year	¥ 4,285	**¥ 7,206**	**$ 67,981**
Additions for tax positions of the current year	2,988	**1,965**	**18,538**
Additions for tax positions of prior years	512	**1,609**	**15,179**
Reductions for tax positions of prior years	(198)	**(370)**	**(3,491)**
Settlements with tax authorities during the period	-	**(1,255)**	**(11,840)**
Other	(381)	**(13)**	**(123)**
Balance at end of year	¥ 7,206	**¥ 9,142**	**$ 86,244**

The total amount of unrecognized tax benefits that, if recognized, would reduce the effective tax rate as of March 31, 2017 and 2018 are ¥3,742 million and ¥4,888 million ($46,113 thousand), respectively.

Although TDK believes its estimates and assumptions used to identify unrecognized tax benefits are reasonable, there is an uncertainty about the final determination of tax audit settlements and any related litigation which could affect the effective tax rate in the future periods. As of March 31, 2018, TDK is not aware of any significant changes in its unrecognized tax benefits over the next 12 months.

TDK classifies interest and penalties related to unrecognized tax benefits as interest expense and other-net in other income (deductions), respectively, in the consolidated statements of income. Interest and penalties accrued which are recorded in other current liabilities as of March 31, 2018 as well as interest and penalties recorded in interest expense and other-net in other income (deductions) for the year then ended are not material.

TDK files income tax returns in Japan and various foreign tax jurisdictions. In Japan, TDK is no longer subject to regular income tax examinations by the tax authority for years ended on or before March 31, 2015. While there has been no specific indication by the tax authority that TDK will be subject to a transfer pricing examination in the near future, the tax authority could conduct a transfer pricing examination for years ended on or after March 31, 2008. In other major foreign tax jurisdictions, including the U.S. and Hong Kong, TDK is no longer subject to income tax examinations by tax authorities for years ended on or before March 31, 2011 with few exceptions. The tax authorities are currently conducting income tax examinations of TDK's income tax returns for certain years ended on or after March 31, 2012 in major foreign tax jurisdictions.

8. Retirement and Severance Benefits

1. Defined Benefit Pension Plans

TDK sponsors contributory and noncontributory retirement and severance plans that provide for pension or lump-sum benefit payments, based on length of service, employee salary and certain other factors, to substantially all employees who retire or terminate their employment for reasons other than dismissal for cause. These pension plans are recognized in accordance with FASB ASC 715 "Compensation－Retirement Benefits".

Reconciliations of beginning and ending balances of the benefit obligations and the fair value of the plan assets are as follows:

	Yen (Millions)			
	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Change in benefit obligations:				
Benefit obligations at beginning of period	¥ 222,517	¥ 97,400	**¥ 219,250**	**¥ 86,949**
Service cost	6,112	2,537	**5,929**	**2,278**
Interest cost	1,497	2,148	**1,678**	**2,072**
Employee contribution	-	(2)	-	**-**
Actuarial (gain) loss	(3,435)	1,028	**5,870**	**(2,114)**
Benefits paid	(7,441)	(2,787)	**(7,741)**	**(3,318)**
Plan amendments	-	(500)	86	**(39)**
Curtailment/settlement	-	(93)	**-**	**(47)**
Acquisition of subsidiaries	-	120	-	**-**
Sale of business	-	(8,596)	-	**-**
Translation adjustment	-	(4,306)	**-**	**(3,705)**
Benefit obligations at end of period	219,250	86,949	**225,072**	**89,486**
Change in plan assets:				
Fair value of plan assets at beginning of period	150,309	19,358	**156,615**	**20,837**
Actual return on plan assets	6,814	1,821	**5,779**	**1,568**
Employer contributions	6,933	2,444	**6,754**	**3,279**
Benefits paid	(7,441)	(2,787)	**(5,700)**	**(2,364)**
Curtailment/settlement	-	(89)	-	**(104)**
Translation adjustment	-	90	-	**(1,030)**
Fair value of plan assets at end of period	156,615	20,837	**163,448**	**22,186**
Funded status	¥ (62,635)	¥ (66,112)	**¥ (61,624)**	**¥ (67,300)**

	U.S. Dollars (Thousands)	
	2018	
	Japanese plans	Foreign plans
Change in benefit obligations:		
Benefit obligations at beginning of period	**$ 2,068,396**	**$ 820,274**
Service cost	**55,934**	**21,491**
Interest cost	**15,830**	**19,547**
Employee contribution	**-**	**-**
Actuarial (gain) loss	**55,378**	**(19,943)**
Benefits paid	**(73,028)**	**(31,302)**
Plan amendments	**811**	**(368)**
Curtailment/settlement	**-**	**(443)**
Acquisition of subsidiaries	**-**	**-**
Sale of business	**-**	**-**
Translation adjustment	**-**	**34,952**
Benefit obligations at end of period	**2,123,321**	**844,208**
Change in plan assets:		
Fair value of plan assets at beginning of period	**1,477,500**	**196,575**
Actual return on plan assets	**54,519**	**14,792**
Employer contributions	**63,717**	**30,934**
Benefits paid	**(53,774)**	**(22,302)**
Curtailment/settlement	**-**	**(981)**
Translation adjustment	**-**	**(9,716)**
Fair value of plan assets at end of period	**1,541,962**	**209,302**
Funded status	**$ (581,359)**	**$ (634,906)**

Amounts recognized in the consolidated balance sheets as of March 31, 2017 and 2018 consist of:

	Yen (Millions)			
	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Other assets	¥ -	¥ 318	**¥ 17**	**¥ 332**
Accrued expenses	(1,806)	(2,994)	**(2,453)**	**(2,772)**
Retirement and severance benefits	(60,829)	(63,436)	**(59,188)**	**(64,910)**
Total	¥ (62,635)	¥ (66,112)	**¥ (61,624)**	**¥ (67,300)**

	U.S. Dollars (Thousands)	
	2018	
	Japanese plans	Foreign plans
Other assets	**$ 160**	**$ 3,132**
Accrued expenses	**(23,141)**	**(25,679)**
Retirement and severance benefits	**(558,377)**	**(612,359)**
Total	**$ (581,358)**	**$ (634,906)**

Amounts recognized in accumulated other comprehensive income (loss) as of March 31, 2017 and 2018 consist of:

	Yen (Millions)			
	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss	¥ 69,516	¥ 22,998	**¥ 68,427**	**¥ 18,827**
Prior service cost (benefit)	914	(1,359)	**2,340**	**(1,321)**
Total	¥ 70,430	¥ 21,639	**¥ 70,767**	**¥ 17,506**

	U.S. Dollars (Thousands)	
	2018	
	Japanese plans	Foreign plans
Net actuarial loss	**$ 645,538**	**$ 177,613**
Prior service cost (benefit)	**22,075**	**(12,462)**
Total	**$ 667,613**	**$ 165,151**

Accumulated benefit obligations for all defined benefit plans are as follows:

	Yen (Millions)			
	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Accumulated benefit obligations	¥ 212,012	¥ 87,320	**¥ 217,313**	**¥ 84,424**

	U.S. Dollars (Thousands)	
	2018	
	Japanese plans	Foreign plans
Accumulated benefit obligations	**$ 2,050,123**	**$ 796,453**

The projected benefit obligations and the fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets, and the accumulated benefit obligations and the fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets are as follows:

	Yen (Millions)			
	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:				
Projected benefit obligations	¥ 219,250	¥ 86,949	**¥ 221,909**	**¥ 89,486**
Fair value of plan assets	156,615	20,837	**160,268**	**22,186**
Plans with accumulated benefit obligations in excess of plan assets:				
Accumulated benefit obligations	¥ 212,012	¥ 87,320	**¥ 214,195**	**¥ 84,424**
Fair value of plan assets	156,615	20,837	**160,268**	**22,186**

	U.S. Dollars (Thousands)	
	2018	
	Japanese plans	Foreign plans
Plans with projected benefit obligations in excess of plan assets:		
Projected benefit obligations	**$ 2,093,481**	**$ 844,208**
Fair value of plan assets	**1,511,962**	**209,302**
Plans with accumulated benefit obligations in excess of plan assets:		
Accumulated benefit obligations	**$ 2,020,708**	**$ 796,453**
Fair value of plan assets	**1,511,962**	**209,302**

Net periodic benefit cost (including discontinued operations) for TDK's employee retirement and severance defined benefit plans for the years ended March 31, 2017 and 2018 consist of the following components. Prior service cost (benefit) is amortized by the straight-line method over the average remaining service period of current employees.

	Yen (Millions)			
	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Service cost-benefits earned during the year	¥ 6,112	¥ 2,537	**¥ 5,929**	**¥ 2,278**
Interest cost on projected benefit obligation	1,497	2,148	**1,678**	**2,072**
Expected return on plan assets	(3,174)	(1,178)	**(2,733)**	**(1,386)**
Amortization of actuarial loss	4,704	1,960	**3,881**	**1,855**
Amortization of prior service cost (benefit)	(1,676)	(297)	**(1,308)**	**(77)**
Curtailment/settlement loss	-	2,102	**-**	**77**
Net periodic benefit cost	¥ 7,463	¥ 7,272	**¥ 7,447**	**¥ 4,819**

	U.S. Dollars (Thousands)	
	2018	
	Japanese plans	Foreign plans
Service cost-benefits earned during the year	**$ 55,934**	**$ 21,491**
Interest cost on projected benefit obligation	**15,830**	**19,547**
Expected return on plan assets	**(25,783)**	**(13,076)**
Amortization of actuarial loss	**36,613**	**17,500**
Amortization of prior service cost (benefit)	**(12,339)**	**(726)**
Curtailment/settlement loss	**-**	**726**
Net periodic benefit cost	**$ 70,255**	**$ 45,462**

Amounts recognized in pension liability adjustment that is a part of other comprehensive income (loss) mainly as changes in plan assets and benefit obligations for the years ended March 31, 2017 and 2018 are summarized as follows:

	Yen (Millions)			
	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	¥ (7,075)	¥ 385	**¥ 2,824**	**¥ (2,296)**
Plan amendments	-	(500)	**86**	**(39)**
Amortization of actuarial loss	(4,704)	(1,960)	**(3,881)**	**(1,855)**
Amortization of prior service (cost) benefit	1,676	297	**1,308**	**77**
Curtailment/settlement loss (gain)	-	(2,106)	**-**	**(20)**
Amount recognized in other comprehensive income (loss)	(10,103)	(3,884)	**337**	**(4,133)**
Total of net periodic benefit cost and amount recognized in other comprehensive income (loss)	¥ (2,640)	¥ 3,388	**¥ 7,784**	**¥ 686**

	U.S. Dollars (Thousands)	
	2018	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	**$ 26,641**	**$ (21,660)**
Plan amendments	**811**	**(368)**
Amortization of actuarial loss	**(36,613)**	**(17,500)**
Amortization of prior service (cost) benefit	**12,340**	**726**
Curtailment/settlement loss (gain)	**-**	**(189)**
Amount recognized in other comprehensive income (loss)	**3,179**	**(38,991)**
Total of net periodic benefit cost and amount recognized in other comprehensive income (loss)	**$ 73,434**	**$ 6,472**

The estimated net actuarial loss and prior service cost (benefit) for the defined benefit pension plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next year are summarized as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Amortization of actuarial loss	**¥ 3,805**	**¥ 1,396**	**$ 35,896**	**$ 13,170**
Amortization of prior service cost (benefit)	**(290)**	**(78)**	**(2,736)**	**(736)**

Assumptions

Weighted average assumptions used to determine benefit obligations as of March 31:

	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	0.8%	2.5%	**0.6%**	**2.5%**
Assumed rate of increase in future compensation levels	3.0%	2.7%	**2.9%**	**2.7%**

Weighted average assumptions used to determine net periodic benefit cost for the years ended March 31:

	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Discount rate	0.7%	2.5%	**0.8%**	**2.5%**
Assumed rate of increase in future compensation levels	3.0%	2.7%	**3.0%**	**2.7%**
Expected long-term rate of return on plan assets	2.3%	6.4%	**1.9%**	**6.0%**

TDK determines the expected long-term rate of return based on the expected long-term return of the various asset categories in which it invests. TDK considers the current expectations for future returns and the actual historical returns of each plan asset category.

