

Attracting Tomorrow

Annual Report 2015

Cultivating Technologies for 80 Years

Based on the corporate motto of “Contribute to culture and industry through creativity,” TDK has been continuously pouring forth a stream of innovative products ever since its founding in 1935, using ferrite as a starting point and harnessing superior magnetics and materials technology.

1966

Innovation 2

Four Great World-Class Innovations by TDK

Magnetic Tape Technology Revolutionizes Music

From a desire of to easily store music, TDK developed the first cassette tape made in Japan. The combination of superior magnetic materials technology and coating technology later also proved its worth in the manufacture of video tape products.



Equipment for manufacturing cassette tapes and video tapes

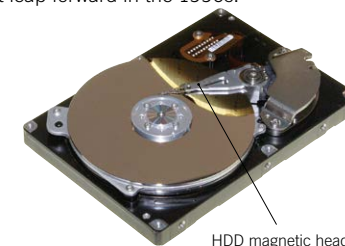
1994

Innovation 4

Four Great World-Class Innovations by TDK

Magnetic Head Technology Opens the Way to Amazingly High Recording Density

TDK's magnetic heads business began in 1962 with the development of a ferrite head core piece for storage devices such as magnetic drums. Thanks to the development of magnetic heads utilizing thin-film process technology on the nanometer level, the recording density of hard disk drives (HDDs) took a giant leap forward in the 1990s.

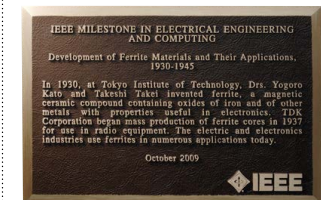


HDD magnetic heads

2009

Recognition as IEEE Milestone: TDK's efforts influenced the world's technological history

The Institute of Electrical and Electronics Engineers (IEEE), an international academic society relating to electricity and electronics, recognized the “Development of Ferrite Materials and Their Applications” by the Tokyo Institute of Technology and TDK as a historical achievement that has contributed to the development of society and industry.



IEEE Milestone plaque

MAGNETICS TECHNOLOGY

1935

Innovation 1

Four Great World-Class Innovations by TDK

Materials Technology with Origins in Ferrite



The world's first ferrite cores

A pioneering university-generated venture company

Tokyo Denki Kagaku Kogyo K.K., the forerunner of TDK, was founded in 1935 in order to commercialize ferrite, an epoch-making magnetic material that had been invented in Japan by Dr. Yogoro Kato and Dr. Takeshi Takei of the Tokyo Institute of Technology. So TDK really was a pioneering university-generated venture company.



Dr. Yogoro Kato (left)
Dr. Takeshi Takei (right)

1950

Ferrite cores from TDK used extensively in super heterodyne-type radio receivers

The super heterodyne principle, which enables high performance in radio receivers, came into wide use around the year 1950. This led to a drastic rise in demand for ferrite from TDK, to be used as a core material in intermediate frequency (IF) transformers. After the age of television began, ferrite also found wide application in the deflection yoke cores of CRT tubes.



A super heterodyne-type radio receiver, and ferrite cores for IF transformers (foreground)

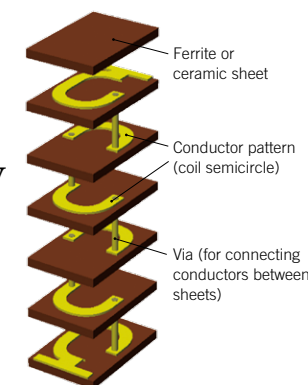
1980

Innovation 3

Four Great World-Class Innovations by TDK

Fine Multilayering Technology Drives Miniaturization and Weight Reduction of Electronic Equipment

TDK developed the first multilayer chip inductor, using original multilayering technology to form three-dimensional spiral coils inside the chip. Further refining of this technology led to the introduction of multilayer ceramic chip capacitors and various other multilayer electronic components which significantly contribute to the reduced size and weight of electronic devices.



2012

“Year Zero of the Magnet” —A new TDK challenge

TDK is forging ahead with the development of new magnets that either reduce the use of costly rare earth additions significantly or eliminate them altogether. To mark this new beginning, 2012 was designated as “Year Zero of the Magnet” and TDK is continuing to work towards the realization of various new magnets that do not rely on rare earth materials at all.

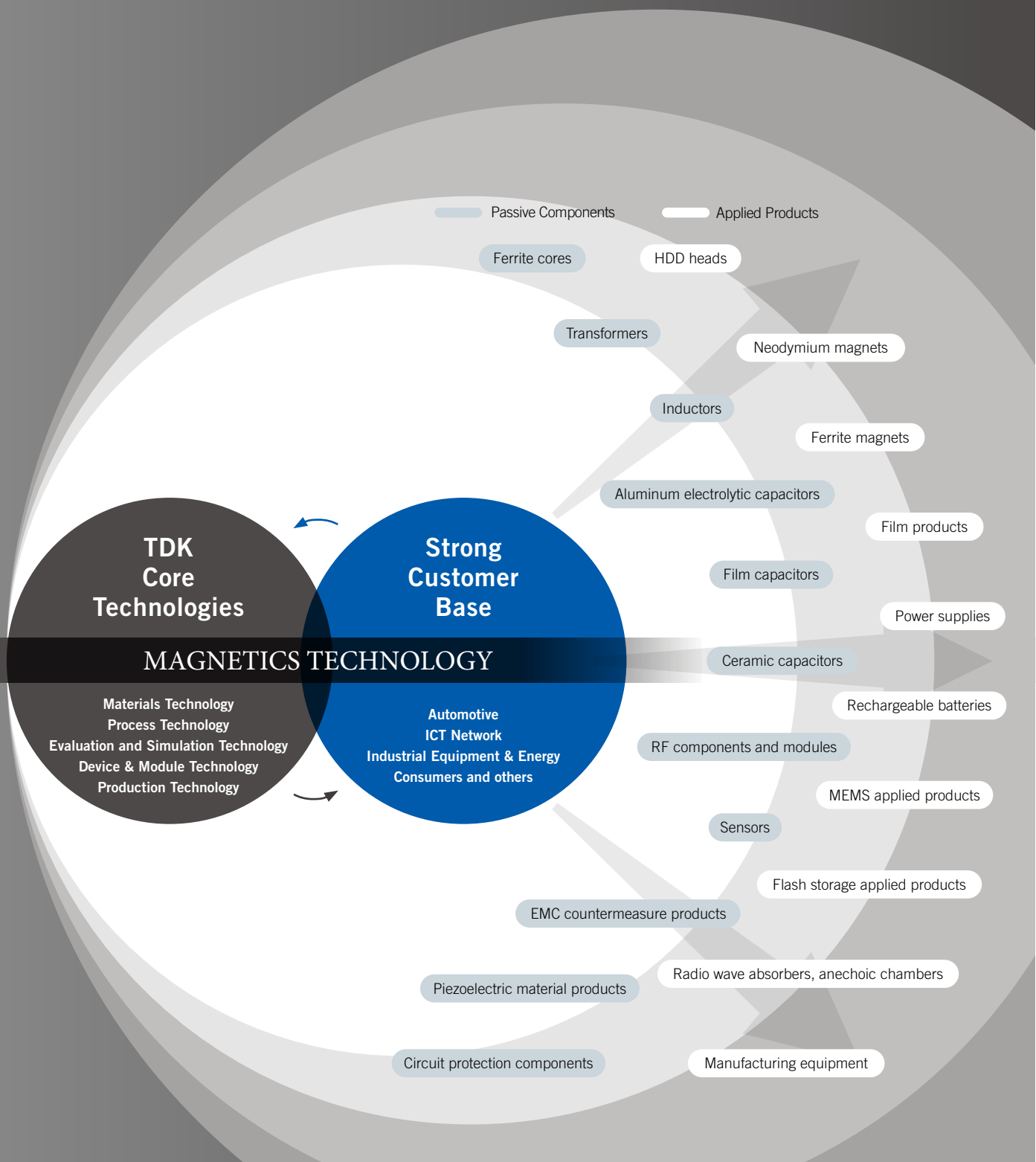


Neodymium magnets (NEOREC series) from TDK

Exploiting Strength in 0.000

00000001_m

Nanotechnology is the art of handling ultrafine materials to a precision of less than a millionth of a millimeter, to create new functionality and previously unattainable material properties. TDK has gained extensive nanotechnology experience through the development and manufacture of magnetic heads for HDDs and thin-film multilayer products. This enables TDK to offer electronic components and devices that meet highly advanced and sophisticated needs.



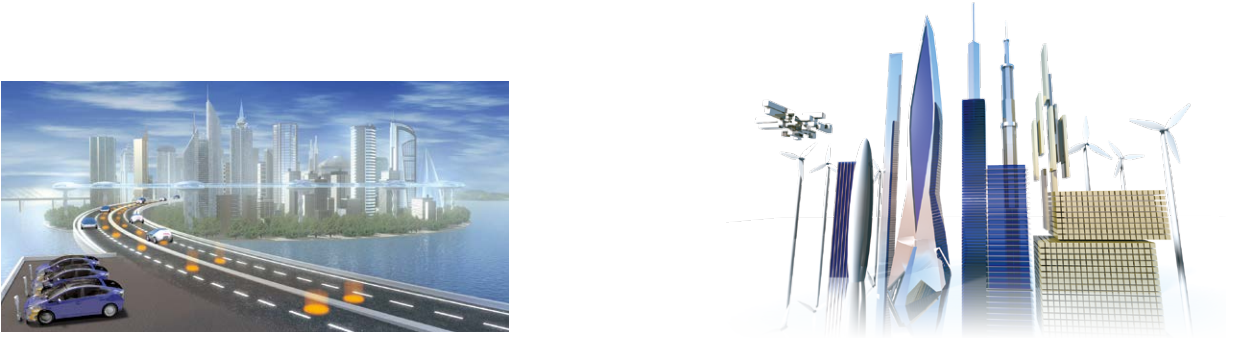
TDK's business model is based on strong and continuously advancing competence in core technologies and a solid customer base. We handle a wide range of products, from passive components to applied products, and are expanding the scale of our business operations.

Our vast accumulated expertise in magnetics technology serves as a backbone, while we explore the properties of materials down to the molecular level. All of our production processes have been developed and unified in-house, a fact that clearly sets us apart from our competitors, as we

continue to develop products that meet the most advanced needs of the age.

We also aim to provide high value added by responding flexibly to various customization requests. This in turn has helped us to grow as a company.

The world of electronics is in constant flux, marching rapidly towards the future. As a global leader in the field of electronic components, we operate at the leading edge of development, creating and marketing numerous innovative products of high value for our customers.



Wireless Power Transfer Technology

Development of wireless power transfer systems harnessing magnetic materials technology and magnetic circuit technology

This system is designed to allow wireless charging of the battery in a vehicle, thereby eliminating the need for cumbersome cable connections. Coils utilizing high-performance ferrite, together with a proprietary automatic tuning technique, ensure optimized charging. We are also working on experimental systems for power transfer to moving vehicles.

Spintronics

Application of TMR element technology allows realization of ultra-sensitive magnetic sensor

The science of controlling the charge of an electron and spin through nanotechnology is called spintronics. Application of TMR elements developed for HDD heads allows the realization of an ultra-sensitive magnetic sensor. The technology is expected to lead to applications in the health care and medical fields.

Infinite Challenges

toward the Future

A major mission of TDK is contributing to the future of electronics.

On the strength of our materials technology, we always take up new challenges and continue to innovate.



Renewable Energy

Development of next-generation magnets and high-efficiency power supplies

Renewable energy is becoming an ever more important topic as we move closer to the realization of a sustainable society. TDK is engaged in developing capacitors and reactors specially designed for use in power conditioners of wind power and solar power installations, and also building extremely powerful and large magnets as well as other parts for wind power generators.



Wearable & Health Care

Pursuing next-generation electronic components and modules through advanced substrate embedding techniques

With a view toward wearable devices and health care products, TDK has developed a technology called SESUB for embedding chips directly in the substrate, and is advancing state the art RF module technology and other sophisticated methods for incorporating electronic components into modules. We have also developed an ultra-low-profile thin-film capacitor (TFCP) that is flexible and allows embedding in the substrate.

TDK's Core Technologies

1

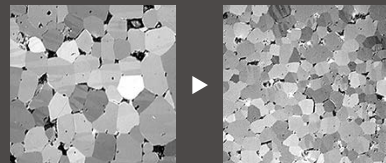
Materials Technology

Shaping the characteristics of the material at the molecular level enables the creation of innovative electronic components and devices that meet even the most advanced market needs.



Materials Design Technology

Control of main raw material composition as well as micro-additives is an effective approach for achieving specific targeted properties.



Powder Control Technology

Finer crystal grain and greater uniformity result in improved materials characteristics.



Microstructure Control Technology

By controlling the internal composition of the crystal grain as well as the boundary between particles and other properties, various characteristics can be realized.

2

Process Technology

Super-advanced control techniques operating with nanometer level precision result in products with outstanding performance and functionality.



