

## I-7) 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. The Financial Accounting Standards Board ("FASB") Interpretation No. 48 "Accounting for Uncertainty in Income Taxes - an interpretation of Statement of Financial Accounting Standards ("SFAS") No. 109" ("FIN 48") is adopted.
  - (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" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" are adopted.
2. As of March 31, 2008, TDK had 91 subsidiaries (18 in Japan and 73 overseas). TDK also had 7 affiliates (4 in Japan and 3 overseas) whose financial statements are accounted for by the equity method.