Plan assets

TDK's investment policies are designed to ensure adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, TDK formulates a "model" portfolio comprised of the optimal combination of equity securities and debt securities. Plan assets are invested in individual equity and debt securities using the guidelines of the "model" portfolio in order to produce a total return that will match the expected return on a mid-term to long-term basis. TDK evaluates the gap between expected return and actual return of invested plan assets on an annual basis to determine if such differences necessitate a revision in the formulation of the "model" portfolio. TDK revises the "model" portfolio when and to the extent considered necessary to achieve the expected long-term rate of return on plan assets.

As of March 31, 2018, the asset portfolio of TDK's Japanese plans is divided into three main asset categories with approximately 29 percent consisting of equity securities, approximately 38 percent of debt securities and approximately 33 percent of other assets such as cash and cash equivalents. The asset portfolio of TDK's foreign plans is also divided into three main asset categories with approximately 46 percent consisting of equity securities, approximately 40 percent of debt securities and approximately 14 percent of other assets such as cash and cash equivalents. As of March 31, 2018, there is no significant deviation between the target allocations and actual results.

Shares in Japanese companies included in equity securities mainly consist of shares listed on stock exchanges and over-the-counter markets. They are selected after a thorough examination and analysis of the operations of investment target companies and are appropriately diversified with respect to business categories and issues. Bonds of Japanese companies among debt securities mainly consist of corporate bonds, government bonds and public bonds. They are selected after a thorough examination and analysis of issuance conditions such as bond ratings, coupons, maturity dates, etc. and are appropriately diversified with respect to issuers and remaining periods. Regarding investments in foreign issues, target countries and currencies are selected after a thorough examination of political and economic stability, market characteristics such as clearing systems and taxation systems. For other assets, which include a life insurance company general account, pooled funds and real estate investment trusts, among others, diversified investment is carried out after a thorough examination and analysis of general economic conditions and investment target assets. A life insurance company general account is a product of life insurance companies in which individual insurance funds, corporate plan assets and other funds are jointly managed.

The fair value of TDK's plan assets as of March 31, 2017 and 2018 by asset type are as follows:

	Yen (Millions)							
	2017							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Cash and cash equivalents:								
Cash and cash equivalents	¥ 6,812	¥ -	¥ -	¥ 6,812	¥ 1,448	¥ -	¥ -	¥ 1,448
Equity securities:								
Listed shares	8,250	-	-	8,250	1,896	-	-	1,896
Mutual funds	-	31,715	-	31,715	3,546	1,105	-	4,651
Pooled funds	-	6,000	-	6,000	3,206	154	-	3,360
Debt securities:								
Government bonds, public bonds, corporate bonds	7,131	-	-	7,131	3,146	2.919	-	6,065
Mutual funds	-	12,982	-	12.982	1,378	667	-	2,045
Pooled funds	-	36,274	-	36,274	-	220	-	220
Other assets:								
Life insurance company general account	-	15,611	-	15,611	-	170	-	170
Mutual funds	-	16,510	-	16,510	-	-	-	-
Pooled funds	-	6,282	-	6,282	-	-	-	-
Others	-	221	8,827	9,048	-	982	-	982
Total plan assets	¥ 22,193	¥ 125,595	¥ 8,827	¥ 156,615	¥ 14,620	¥ 6,217	¥ -	¥ 20,837

	Yen (Millions)							
	2018							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Assets measured at other than net asset value per share								
Cash and cash equivalents:								
Cash and cash equivalents	**¥ 6,031**	**¥ -**	**¥ -**	**¥ 6,031**	**¥ 1,850**	**¥ -**	**¥ -**	**¥ 1,850**
Equity securities:								
Listed shares	**6,248**	**-**	**-**	**6,248**	**566**	**-**	**-**	**566**
Mutual funds	**-**	**34,839**	**-**	**34,839**	**8,222**	**1,268**	**-**	**9,490**
Debt securities:								
Government bonds, public bonds, corporate bonds	**7,794**	**-**	**-**	**7,794**	**3,706**	**3,004**	**-**	**6,710**
Mutual funds	**-**	**19,723**	**-**	**19,723**	**1,326**	**606**	**-**	**1,932**
Other assets:								
Life insurance company general account	**-**	**15,934**	**-**	**15,934**	**-**	**181**	**-**	**181**
Mutual funds	**-**	**17,268**	**-**	**17,268**	**-**	**-**	**-**	**-**
Others	**-**	**225**	**7,497**	**7,722**	**-**	**1,063**	**-**	**1,063**
Assets measured at net asset value per share								
Equity securities:								
Pooled funds	**-**	**-**	**-**	**6,814**	**-**	**-**	**-**	**196**
Debt securities:								
Pooled funds	**-**	**-**	**-**	**34,095**	**-**	**-**	**-**	**198**
Other assets:								
Pooled funds	**-**	**-**	**-**	**6,980**	**-**	**-**	**-**	**-**
Total plan assets	**¥ 20,073**	**¥ 87,989**	**¥ 7,497**	**¥ 163,448**	**¥ 15,670**	**¥ 6,122**	**¥ -**	**¥ 22,186**

	U.S. Dollars (Thousands)							
	2018							
	Japanese plans				Foreign plans			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Plan assets:								
Assets measured at other than net asset value per share								
Cash and cash equivalents:								
Cash and cash equivalents	**$ 56,896**	**$ -**	**$ -**	**$ 56,896**	**$ 17,453**	**$ -**	**$ -**	**$ 17,453**
Equity securities:								
Listed shares	**58,944**	**-**	**-**	**58,944**	**5,340**	**-**	**-**	**5,340**
Mutual funds	**-**	**328,670**	**-**	**328,670**	**77,566**	**11,962**	**-**	**89,528**
Debt securities:								
Government bonds, public bonds, corporate bonds	**73,528**	**-**	**-**	**73,528**	**34,962**	**28,340**	**-**	**63,302**
Mutual funds	**-**	**186,066**	**-**	**186,066**	**12,509**	**5,717**	**-**	**18,226**
Other assets:								
Life insurance company general account	**-**	**150,321**	**-**	**150,321**	**-**	**1,708**	**-**	**1,708**
Mutual funds	**-**	**162,906**	**-**	**162,906**	**-**	**-**	**-**	**-**
Others	**-**	**2,122**	**70,726**	**72,848**	**-**	**10,028**	**-**	**10,028**
Assets measured at net asset value per share								
Equity securities:								
Pooled funds	**-**	**-**	**-**	**64,283**	**-**	**-**	**-**	**1,849**
Debt securities:								
Pooled funds	**-**	**-**	**-**	**321,651**	**-**	**-**	**-**	**1,868**
Other assets:								
Pooled funds	**-**	**-**	**-**	**65,849**	**-**	**-**	**-**	**-**
Total plan assets	**$ 189,368**	**$ 830,085**	**$ 70,726**	**$ 1,541,962**	**$ 147,830**	**$ 57,755**	**$ -**	**$ 209,302**

Plan assets that are measured at fair value using the net asset value are not classified in the fair value hierarchy.

Level 1 assets are mainly equity securities and debt securities that are valued using unadjusted quoted prices in active markets in which transactions occur with sufficient frequency and volume. Level 2 assets include mainly mutual funds and pooled funds that invest in equity securities and debt securities. They are valued based on quoted prices obtained from asset management agencies and are verified using observable market inputs. Level 3 assets are insurance products that are valued based on unobservable inputs regarding the assets and the relevant liabilities. Plan assets that are measured at fair value using the net asset value are pooled funds, which are measured at net asset value calculated by the trust operator.

Change in TDK's plan assets that are classified as Level 3 assets for the years ended March 31, 2017 and 2018 are as follows:

	Yen (Millions)	
	2017	**2018**
	Insurance products	
Balance at beginning of year	¥ 7,918	**¥ 8,827**
Net change due to purchase, sale, etc.	500	**-**
Gain (loss) on assets held at end of year	409	**(1,330)**
Balance at end of year	¥ 8,827	**¥ 7,497**

	U.S. Dollars (Thousands)
	2018
	Insurance products
Balance at beginning of year	**$ 83,273**
Net change due to purchase, sale, etc.	**-**
Gain (loss) on assets held at end of year	**(12,547)**
Balance at end of year	**$ 70,726**

Contributions

TDK expects to contribute ¥9,065 million ($85,519 thousand) to its Japanese defined benefit plans and ¥1,226 million ($11,566 thousand) to its foreign defined benefit plans for the year ending March 31, 2019.

Estimated future benefit payments

The benefits are expected to be paid from the pension plans in each year 2019 through 2028 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Year ending March 31,				
2019	**¥ 8,295**	**¥ 3,549**	**$ 78,255**	**$ 31,481**
2020	**8,137**	**3,399**	**76,764**	**32,066**
2021	**8,342**	**3,693**	**78,698**	**34,840**
2022	**8,427**	**3,773**	**79,500**	**35,594**
2023	**9,283**	**3,956**	**87,575**	**37,321**
2024 - 2028 total	**45,796**	**22,807**	**432,038**	**215,160**

2. Deferred Compensation Plans

Certain subsidiaries of TDK Corporation have deferred compensation plans under which employees place a portion of their compensation in a pension fund and contributions can be received with interest at the time of retirement. Estimated future benefit payments to retirees are determined by actuarial calculation. Liabilities relating to these plans are recorded as either the market value of plan assets or the present value of estimated future benefit payments, whichever is greater. As of March 31, 2017 and 2018, the amount of ¥937 million and ¥1,039 million ($9,802 thousand) are recorded as retirement and severance benefits, respectively.