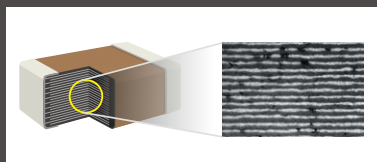
Forming Technology

Achieving compact, low-profile, and complex shapes by adding a binder to the base powder.



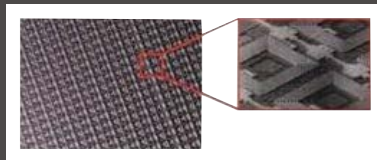
Sintering Technology

A firing process for solidification and hardening. Requires highly precise control of temperature and atmospheric conditions (gas composition in sintering furnace).



Thick-Film Process Technology

Printing of electrodes and similar in a multilayer laminated configuration, to produce multilayer electronic components such as chip capacitors and chip inductors.



Thin-Film Process Technology

Film formation of electrodes, coils, head elements, etc., to produce magnetic heads for HDDs and other thin-film electronic components.

3

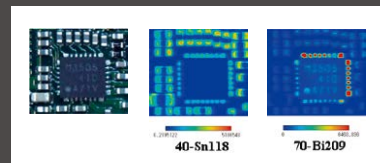
Evaluation and Simulation Technology

Activities range from material analysis and examination, simulation of product structure, thermal conditions, and electromagnetic field to noise measurements and design of noise solutions.



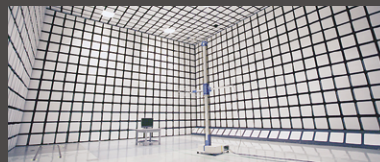
Evaluation and Analysis Technology

Used for observation of microstructures and visualization of molecular distribution, etc.



Simulation Technology

Used to visualize the distribution of thermal energy emitted by circuits, or the electromagnetic field distribution of noise sources.



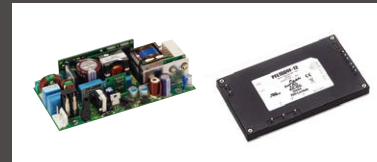
EMC Countermeasure Technology

EMC measures are aimed at ensuring that a device is not susceptible to interference from other devices and also does not become the cause of interference in other devices.

4

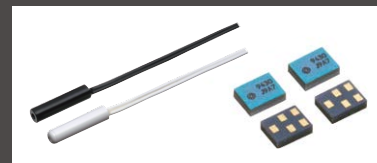
Device & Module Technology

This technology involves combining various electronic components into high-performance, multi functional electronic devices and optimized modules.



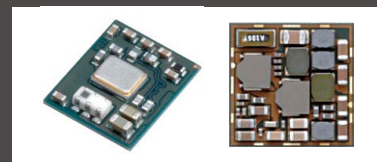
Circuit Design Technology

This comprises selecting optimum components and designing the circuitry including the wiring and thermal dissipation arrangement using advanced simulation techniques.



Packaging Technology

Parts assembly, matching, sealing, as well as structural design and shape design are optimized to achieve compact dimensions and high performance.



Semiconductor Embedded Substrate (SESUB) Technology

This technology involves embedding ICs and other components as well as the wiring into the substrate itself, to achieve a modular product.



LTCC Technology

Low temperature co-fired ceramic (LTCC) technology allows the integration of a high number of components such as capacitors and inductors on a dielectric sheet to create a printed multilayer module.

5

Production Technology

The TDK policy of QCD (Quality, Cost, Delivery) is being further strengthened, to enable swift and effective adaptation to changes in the marketplace.



Production Technology

Outstanding products come from outstanding manufacturing facilities. TDK not only develops innovative manufacturing techniques but realizes these by building much of the required equipment in-house. This comprehensive approach is the key to superior craftsmanship.

Globally Cultivating Leading Edge Technology

TDK is making full use of its worldwide network linking Japan, China, other Asian countries, Europe, and the U.S. Specific priority operation fields has been defined for each region. This enables us to pursue R&D at the cutting edge of technology, utilizing our accumulated expertise in five core technologies, in order to anticipate and meet highly sophisticated demands.

We are actively engaged in further deepening and nurturing these core technologies, establishing unified and consistently outstanding production processes that ensure superior reliability through next-generation technologies. By continuing to innovate, we create products that contribute to the realization of a sustainable society, while also resulting in a sustained increase in corporate value.

Competitive Strength of 5 Core Technologies

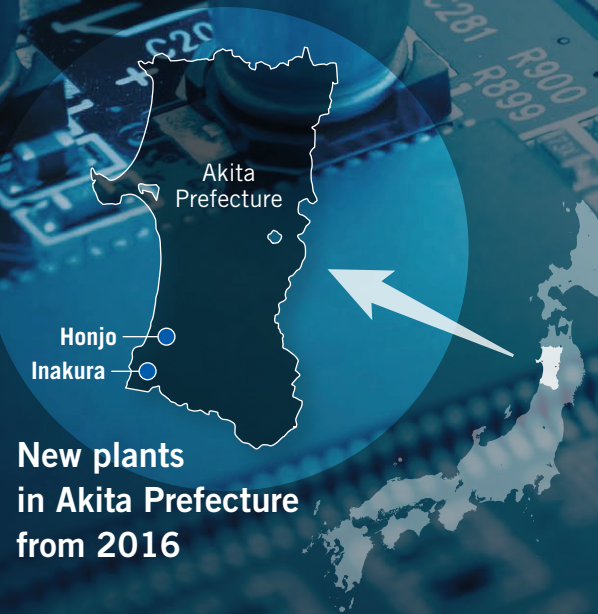
Continue to Change Ourselves to Realize Sustainable Growth towards 2035 100th Anniversary

In our quest to contribute to society and create value, we have pursued a range of different strategies and scenarios, to give concrete shape to abstract ideas. This year, 2015, marks the 80th anniversary of the company's founding, and we are taking this as a starting point for a new trajectory of growth.

Promoting Consolidation of Manufacturing Sites and In-House Production

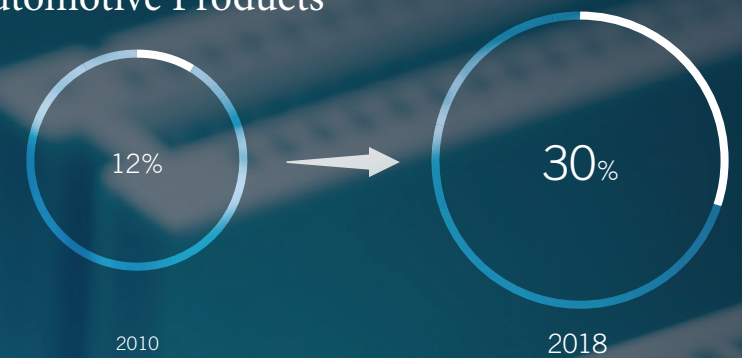
Responding to major changes in the business environment for electronic products, TDK is in the process of consolidating its manufacturing sites. To further bolster our *Monozukuri* power of creating products with a strong craftsmanship ethos, we are establishing two new plants in Akita Prefecture, which will also reflect many advances in next-generation technology. The new plant in Honjo will be handling high-frequency components, piezo-electric material components, ferrite cores, and other passive components, while the new plant at Inakura will be dedicated to ferrite materials. Both are expected to start production from the end of 2016.

**New plants
in Akita Prefecture
from 2016**



Increased Sales Ratio of Automotive Products

Ever since TDK turned its attention to the increasing "electrification" of the automobile more than 40 years ago, we have been providing magnets, inductors, capacitors, and other parts to car manufacturers on a global basis. As the ratio of electric equipment in cars gets ever higher, and with the continuing advance of hybrid electric and electric vehicles, we have set a medium-term goal of increasing our automotive sales to about 30 percent of our total net sales.



Going Global from Early On

One of the strengths of TDK is the speed by which we globalized our operations. By strengthening and expanding our framework of overseas production and technical support, we expanded our customer base from the subsidiaries of Japanese companies to deal with overseas manufacturers as well. Currently, about 90 % of TDK's entire output is being manufactured and marketed overseas.

• Overseas Sales Ratio



• Overseas Production to Ratio



Ongoing Governance Reform

TDK has implemented a broad array of measures to strengthen its corporate governance backbone. In June 2002, we started a system of having outside directors and corporate officers, which since June 2004 also includes non-Japanese corporate officers. This is part of our effort to ensure continued soundness, compliance, and transparency of management.

• Number of Foreign Corporate Officers



• Number of Outside Officers



How the Public Sees Us

TDK has always been creating innovative products to contribute to society through original technology. This stance, in turn has been rewarded outside recognition, earning us a place among the "Top 100 global innovators" named by Thomson Reuters for three years running. The award honors corporations and research organizations with notable inventions on a global scale.

In addition, we are actively engaged in activities to support sustainability, such as environmental protection and compliance, and we are registered for key indicators of socially responsible investment.



Member Ethibel
EXCELLENCE



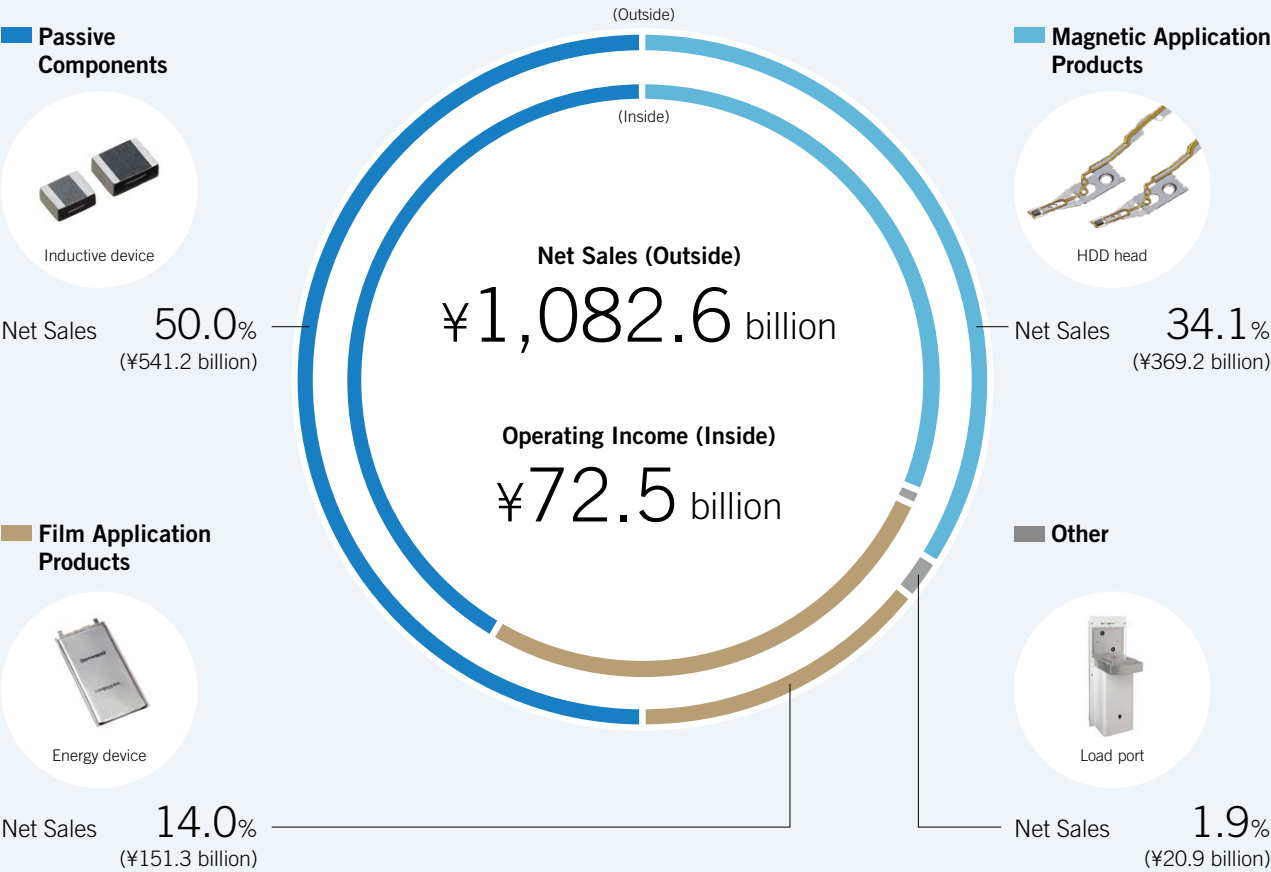
Thomson Reuters
Top 100 Global
Innovators



MONODUKURI. Nippon.
Conference Nippon Brand
Prize

Sales by Segment

TDK is harnessing its proprietary core technologies and *Monozukuri* power, creating innovative products in areas such as passive components, magnetic application products, film application products, and other.



Passive Components

The passive components business is TDK's mainstay, generating about half of its total net sales. The segment includes the capacitor business, comprising ceramic capacitors, aluminum electrolytic capacitors, and film capacitors, the inductive devices business with coils, etc., and other passive components including high-frequency components, piezoelectric material components, circuit protection devices, and sensors. As mobile devices become more powerful and incorporate a variety of functions, and as automobiles rely ever more heavily on electrical and electronic equipment, the demand for passive components continues to expand, a trend that is expected to remain strong.

