I-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 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 fiscal year ended Mar. 31, 2004 and 2003 were as follows;

Term / Item	FY2004 (April 1, 2003 - March 31, 2004)		FY2003 (April 1, 2002 - Mar. 31, 2003)
	(Yen millions)	(U.S.$ thousands)	(Yen millions)
Net income	42,101	397,179	12,019
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	(26,287)	(247,991)	(18,747)
Minimum pension liability adjustments	14,186	133,830	(15,809)
Net unrealized gains (losses) on securities	538	5,076	(269)
Total comprehensive income (loss)	30,538	288,094	(22,806)

Note: U.S.$1=Yen 106

4. Adoption of new accounting standards

(1) Accounting for Asset Retirement Obligation

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No.143 ("SFAS 143"), "Accounting for Asset Retirement Obligations", which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and associated asset retirement costs. SFAS 143 applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently allocated to expense over the asset's useful life. TDK adopted SFAS 143 on April 1, 2003. The adoption of SFAS 143 did not have a material effect on TDK's consolidated financial statements.

(2) 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.

(3) Consolidation of Variable Interest Entities

In December 2003, FASB issued FASB Interpretation No. 46 (revised December 2003) ("FIN 46R"), "Consolidation of Variable Interest Entities", which addresses the consolidation by primary beneficiary of variable interest entities ("VIEs") as defined in the Interpretation. FIN 46R replaces FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", which was issued in January 2003. FIN 46R is effective immediately for all VIEs created or acquired after January 31, 2003 and effective for other VIEs as of March 31, 2004. TDK has not created or acquired any VIEs after January 31, 2003. For VIEs created or acquired before February 1, 2003, the adoption of FIN 46R for these entities did not have a material effect on TDK's consolidated financial statements.