Amount recognized in pension liability adjustment that is a part of other comprehensive income (loss) mainly as changes in plan assets and benefit obligations for the years ended March 31, 2017 and 2018 are summarized as follows:

	Yen (Millions)			
	2017		**2018**	
	Japanese plans	Foreign plans	Japanese plans	Foreign plans
Net actuarial loss (gain)	¥ -	¥ (194)	**¥ -**	**¥ 22**
Plan amendments	-	(6)	-	-
Amortization of actuarial loss	-	1	**-**	**(18)**
Amortization of prior service (cost) benefit	-	168	-	**7**
Curtailment/settlement loss (gain)		121		**-**
Amount recognized in other comprehensive income (loss)	¥ -	¥ 90	**¥ -**	**¥ 11**

	U.S. Dollars (Thousands)	
	2018	
	Japanese plans	Foreign plans
Net actuarial loss (gain)	**$ -**	**$ 208**
Plan amendments	**-**	**-**
Amortization of actuarial loss	**-**	**(170)**
Amortization of prior service (cost) benefit	**-**	**66**
Curtailment/settlement loss (gain)		**-**
Amount recognized in other comprehensive income (loss)	**$ -**	**$ 104**

3. Defined Contribution Pension Plans

Expenses for defined contribution pension plan recognized by TDK Corporation and certain subsidiaries for the years ended March 31, 2017 and 2018 were ¥2,000 million and ¥2,193 million ($20,689 thousand), respectively.

9. Legal Reserve and Dividends

The Japanese Companies Act provides that an amount equal to 10 percent of cash dividends and other distributions from retained earnings paid by TDK Corporation and its domestic subsidiaries be appropriated as a legal reserve. No further appropriations are required when the total amount of the additional paid-in capital and the legal reserve equals 25 percent of their respective stated capital. The Japanese Companies Act also provides that additional paid-in capital and the legal reserve are available for appropriations by the resolution of the shareholders. Certain foreign subsidiaries are also required to appropriate their earnings to legal reserves under the laws of the respective countries. Cash dividends and appropriations to the legal reserve charged to retained earnings in accordance with Japanese Companies Act for the years ended March 31, 2017 and 2018 represent dividends paid out during those years and the related appropriations to the legal reserve. The accompanying consolidated financial statements do not include any provision for the dividend taken up at the Ordinary General Meeting of Shareholders of ¥70 ($0.66) per share aggregating ¥8,837 million ($83,368 thousand) in respect of the year ended March 31, 2018.

Cash dividends per common share are computed based on dividends paid for the year.

10. Stock Option Plan

Compensation expenses related to stock options that TDK Corporation and one of its subsidiaries recognized for the years ended March 31, 2017 and 2018 were ¥310 million and ¥370 million ($3,491 thousand), respectively.

The tax benefits related to these compensation expenses for the years ended March 31, 2017 and 2018 were ¥96 million and ¥114 million ($1,075 thousand), respectively. The tax benefits realized from stock options exercised for the years ended March 31, 2017 and 2018 were ¥35 million and ¥9 million ($85 thousand), respectively.

1. TDK Corporation Stock Option Plans

TDK Corporation has two types of stock option plans, the Ordinary-Type Stock Options and the Share-based Compensation Type Stock Options. Under the Ordinary-Type Stock Options, stock options, each representing a right to purchase 100 shares of common stock of TDK Corporation, are granted to the senior executives of TDK Corporation and to the directors and senior executives of its subsidiaries. The stock options are vested based on 2 years of continuous service after the grant date and have the exercise period of 4 years. The exercise price of the stock options is equal to or greater than the fair market value of TDK Corporation’s common stock on the grant date.

There are two types of the Share-based Compensation Type Stock Options as described below and the second type contains a certain performance condition.

1) Stock options, each representing a right to purchase 100 shares of common stock of TDK Corporation, are granted to the directors and corporate officers of TDK Corporation. The stock options are fully vested on the grant date and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of the stock options is set at ¥1 ($0.01) per share of common stock.

2) Stock options, each representing a right to purchase 100 shares of common stock of TDK Corporation, are granted to the directors and corporate officers of TDK Corporation. The stock options are vested depending on the degree of achievement of the medium-term management plan and have the exercise period of 20 years. The amount to be paid by qualified persons upon the exercise of the stock options is set at ¥1 ($0.01) per share of common stock.

A summary of the status of TDK Corporation's stock options as of March 31, 2017 and 2018, and of the activity for the years ended on those dates, is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value (1)
		Yen	Years	Yen (Millions)
2017				
Outstanding at beginning of year	487,500	¥ 1,714		
Granted	47,500	1		
Exercised	77,200	2,638		
Forfeited or Expired	40,700	4,024		
Outstanding at end of year	417,100	1,123	12.4	2,472
Exercisable at end of year	327,700	1,429	10.7	1,842
Expected to vest after end of year	89,400	1	18.5	630
2018				
Outstanding at beginning of year	**417,100**	**¥ 1,123**		
Granted	**27,100**	**1**		
Exercised	**46,000**	**3,217**		
Forfeited or Expired	**18,800**	**4,176**		
Outstanding at end of year	**379,400**	**638**	**13.5**	**3,397**
Exercisable at end of year	**288,400**	**838**	**12.3**	**2,524**
Expected to vest after end of year	**91,000**	**1**	**17.5**	**873**

(1) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the closing stock price of ¥7,050 on March 31, 2017 and ¥9,590 ($90.47) on March 31, 2018.

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
2018				
Outstanding at beginning of year	**417,100**	**$ 10.59**		
Granted	**27,100**	**0.01**		
Exercised	**46,000**	**30.35**		
Forfeited or Expired	**18,800**	**39.40**		
Outstanding at end of year	**379,400**	**6.02**	**13.5**	**32,047**
Exercisable at end of year	**288,400**	**7.91**	**12.3**	**23,811**
Expected to vest after end of year	**91,000**	**0.01**	**17.5**	**8,236**

As of March 31, 2018, all outstanding stock options were vested or expected to be vested. The total intrinsic value of stock options exercised for the years ended March 31, 2017 and 2018 was ¥336 million and ¥229 million ($2,160 thousand), respectively. Cash received from stock options exercised for the years ended March 31, 2017 and 2018 was ¥204 million and ¥148 million ($1,396 thousand).

Information about stock options outstanding as of March 31, 2018 is as follows:

	Options Outstanding			
Range of exercise prices	Number outstanding at March 31, 2018	Weighted average remaining contractual term	Weighted average exercise price	
Yen		(years)	Yen	U.S. Dollars
1	314,600	16.1	¥ 1	$ 0.01
3,550	24,500	0.3	3,550	33.49
3,836	40,300	1.3	3,836	36.19
1 to 3,836	379,400	13.5	638	6.02

A summary of the status of TDK Corporation's nonvested stock options as of March 31, 2017 and 2018, and of the activity for the years ended on those dates, is as follows:

	2017		**2018**		
	Number of shares	Weighted average grant-date fair value	Number of shares	Weighted average grant-date fair value	
		Yen		Yen	U.S. Dollars
Nonvested at beginning of year	86,400	¥ 6,806	**89,400**	**¥ 6,404**	**$ 60.42**
Granted	47,500	4,273	**27,100**	**6,584**	**62.11**
Vested	36,700	4,508	**24,500**	**6,595**	**62.22**
Forfeited	7,800	6,806	**1,000**	**6,806**	**64.21**
Nonvested at end of year	89,400	6,404	**91,000**	**6,401**	**60.39**

As of March 31, 2018, TDK Corporation had ¥80 million ($755 thousand) of total unrecognized compensation expenses related to stock options that will be recognized over the weighted average period of 0.3 years. The total fair value of stock options vested for the years ended March 31, 2017 and 2018 was ¥142 million and ¥162 million ($1,528 thousand), respectively.

The fair value of these stock options was estimated on the grant date using the Black-Scholes option pricing model with the following assumptions:

Share-based Compensation-Type Stock Options – the exercise price is less than the market price of the stock on the grant date

	2017	**2018**
Grant-date fair value	¥ 4,273	**¥ 6,584 ($ 62.11)**
Expected term	9.1 years	**8.1 years**
Risk-free interest rate	(0.33)%	**0.052%**
Expected volatility	38.51%	**34.13%**
Expected dividend yield	2.29%	**1.60%**

2. Subsidiary Stock Option Plans

One of TDK Corporation's subsidiaries has two types of stock option plans. Under the plans, stock options, each representing a right to purchase one share of common stock of the subsidiary, are granted to the directors and senior executives of the subsidiary and its affiliates. Under one of the plans (Class A), the stock options vest over a 5 year period after the grant date. Under the other plan (Class B), 50 percent of the stock options vest when a certain performance condition is achieved and the remaining 50 percent vest over a 3 year period after the date of achievement.

Compensation expenses related to Class B were not recognized and the disclosure is omitted for the years ended March 31, 2017, as it was not considered probable as of March 31, 2017 that the performance condition would be achieved. These stock options have the exercise period of 8 years after the grant date, and will become exercisable when a certain performance condition is achieved.

The subsidiary shall issue new shares upon stock option exercised.

As the subsidiary is a nonpublic company, the fair value is estimated based on valuation techniques using assumptions.

A summary of the status of the subsidiary's stock options as of March 31, 2017, and of the activity for the years ended on those dates is as follows:

	Number of shares	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		U.S. Dollars	Years	U.S. Dollars (Thousands)
2017				
Outstanding at beginning of year	86,400,000	$ 0.00128		
Granted	-	-		
Exercised	-	-		
Forfeited or Expired	86,400,000	0.00128		
Modified	-	-		
Outstanding at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-
Vested at end of year	-	-	-	-
Expected to be vested after end of year	-	-	-	-

The fair value of Class A plan was estimated on the grant date using the Binomial model with the following assumptions:

	2012
Grant-date fair value	$ 0.06204
Expected term	5.95 years
Risk-free interest rate	2.48%
Expected volatility	50.00%

11. Equity

Net income attributable to TDK and transfers (to) from noncontrolling interest for the years ended March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Net income attributable to TDK	¥ 145,099	**¥ 63,463**	**$ 598,707**
Decrease in TDK’s additional paid-in capital for purchase of Amperex Technology Ltd.’s common shares from third parties	(5,805)	**(6,893)**	**(65,028)**
Decrease in TDK’s additional paid-in capital for purchase of Micronas Semiconductor Holding AG’s common shares from third parties	(53)	**-**	**-**
Increase(Decrease) in TDK’s additional paid-in capital for purchase of Tronics Microsystems SA’s common shares from third parties	(73)	**0**	**0**
Decrease in TDK’s additional paid-in capital for purchase of Magnecomp Precision Technology Public Co., Ltd.’s common shares from third parties	(0)	**-**	**-**
Net transfers (to) from noncontrolling interest	(5,931)	**(6,893)**	**(65,028)**
Change from net income attributable to TDK and transfers (to) from noncontrolling interest	¥ 139,168	**¥ 56,570**	**$ 533,679**

12. Other Comprehensive Income (Loss)

Change in accumulated other comprehensive income (loss) for the years ended March 31, 2017 and 2018 are as follows:

2017

	Yen (Millions)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2016	¥ (21,309)	¥ (84,885)	¥ 3,909	¥ (102,285)
Equity transaction of consolidated subsidiaries and other	(143)	-	-	(143)
Other comprehensive income (loss) before reclassifications	(18,155)	7,943	(194)	(10,406)
Amounts reclassified from accumulated other comprehensive income (loss)	(711)	5,522	(80)	4,731
Other comprehensive income (loss)	(18,866)	13,465	(274)	(5,675)
Other comprehensive income (loss) attributable to noncontrolling interests	471	1	-	472
March 31, 2017	¥ (40,789)	¥ (71,421)	¥ 3,635	¥ (108,575)