Magnetic Application Products

TDK's magnetic application products segment is mainly comprised of HDD heads, a field where we hold about 25% of the worldwide market share. The segment is divided into the recording devices business comprising HDD heads and HDD suspensions, and the other magnetic application products business including power supplies and magnets. Heads for HDDs handle the task of writing information to the magnetic media and reading the recorded information. Our mastery of thin-film process technology on the nanometer level has brought about an amazing increase in storage capacity. High-efficiency power supplies incorporating outstanding ferrite and transformer technology, and high-performance magnets also contribute significantly to the conservation of power and resources.

Film Application Products

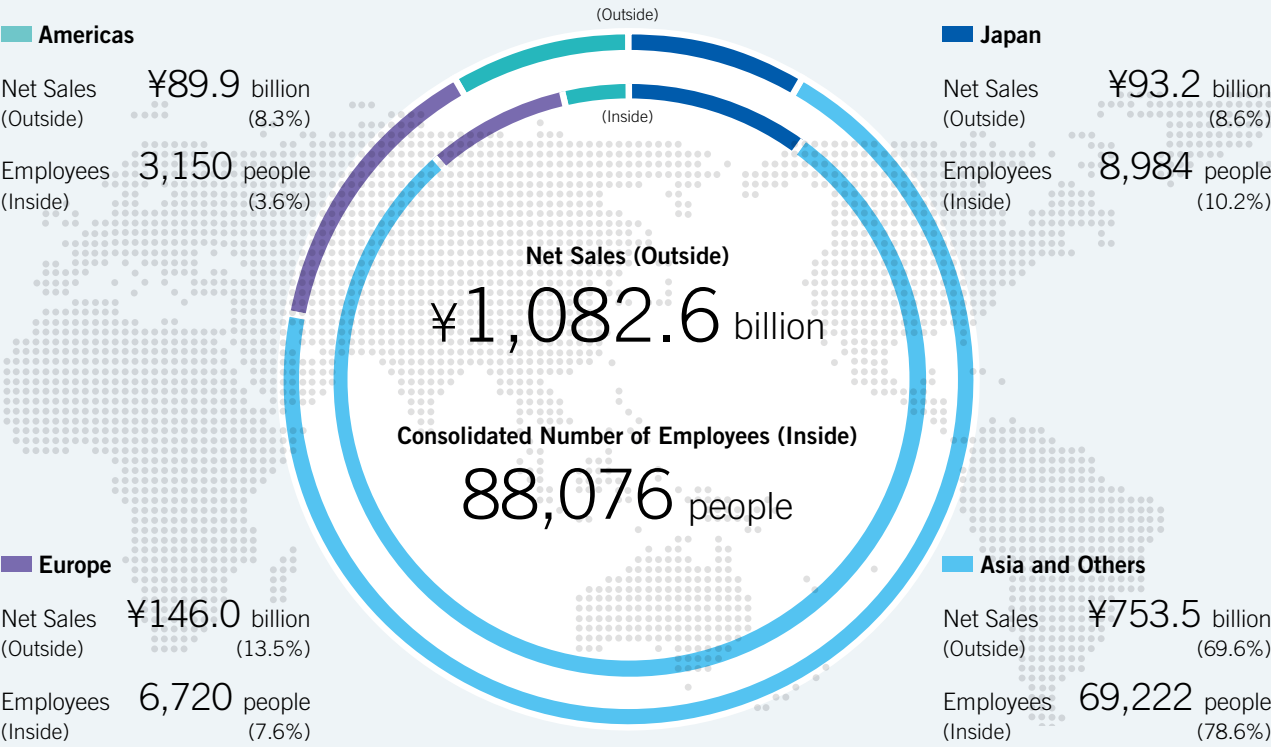
The film application products segment covers energy devices such as rechargeable batteries primarily for tablets, smartphones, and other Information and Communication Technologies (ICT) devices, as well as applied film products used for the touch panels of smartphones and similar applications.

Other

Products that are not part of the three major segments, such as mechatronics (production equipment), anechoic chambers, and flash memory applied devices, are grouped into this category.

High Level of Globalization

The TDK Group is active in over 30 countries and regions all over the globe, selecting suitable bases for plants, research facilities, and sales offices under the viewpoints of marketability, product range, distribution etc. TDK has 117 consolidated subsidiaries overseas and employs a total work force of approximately 88,000 people.



Explanation of Key Terms

What are passive components?

Sustaining the manifold functions of electronic equipment

Electronic components can be divided into two major groups: active components such as chips and transistors that use the electrical power supplied to them to perform amplification, transmission, conversion, and many other tasks, and passive components such as capacitors that consume, store, or release the supplied power. The passive components generally serve for driving the active components, and their efficiency in this task, along with the ability to supply current without generating unwanted noise*, has a major influence on enhancing the performance of the end product. The market for passive components is further expanding, driven by developments such as the move towards higher performance of ICT equipment and the increasing "electrification" of automobiles. Further improved performance and higher productivity will be crucial demands in the area of passive components as well.

* Noise is mainly defined as the unintended emission of electromagnetic radiation, which can impede the correct propagation of desired signals, or cause malfunction and other problems in equipment.

CORPORATE MOTTO

Contribute to culture and industry through creativity

CORPORATE PRINCIPLES

“Vision”

Always take a new step forward with a vision in mind.
Creation and construction are not born without vision.

“Courage”

Always perform with courage.
Performing power is born by confronting contradiction and overcoming it.

“Trust”

Always try to build trust.
Trust is born from a spirit of honesty and service.

Cautionary Statements with Respect to Forward-Looking Statements

This material contains forward-looking statements, including projections, plans, policies, management strategies, targets, schedules, understandings, and evaluations about TDK and/or its group companies (“TDK Group”). These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs, and evaluations of the TDK Group in light of information currently available to it, and contain known and unknown risks, uncertainties and other factors. The TDK Group therefore wishes to caution

readers that, being subject to risks, uncertainties, and other factors, the TDK Group’s actual results, performance, achievements, or financial positions could be materially different from any future results, performance, achievements, or financial positions expressed or implied by these forward-looking statements, and the TDK Group undertakes no obligation to publicly update or revise any forward-looking statements after the issue of Annual Report 2015 except as provided for in applicable laws and ordinances.

Contents

Editorial Policy

The Annual Report 2015 provides financial data, including information about business results, business and marketing activities, the medium-term plan, and related topics. In addition, it also contains general information about environmental (E), social (S), and governance (G) topics. For further information on financial topics not covered here, as well as for Corporate Social Responsibility (CSR) related topics and for product information, please visit the TDK website.

Financial Information

<http://www.global.tdk.com/ir/>



Investor Relations (IR)

- Securities Report
- Quarterly Financial Statements
- Operational Risks

Non-Financial Information

<http://www.global.tdk.com/csr/>



- TDK CSR REPORT 2015
- CSR Activities

Product Center

<https://product.tdk.com/info/en/index.html>



TDK Product Information and Services

Get to Know TDK

TDK's Innovation / Business Models / TDK's Challenges for the Future /	
TDK's Core Technologies / How TDK Has Changed / A to Z /	
Management Philosophy	1

Understand How Management Thinks

To Our Stakeholders	12
---------------------	----

Learn about TDK from Past to Present

Consolidated Business Results Highlights	20
Business Trend	22
Corporate Value	24

TDK Branding: A New Beginning “Attracting Tomorrow”	26
---	----

Find Out Information on Results and Future Strategies

New Medium-Term Plan	28
SPECIAL FEATURE	
TDK's Competitive Superiority Established over the Course of 80 Years	32
Segments at a Glance	38
Segment Business Strategy	40

Explore TDK's Management Resources

Intellectual Capital	46
Human Capital	48
Natural Capital	50
Social and Relationship Capital	51

Check Out TDK's Corporate Governance

Corporate Governance	52
Interview with an Outside Director— TDK Group's Corporate Governance	58
Directors, Audit & Supervisory Board Members, and Corporate Officers	60

Access TDK's Financial Information

10 Years of Financial Trends and Analysis	62
Operating Results for Fiscal 2015	64
Outlook for Fiscal 2016 and Medium- to Long-Term Prospect	67
Consolidated Balance Sheets	68
Consolidated Statements of Income and Statements of Comprehensive Income	70
Consolidated Statements of Stockholder's Equity	71
Consolidated Statements of Cash Flows	72

Overview of TDK

Corporate Information	73
-----------------------	----



President & Chief Executive Officer
Takehiro Kamigama

Making optimum use of materials and harnessing *Monozukuri* to the fullest, TDK is going from strength to strength

As TDK marks the 80th anniversary of its founding, we have established a new Medium-Term Plan and are creating new business opportunities centered around magnetics as the core. Along with the constant evolution of *Monozukuri*, this will carry us as a group toward the next milestone of a hundred years.

■ Summary of fiscal 2015 ended March, 31 2015

Well-balanced earnings structure established

After completing a large-scale structural reform and changing course towards a growth strategy, we achieved increased sales and earnings for three years in a row, as of fiscal 2015.

Our consolidated net sales jumped 10% and for the first time exceeded the trillion yen mark, amounting to ¥1,082.6 billion. Operating income rose 98% to ¥72.5 billion, and the operating income ratio climbed three points to 6.7%. With ¥49.4 billion, the current term net income was about three times higher than in the previous term. In response to strong demand, we implemented capital expenditures in excess of ¥100 billion, the largest ever, and cash flow also improved, so that we achieved a net cash position for the first time in seven terms.

In the current term, growing demand in the automotive sector as well as in the smartphone market for China and North America has led to record sales in the passive components and film application products segments. Within the passive components segment, ceramic capacitors, inductive devices, high-frequency components, as well as piezoelectric material components all did better than in the preceding term, generating increased sales and earnings. In the film application products

segment, we achieved sales not only to manufacturers of new type smartphones, who are our main customers for rechargeable batteries, but were also able to cultivate new customers in the Chinese market, resulting in higher sales and earnings over the preceding term.

In the past, TDK had a problem with a somewhat uneven earnings structure, as reduced profitability of the passive components business led to a dominance of the HDD heads business. By optimizing manufacturing bases and implementing other structural reform measures, and by counterbalancing the passive components and magnetic application products segment including HDD heads business with the film application products segment, we were able to establish a solid earnings balance between these three key segments.

Under the newly formulated medium-term plan for the period from fiscal 2016 to fiscal 2018, we have begun to move forward toward further growth. In order to promote a deeper understanding of the direction in which the company will be progressing from now on, I intend to look back in time and touch upon some problems that we confronted and transformations that we have undergone.

■ A structural reform to rebuild TDK

Regaining the source of our competitiveness: Integrated production

Some of the difficult events that TDK had to face in recent times were the global economic crisis triggered by the Lehman Brothers collapse in September 2008, the Great East Japan Earthquake in 2011, the reshuffle of HDD manufacturers, the great floods in Thailand, and the yen exchange rate climbing as high as ¥75 to the U.S. dollar. With the aim of dealing more efficiently with drastic changes in the management environment, we embarked on a large scale structural reform starting in fiscal 2013.

We sold the organic EL business which was only peripheral to our operations, and also reorganized our business portfolio in other ways, such as retreating from the data tape and Blu-ray businesses. This allowed us to concentrate management resources on growth sectors and areas central to our business. Various other reform measures were also implemented, mostly focused on improving the profitability of passive components centered on multilayer ceramic capacitors.

Although TDK used to command a high market share in the multilayer ceramic capacitor category, we had lost ground and our presence had diminished gradually. Major reasons for this were seen in the timing of facilities investment in the face of expanded demand, and a delay in starting to develop the ultra-small components required for smartphones, but as a matter of fact, our overall *Monozukuri* product creation power in the passive components sector was suffering from problems.

In 1966, TDK was the first company to locally develop a cassette tape product in Japan. While devising and perfecting proprietary magnetic materials technology and coating techniques, we became extremely competitive on the world stage, and the TDK brand was successfully established as a solid presence. Later, we adapted the system of horizontal labor division that had been used for the business-to-customer (B to C) cassette tape field also to the business-to-business (B to B) operations in the passive components sector.

A major strength of TDK since its beginnings had been integrated production based on *Monozukuri* principles, with all processes from the source material to the final product being handled in-house. Creating products from the materials level up gave us an advantage in product evolution that cannot easily be duplicated. Furthermore, when all steps to completion are handled in-house, various issues that may occur in regard to manufacturing or technology become more readily apparent, and bold steps towards rationalization can be taken. By contrast, in the horizontal labor division production system, these advantages were gradually

lost, and the utilization of IT for materials procurement and production management also was hampered by delays. As a result, competitiveness suffered in terms of quality, lead time, and production costs.

TDK therefore embarked on a program of restoring the passive components business as a pillar of earnings, and we actively pursued the consolidation of domestic bases. We closed outdated manufacturing sites of passive components, and concentrated domestic production on fewer sites. We also transferred some of the outsourced production back to in-house operations. In this way, we streamlined the *Monozukuri* process that had become too convoluted, and we purposefully progressed on the path of returning to integrated production. This not only helped in reducing fixed costs, it also contributed to shorter lead times and lower logistical expenses. And equally important, we were able to foster human resources with a clear and immediate grasp of the entire process, from raw material to finished product.

