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.

(7) Retirement and Severance Benefits
   SFAS No.87, "Employers' Accounting for Pensions" is adopted. Gain and loss related to the transfer of the substitutional portion of its Employees' Pension Fund to the government was accounted for in accordance with the Emerging Issues Task Force issue 03-2 ("EITF 03-2"), "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities".

2. As of March 31, 2005, TDK had 71 subsidiaries (18 in Japan and 53 overseas). TDK also had 6 affiliates (4 in Japan and 2 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 years ended March 31, 2005 and 2004 were as follows;

<table>
<thead>
<tr>
<th>Item</th>
<th>FY2005 (Yen millions)</th>
<th>FY2005 (U.S.$ thousands)</th>
<th>FY2004 (Yen millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>44,948</td>
<td>420,075</td>
<td>42,101</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>5,636</td>
<td>52,672</td>
<td>(26,287)</td>
</tr>
<tr>
<td>Minimum pension liability adjustments</td>
<td>32,941</td>
<td>307,860</td>
<td>14,186</td>
</tr>
<tr>
<td>Net unrealized gains (losses) on securities</td>
<td>153</td>
<td>1,430</td>
<td>538</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>83,678</td>
<td>782,037</td>
<td>30,538</td>
</tr>
</tbody>
</table>

Note: U.S.$1=Yen 107