2018

	Yen (Millions)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2017	**¥ (40,789)**	**¥ (71,421)**	**¥ 3,635**	**¥ (108,575)**
Equity transaction of consolidated subsidiaries and other	**73**	**-**	**-**	**73**
Other comprehensive income (loss) before reclassifications	**(12,670)**	**(1,093)**	**(373)**	**(14,136)**
Amounts reclassified from accumulated other comprehensive income (loss)	**(12)**	**3,227**	**(14)**	**3,201**
Other comprehensive income (loss)	**(12,682)**	**2,134**	**(387)**	**(10,935)**
Other comprehensive income (loss) attributable to noncontrolling interests	**50**	**5**	**-**	**55**
March 31, 2018	**¥ (53,448)**	**¥ (69,292)**	**¥ 3,248**	**¥ (119,492)**

2018

	U.S. Dollars (Thousands)			
	Foreign currencies translation adjustments	Pension liability adjustments	Net unrealized gains (losses) on securities	Total
March 31, 2017	**$ (384,802)**	**$ (673,783)**	**$ 34,293**	**$ (1,024,292)**
Equity transaction of consolidated subsidiaries and other	**689**	**-**	**-**	**689**
Other comprehensive income (loss) before reclassifications	**(119,529)**	**(10,311)**	**(3,519)**	**(133,359)**
Amounts reclassified from accumulated other comprehensive income (loss)	**(113)**	**30,443**	**(132)**	**30,198**
Other comprehensive income (loss)	**(119,642)**	**20,132**	**(3,651)**	**(103,161)**
Other comprehensive income (loss) attributable to noncontrolling interests	**472**	**47**	**-**	**519**
March 31, 2018	**$ (504,227)**	**$ (653,698)**	**$ 30,642**	**$ (1,127,283)**

The reclassifications out of accumulated other comprehensive income (loss) for the year ended March 31, 2017 and 2018 are as follows:

	Amount reclassified from accumulated other comprehensive income (loss) *1			Affected line items in consolidated statements of income
	2017	**2018**	**2018**	
	Yen (Millions)		U.S. Dollars (Thousands)	
Foreign currencies translation adjustments:				
	¥ 750	**¥ 12**	**$ 113**	Selling, general and administrative expenses
	(39)	-	-	
	-	-	-	Tax (expense) or benefit
	711	**12**	**113**	Net of tax
Pension liability adjustments:				
	(6,507)	**(4,382)**	**(41,339)**	*2
	985	**1,155**	**10,896**	Tax (expense) or benefit
	(5,522)	**(3,227)**	**(30,443)**	Net of tax
Net unrealized gains (losses) on securities:	80	14	132	Gain (loss) on securities, net
	-	(0)	-	Tax (expense) or benefit
	80	**14**	**132**	Net of tax
Total amount reclassified, net of tax	¥ (4,731)	**¥ (3,201)**	**$ (30,198)**	

*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 that is presented in Note 8 of the Notes to Consolidated Financial Statements.

Tax effects allocated to each component of other comprehensive income (loss) and reclassification adjustments for the years ended March 31, 2017 and 2018, are as follows:

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
2017			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	¥ (17,720)	¥ (435)	¥ (18,155)
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	(711)	-	(711)
Net foreign currency translation adjustments	(18,431)	(435)	(18,866)
Pension liability adjustments:			
Amount arising during the year	7,390	553	7,943
Reclassification adjustments for amortization and curtailment/settlement	6,507	(985)	5,522
Net pension liability adjustments	13,897	(432)	13,465
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	(302)	108	(194)
Reclassification adjustments for (gains) losses realized in net income	(80)	-	(80)
Net unrealized gains (losses)	(382)	108	(274)
Other comprehensive income (loss)	¥ (4,916)	¥ (759)	¥(5,675)

	Yen (Millions)		
	Before tax Amount	Tax (expense) or benefit	Net-of-tax amount
2018			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	**¥ (9,103)**	**¥ (3,567)**	**¥ (12,670)**
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	**(12)**	**-**	**(12)**
Net foreign currency translation adjustments	**(9,115)**	**(3,567)**	**(12,682)**
Pension liability adjustments:			
Amount arising during the year	**(592)**	**(501)**	**(1,093)**
Reclassification adjustments for amortization and curtailment/settlement	**4,382**	**(1,155)**	**3,227**
Net pension liability adjustments	**3,790**	**(1,656)**	**2,134**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	**(561)**	**188**	**(373)**
Reclassification adjustments for (gains) losses realized in net income	**(14)**	**0**	**(14)**
Net unrealized gains (losses)	**(575)**	**188**	**(387)**
Other comprehensive income (loss)	**¥ (5,900)**	**¥ (5,035)**	**¥ (10,935)**

	U.S. Dollars (Thousands)		
	Before tax amount	Tax (expense) or benefit	Net-of-tax Amount
2018			
Foreign currencies translation adjustments:			
Amount arising during the year from investments in foreign entities	**$ (85,878)**	**$ (33,651)**	**$ (119,529)**
Reclassification adjustments for the portion of gains and losses realized upon sale or liquidation of investments in foreign entities	**(113)**	**-**	**(113)**
Net foreign currency translation adjustments	**(85,991)**	**(33,651)**	**(119,642)**
Pension liability adjustments:			
Amount arising during the year	**(5,585)**	**(4,726)**	**(10,311)**
Reclassification adjustments for amortization and curtailment/settlement	**41,340**	**(10,897)**	**30,443**
Net pension liability adjustments	**35,755**	**(15,623)**	**20,132**
Unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during the year	**(5,293)**	**1,774**	**(3,519)**
Reclassification adjustments for (gains) losses realized in net income	**(132)**	**-**	**(132)**
Net unrealized gains (losses)	**(5,425)**	**1,774**	**(3,651)**
Other comprehensive income (loss)	**$ (55,661)**	**$ (47,500)**	**$ (103,161)**

13. Leases

TDK occupies offices and other facilities under various cancellable lease agreements expiring in 2019 through 2020.

The amount of assets under capital leases and the related accumulated depreciation included in property, plant and equipment on the consolidated balance sheets as of March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Buildings -cost	¥ 3,988	**¥ 4,345**	**$ 40,990**
Machinery and equipment - cost	3,380	**3,821**	**36,047**
Accumulated depreciation	(3,406)	**(3,734)**	**(35,226)**
Net leased assets	¥ 3,962	**¥ 4,432**	**$ 41,811**

The depreciation expense for assets under capital leases is included in cost of sales and selling, general and administrative expenses of the consolidated statements of income.

Operating lease expenses are ¥9,016 million and ¥8,696 million ($82,038 thousand) for the year ended March 31, 2017 and 2018, respectively.

The following is a schedule by year of future minimum lease payments required under capital leases and operating leases that have initial or remaining noncancellable lease terms in excess of one year as of March 31, 2018:

	Yen (Millions)		U.S. Dollars (Thousands)	
	Capital leases	Operating leases	Capital leases	Operating leases
Year ending March 31,				
2019	¥ 1,110	¥ 6,524	$ 10,472	$ 61,547
2020	960	4,885	9,057	46,085
2021	897	2,924	8,462	27,585
2022	856	2,323	8,075	21,915
2023	734	1,746	6,925	16,472
Later years	9,329	8,010	88,009	75,566
Total minimum lease payments	¥ 13,886	¥ 26,412	$ 131,000	$ 249,170
Amounts representing interest	8,176		77,132	
Present value of net minimum lease payments	5,710		53,868	
Current portion	542		5,113	
Long-term lease obligations (Excluding current portion)	¥ 5,168		$ 48,755	

14. Commitments and Contingent Liabilities

Commitments outstanding for the purchase of property, plant and equipment as of March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Commitments outstanding for the purchase of property, plant and equipment	¥ 53,878	**¥ 52,514**	**$ 495,415**

Certain overseas subsidiaries reached minimum purchase agreements with suppliers for raw materials and electricity necessary for production activities. As of March 31, 2017 and 2018, the minimum purchase obligations based on these agreements are as follows:

The decrease for the year ended March 31, 2018 was mainly attributable to reduction of commitments for the purchase of electricity.

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Commitments outstanding for the purchase of raw material and electricity	¥ 28,010	**¥ 22,574**	**$ 212,962**

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, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Guarantees to third parties on bank loans of employees	¥ 956	**¥ 769**	**$ 7,255**

As of March 31, 2018, the liability recognized for the estimated fair value of TDK's obligation under the guarantee arrangements is not material.

On July 26, 2016, Japan Fair Trade Commission started an investigation on TDK Corporation based on the suspicion of the violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in connection with the HDD suspension assembly business and TDK Corporation fully cooperated with Japan Fair Trade Commission for the investigation. On February 9, 2018, Japan Fair Trade Commission issued the cease and desist order and the surcharge payment order against manufacturers and sellers of the products in relation to the violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in connection with the HDD suspension assembly business. An exemption from surcharge was admitted and TDK Corporation did not receive the cease and desist order because of an application in advance to Japan Fair Trade Commission for leniency.

Several claims against TDK are pending. 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.

15. Derivative Financial Instruments and Hedging Activities

TDK operates internationally and is exposed to the risk of changes in foreign exchange rates and interest rates as well as changes in raw material prices. TDK assesses these risks by continuously monitoring changes in the exchange rates, interest rates and raw material prices and by evaluating hedging opportunities. Derivative financial instruments are utilized to reduce these risks. TDK does not hold or issue derivative financial instruments for trading purposes. TDK is exposed to credit related losses in the event of nonperformance by the counterparties to those derivative financial instruments, but does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure of those financial instruments is represented by the fair values of contracts. The fair values of the contracts are calculated based on the quotes presented by financial institutions. TDK does not hold any derivative instruments which consisted credit-risk-related contingent features.

(1) Hedges of net investment in foreign operations

TDK uses forward foreign exchange contracts and borrowings denominated in the subsidiary's local currency to hedge the foreign currency exposure of the net investment in overseas subsidiaries. The gains and losses of these hedging instruments are recorded in foreign currency translation adjustments, which is a part of other comprehensive income (loss). There are no gains (losses) reclassified from other comprehensive income (loss) to earnings. Also, there is no ineffective portion and amount excluded from effectiveness testing.

(2) Derivatives not designated as hedging instruments

TDK uses forward foreign exchange contracts, nondeliverable 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. TDK uses interest rate swap contracts in order to control the fluctuation risks of interest rates. Also, TDK uses commodity forward contracts in order to control the fluctuation risk 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.