In the area of multilayer ceramic capacitors, relying on our strengths in materials technology and process technology, we concentrated our management resources on creating outstanding products for the automotive sector and for industrial and energy-related equipment, and directed marketing efforts at selected targets. Through these reforms, we were able to return the passive components business to a stable and solid earnings structure.

Having begun overseas operations in the 1950s, TDK now operates about 100 sites in more than 30 countries around the globe. We have built a truly global operations base, with 91% of our net sales being generated overseas, and 88% of our products also being manufactured outside of Japan. However, becoming a global corporation was not easy, as a number of obstacles had to be overcome.

One of these was ensuring a true synergy effect from the integration of the German electronic parts giant EPCOS Inc., which was acquired in August 2008 with an investment of approximately ¥170 billion. In addition to consolidating production bases, we tried to improve manufacturing processes through cooperation between TDK engineers specializing in magnetic heads and engineers from EPCOS. We also were eventually able to achieve stronger penetration of the Chinese market, thereby returning both EPCOS and our high-frequency components business to solid profitability. By harnessing the sophisticated technological expertise of EPCOS, for example in applications and modules, we are transitioning to the stage where the maximum benefit from the acquisition can be achieved.

We also took drastic measures to reform the global sales framework. Starting from April 2014, we divided our various product families laterally into three key strategy market segments, namely “Automotive,” “ICT,” and “Industrial Equipment and Energy.” In this way, we strengthened the base for effective business development where “Development & Manufacturing” and “Sales” can work together in a unified relationship. The main purpose is to enable businesses of the TDK Group the world over to respond appropriately to the needs of customers who are expanding their supply chain globally, by promoting wide-ranging business development in various regions. In order to make this approach work effectively, we are promoting high-level cooperation and quick decision making through measures such as global management conferences that link our worldwide

bases with each other. We also have formed a global R&D structure with four key bases: Japan, U.S.A., China, and Europe. In Japan, the focus is on new materials and new manufacturing processes as well as new products, while the other bases are strong in performing R&D that closely tracks the situation of customers.

Having completed the structural reform and returned to a growth trajectory, our company will mark its 80th anniversary this year. As we turn our attention to 2035 and the 100th anniversary as our next milestone, we need to maintain sustained competitiveness and further expand our corporate value by creating businesses that are oriented towards the future. The Medium-Term Plan which has taken effect in fiscal 2016 is an expression of this forward-looking stance.

New Medium-Term Plan

Basic Policy

Advance autonomous collaboration of the group and realize further growth

Key Concepts

- 1 Pursue “zero - defect quality” based on superior technical capabilities
- 2 Drive genuine globalization with speedy management
- 3 Develop a new business with the revenue of over ¥100 billion following the three major business segments
- 4 Innovate the corporate culture and cultivate courageous spirits

■ New Medium-Term Plan

Creating business focused on the 100th anniversary

The new Medium-Term Plan retains “Automotive,” “ICT Net work,” and “Industrial Equipment and Energy” as the three key markets for TDK, with the five key business sectors being defined as inductive devices, high-frequency components, piezoelectric material components, HDD magnetic heads, and rechargeable batteries. In addition, the new policy also sets a target of creating revenue on the order of ¥100 billion in new business ventures by fiscal 2018, with a view towards developing future revenue pillars for TDK.

Among the three key markets, the share of the automotive sector which accounted for 17% of sales in fiscal 2015 is to be expanded to 30% by fiscal 2018, which forms another important goal. More than 40 years ago, TDK turned its attention to electrical

equipment in automobiles, and entered that market by offering components such as magnets, inductors, and capacitors, which enabled us to build a solid customer base. While retaining this business foundation, we are now going beyond the existing lineup by increasingly offering customized products, and in addition to selling to Tier 1* suppliers, we are engaged in efforts to expand our customer base among manufacturers of finished vehicles.

* The highest level of suppliers in the automotive sector, delivering directly to car manufacturers

The ICT market is at a stage where the move to LTE is spreading beyond China, extending also to regions such as Europe and India. In Japan, the transition to 4.5G is progressing, and in the long run 5G is expected

to emerge as well. This not only will lead to an increase in the number of parts, but will also involve more complex circuitry and intensify the need for space-saving components and highly efficient power management. To meet such demands, highly sophisticated technology will be crucial. In areas such as camera modules and lithium polymer batteries, TDK is aiming for deep market penetration by offering high-added-value products made possible by our advanced thin-film technology, process technology, and packaging technology. In the high-frequency components sector, we are going beyond obtaining reference specifications to active collaboration with major chip manufacturers, and are also moving into modular products.

Areas identified as having high growth potential for new business operations are magnetic sensors for automobiles and industrial equipment, energy units for cars and industrial equipment, including wireless power transfer systems, highly efficient, ultra-thin wireless charging systems for wearable devices, miniature modules for health care products, and thin-film parts. As indicated above, magnetic sensors for automobiles are especially promising in this regard. In the area of thin film products, the combination of process technology and materials technology perfected for HDD magnetic heads, along with components such as common mode filters, RF filters, inductors, and MEMS parts is enabling us to create a succession of new products that stand out in terms of small dimensions and low profile. In

November 2013, we established the Thin-Film Device Center and is now forging ahead with development and production, having concentrated management resources in a single location.

During the period of the medium-term plan, I intend to utilize funds for growth oriented-investments as described above. During the three years until fiscal 2015, total capital expenditures amounted to ¥256 billion, which will be raised to ¥350 – 400 billion in the new three-year period. This will include new plants in Akita Prefecture and strengthened production capacities for the five key business sectors. The new manufacturing sites in Akita, unlike old sites that have been aging for 30 to 40 years, which we have been progressively closing, are positioned as “mother plants” for *Monozukuri* technology development. R&D expenditures will also be increased to about ¥230 billion over the course of three years. The target for dividends over the period will be a 30% payout ratio, and we will aim to ensure stable dividends through the growth of earnings per share.

Through the steady implementation of measures, we will continue to push towards the achievement of a quantitative plan calling for both operating income ratio and ROE of at least 10% by fiscal 2018. For fiscal 2016, which can be seen as a starting point towards our 100th anniversary, we aim to top the profit figures at each stage for the first time in 14 years. We can expect the various seeds that have been sown over the years to bear fruit one after the other.

■ A TDK-style Monozukuri revolution called “TDK Industry 4.5”

—— Towards the realization of “Zero Defect Quality”

I believe that we have to thoroughly advance our *Monozukuri* culture as well. Under the growth strategy banner, we will be taking a determined and forward-looking stance.

As labor costs in China keep rising and the situation in the former “factory of the world” is drastically changing, TDK is planning to return some of the production that was moved overseas back to Japan. However, the reasoning for this change is not merely based on the above mentioned changes in the production environment.

The trend towards extensive use of electric and electronic equipment in automobiles is becoming ever stronger, and in our daily lives smartphones are expected to perform a myriad of functions. The age where robots will become an integral part of some aspects of daily life also seems not too far off. Even more than until now, electronic components will pervade the fabric of society, and they may increasingly

play a vital role also in situations that are a matter of life and death. If this is so, the matter of “quality” will undoubtedly be the focus of close attention and scrutiny. TDK will relentlessly pursue “Zero Defect Quality” and create a *Monozukuri* culture that ensures powerful competitiveness in this regard.

I strongly believe in the “location free” concept. What this really means is that regardless of factors such as labor cost and personnel proficiency, the same quality can be produced at any site, regardless of its geographical location. An absolute requirement for this is integrated production, covering all steps starting from the material and progressing through front-end processes and assembly processes to the back-end processes. By performing upstream control whereby problems are detected and back traced to the preceding process, causes for nonconformance can be found and eliminated. The improved yield also contributes to a

higher profit ratio. In this regard, the reconfiguration of production sites in Japan that we have been pursuing was only one step towards the further evolution of *Monozukuri*. The first actual realization of the “location free” concept will come in the form of two new key production bases that will be built at a cost of ¥25 billion in Akita Prefecture (at the Honjo and Inakura plants), with construction scheduled to complete in summer 2016.

In Germany, the “Industrie 4.0” concept refers to the 4th industrial revolution, pursued jointly by the industrial, governmental, and academic sectors. It envisions the creation of smart factories where production lines utilizing the Internet of Things (IoT) autonomously exchange information, thereby drastically improving efficiency. To this idea, which is seen to produce a paradigm shift that

could rival the industrial revolution in importance, TDK is bringing its own strong concern for quality, aiming to realize new types of factories under the “TDK Industry 4.5” program. A monitoring system network comprising cameras and sensors will enable the autonomous detection of problems in the manufacturing line in real-time, with analysis being performed in the cloud and the results being fed back to the process for upstream control. This not only facilitates the pursuit of zero defect quality, but also revolutionizes inventory control and energy efficiency. After the start in Akita, it is planned to expand the concept to China and eventually to sites around the globe.

“TDK Industry 4.5” is not simply an attempt to create smart factories. It is a full-fledged *Monozukuri* revolution that reflects the unique quality dedication of TDK.

■ A strength nurtured and polished over 80 years magnetics technology

—— Strongly dominating a field with a high entry barrier

With a view towards the future and the 100th anniversary of the Company's founding, here are my thoughts on what the technological foundation of TDK should be.

Tokyo Denki Kagaku Kogyo K.K., the forerunner of TDK, was founded in 1935 in order to commercialize ferrite, a magnetic material that had been invented by Dr. Yogoro Kato and Dr. Takeshi Takei of the Tokyo Institute of Technology. Taking its beginnings in an epoch-making invention, the Company continued to refine and improve magnetic materials from the molecular level, resulting in breakthroughs such as the first domestically produced cassette tape in 1966 and advancements in magnetic heads for hard disk drives, enabling dramatic increases in storage capacity. The company's history is characterized by a long stream of innovations. Without a doubt, “magnetics technology” is at the very root of TDK's competitiveness. Although we did temporarily venture into optical media such as CDs, MDs, DVDs, and Blu-ray discs as well, our history is built on magnetics technology.

As we reach our 80th year, we will continue to enhance and deepen our mastery of magnetics technology. That clearly is the best way to further bolster our position of strength in the industry. The magnetics field where we have superior competence presents a very high hurdle for entry by competitors.

In 2015, we adopted “Attracting Tomorrow” as our new communication message. This refers both to the power and ability to attract people as well as to the properties of a magnet that attracts iron. The slogan is intended to demonstrate our aim of “attracting the

future,” both through our strength in magnetics technology and through our ongoing efforts at improvement, in Japan as well as overseas.

In this respect, I would like to briefly touch upon the outlook for the future.

Magnetic heads for HDDs are a pillar of our earnings. On one hand, the spread of mobile devices and the lower prices of solid state drives (SSDs) are causing a reduction in demand for such heads for use in personal computers. On the other hand, the spread of cloud computing and the accompanying growth of data centers are causing an expansion in demand. Furthermore, the number of magnetic heads per HDD is increasing in the type of hard disks used by data centers, and the move to Big Data is expected to result in continued solid demand. The next generation of magnetic heads, called thermal assisted magnetic recording heads, which use a laser to realize the next breakthrough in recording density is currently under development.

By increasing production efficiency and increasing competitiveness on the cost side, we aim for rapid market penetration of the new technology, thereby further bolstering our unique position as the only specialized magnetic heads manufacturer.

However, in the long run it will be necessary to ensure that our company can enjoy sustained growth, even if the market for HDD magnetic heads should shrink drastically. The subsequent field where we expect to develop our next pillar of earnings is TMR sensors, a type of magnetic sensor developed through the application of spintronics, as briefly mentioned

previously. By harnessing expertise and know-how gained in the development of HDD heads, we can overcome difficult technical challenges, enabling us to meet the stringent accuracy demands of customers. TMR sensors from TDK boast excellent angle detection precision as well as high stability over a wide temperature range. Our first target area, where mass production has already begun, is the automotive market. Starting with angle sensors, we plan to expand our lineup to include applications such as rotation sensors. Furthermore, in a world where the IoT has become commonplace, many different kinds of devices that surround us in daily life will be equipped with sensors. We intend to combine unique TDK components such as piezoelectric and thermoelectric elements into integrated magnetic sensors

that will give us an advantage in the market, and which will also enable us to counter optical and other sensors in the industrial equipment field.

With regard to the “electrification” of the automobile, I believe that hydraulic control is increasingly being replaced by electric power. As a result, demand for magnets used in small electric motors with high performance is expanding. In the area of electric appliances for the home, the demand for high-efficiency motors also is likely to grow, and looking further ahead into the future, robots will also require a large number of small electric motors. This clearly points toward the enormous potential of magnets. The magnet business, which is in TDK’s DNA, is bound to open up many future possibilities as well.

■ Technology and founding spirit to carry us toward the 100th anniversary

Truly competitive technology leads to management with a long-term perspective

I believe that the essence of TDK’s business model is a long-term stance, both with regard to developing business as well as technology. When I was responsible for the HDD magnetic heads sector, we took a full five years to eventually develop a new material that proved competitive. To create a new elemental technology or material, or to renew a *Monozukuri* process and develop a truly original product, about 5–8 years is necessary. If management aims only for short-term results, the organization as a whole will become prone to latching onto the obvious. This stifles originality and results in focusing on products in areas with a low entry barrier. Clearly, it is not the way to dominate the competition.

