

I-8) Summary of Significant Accounting Policies

1. The consolidated financial statements are prepared in conformity with the 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 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 71 subsidiaries (19 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), net of tax and total comprehensive income for the six months ended September 30, 2004 and 2003 were as follows;

Item	Term	The first half of FY2005 (April 1, 2004 - Sep. 30, 2004)		The first half of FY2004 (April 1, 2003 - Sep. 30, 2003)
		(Yen millions)	(U.S.\$ thousands)	(Yen millions)
Net income		19,869	179,000	19,257
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments		11,799	106,297	(14,709)
Minimum pension liability adjustments		8,184	73,730	8,296
Net unrealized gains (losses) on securities		(435)	(3,919)	33
Total comprehensive income		39,417	355,108	12,877

Note: U.S.\$1=Yen 111