The effect of derivative financial instruments on the consolidated statements of income and consolidated statements of comprehensive income (loss) for the years ended March 31, 2017 and 2018 are as follows:

(1) Hedges of net investment in foreign operations and other hedging instruments

	Gains (losses) recognized in other comprehensive income on derivative (effective portion)		
	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Forward foreign exchange contracts	¥ 725	**¥ 1,639**	**$ 15,462**
Borrowings in local currency	-	**4,314**	**40,698**
Total	¥ 725	**¥ 5,953**	**$ 56,160**

(2) Derivatives not designated as hedging instruments

	Account	Yen (Millions) 2017	Yen (Millions) **2018**	U.S. Dollars (Thousands) **2018**
Forward foreign exchange contracts	Foreign exchange gain (loss)	¥ 518	**¥ 6,726**	**$ 63,453**
Nondeliverable forward contracts (NDF)	Foreign exchange gain (loss)	(25)	**(655)**	**(6,179)**
Currency swap contracts	Foreign exchange gain (loss)	3,074	**(732)**	**(6,906)**
Interest rate swap contracts	Other income (deductions): Other-net	-	**293**	**2,764**
Currency option contracts	Foreign exchange gain (loss)	(52)	**59**	**556**
Commodity forward contracts	Cost of sales	291	**34**	**321**
	Total	¥ 3,806	**¥ 5,725**	**$ 54,009**

Notional amounts and fair value of derivative financial instruments and other as of March 31, 2017 and 2018 are as follows:

Yen (Millions)					
2017					
Derivatives designated as hedging instruments:					
		Asset derivatives		Liability derivatives	
	Notional amounts	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 133,201	¥ 752	Prepaid expenses and other current assets	¥ 27	Other current liabilities
Derivatives not designated as hedging instruments:					
		Asset derivatives		Liability derivatives	
	Notional amounts	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	¥ 97,837	¥119	Prepaid expenses and other current assets	¥ 670	Other current liabilities
Nondeliverable forward contracts (NDF)	5,181	-	-	71	Other current liabilities
Currency swap contracts		188	Prepaid expenses and other current assets	-	-
	17,093	1,351	Other assets	11	Other noncurrent liabilities
Commodity forward contracts	943	186	Prepaid expenses and other current assets	-	-

Yen (Millions)					
2018					
Derivatives designated as hedging instruments and other:					
		Asset derivatives		Liability derivatives	
	Notional amounts	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	**¥ 135,530**	**¥ 173**	Prepaid expenses and other current assets	**¥ 1,183**	Other current liabilities
Borrowings in local currency	**63,744**				
Derivatives not designated as hedging instruments:					
		Asset derivatives		Liability derivatives	
	Notional amounts	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	**¥ 82,896**	**¥ 273**	Prepaid expenses and other current assets	**¥ 248**	Other current liabilities
Currency swap contracts		**18**	Prepaid expenses and other current assets	**90**	Other current liabilities
	20,866	**678**	Other assets	**32**	Other noncurrent liabilities
Interest rate swap contracts	**31,872**	**293**	Other assets	**-**	
Commodity forward contracts	**157**	**-**	-	**3**	Other current liabilities

U.S. Dollars (Thousands)					
2018					
Derivatives designated as hedging instruments:					
		Asset derivatives		Liability derivatives	
	Notional amounts	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	**$ 1,278,585**	**$ 1,632**	Prepaid expenses and other current assets	**$ 11,160**	Other current liabilities
Borrowings in local currency	**601,358**	**-**	-	**-**	-
Derivatives not designated as hedging instruments:					
		Asset derivatives		Liability derivatives	
	Notional amounts	Fair value	Consolidated balance sheets location	Fair value	Consolidated balance sheets location
Forward foreign exchange contracts	**$ 782,038**	**$ 2,575**	Prepaid expenses and other current assets	**$ 2,340**	Other current liabilities
Currency swap contracts		**170**	Prepaid expenses and other current assets	**849**	Other current liabilities
	196,849	**6,396**	Other assets	**302**	Other noncurrent liabilities
Interest rate swap contracts	**300,679**	**2,764**	Other assets	**-**	-
Commodity forward contracts	**1,481**	**-**	-	**28**	Other current liabilities

16. 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, Income tax receivables, Prepaid expenses and other current assets, Short-term debt, Trade payables, Accrued salaries and wages, Accrued expenses, Income taxes payable 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 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 17 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 17 of the Notes to Consolidated Financial Statements.

The carrying amounts and estimated fair values of TDK's financial instruments as of March 31, 2017 and 2018 are summarized as follows:

2017	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	¥ -	¥ -
Other investments in securities and other assets	24,156	24,156
Liabilities:		
Long-term debt, including current portion (Excluding lease obligation)	(250,969)	(250,289)

2018	Yen (Millions)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	**¥ 54**	**¥ 54**
Other investments in securities and other assets	**25,132**	**25,132**
Liabilities:		
Long-term debt, including current portion (Excluding lease obligation)	**(352,736)**	**(350,950)**

2018	U.S. Dollars (Thousands)	
	Carrying amount	Estimated fair value
Assets:		
Marketable securities	**$ 509**	**$ 509**
Other investments in securities and other assets	**237,094**	**237,094**
Liabilities:		
Long-term debt, including current portion (Excluding lease obligation)	**(3,327,698)**	**(3,310,849)**

Derivative financial instruments are presented in Note 15 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.

17. Fair Value Measurements

FASB ASC 820 "Fair Value Measurements and Disclosures" defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. 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, 2017 and 2018 are as follows:

2017	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 871	¥ -	¥ 871
Currency swap contracts	-	1,539	-	1,539
Commodity forward contracts	-	186	-	186
Investments(Debt securities):				
Commercial papers	-	116	-	116
Public-utility bonds	2	-	-	2
Investments(Equity securities):				
Manufacturing companies	6,784	-	-	6,784
Other	2,189	-	-	2,189
Investments (Mutual funds)	1,027	-	-	1,027
Rabbi trust investments	6,850	-	-	6,850
Total	¥ 16,852	¥ 2,712	¥ -	¥ 19,564
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	¥ -	¥ 697	¥ -	¥ 697
Nondeliverable forward contracts (NDF)	-	71	-	71
Currency swap contracts	-	11	-	11
Total	¥ -	¥ 779	¥ -	¥ 779

2018	Yen (Millions)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	**¥ 54**	**¥ -**	**¥ -**	**¥ 54**
Derivative contracts:				
Forward foreign exchange contracts	**-**	**446**	**-**	**446**
Currency swap contracts	**-**	**696**	**-**	**696**
Interest rate swap contracts	**-**	**293**	**-**	**293**
Investments (Debt securities):				
Commercial papers	**-**	**109**	**-**	**109**
Public-utility bonds	**0**	**-**	**-**	**0**
Investments (Equity securities):				
Manufacturing companies	**5,731**	**-**	**-**	**5,731**
Other	**2,659**	**-**	**-**	**2,659**
Investments (Mutual funds)	**1,191**	**-**	**-**	**1,191**
Rabbi trust investments	**5,920**	**-**	**-**	**5,920**
Total	**¥ 15,555**	**¥ 1,544**	**¥ -**	**¥ 17,099**
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	**¥ -**	**¥ 1,431**	**¥ -**	**¥ 1,431**
Currency swap contracts	**-**	**122**	**-**	**122**
Commodity forward contracts	**-**	**3**	**-**	**3**
Total	**¥ -**	**¥ 1,556**	**¥ -**	**¥ 1,556**

2018	U.S. Dollars (Thousands)			
	Level 1	Level 2	Level 3	Total
Assets:				
Marketable securities (Debt securities):				
Government bonds	**$ 509**	**$ -**	**$ -**	**$ 509**
Derivative contracts:				
Forward foreign exchange contracts	**-**	**4,208**	**-**	**4,208**
Currency swap contracts	**-**	**6,566**	**-**	**6,566**
Interest rate swap contracts	**-**	**2,764**	**-**	**2,764**
Investments (Debt securities):				
Commercial papers	**-**	**1,028**	**-**	**1,028**
Public-utility bonds	**0**	**-**	**-**	**0**
Investments (Equity securities):				
Manufacturing companies	**54,066**	**-**	**-**	**54,066**
Other	**25,085**	**-**	**-**	**25,085**
Investments (Mutual funds)	**11,236**	**-**	**-**	**11,236**
Rabbi trust investments	**55,849**	**-**	**-**	**55,849**
Total	**$ 146,745**	**$ 14,566**	**$ -**	**$ 161,311**
Liabilities:				
Derivative contracts:				
Forward foreign exchange contracts	**$ -**	**$ 13,500**	**$ -**	**$ 13,500**
Currency swap contracts	**-**	**1,151**	**-**	**1,151**
Commodity forward contracts	**-**	**28**	**-**	**28**
Total	**$ -**	**$ 14,679**	**$ -**	**$ 14,679**

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, Nondeliverable forward contracts (NDF), currency swap contracts, interest rate swap 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.

Assets and liabilities that are measured at fair value on a nonrecurring basis

Assets and liabilities that are measured at fair value on a nonrecurring basis for the year ended March 31, 2017 and 2018 are as follows.

	Yen (Millions)			
2017	Total gains (losses) for 2017	Level 1	Level 2	Level 3
Assets:				
Investments in affiliates	43,200	-	-	123,250
Long-lived assets (Property, plant and equipment)	(16,505)	-	-	9,742
Long-lived assets (Intangible assets)	(306)	-	-	-
Goodwill	(2,600)	-	-	-

	Yen (Millions)			
2018	Total gains (losses) for 2018	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	**123**	**-**	**-**	**1,186**
Long-lived assets (Property, plant and equipment)	**(1,282)**	**-**	**-**	**455**

	U.S. Dollars (Thousands)			
2018	Total gains (losses) for 2018	Level 1	Level 2	Level 3
Assets:				
Investments (Equity securities)	**1,160**	**-**	**-**	**11,189**
Long-lived assets (Property, plant and equipment)	**(12,094)**	**-**	**-**	**4,292**

For the year ended March 31, 2017, the book value of 49 percent of the common shares of RF360 Holdings Singapore PTE. Ltd. of ¥80,050 million was measured at fair value of ¥123,250 million based on the discounted future cash flow method, and valuation gain of ¥43,200 million was recognized. The book value of long-lived assets (property, plant and equipment) of ¥26,247 million was written down to its fair value of ¥9,742 million, and the book value of long-lived assets (intangible assets) of ¥306 million was fully written down due to impairment. The fair value of these long-lived assets was determined based on the discounted future cash flows expected from the use of each of the assets or real estate appraisal amount by external real estate appraiser etc. According to discounted cash flow method, the book value of goodwill of ¥2,600 million was fully written down due to impairment. These fair values are classified as Level 3 because they were determined using unobservable inputs.

As a result of the above, impairment loss of ¥19,411 million caused by other-than-temporary declines in fair values during the year ended March 31, 2017 was included in the consolidated statements of income.

For the year ended March 31, 2018, loan was converted to investment (equity securities) and the book value of ¥1,063 million ($10,029 thousand) was measured at fair value of ¥1,186 million ($11,189 thousand) and valuation gain of ¥123 million ($1,160 thousand) was recognized. The book value of long-lived assets (property, plant and equipment) of ¥1,737 million ($16,386 thousand) was written down to its fair value of ¥455 million ($4,292 thousand). 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. These fair values are classified as Level 3 because they were determined using unobservable inputs.

As a result of the above, impairment loss of ¥1,282 million ($12,094 thousand) caused by other-than-temporary declines in fair values during the year ended March 31, 2018 was included in the consolidated statements of income.

18. Impairment of Long-Lived Assets

For the years ended March 31, 2017 and 2018, impairment losses of ¥16,811 million and ¥1,282 million ($12,094 thousand), respectively, were recorded. These are 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 mainly included in other operating expense(income) in the consolidated statements of income.