Taking the cue from my predecessors, I also strongly believe that one should try to plant seeds always with a long-term view. Following this concept across generations will enable us, as we did over the past 80 years, to bring forth innovative products that stand apart from the crowd. In this way, we can move toward our 100th anniversary while further enhancing corporate value.

The spirit of the Company’s founder, which is expressed by the corporate motto of “Contribute to culture and industry through creativity” should also be transmitted across generations. The founder’s vision and belief was “to realize the industrial potential of a unique Japanese magnetic material called ferrite, and thereby to contribute to the advancement of society.” This became the basis for the creation of a series of innovative products. For TDK to pursue sustainable development until its 100th year and beyond, we must

always be an entity that is relied upon by society. With this aim in mind, we shall endeavor to meet the expectations of society, both through innovative developments for example to help conserve energy or in the medical and health care sector which is becoming ever more important due to changing age demographics, and through a *Monozukuri* attitude of manufacturing products while being mindful of society and the environment.

It goes without saying that the source of all of our innovations is “people power.” TDK has always thought of its employees as its most important resource. As we are headed for the realization of true globalization, we will be even more intent to hire, train, and deploy capable individuals without regard to gender, nationality, creed, or religion. In order to accelerate growth on our way toward 2035, there is a need to deeply disseminate the founders’ spirit and the action guidelines among overseas personnel, which make up more than 90% of our workforce. On the occasion of starting the new Medium-Term Plan, we have therefore newly set down the Corporate Vision and TDK Value (action guideline) which interpret the corporate motto in terms that are attuned to the current age, and have embarked on a reform of corporate culture. Of course I am also bound by the TDK Value to lead by example. Also, in order to realize long-term shareholder value improvement we are engaged in establishing an “active governance structure.” From very early on, TDK has been making efforts to strengthen corporate governance. In 2002, we brought in outside directors. The chairman of the Board

Corporate Vision—Vision 2035

TDK was founded in 1935, based on the founder’s vision and belief—“contribute to the advancement of the society through the commercial production of ferrite, a magnetic material which originates from Japan.” TDK achieved four world-class innovations including “ferrite, magnetic tape, multilayer materials, magnetic heads”, and has been offering products to support the advancement of society. TDK will continue to strive to achieve further innovation and create value for customers through the delivery of outstanding quality products and services, by utilizing its diverse global resources. Based on TDK’s corporate motto, TDK will continue to “contribute to culture and industry through creativity,” by revitalizing and protecting the global environment and creating a pleasant and safe society.

TDK Value

Customer Focus

We have;

- Strong determination to contribute to our customers’ success
- Passion to be a trusted partner for our customers

Therefore we can;

- Deliver inspirational value by standing in the customer’s shoes
- Offer outstanding quality products, services, and technology to satisfy our customers

Challenge

We have;

- Culture to turn adverse challenges into chances to develop ourselves
- Strong determination to accomplish our business goals by overcoming adversity

Therefore we can;

- Accept challenges to make innovative breakthroughs and continue to create new value
- Lead our colleagues and collaborate as a team by sharing the same value

HR Development

We have;

- Aspiration to continuously improve ourselves
- Motivation to contribute to the advancement of society and growth of businesses

Therefore we can;

- Define clear vision / goals and drive ourselves to achieve them
- Support the development of our colleagues and build enthusiastic teams

Diversity

We have;

- Global network with diverse culture
- Teams which respect each other and teamwork which encourages development

Therefore we can;

- Embrace different ideas and opinions
- Clearly express our opinions with sincerity through open discussions

of Directors as well as the chairs of the Compensation Advisory Committee and the Nomination Advisory Committee are also outside directors. We also actively recruit foreign corporate officers. In 2015, we had an evaluation of the Board of Directors performed by a third party. An analysis based on a comparison with the governance codes and rules of competitors both in Japan and overseas confirmed the effectiveness of the Board of Directors, but also brought to light a number of problems. Taking such outside opinions aboard, and implementing the Corporate Governance Code that applies to Tokyo Stock Exchange-listed companies since June 2015, we are strengthening our internal structure, and will further promote a constructive engagement and dialog we with shareholders and investors.

Based on a strong belief in the possibilities of magnetics, nurtured and honed over the course of 80 years, we will continue to work towards making TDK the company that the world thinks of when speaking of magnetics. We will not shirk our responsibilities and remain committed to the progress of solid manufacturing as embodied in the *Monozukuri* concept. The TDK revolution has only just begun. I look forward to your continued warm support for TDK’s future challenges.

October 2015
President & Chief Executive Officer
Takehiro Kamigama



Consolidated Business Results Highlights

Years ended March 31

Consolidated Business Highlights											Millions of yen
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net sales	¥ 657,853	¥ 795,180	¥ 862,025	¥ 866,285	¥ 727,400	¥ 792,624	¥ 862,492	¥ 802,534	¥ 841,847	¥ 984,525	¥1,082,560
(Overseas sales)	473,828	621,522	690,673	714,172	610,944	704,874	764,807	702,469	747,062	890,520	989,348
Cost of sales	484,323	585,780	622,819	635,529	605,943	604,454	645,514	624,271	668,258	763,572	802,225
Selling, general and administrative expenses	119,886	142,052	159,106	158,921	159,878	153,852	149,114	157,886	149,974	184,337	207,876
Operating income (loss)	59,830	60,523	79,590	87,175	(54,305)	29,443	67,864	20,539	22,054	36,616	72,459
Income (loss) before income taxes			88,665	91,505	(81,630)						74,517
Income (loss) from continuing operations before income taxes	60,728	66,103				25,576	64,519	14,668	19,765	39,772	
Net income (loss) attributable to TDK	33,300	44,101	70,125	71,461	(63,160)	13,520	45,264	(2,454)	1,195	16,288	49,440
Capital expenditures	61,005	73,911	70,440	84,312	98,425	64,370	78,638	99,653	85,606	68,606	102,525
Depreciation and amortization	52,806	58,540	65,337	71,297	89,567	83,788	77,594	80,197	77,938	83,109	80,249
R&D expenses	36,348	45,528	50,058	57,387	57,645	53,942	52,973	52,551	53,943	63,385	70,644
Ratio of overseas production to net sales (%)	59.0	61.7	62.2	70.1	74.0	80.5	83.6	80.2	81.8	86.7	87.9
Net cash provided by operating activities	95,249	89,118	145,483	119,413	59,189	118,247	101,879	55,334	108,942	127,308	142,850
Net cash used in investing activities	(62,359)	(104,782)	(81,488)	(141,892)	(275,410)	(105,963)	(61,341)	(29,898)	(90,156)	(55,438)	(127,312)
Net cash provided by (used in) financing activities	(9,629)	(7,125)	(15,862)	(75,941)	223,637	(38,369)	(31,860)	12,929	4,395	(56,118)	(35,243)
Cash and cash equivalents, end of year	251,508	239,017	289,169	166,105	165,705	132,984	129,091	167,015	213,687	250,848	265,104
Total assets	808,001	923,503	989,304	935,533	1,101,036	1,091,458	1,060,853	1,072,829	1,169,642	1,239,589	1,404,282
Stockholders' equity	639,067	702,419	762,712	716,577	554,218	543,756	534,273	498,159	561,169	635,327	738,861
Working capital	379,746	397,131	449,830	300,859	281,536	286,370	199,186	219,918	232,693	279,504	352,364
Number of shares issued (thousands)	133,190	133,190	133,190	129,591	129,591	129,591	129,591	129,591	129,591	129,591	129,591

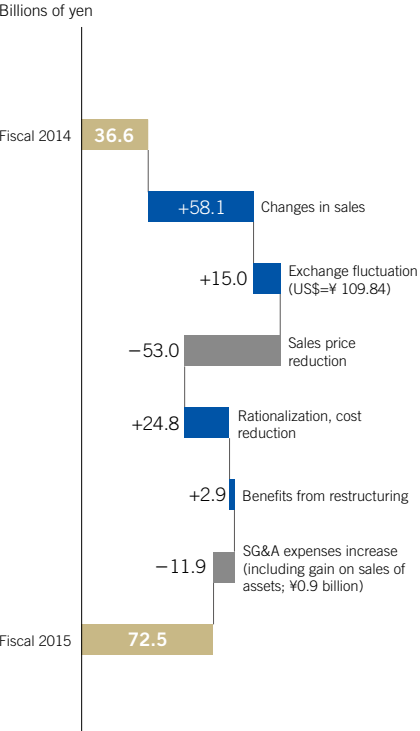
Per Share Data											Yen
Net income (loss) attributable to TDK (Basic)	¥251.71	¥333.50	¥529.88	¥551.72	¥(489.71)	¥104.82	¥350.90	¥(19.06)	¥ 9.50	¥129.47	¥392.78
Net assets	4,832	5,311	5,759	5,557	4,297	4,215	4,142	3,957	4,461	5,050	5,865
Dividends	70.00	90.00	110.00	130.00	130.00	60.00	80.00	80.00	70.00	70.00	90.00
Payout ratio (%)	27.8	27.0	20.8	23.4	—	57.2	22.8	—	737.2	54.1	22.9

Key Ratios											
Overseas sales ratio (%)	72.0	78.2	80.1	82.4	84.0	88.9	88.7	89.8	88.7	90.5	91.4
SG&A ratio (%)	18.2	17.9	18.4	18.3	22.0	20.0	17.3	19.6	18.0	18.7	19.2
Operating income ratio (%)	9.1	7.6	9.2	10.1	(7.5)	3.7	7.9	2.6	2.6	3.7	6.7
ROE (%)	5.5	6.6	9.6	9.7	(9.9)	2.5	8.4	(0.5)	0.2	2.7	7.2
ROA (%)	4.2	5.1	7.3	7.4	(6.2)	1.2	4.2	(0.2)	0.1	1.4	3.7

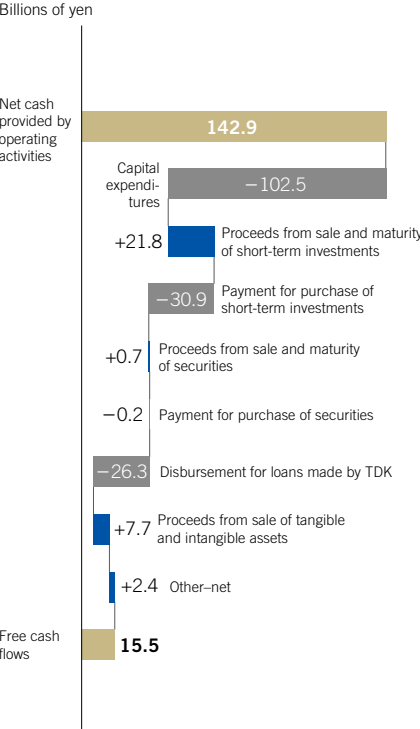
Non-Financial Indicators											
Number of employees	37,115	53,923	51,614	60,212	66,429	80,590	87,809	79,175	79,863	83,581	88,076
Overseas employees ratio (%)	74.4	81.1	80.1	82.8	84.1	87.2	88.5	87.4	88.2	89.1	89.8
CO ₂ emissions in production activities (t-Co ₂)	827,743	874,996	857,213	926,695	909,747	878,303	1,095,462	1,109,926	1,102,989	1,190,458	1,269,086
CO ₂ emissions in manufacture (t-Co ₂)								321,000	498,000	886,000	1,251,000

1. In accordance with the provisions of ASC No.205-20, “Presentation of Financial Statements-Discontinued Operations”, operating results relating to the data tape business and the blu-ray business are separately presented as discontinued operations in the consolidated statements of operations for the year ended March 31, 2014. Also, reclassifications are made to the consolidated statements of operations after the year ended March 31, 2010, to conform to the presentation used for the year ended March 31, 2014.
2. Because the TDK Environmental Action 2020 Plan came into effect from fiscal 2011, the “CO₂ emissions through products (environmental contributions) (t - CO₂)” figures are for fiscal 2012 onwards.

