

I-8) Summary of Significant Accounting Policies

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

Effective from July 1, 2009, TDK adopted FASB Accounting Standards Codification (“ASC”) 105, “Generally Accepted Accounting Principles.” ASC 105 establishes ASC as the sole source for authoritative U.S. generally accepted accounting principles, except for rules and interpretive releases issued by SEC.

Accordingly, the consolidated financial statements have been prepared in accordance with ASC with respect to the following seven matters listed as important matters for preparation of consolidated financial statements in the past—“Marketable securities,” “Inventories,” “Depreciation method,” “Taxes,” “Derivative financial instruments,” “Goodwill and other intangible assets,” and “Retirement and severance benefits.”

Inventories are valued at the lower of cost or market as in the past, with cost mainly determined by the periodic average method. Furthermore, the method for depreciating property, plant and equipment is the same as in the past—assets located in Japan and of certain foreign subsidiaries are principally computed by the declining-balance method, and assets of other foreign subsidiaries are computed by the straight-line method.

2. As of March 31, 2010, TDK had 131 subsidiaries (20 in Japan and 111 overseas). TDK also had 8 affiliates (4 in Japan and 4 overseas) whose financial statements are accounted for by the equity method.