For the year ended March 31, 2017, the impairment loss includes ¥6,488 million for the Passive Components segment, ¥10,278 million for the Magnetic Application Products segment and ¥45 million for the Corporate and Eliminations.

For the year ended March 31, 2018, the impairment loss includes ¥142 million ($1,339 thousand) for the Passive Components segment, ¥11 million ($104 thousand) for the Sensor Application Products segment, ¥240 million ($2,264 thousand) for the Magnetic Application Products segment, ¥703 million ($6,632 thousand) for the Film Application Products segment, ¥20 million ($189 thousand) for the Other segment and ¥166 million ($1,566 thousand) for the Corporate and Eliminations.

19. Goodwill and Other Intangible Assets

The components of acquired intangible assets excluding goodwill as of March 31, 2017 and 2018 are as follows:

	Yen (Millions)		
	2017		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	¥ 17,016	¥7,069	¥9,947
Customer relationships	21,510	17,307	4,203
Software	31,832	14,642	17,190
Unpatented technologies	25,170	17,853	7,317
Other	11,339	2,642	8,697
Total	¥ 106,867	¥ 59,513	¥ 47,354
Nonamortizable intangible assets			
Trademark	¥ 3,087		¥ 3,087
In process research and development	1,144		1,144
Other	236		236
Total	¥ 4,467		¥ 4,467

	Yen (Millions)		
	2018		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	**¥ 24,185**	**¥ 9,216**	**¥ 14,969**
Customer relationships	**24,328**	**19,112**	**5,216**
Software	**36,727**	**16,065**	**20,662**
Unpatented technologies	**41,789**	**21,919**	**19,870**
Other	**11,267**	**2,971**	**8,296**
Total	**¥ 138,296**	**¥ 69,283**	**¥ 69,013**
Nonamortizable intangible assets			
Trademark	**¥ 3,452**		**¥ 3,452**
In process research and development	**12,834**		**12,834**
Other	**232**		**232**
Total	**¥ 16,518**		**¥ 16,518**

	U.S. Dollars (Thousands)		
	2018		
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Amortizable intangible assets:			
Patent	**$ 228,160**	**$ 86,943**	**$ 141,217**
Customer relationships	**229,510**	**180,302**	**49,208**
Software	**346,481**	**151,557**	**194,924**
Unpatented technologies	**394,236**	**206,783**	**187,453**
Other	**106,292**	**28,028**	**78,264**
Total	**$ 1,304,679**	**$ 653,613**	**$ 651,066**
Nonamortizable intangible assets			
Trademark	**$ 32,566**		**$ 32,566**
In process research and development	**121,075**		**121,075**
Other	**2,189**		**2,189**
Total	**$ 155,830**		**$ 155,830**

Intangible assets subject to amortization are amortized using the straight-line method over their estimated useful lives to their estimated residual value of zero. The useful lives are 3 to 19 years for Patent, 4 to 17 years for Customer relationships, 2 to 10 years for Internal-use Software, 3 to 20 years for unpatented technologies and 2 to 7 years for other intangible assets.

Aggregate amortization expenses for the years ended March 31, 2017 and 2018 were ¥10,400 million and ¥11,313 million ($106,726 thousand), respectively. Estimated amortization expense for the next five years is: ¥11,782 million in 2019, ¥11,969 million in 2020, ¥11,677 million in 2021, ¥10,960 million in 2022 and ¥9,319 million in 2023.

In connection with the completion of the purchase price allocation of Tronics Microsystems SA and its subsidiaries, which was acquired in December 2016, in the year ended March 31, 2018, the amount of goodwill related to the Sensor Application Products segment was ¥2,537 million and the amounts for customer relationships, unpatented technologies and other amortizable intangible assets were ¥663 million, ¥1,303 million and ¥150 million respectively.

In connection with the completion of the purchase price allocation of ICsense NV, which was acquired in March 2017, in the year ended March 31, 2018, the amount of goodwill related to the Sensor Application Products segment was ¥1,515 million and the amounts for customer relationships and software were ¥503 million and ¥52 million respectively.

In connection with the completion of the purchase price allocation of InvenSense, Inc. and its subsidiaries, which was acquired in May 2017, in the year ended March 31, 2018, the amount of goodwill related to the Sensor Application Products segment was ¥100,340 million and the amounts for customer relationships, software, unpatented technologies and in process research and development were ¥1,318 million, ¥162 million, ¥15,775 million and ¥12,915 million respectively.

The detail of the acquisitions is presented in Note 22 of the Notes to Consolidated Financial Statements.

The changes in the carrying amount of goodwill by segment for the years ended March 31, 2017 and 2018 are as follows:

	Yen (Millions)					
	Passive Components	Sensor Application Products	Magnetic Application Products	Film Application Products	Other	Total
March 31 , 2016						
Goodwill	¥ 25,820	¥ 14,805	¥ 27,072	¥ 9,739	¥ 835	¥ 78,271
Accumulated impairment losses	(447)	-	(4,086)	-	(726)	(5,259)
	25,373	14,805	22,986	9,739	109	73,012
Acquisitions	-	4,307	5,809	-	1,216	11,332
Impairments	(2,600)	-	-	-	-	(2,600)
Others	(8,085)	(11,078)	-	-	-	(19,163)
Translation adjustment	(1,312)	(621)	500	(117)	-	(1,550)
March 31 , 2017						
Goodwill	16,373	7,413	33,373	9,622	2,046	68,827
Accumulated impairment losses	(2,997)	-	(4,078)	-	(721)	(7,796)
	13,376	7,413	29,295	9,622	1,325	61,031
Acquisitions	**-**	**103,407**	-	**-**	-	**103,407**
Impairments	-	-	-	-	-	-
Others	-	**(255)**	**-**	**-**	**(555)**	**(810)**
Translation adjustment	**1,118**	**(5,116)**	**(1,368)**	**(404)**	**-**	**(5,770)**
March 31 , 2018						
Goodwill	**17,760**	**105,449**	**31,908**	**9,218**	**1,446**	**165,781**
Accumulated impairment losses	**(3,266)**	**-**	**(3,981)**	**-**	**(676)**	**(7,923)**
	¥ 14,494	**105,449**	**¥ 27,927**	**¥ 9,218**	**¥ 770**	**¥ 157,858**

	U.S. Dollars (Thousands)					
	Passive Components	Sensor Application Products	Magnetic Application Products	Film Application Products	Other	Total
March 31 , 2017						
Goodwill	$ 154,462	$ 69,934	$ 314,840	$ 90,773	$ 19,302	$ 649,311
Accumulated impairment losses	(28,273)	-	(38,472)	-	(6,802)	(73,547)
	126,189	69,934	276,368	90,773	12,500	575,764
Acquisitions	**-**	**975,538**	**-**	**-**	**-**	**975,538**
Impairments	-	-	-	-	-	-
Others	-	**(2,406)**	-	**-**	**(5,236)**	**(7,642)**
Translation adjustment	**10,547**	**(48,264)**	**(12,906)**	**(3,811)**	**-**	**(54,434)**
March 31 , 2018						
Goodwill	**167,547**	**994,802**	**301,019**	**86,962**	**13,642**	**1,563,972**
Accumulated impairment losses	**(30,811)**	**-**	**(37,557)**	**-**	**(6,378)**	**(74,746)**
	$ 136,736	**$ 994,802**	**$ 263,462**	**$ 86,962**	**$ 7,264**	**$ 1,489,226**

Goodwill acquired for the year ended March 31, 2017 mainly represents the excess of purchase price over the fair value of identifiable assets acquired and liabilities assumed in connection with the acquisition of Hutchinson Technology Incorporated and its subsidiaries which mainly opearate a HDD suspension assemble business, a part of Magnetic Application Products segment, the acquisition of Tronics Microsystems SA and its subsidiaries which mainly run a MEMS sensors business, a part of Sensor Application Products segment and the acquisition of ICsense NV which mainly operates business of ASICs and custom ICs, a part of Sensor Application Products segment.

In connection with the completion of the purchase price allocation of Micronas Semiconductor Holding AG, which was acquired in March 2016, goodwill of Sensor Application Products segment decreased by ¥11,078 million.

In addition, because of the sale of business, goodwill of Passive Components segment decreased by ¥8,085 million for the year ended March 31, 2017. The details are presented in Note 23 of the Notes to Consolidated Financial Statements.

Goodwill acquired for the year ended March 31, 2018 represents the excess of purchase price over the fair value of identifiable assets acquired and liabilities assumed in connection with the acquisition of InvenSense, Inc. and its subsidiaries which operate wide-ranging sensors business for, such as IoT, automotive and ICT, a part of Sensor Application Products segment and the acquisition of Chirp Microsystems Inc. which mainly operates ultrasonic 3D-sensing business, a part of Sensor Application Products segment.

For the year ended March 31, 2017, an impairment loss of ¥ 2,600 million on goodwill was recognized as a result of the modification of future projection, considering the external environment change in Aluminum Electrolytic Capacitors market. The fair value was measured according to discounted cash flow method. The impairment loss is included in other operating expense (income) in the consolidated statements of income.

In accordance with the reorganization in the year ended March 31, 2018, TDK newly established the Sensor Application Products segment and certain goodwill of the Passive Components segment and the Magnetic Application Products segment was reclassified into the Sensor Application Products. The prior year's figures are also restated to conform to the new segmentation. The details are presented in Note 25 of the Notes to Consolidated Financial Statements.

20. 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 computations is as follows:

	Yen (Millions)			
	2017		**2018**	
	Basic	Diluted	**Basic**	**Diluted**
Net income attributable to TDK	¥ 145,099	¥ 145,099	**¥ 63,463**	**¥ 63,463**
	Number of shares (Thousands)			
Weighted average common shares outstanding	126,156	126,156	**126,220**	**126,220**
Incremental shares arising from the exercise of stock option	-	284	**-**	**334**
Weighted average common shares outstanding – Total	126,156	126,440	**126,220**	**126,554**
	Yen			
Per common share :				
Net income attributable to TDK	1,150.16	1,147.57	**502.80**	**501.47**

	U.S. Dollars (Thousands)	
	2018	
	Basic	**Diluted**
Net income attributable to TDK	**$ 598,708**	**$ 598,708**
	Number of shares (Thousands)	
Weighted average common shares outstanding	**126,220**	**126,220**
Incremental shares arising from the exercise of stock option	**-**	**334**
Weighted average common shares outstanding - Total	**126,220**	**126,554**
	U.S. Dollars	
Per common share :		
Net income attributable to TDK	**4.74**	**4.73**

For the years ended March 31, 2017 and 2018, certain stock options issued by TDK Corporation were excluded from the diluted per share calculation of income from net income attributable to TDK as the effect would have been antidilutive.

21. Related Party Transaction

Receivables and payables include the following balances with affiliated companies as of March 31, 2017 and 2018:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Due from	¥ 4,954	**¥ 1,671**	**$ 15,764**
Due to	1,824	**321**	**3,028**

Receivables as of March 31, 2017 and 2018 include long-term loans of ¥448 million and ¥410 million ($3,868 thousand), respectively.