Breakdown of Operating Income Changes



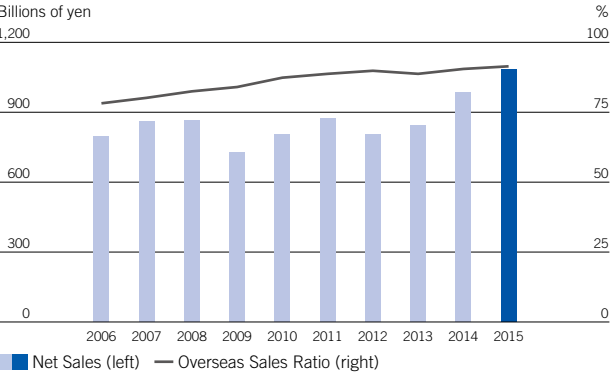
Breakdown of Free Cash Flows



Business Trend

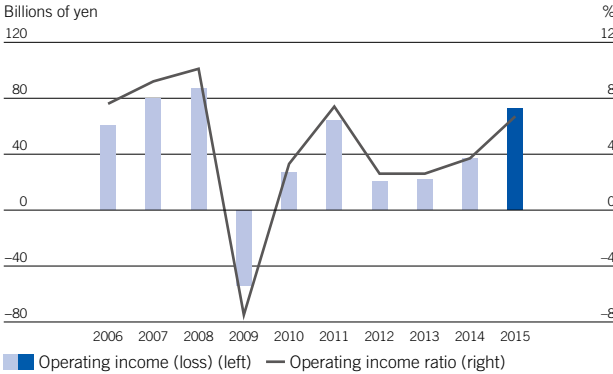
Years ended March 31

Net Sales / Overseas Sales Ratio



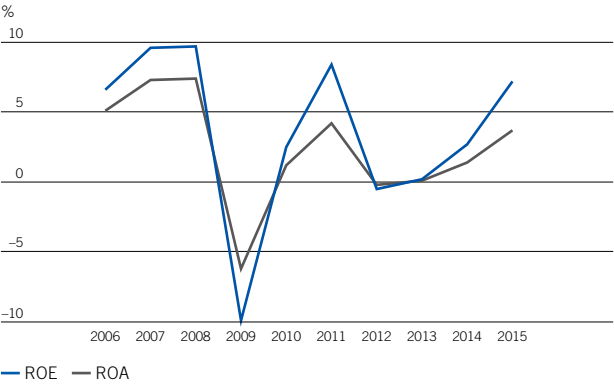
Driven by strong sales in the automotive sector and for smartphones in China and North America, net sales for fiscal 2015 amounted to a record ¥1,082.6 billion. In addition, the progress of globalization resulted in overseas sales accounting for 91.4% of the total.

Operating Income (Loss) / Operating Income Ratio



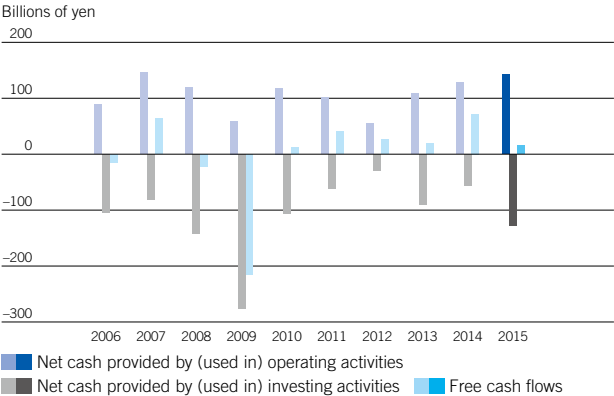
A stable earnings structure with a good balance of the three core segments was achieved, resulting in a large improvement in operating income and the operating income ratio for fiscal 2015. Compared to the previous term, operating income jumped by 97.9% to ¥72.5 billion, and operating income ratio increased by more than three points to 6.7%.

ROE / ROA



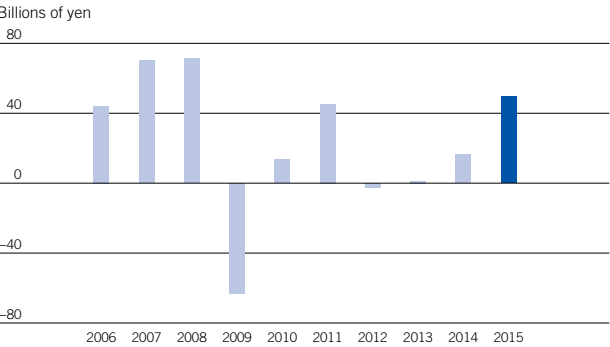
In fiscal 2009, ROE worsened considerably due to the global recession and other factors, but the increase in current term net income for the fiscal 2015 brought an improvement. We are currently pursuing the goal of an ROE over 10% in fiscal 2018.

Free Cash Flows



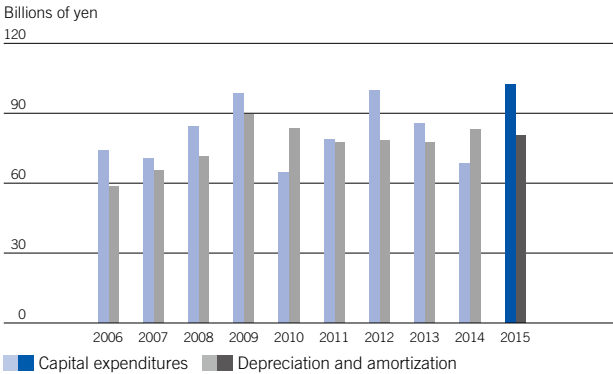
Large-scale M&As in fiscal 2009 resulted in a negative cash flow, but subsequent aggressive capital investment combined with business activities increased cash flow, which has now remained positive.

Net Income (Loss)



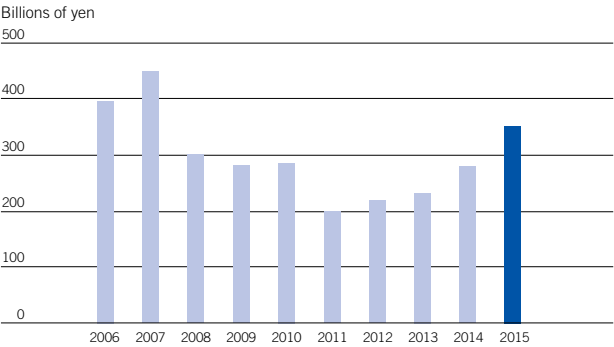
Figures since fiscal 2009 had been low, due to lingering effects of the global recession that had caused a drop in demand for electronic components, and also due to other factors such as the Great East Japan Earthquake, but in fiscal 2015, demand stabilized, and the weaker yen further intensified the recovery, producing a result of 49.4 billion yen, about three times higher than the previous term.

Capital Expenditures / Depreciation and Amortization



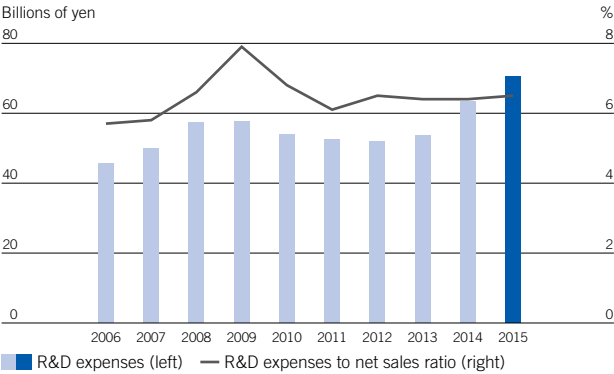
In order to respond to rapid technological innovation in the electronics market, TDK aggressively invested for growth mainly in the priority areas of new products and new technologies. We will continue to respond to strong demand with a focus on technological innovation and emerging economies.

Working Capital



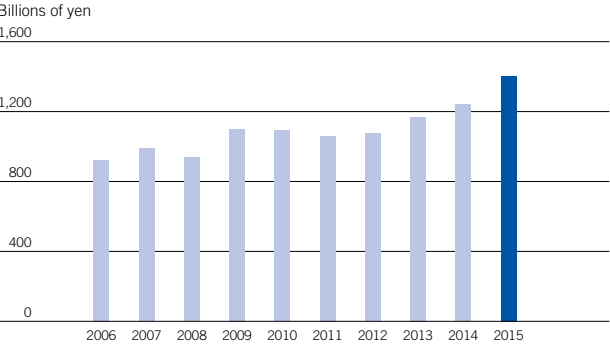
The working capital of the TDK Group is mainly spent on the procurement of raw materials and components used in the manufacture of products, and therefore recorded as production costs. Needed funds were generated by operating activities, with a figure of ¥352.4 billion for the fiscal year ended March 2015.

R&D Expenses / R&D Expenses to Net Sales Ratio



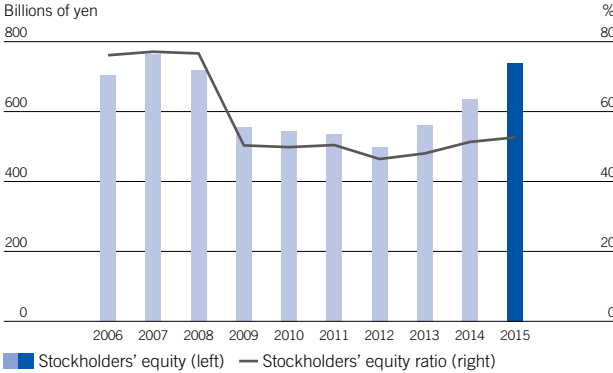
Responding to rapid technological developments in the electronics market, and aiming to maintain our strong competitiveness, TDK has been spending more than ¥50 billion on R&D every term since fiscal 2007. By continuing to carry out intensive R&D also in future, we aim to bring a stream of new products to market and further enhance corporate value.

Total Assets



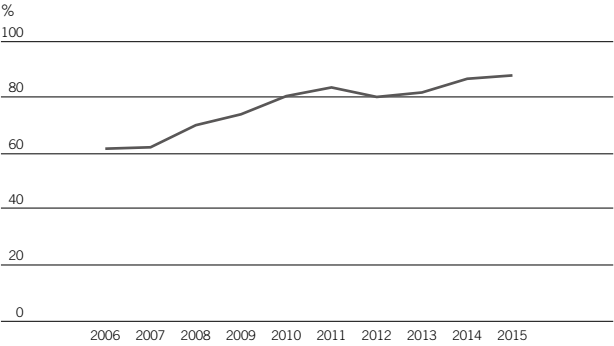
The acquisition of EPCOS Inc. in fiscal 2009 resulted in a large increase of total assets. Since fiscal 2011, the increase in tangible fixed assets and investments causes a continued gradual upward trend. The figure for fiscal 2015 was ¥1,404.3 billion yen, an increase of 13.3% over the preceding term.

Stockholders' Equity / Stockholders' Equity Ratio



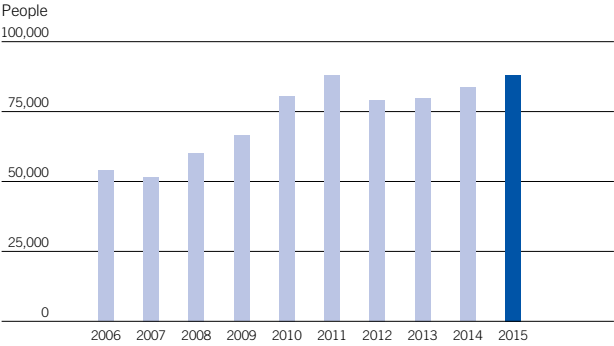
The acquisition of EPCOS Inc. caused a drop in stockholders' equity and the stockholders' equity ratio, but the recent tendency towards a weak yen turned the currency conversion adjustment into a positive figure, with continuing gradual increases.

Overseas Production Ratio



The overseas production ratio as of fiscal 2015 has increased by more than 20 percentage points compared to fiscal 2006, totaling 87.9%. We will continue our efforts aimed at establishing an optimized production framework on a global basis.

Numbers of Employees



After the acquisition of EPCOS Inc., staff number showed a rising trend, but in the course of the structural reform carried out beginning in fiscal 2012, we also aimed for an optimization of personnel. In fiscal 2016, we will once again increase staff numbers to strengthen our competitiveness.

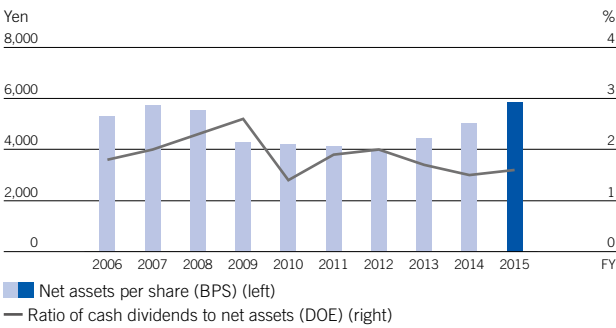
Basic Policy and Prospects for Profit Distribution

TDK's basic policy with regard to dividends is a stable increase through growth in the profit per share, based on the understanding that long-term expansion of corporate value is the way to expand value to shareholders. In order to respond to rapid technological innovation in the electronics market, TDK aggressively invests for growth mainly in the priority areas of new products and new technologies. The aim is to further increase corporate value in the long term. We aggressively reinvest profits into business activities, and then base our dividends on a comprehensive evaluation, taking into account consolidated-base return on equity (ROE) and dividend on equity (DOE) standards as well as changes to the business environment.

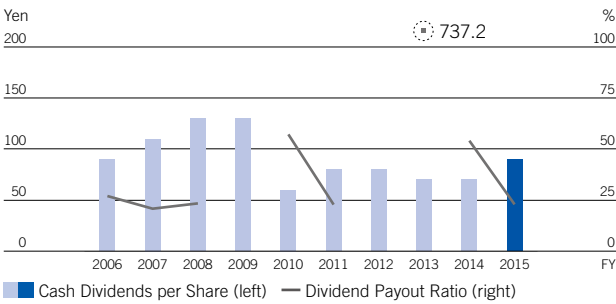
For fiscal 2015, the yearly dividend amounted to ¥90 per common share. Consequently, the dividend payout ratio was 22.9% and the ratio of dividends to stockholders' equity 1.6%.

