8) Summary of Significant Accounting Policies

1. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United states of America.

(1) Marketable Securities
   SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities" is adopted.

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

(3) Depreciation
   Depreciation of property, plant and equipment is principally computed by the declining-balance method for assets located in Japan and of certain foreign subsidiaries, and by the straight-line method for assets of other foreign subsidiaries based on estimated useful lives.

(4) Income Taxes
   Income taxes are accounted for under the asset and liability method. 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 base and operating loss and tax credit carryforwards.

(5) Derivatives Financial Instruments
   SFAS No.133, "Accounting for Derivative Instruments and Hedging Activities" and SFAS No.138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No.133" are adopted.

(6) Goodwill and Other Intangible Assets
   SFAS No.141, "Business Combinations" and SFAS No.142, "Goodwill and Other Intangible Assets" are adopted.

2. During this consolidated accounting period, TDK had 73 subsidiaries (21 in Japan and 52 overseas). TDK also had 7 affiliates (4 in Japan and 3 overseas) whose financial statements are accounted for by the equity method.

3. Comprehensive income comprises net income and other comprehensive income. Other comprehensive income includes changes in foreign currency translation adjustments, minimum pension liability adjustments and net unrealized gains (losses) on securities. The net income, other comprehensive income (loss) and total comprehensive income (loss) for the six months ended September 30, 2002 and 2001 were as follows;

<table>
<thead>
<tr>
<th>Items</th>
<th>The first half of FY2003</th>
<th>The first half of FY2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Yen millions)</td>
<td>(U.S.$ thousands)</td>
</tr>
<tr>
<td>Net income</td>
<td>4,645</td>
<td>37,764</td>
</tr>
<tr>
<td>Other comprehensive income (loss):</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(15,542)</td>
<td>(126,358)</td>
</tr>
<tr>
<td>Minimum pension liability adjustments</td>
<td>(2,600)</td>
<td>(21,138)</td>
</tr>
<tr>
<td>Net unrealized gains (losses) on securities</td>
<td>(1,959)</td>
<td>(15,927)</td>
</tr>
<tr>
<td>Total comprehensive income (loss)</td>
<td>(15,456)</td>
<td>(125,659)</td>
</tr>
</tbody>
</table>

Note: U.S.$1=Yen 123
4. Adoption of new accounting standards

(1) Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)

In May 2000, the Emerging Issues Task Force reached a final consensus on Issue 00-14 ("EITF 00-14"), "Accounting for Certain Sales Incentives". EITF 00-14 addresses accounting and reporting standards for sales incentives such as coupons or rebates that are provided by vendors or manufacturers and are exercisable by customers at the point of sale.

In April 2001, the Emerging Issues Task Force also reached a final consensus on a portion of Issue 00-25 ("EITF 00-25"), "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services". EITF 00-25 addresses the income statement characterization of consideration, other than that directly addressed in EITF 00-14, from a vendor (typically a manufacturer or distributor) to a customer (typically a retailer or wholesaler) in connection with the sale to the customer of the vendor's products or promotion of sales of the vendor's products by the customer.

In November 2001, EITF 00-14 and EITF 00-25 were subsequently codified in and superseded by Issue 01-9 ("EITF 01-9"), "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)" on which the Emerging Issues Task Force reached a final consensus. TDK adopted EITF 01-9 on April 1, 2002. The adoption of EITF 01-9 did not have a material effect on TDK's consolidated financial position or results of operations.

(2) Accounting for the Impairment or Disposal of Long-Lived Assets


SFAS 144 retains the fundamental provisions in SFAS 121 for recognizing and measuring impairment losses on long-lived assets held for use and long-lived assets to be disposed of by sale, while also resolving significant implementation issues associated with SFAS 121. TDK adopted SFAS 144 on April 1, 2002. The adoption of SFAS 144 did not have a material effect on TDK's consolidated financial position or results of operations.

(3) Accounting for Costs Associated with Exit or Disposal Activities

In June 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146 ("SFAS 146"), "Accounting for Costs Associated with Exit or Disposal Activities". SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)". The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002, with early application encouraged. Currently, the effect on TDK's consolidated financial statements of adopting SFAS 146 has not been determined.