Purchases, research and development expenses, patent fee, advertising costs, interest expense, other income, other expense, and sales transactions with affiliated companies for the years ended March 31, 2017 and 2018 are as follows:

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Gross purchase	¥ 4,502	**¥ 9,320**	**$ 87,924**
Less raw materials sold with no mark-up	(50)	**(17)**	**(160)**
Net purchases	4,452	**9,303**	**87,764**
Research and development expenses and patent fee	254	**235**	**2,217**
Advertising costs	135	**90**	**849**
Other income	25	**617**	**5,821**
Other expense	96	**143**	**1,349**
Sales	996	**7,398**	**69,792**

22. Acquisition

(1) Hutchinson Technology Incorporated ("HTI")

On October 5, 2016 ("acquisition date"), TDK acquired 33,942 thousand shares (100 percent of equity interest) of HTI at a cost of ¥14,262 million ($134,547 thousand), which was paid in cash in accordance with an acquisition agreement dated November 1, 2015. As a result, HTI and its subsidiaries became consolidated subsidiaries of TDK Corporation. The acquisition-related costs of ¥1,347 million ($12,708 thousand) were recognized as a part of selling, general and administrative expenses. HTI is headquartered in Minnesota, U.S.A, and its primary businesses are designing, manufacturing, and sales of HDD suspension and its components.

The purpose of acquisition is to strengthen TDK's HDD suspension assemble business and HDD head business.

The following table summarizes the fair values of the assets acquired and liabilities at the acquisition date. As of the date on which the consolidated financial statements were issued, the purchase price allocation had been completed.

	Fair values	
	Yen (millions)	U.S. Dollars (Thousands)
Current assets	**8,502**	**80,208**
Net property, plant and equipment	**10,925**	**103,066**
Intangible assets	**2,807**	**26,481**
Investments in securities and Other assets	**4,247**	**40,066**
Total assets	**26,481**	**249,821**
Current liabilities	**17,520**	**165,283**
Noncurrent liabilities	**508**	**4,792**
Total liabilities	**18,028**	**170,075**
Net assets acquired	**8,453**	**79,745**
Goodwill	**5,809**	**54,802**
Total	**14,262**	**134,547**

Other intangible assets acquired mainly include technologies of ¥1,409 million ($13,292 thousand), which are subject to amortization. TDK had estimated the amortization period for technologies to be 3 years. Goodwill recognized of ¥5,809 million ($54,802 thousand) was attributable primarily to expected synergies from combining operations of HTI and TDK. The goodwill is not deductible for tax purpose.

Although TDK included the results of operations of HTI 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 year ended March 31, 2017 as though the acquisition had occurred at the beginning of the year ended March 31, 2017 were not material either.

(2) Tronics Microsystems SA ("Tronics")

On December 27, 2016 ("acquisition date"), TDK acquired 2,546 thousand shares (72.78 percent of equity interest) of Tronics at a cost of ¥4,107 million ($38,745 thousand), which was paid in cash, through a public tender in accordance with a transaction agreement dated August 1, 2016. As a result, Tronics and its subsidiaries became consolidated subsidiaries of TDK Corporation. The acquisition-related costs of ¥94 million ($887 thousand) were recognized as a part of selling, general and administrative expenses.

Tronics is headquartered in Crolles, France, and its primary businesses are R&D, manufacturing, and sales of MEMS (Micro Electro Mechanical System) sensors.

Through the acquisition of Tronics, TDK broadens its portfolio of cutting-edge sensor technologies and strengthens its basis for faster growth in the strategic field of sensors.

The following table summarizes the fair values of the assets acquired and liabilities at the acquisition date. As of the date on which the consolidated financial statements were issued, the purchase price allocation had been completed. The fair value of noncontrolling interests was measured based on the market price of the common shares of Tronics as of the acquisition date.

	Fair values	
	Yen (millions)	U.S. Dollars (Thousands)
Current assets	**1,470**	**13,868**
Net property, plant and equipment	**780**	**7,359**
Intangible assets	**2,116**	**19,962**
Investments in securities and Other assets	**107**	**1,009**
Total assets	**4,473**	**42,198**
Current liabilities	**578**	**5,453**
Noncurrent liabilities	**788**	**7,434**
Total liabilities	**1,366**	**12,887**
Noncontrolling interests	**1,537**	**14,500**
Net assets acquired	**1,570**	**14,811**
Goodwill	**2,537**	**23,934**
Total	**4,107**	**38,745**

Other intangible assets acquired mainly include technologies of ¥1,303 million ($12,292 thousand), which are subject to amortization. TDK had estimated the amortization period for technologies to be 15 years. Goodwill recognized of ¥2,537 million ($23,934 thousand) was attributable primarily to expected synergies from combining operations of Tronics and TDK. The goodwill is not deductible for tax purpose.

As of March 31, 2018, TDK held 2,753 thousand shares (74.7 percent of equity interest) of Tronics at a cost of ¥4,440 million ($41,887 thousand), which was paid in cash.

Although TDK included the results of operations of Tronics 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 year ended March 31, 2017 as though the acquisition had occurred at the beginning of the year ended March 31, 2017 were not material either.

(3) ICsense NV ("ICsense")

On March 22, 2017 ("acquisition date"), TDK acquired 17 thousand shares (100 percent of equity interest) of ICsense at a cost of ¥2,396 million ($22,604 thousand), which was paid in cash in accordance with a share acquisition agreement, ICsense became a consolidated subsidiary of TDK Corporation.

The acquisition-related costs of ¥25 million ($236 thousand) were recognized as a part of selling, general and administrative expenses.

ICsense is headquartered in Leuven, Belgium, and its primary businesses are development and supply of ASICs, as well as the design of custom ICs. Through the acquisition of ICsense, TDK broadens its portfolio of cutting-edge sensor technologies and expands its sensor business.

The following table summarizes the fair values of the assets acquired and liabilities at the acquisition date. As of the date on which the consolidated financial statements were issued, the purchase price allocation had been completed.

	Fair values	
	Yen (millions)	U.S. Dollars (Thousands)
Current assets	**666**	**6,283**
Net property, plant and equipment	**53**	**500**
Intangible assets	**555**	**5,236**
Investments in securities and Other assets	**48**	**453**
Total assets	**1,322**	**12,472**
Current liabilities	**254**	**2,396**
Noncurrent liabilities	**187**	**1,764**
Total liabilities	**441**	**4,160**
Net assets acquired	**881**	**8,311**
Goodwill	**1,515**	**14,293**
Total	**2,396**	**22,604**

Other intangible assets acquired mainly include customer relationship of ¥354 million ($3,340 thousand), which is amortized over ten years. Goodwill recognized of ¥1,515 million ($14,293 thousand) was attributable primarily to expected synergies from combining operations of ICsense and TDK. The goodwill is not deductible for tax purpose.

Although TDK included the results of operations of ICsense 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 year ended March 31, 2017 as though the acquisition had occurred at the beginning of the year ended March 31, 2017 were not material either.

(4) InvenSense, Inc. ("InvenSense")

On May 18, 2017 ("acquisition date"), TDK acquired 96,253 thousand shares (100% of equity interest) of InvenSense at a cost of ¥142,758 million ($1,346,774 thousand), which was paid in cash, in accordance with an acquisition agreement dated December 21, 2016. As a result, InvenSense and its subsidiaries became consolidated subsidiaries of TDK Corporation. The acquisition-related costs of ¥1,263 million ($11,915 thousand) were recognized as part of selling, general and administrative expenses.

InvenSense is headquartered in California, U.S.A., and its primary businesses are Development, fabless-manufacture and sales of inertial sensors, acceleration sensors, angular velocity sensors, magnetic compasses, voice sensors etc. and control software.

Through the acquisition of InvenSense, TDK will be able to strengthen its product line-ups and technologies, which is expected to enable TDK to become a stronger player in broad based sensor solutions for IoT, automotive and ICT by accelerating the sensor product roadmap to offer innovative next generation products and platforms. In addition, sensor fusion, the combination of various sensor technologies and software creates products with enhanced value for customers across multiple fields.

The following table summarizes the fair values of the assets acquired and liabilities at the acquisition date. As of the date on which the consolidated financial statements were issued, the purchase price allocation had been completed.

	Fair values	
	Yen (millions)	U.S. Dollars (Thousands)
Current assets	**38,048**	**358,943**
Net property, plant and equipment	**4,154**	**39,189**
Intangible assets	**30,170**	**284,623**
Investments in securities and Other assets	**654**	**6,170**
Total assets	**73,026**	**688,925**
Current liabilities	**27,679**	**261,123**
Noncurrent liabilities	**2,929**	**27,632**
Total liabilities	**30,608**	**288,755**
Net assets acquired	**42,418**	**400,170**
Goodwill	**100,340**	**946,604**
Total	**142,758**	**1,346,774**

Other intangible assets acquired mainly include technologies of ¥15,775 million ($148,821 thousand) subject to amortization and in process research and development of ¥12,915 million ($121,840 thousand) subject to nonamortization. TDK had estimated the amortization period for technologies to be 8 years. Goodwill recognized of ¥100,340 million ($946,604 thousand) was attributable primarily to expected synergies from combining operations of InvenSense and TDK. The goodwill is not deductible for tax purpose.

Although TDK included the results of operations of InvenSense 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 year ended March 31, 2017 and 2018 as though the acquisition had occurred at the beginning of the year ended March 31, 2017 were not material either.

(5) Chirp Microsystems Inc. (“Chirp”)

On February 28, 2018 (“acquisition date”), TDK acquired 29,368 thousand shares (100 percent of equity interest) of Chirp at a cost of ¥3,015 million ($28,443 thousand), which was paid in cash in accordance with a share acquisition agreement, Chirp became a consolidated subsidiary of TDK Corporation. The acquisition-related costs of ¥103 million ($972 thousand) were recognized as a part of selling, general and administrative expenses. The purchase price allocation had not been completed.

Chirp is headquartered in California, U.S.A., and its primary businesses are development, design and supply of high-performance ultrasonic 3D-sensing solutions. Through the acquisition of Chirp, TDK plans to further accelerate TDK’s sensor and actuator business.

Although TDK included the results of operations of Chirp 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 year ended March 31, 2017 and 2018 as though the acquisition had occurred at the beginning of the year ended March 31, 2017 were not material either.

23. Sale of Business

On February 3, 2017, TDK transferred its high-frequency devices business to RF360 Holdings Singapore PTE. Ltd. (“RF360”) and its subsidiaries, and subsequently sold 51 percent of the common shares of RF360 held by EPCOS AG, a wholly owned subsidiary of TDK, to Qualcomm Global Trading PTE. Ltd. (“QGT”), which is a 100 percent indirect subsidiary of Qualcomm Incorporated (“Qualcomm”) based on the business alliance agreement involving establishment of a joint venture concluded with Qualcomm on January 13, 2016. An option to put and call the remaining common shares (49 percent) of RF360 after 30 months after the closing date is held by TDK and QGT, respectively. Contingent consideration to be recognized over several years is included in the total consideration amount. The remaining common shares (49 percent) of RF360 Holdings is measured at fair value and recognized in consolidated balance sheet as investments in affiliates.