For the next term, an interim dividend of ¥60 and a year-end dividend of another ¥60 are planned, resulting in an expected yearly dividend of ¥120 per common share.

Net Assets per Share (BPS) / Ratio of Cash Dividends to Net Assets (DOE)



Cash Dividends per Share / Dividend Payout Ratio

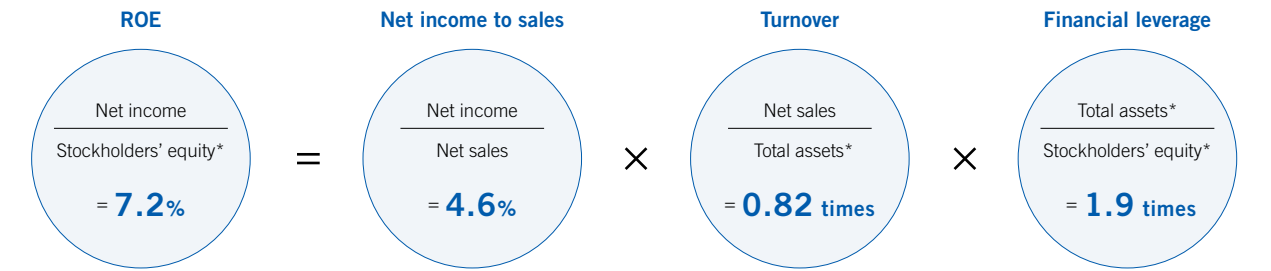


* Since the fiscal years 2009 and 2012 recorded a net loss, the dividend payout ratio cannot be calculated. However, a yearly dividend of 130 yen per common share was paid in fiscal 2009 and 80 yen in fiscal 2012.

ROE Results

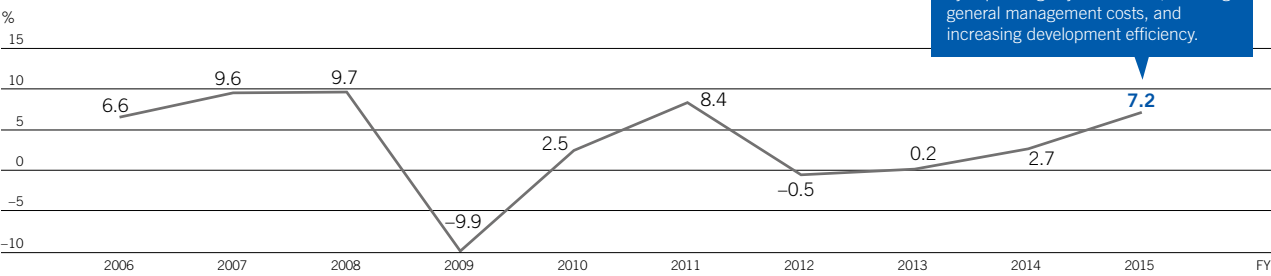
TDK management places emphasis on ROE as a global investment criteria, and achieved an ROE of 7.2% in fiscal 2015. We are conducting business with a target of exceeding 10% by fiscal 2018.

ROE in Fiscal 2015



* Calculated based on the average from the beginning to the end of the period.

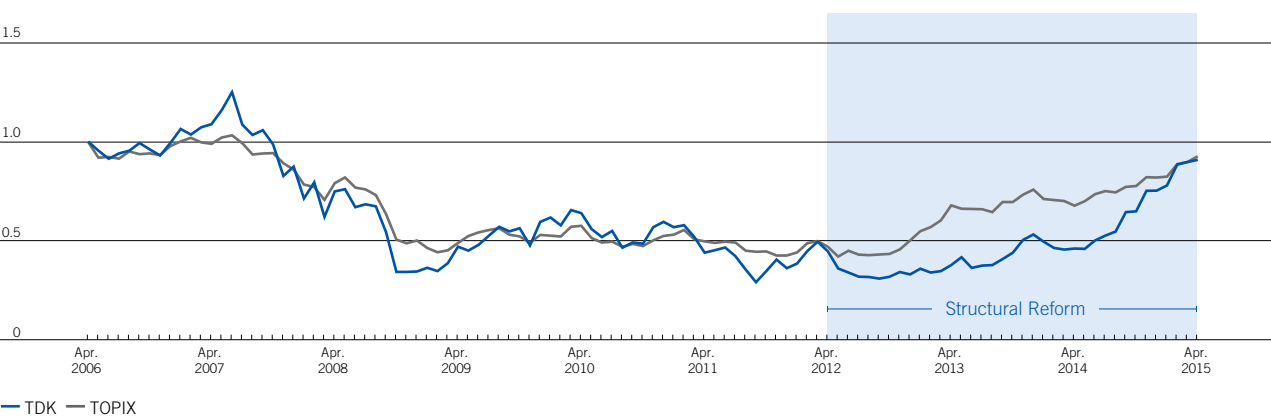
ROE Trend



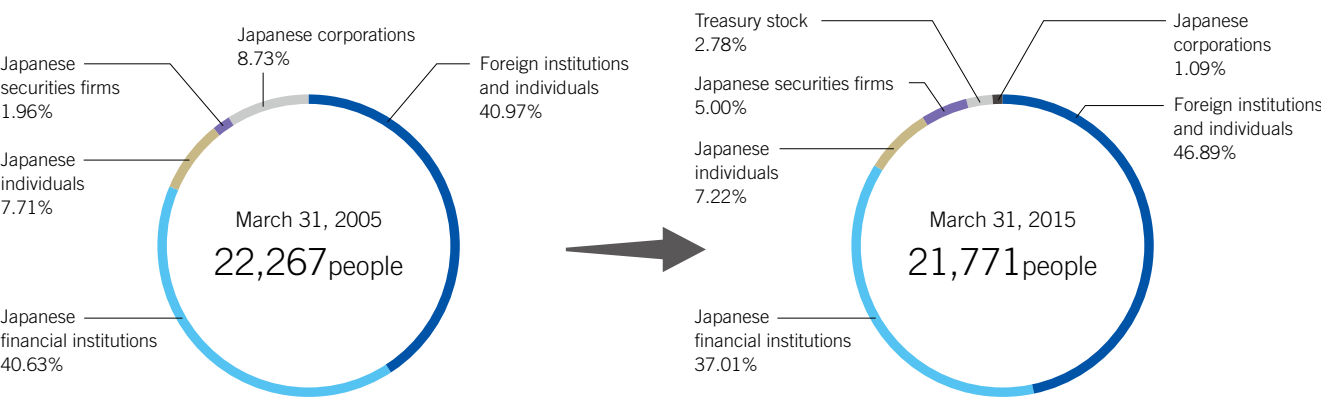
We are aiming for increased profitability by expanding key businesses, lowering general management costs, and increasing development efficiency.

Comparison of Share Price and Tokyo Stock Price Index (TOPIX)

Comparison is based on monthly closing prices and value of 1 for April 2006 management integration.



Number of Shareholders and Status by Ownership



Social Recognition by Outside Organizations

In recent years, socially responsible investment (SRI) has become a growing trend in both North America and Europe. For SRI, investors are concerned not only with the financial aspect of a company but also its efforts to protect the environment and address other social concerns. TDK is included, for example, in the Morningstar Socially Responsible Investment Index (MS-SRI) and the Ethibel Excellence Index. On the technical side, we were selected as one of the Top 100 Global Innovators by Thomson Reuters for three years running, a list that designates forward-looking businesses and research institutions around the world.

In addition, TDK products have won the "Nippon Brand Prize" of the "Cho Monodzukuri Innovative Parts and Components Award" program that rewards special contributions to Japan's craftsmanship and manufacturing culture.



Member Ethibel EXCELLENCE



MS-SRI (Morningstar Socially Responsible Investment Index)



MONODZUKURI Nippon Brand Prize



Thomson Reuters Top 100 Global Innovators



Yoshiko Tanahashi, Executive Director, Thomson Reuters (Left) Takehiro Kamigama, president & CEO, TDK (Right)

TDK Branding: A New Beginning

Attracting Tomorrow

Looking toward the next era, and in order to further grow as a global company, TDK believes that it is important to be recognized as an entity whose existence is of value to society. We are now in the process of redefining the corporate image and fostering a corporate brand that will ensure renewed recognition among a wider audience.

The verb “attract” is used to describe how a magnet draws iron. It also has the meaning of captivating and fascinating people. On the basis of our core competence in magnetics technology, TDK has continued to create new technological frontiers with the capacity to change the future. Rather than just waiting for the future to happen, we should seek to attract it with our own will and effort. This is the sentiment contained in TDK’s “Attracting Tomorrow” message.

The Next TDK

New Medium-Term Plan ————— 28

SPECIAL FEATURE

TDK’s Competitive Superiority Established
over the Course of 80 Years ————— 32

- Automotive
- ICT Network
- Industrial Equipment & Energy

Segments at a Glance ————— 38

Segment Business Strategy ————— 40

- Passive Components
- Magnetic Application Products
- Film Application Products
- Other

Management Resources ————— 46

- Intellectual Capital
- Human Capital
- Natural Capital
- Social and Relationship Capital

Corporate Governance ————— 52

- Corporate Governance
- Interview with an Outside Director
— TDK Group’s Corporate Governance
- Directors, Audit & Supervisory Board Members, and
Corporate Officers



TDK corporate brand site opened
<http://www.attractingtomorrow.tdk.co.jp/en/>

New Medium-Term Plan

Starting from fiscal 2016, TDK has enacted a new Medium-Term Plan which covers the three-year period to fiscal 2018. While building on the results of the structural reform of the past three years, the new plan actively targets further enhanced corporate value through sustainable growth.

Looking back on the previous Medium-Term Plan (Fiscal 2012 to Fiscal 2015)

Prior to the new Medium-Term Plan, the TDK Group implemented a thorough structural reform in fiscal 2012, with the aim of strengthening its corporate backbone and ensuring that it can deal properly with changes in the external environment.

Until fiscal 2015

Effect of Structural Reform

After fiscal 2012

Structural Reform

Before fiscal 2012

Back-ground

Impact of Natural Disasters

- Great East Japan Earthquake, Interruption of parts supply chain by Thailand floods

Economic Environment

- European debt problems leading to economic recession and exchange rate fluctuations

Structural Problems of TDK

- Delay in response to increased smartphone-related demand in ceramic capacitors business
- Reduced competitiveness of major customer in RF modules business
- Unbalanced earnings structure relying mainly on magnetic application products, in particular, HDD magnetic heads

Optimization of Business Portfolio

- Shedding non-central businesses such as OLED displays, LTO*, Blu-ray
- Reviewing other businesses and individual products

* Short for "Linear Tape – Open" (a magnetic tape based data storage technology for computers)

Improving Overall Management Efficiency of the Group

- Promote consolidation of domestic and overseas bases
- Sell off idle assets
- Optimize human resources and sites
- Streamline organizations and business processes

Concentrate Management Resources on Growth Markets and Core Businesses

- Offer thin-film products utilizing magnetics / HDD head technology
- Strengthen materials technology and process technology (core technologies), Develop ultra compact, high-performance passive components

Balanced Earnings Structure Realized

- Strength concentrated on five key business sectors: inductive devices, high-frequency components, piezoelectric material components, HDD magnetic heads, and rechargeable batteries
- Stable earnings from three segments: passive components, magnetic application products, film application products

Net Sales Exceed ¥1 Trillion for the First Time

- Increased product delivery to three key markets: Automotive, ICT Network, and Industrial Equipment and Energy
- Net sales in fiscal 2015: ¥1,082.6 billion
Market capitalization exceeds ¥1 trillion in December 2014

From fiscal 2016 to fiscal 2018

New Medium-Term Plan

In accordance with its basic policy of fostering collaboration within the group to realize further growth, the TDK Group is pursuing "zero defect quality" based on superior technological competence, and promoting true globalization through speedy management.

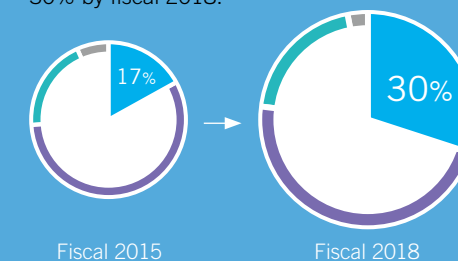
Point 1

Priority Markets, Priority Businesses and New Businesses

As in the past, the new Medium-Term Plan defines a growth strategy for five key business sectors in the three key markets "Automotive," "ICT Network," and "Industrial Equipment and Energy." It also puts the spotlight on new businesses.

Increasing automotive sales to 30% of total

As automobiles rely more and more on electrical and electronic equipment, demand will rise not only for conventional parts such as capacitors and inductors, but also for customized products including magnetic sensors and automotive chargers. The emergence of new markets such as for wireless power transfer systems is also on the horizon, which will further stimulate demand. In the course of actively promoting these developments, we aim to raise the share of the automotive sector in our total net sales from currently 17% to 30% by fiscal 2018.



