8) Summary of Significant Accounting Policies

1. The consolidated financial statements are prepared in conformity with U.S. GAAP.

(1) Marketable Securities

Statement of Financial Accounting Standards ("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 72 subsidiaries (20 in Japan and 52 overseas). TDK also had 8 affiliates (5 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, 2003 and 2002 were as follows;

Term / Item	The first half of FY2004 (April 1, 2003 - Sep. 30, 2003)		The first half of FY2003 (April 1,2002 - Sep. 30,2002)
	(Yen millions)	(U.S.$ thousands)	(Yen millions)
Net income	19,257	173,486	4,645
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(14,709)	(132,513)	(15,542)
Minimum pension liability adjustments	8,296	74,739	(2,600)
Net unrealized gains (losses) on securities	33	297	(1,959)
Total comprehensive income (loss)	12,877	116,009	(15,456)

Note: U.S.$1=Yen 111

4. Adoption of new accounting standards

(1) Accounting for Revenue Arrangements with Multiple Deliverables

In November 2002, the Emerging Issues Task Force reached a consensus on Issue 00-21 ("EITF 00-21"), "Accounting for Revenue Arrangements with Multiple Deliverables". EITF 00-21 provides guidance on when and how to account for arrangements that involve the delivery or performance of multiple products, services and/or rights to use assets. TDK adopted EITF 00-21 on July 1, 2003. The adoption of EITF 00-21 did not have a material effect on TDK's consolidated financial position and results of operations.

(2) Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 (“FIN 46”), “Consolidation of Variable Interest Entities, an interpretation of ARB No. 51”. FIN 46 addresses consolidation by a primary beneficiary of a variable interest entity ("VIE"). FIN 46 applies immediately to all new VIEs created or acquired after January 31, 2003, TDK has not entered into any new arrangements with VIEs after January 31, 2003. For VIEs created or acquired before February 1, 2003, the provisions of FIN 46 must be adopted by December 31, 2003. The effect on TDK's consolidated financial statements of adopting the provisions of FIN 46 has not been determined.