For the year ended March 31, 2017, the sale of the 51 percent of common shares including contingent consideration resulted in a gain of ¥102,008 million, and the remeasurement of the remaining common shares to its fair value resulted in a gain of ¥43,200 million. Total ¥145,208 million of the gain on sale of business was recognized in other operating expense (income) of consolidated statement of income. Besides, consolidated statements of cash flows adjusted ¥149,538 million for gain on sale of business to reconcile net income to net cash provided by operating activities. The difference between total gain on sale of business in the consolidated statements of income and the consolidated statements of cash flows was attributable to expenses of the sale of business.

24. Supplementary Information

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
(a) Statements of Income			
Research and development	¥ 91,254	**¥ 103,457**	**$ 976,009**
Rent	11,995	**10,879**	**102,632**
Maintenance and repairs	30,295	**29,942**	**282,472**
Advertising costs	4,493	**4,125**	**38,915**
(b) Statements of Cash Flows			
Cash paid during year for:			
Interest	¥ 3,429	**¥ 4,417**	**$ 41,670**
Income taxes	22,427	**31,366**	**295,906**

Noncash activities

For the years ended March 31, 2017 and 2018, there were no material noncash investing and financing activities.

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

In addition, TDK changed the structure of its internal organization in a manner that caused the composition of its reportable segment to change with the establishment of the Sensor Systems Business Company on April 1, 2017. As a result, TDK established the Sensor Application Products segment from the year ended March 31, 2018. Accordingly, Sensors business of the Passive Components segment, Magnetic Sensors business of the Magnetic Application Products segment and certain products of Others were reclassified into newly established reporting segment of the Sensor Application Products from the year ended March 31, 2018.

Furthermore, in accordance with the reorganization for the year ended March 31, 2018, certain products included in the Other segment were reclassified into the Passive Components segment and certain products included in the Magnetic Application Products segment were reclassified into the Other segment.

In accordance with the above, the figures for the year ended March 31, 2017 were restated to conform to the new segmentation.

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 Devices, Piezoelectric Materials Products, Circuit Protection Components
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Power Supplies, Magnets
Film Application Products	Energy Devices (Rechargeable Batteries)
Other	Mechatronics (Production Equipments), Others

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

The business segment information for the years ended March 31, 2017 and 2018 are as follows.

Net sales

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Passive Components:			
External customers	¥ 528,225	**¥ 437,639**	**$ 4,128,670**
Intersegment	3,424	**3,851**	**36,330**
Total	531,649	**441,490**	**4,165,000**
Sensor Application Products:			
External customers	42,850	**77,578**	**731,868**
Intersegment	48	**167**	**1,575**
Total	42,898	**77,745**	**733,443**
Magnetic Application Products:			
External customers	329,850	**333,235**	**3,143,726**
Intersegment	134	**170**	**1,604**
Total	329,984	**333,405**	**3,145,330**
Film Application Products:			
External customers	247,693	**370,953**	**3,499,557**
Intersegment	-	**-**	**-**
Total	247,693	**370,953**	**3,499,557**
Other:			
External customers	29,639	**52,342**	**493,792**
Intersegment	26,393	**32,804**	**309,472**
Total	56,032	**85,146**	**803,264**
Intersegment eliminations	(29,999)	**(36,992)**	**(348,981)**
Total	¥ 1,178,257	**¥ 1,271,747**	**$ 11,997,613**

Segment profit (loss)

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Passive Components	¥ 200,320	**¥ 46,278**	**$ 436,585**
Sensor Application Products	(6,478)	**(19,381)**	**(182,840)**
Magnetic Application Products	9,706	**20,877**	**196,953**
Film Application Products	41,217	**70,384**	**664,000**
Other	(7,324)	**(2,381)**	**(22,462)**
Sub total	237,441	**115,777**	**1,092,236**
Corporate and Eliminations	(28,781)	**(30,144)**	**(284,378)**
Operating income	208,660	**85,633**	**807,858**
Other income (deductions), net	3,057	**4,178**	**39,416**
Income before income taxes	¥ 211,717	**¥ 89,811**	**$ 847,274**

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

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

Assets

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Passive Components	¥ 701,941	**¥ 658,811**	**$ 6,215,198**
Sensor Application Products	79,077	**239,006**	**2,254,774**
Magnetic Application Products	422,316	**410,684**	**3,874,377**
Film Application Products	368,057	**502,567**	**4,741,198**
Other	40,321	**53,055**	**500,519**
Corporate and Eliminations	52,621	**41,086**	**387,604**
Total	¥ 1,664,333	**¥ 1,905,209**	**$ 17,973,670**

Corporate mainly includes cash and cash equivalents and property, plant and equipment that are for general corporate use, deferred tax assets that are not allocated to operating segments, investments.

Depreciation and amortization (including Intangible assets other than Goodwill)

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Passive Components	¥ 35,045	**¥ 29,775**	**$ 280,896**
Sensor Application Products	5,055	**8,911**	**84,066**
Magnetic Application Products	19,143	**17,366**	**163,830**
Film Application Products	20,624	**28,906**	**272,698**
Other	2,513	**1,838**	**17,340**
Corporate and Eliminations	5,111	**5,375**	**50,708**
Total	¥ 87,491	**¥ 92,171**	**$ 869,538**

Capital expenditure

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Passive Components	¥ 68,936	**¥ 45,647**	**$ 430,632**
Sensor Application Products	6,967	**9,514**	**89,755**
Magnetic Application Products	11,423	**32,199**	**303,764**
Film Application Products	55,834	**67,305**	**634,953**
Other	3,479	**7,588**	**71,585**
Corporate and Eliminations	20,992	**16,359**	**154,330**
Total	¥ 167,631	**¥ 178,612**	**$ 1,685,019**

Geographic Segment Information

The geographic segment information for the years ended March 31, 2017 and 2018 are as follows.

Net sales

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Japan	¥ 105,233	**¥ 113,743**	**$ 1,073,047**
Americas	104,910	**112,929**	**1,065,368**
Europe	146,201	**166,192**	**1,567,849**
China	598,959	**671,922**	**6,338,887**
Asia and others	222,954	**206,961**	**1,952,462**
Total	¥ 1,178,257	**¥ 1,271,747**	**$ 11,997,613**

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, Philippines, Korea, Vietnam,

Property, plant and equipment

	Yen (Millions)		U.S. Dollars (Thousands)
	2017	**2018**	**2018**
Japan	¥ 136,001	**¥ 161,283**	**$ 1,521,538**
Americas	21,068	**28,990**	**273,490**
Europe	61,270	**71,022**	**670,019**
China	208,737	**241,062**	**2,274,170**
Asia and others	37,591	**43,284**	**408,340**
Total	¥ 464,667	**¥ 545,641**	**$ 5,147,557**

Major countries in each geographic area :

(1) Americas .... United States of America

(2) Europe .... Germany, Austria, Hungary

(3) Asia and others .... Thailand, Taiwan

Sales to major customers

There was one customer group that accounted for more than 10 percent of net sales for the year ended March 31, 2017. The sales were approximately ¥162.5 billion that were included mainly in the Magnetic Application Products segment.

There were two customer groups that accounted for more than 10 percent of net sales for the year ended March 31, 2018. The sales to one customer group were approximately ¥158.4 billion ($1,494.3 million). The other customer group were approximately ¥149.1 billion ($1,406.6 million). These customer groups were included mainly in the Magnetic Application Products segment and the Film Application Products segment.

VI. Outline of filing company's business concerning shares

Business year	From April 1 to March 31
Ordinary General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Number of shares consisting one unit	100 shares
Purchase demands or additional purchase requests of shares less than one unit:	
Office for handling business	(Special Account) Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
Administrator of shareholder registry	(Special Account) Sumitomo Mitsui Trust Bank, Limited. 1-4-1 Marunouchi, Chiyoda-ku, Tokyo, Japan
Forwarding office	–
Handling charge for purchase	Free of charge
Method of public notice	Electronic public notice will be made. However, if TDK is unable to make an electronic public notice due to an incident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper. The electronic public notice will be notified on TDK's website (http://www.tdk.co.jp).
Special benefits for shareholders	None

Note: Pursuant to the provisions of TDK Corporation's Articles of Incorporation, the rights of holders of shares less than one unit are limited to the following: (i) rights listed in the items of Article 189, paragraph 2 of the Companies Act, (ii) rights to request to TDK Corporation in accordance with the provisions of Article 166, paragraph 1 of the same Act, (iii) rights to receive the allotment of the shares for subscription and the stock acquisition rights for subscription in accordance with the number of shares they hold, and (iv) rights to request to TDK Corporation to sell shares less than one unit.

VII. Reference information on filing company

1. Information on filing company's parent company

TDK Corporation does not have a parent company.

B. INFORMATION ON GUARANTEE COMPANIES, ETC. OF FILING COMPANY

No items to report

KPMG

Independent Auditor's Report

To the Board of Directors of TDK Corporation:

We have audited the accompanying consolidated financial statements of TDK Corporation and its consolidated subsidiaries which comprise the consolidated balance sheets as at March 31, 2018 and 2017, and the consolidated statements of income, the consolidated statements of comprehensive income, the consolidated statements of equity and the consolidated statements of cashflows for the fiscal years then ended, and notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America , and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of TDK Corporation and its consolidated subsidiaries as at March 31, 2018 and 2017, and their financial performance and cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

We draw attention to note 23 to the consolidated financial statements. The Company sold 51 percent of the shares of its subsidiary on February 3, 2017, based on the business alliance agreement with Qualcomm Incorporated and recognized a gain of 145,208 million Yen for the year ended March 31, 2017. Our opinion is not modified in respect of this matter.

KPMG

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

KPMG AZSA LLC

July 20, 2018

Tokyo, Japan

Management's Annual Report on Internal Control over Financial Reporting

1. Matters relating to the basic framework for internal control over financial reporting

President & Representative Director Shigenao Ishiguro, and Chief Financial Officer and Senior Vice President and Representative Director Tetsuji Yamanishi of TDK Corporation are responsible for designing and operating effective internal control over financial reporting of TDK and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" released by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

The assessment of internal control over financial reporting was performed as of March 31, 2018, which is the end of the current fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("company-level controls") and based on the results of this evaluation, we selected business processes to be tested. In assessing the business processes, we analyzed these selected business processes, identified key controls that may have a material impact on the reliability of TDK's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of TDK.

We determined the scope of assessment of internal control over financial reporting, covering TDK Corporation, consolidated subsidiaries and equity-method affiliates and deemed necessary from the perspective of the materiality that may affect the reliability of their financial reporting. The materiality that may affect the reliability of the financial reporting is determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of company-level controls covering all locations and business units except for consolidated subsidiaries and equity-method affiliates whose materiality of such impacts were deemed immaterial, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and/or business units to be tested in descending order of sales for the previous fiscal year, and the locations and/or business units whose combined sales volume reaches approximately two thirds of consolidated sales amount were selected as "significant locations and/or business units." We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of TDK. Further, in addition to selected significant locations and/or business units, we also selected for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business or operation dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of the current fiscal year, we concluded that TDK's internal control over financial reporting was effectively maintained.

4. Additional notes

Not applicable.

5. Special notes

Not applicable.