Five Priority Businesses

Inductive Devices
High-frequency Components
Piezoelectric Material Product
HDD Heads
Rechargeable Batteries

New Businesses

ICT Network

Industrial Equipment & Energy

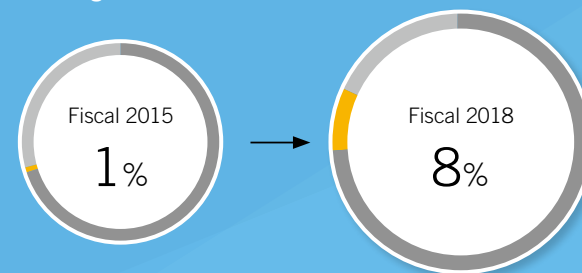
Automotive

Point 2

New Businesses in Growth Fields

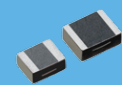
In the medium-to long-term perspective, it is important to not only focus on our five key business sectors but also to create new business opportunities. On the strength of our strategic global R&D framework, we are making full use of the rich and varied technological resources that the TDK Group has built up over time. In particular, advanced thin-film technology gained from the development of HDD heads is being adapted to thin-film components, magnetic sensors, SESUB products, energy units and other products. The target figures for these new businesses by fiscal 2018 are sales in excess of ¥100 billion and a ratio of 8% of our net sales.

Ratio Target of New Business



Thin-Film Components

Fusion of thin-film technology and materials technology derived from the passive components field enables expanded marketing of new products



Thin-film power inductor



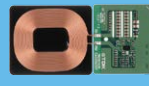
Thin-film capacitor (TFCP) for embedding in organic package

Wearable and Health Care Devices

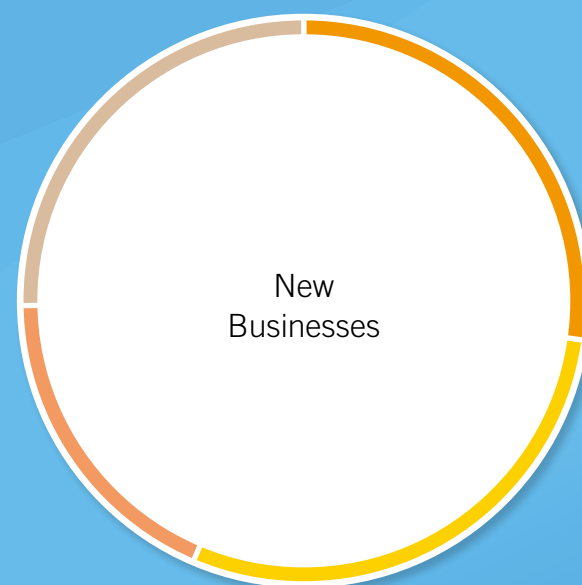
Increased sales of batteries utilizing semiconductor embedded substrate (SESUB) technology and miniature module technology



Semiconductor embedded substrate (SESUB)



Wireless power transfer coil units

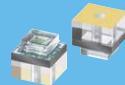


Sensors for Automobiles and Industrial Equipment

Sophisticated sensing technology, TMR/GMR angle sensors, atmospheric pressure sensors etc.



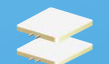
TMR angle sensors



MEMS pressure sensor dies

Energy Units for Automobile and Industrial Equipment

Highly efficient bidirectional DC-DC converters for renewable energy applications, constant current power supplies for battery-based power storage systems etc.



Power supplies



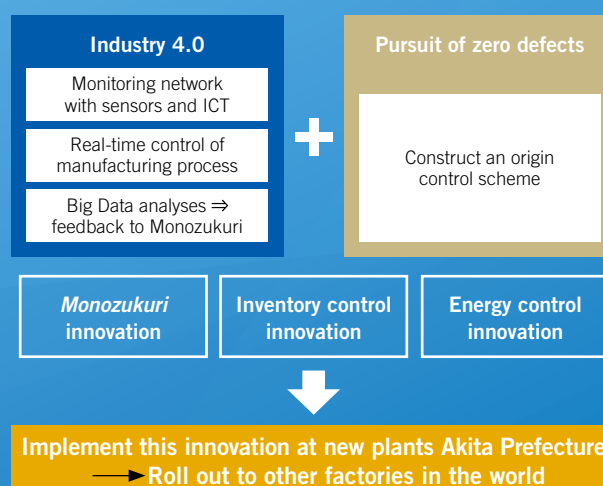
Bidirectional DC-DC converters

Point 3

Monozukuri Innovation (Zero defect quality based on high technology)

TDK is pursuing a “zero defect quality” policy, based on the “Industry 4.0” concept. This is a collective term for an approach currently being promoted by the German government, aimed at revolutionizing the way things are made, by drastically intensifying the level of digitization, automatization, and virtualization. At TDK, we are incorporating “Industry 4.0” concepts such as sensor based monitoring and real-time control of production processes, and we are combining these with upstream management, narrowed tolerances, and other aspects of our quest for zero defects, leading to TDK’s unique *Monozukuri* revolution.

In 2016, we plan to implement these at new plants in Akita Prefecture. Subsequently, the approach will be expanded to other plants and bases around the world, with the aim to achieve “location free” whereby the same quality can be achieved regardless of the actual production location.



Point 4

Growth Investment and Achieving Management Target in Mid Term

We are actively engaged in enhancing productivity in existing fields, rationalizing manufacturing processes, expanding investments in new products and new businesses, and pursuing M & As. Including the construction of new plants in Akita Prefecture, total facilities investments over the 3-year period of the Medium-Term Plan are planned to be ¥350 billion to ¥400 billion.

For fiscal 2016, the budgeted figure is ¥130 billion. With regard to R&D investment, ¥230 billion are planned for the 3-year period of the Medium-Term Plan, and ¥77 billion for fiscal 2016.

	Total investment over the next 3 years (Mid-Term Business Plan)	Fiscal 2016 projections
Capital Expenditure	¥350-400 billion	¥130 billion
R&D Investment	About ¥230 billion	¥77 billion
Contents of Investment	- Construction of new factory buildings in the Akita area - Production capacity increase in the 5 core businesses - Investment in new products and new businesses	

“Location free” from New Plants in Akita Prefecture



Management Target in Mid-Term

TDK will realize growth through a combination of expanding its operations in the five key business sectors, pursuing new businesses, reforming *Monozukuri* processes, and making growth-oriented investments. Returns to shareholders are pursued through the growth of EPS (earnings per share) to achieve a stable increase in dividends. The target for the dividend payout ratio has been set to 30%.

We are conducting business with a target of exceeding an operating income ratio of 10% and ROE of 10% by fiscal 2018.

Growth Investment	- Investment in new products, new businesses, and M&As - Increase production capacity of existing businesses
Return to Shareholders	- Stabilize or increase dividends through EPS growth - Target a 30% dividend payout ratio

	Fiscal 2015 results	Fiscal 2018 target
Operating Income Ratio	6.7%	Over 10%
ROE	7.2%	Over 10%

TDK's Competitive Superiority Established over the Course of 80 Years

Following its corporate motto of "Contribute to culture and industry through creativity," TDK has used its technical expertise in magnetism technology ever since the company's founding to create products that are truly of use to society. While strengthening our operations in the key areas of the automotive, ICT Network, and industrial equipment & energy, we are operating on the leading edge of technology, developing products that are beyond the reach of our competitors.

1 Contributing to the Evolution of the Automobile through Electronic Components

AUTOMOTIVE

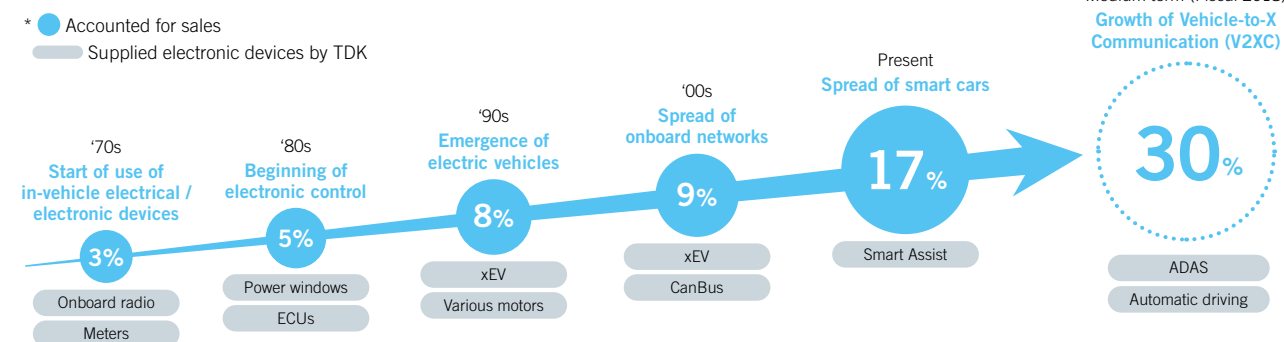
TDK Turned its Attention to the Electrification of the Automobile from Early on

The prevalence of electronic equipment and therefore the number of electronic components found in an automobile is still on the rise. To take just one example, whereas the combustion engine used to be the central part of the power train, electrical systems and electrical motors are increasingly being incorporated to save energy and to create a more sophisticated system. Furthermore, society demands that automobiles be safe and dependable, and to meet these requirements the technology for electronic control of brakes, steering, and other aspects is also advancing. On the other hand, reducing the weight of automobiles is another important requirement as this contributes to improved fuel economy.

Beginning more than 40 years ago, TDK directed its attention

to the electrification of the automobile and started to offer magnets for motors at first, and successively a range of products for the automotive field, including inductors, capacitors, and so on. Products for automotive use are subject to particularly high reliability requirements as they deal with safety and security. And because high quantities are used, manufacturers cannot easily switch the product on the grounds of cheaper cost. The large TDK portfolio for the automotive sector comprises not only passive components but also magnets, power supplies, and various other products. Providing exactly the right product that meets the customers' specifications, and delivering it promptly and in large quantities is the source of our strength.

TDK Sales over Time in the Automobile Market



Focus

TDK's DNA – The Persistent Progress of Magnetism Technology

TDK was established as a corporation in 1935 to achieve the world's first commercialization of the magnetic material ferrite. Although ferrite is a magnetic substance, it has a higher electric resistance and lower thermal losses than metal, making it resemble the characteristics of ceramics. TDK has accumulated extensive expertise in materials technology related to magnetism, encompassing material composition, powder control, and microstructure control. This allowed us to successfully create various electronic materials for dielectric, piezoelectric, and semiconductor applications. Further combination with coating technology,

sintering technology and other advanced techniques resulted in a wide range of products.

Magnetism technology therefore is in TDK's DNA, and it is at the root of our competitiveness on the market. But it also is a field that has no end point, as its possibilities are endless. Significant advances are expected for next-generation applications such as health care and wearable devices. We will continue to explore this amazing field and work towards creating new and innovative products.



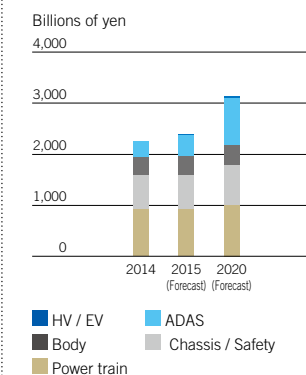
TDK Technology Supports Automotive Progress

Fields on which TDK will focus in particular from now on are magnetic sensors. These sensors enable finely graded control of power steering, and thereby contribute to lower fuel consumption and reduced power requirements. By harnessing magnetic head technology that is TDK's forte, the steering angle can be detected with superior precision and minimal tolerance. We are expecting to supply these sensors to fuel economy-conscious car manufacturers in Japan, Europe, and the U.S. and will begin mass production in Japan from fiscal 2016. We further intend to apply the technology also to rotation sensors and to linear encoders for providing position information. The ultimate aim is to turn the sensor business into a future pillar of earnings.

For somewhat further down the line, we also have the configuration of wireless charging systems in view. Toward this end, we concluded a technology transfer license agreement with WiTricity Corporation in April 2014. By applying our expertise in magnetic materials technology and circuit technology, we are working toward the early realization of wireless power transfer systems for electric vehicles and other mobility applications.

Automotives are continuing to evolve, changing in response to the demands of society and concerns for the environment. TDK is wholeheartedly supporting these developments by supplying advanced electronic components.

Global market projection for automotive sensors



- Notes:
1. The market size is based on the shipment values at manufacturers
 2. The numeric values of 2014 are actual values and those of 2015 and 2020 are forecast.
 3. Since the values are rounded, some parts of total and ratio within the table do not coincide.
 4. There are different types of sensor devices such as magnetic sensors and MEMS (Micro Electro Mechanical Systems) sensors. This research only targets sensor devices that are embedded for passenger cars and commercial vehicles that weigh 3.5 tons or less.

Source: Yano Research Institute Ltd.
 Global In-Vehicle Sensor Market: Key Research Findings 2015
 Released September 1, 2015

TDK's Competitive Superiority
Established over the Course of 80 Years

2 Driving Innovation in the ICT Sector through Electronic Components

ICT NETWORK

Focus

80 Years of Technological Expertise in Areas with a High Entry Barrier – In-House Development of Materials Technology and Production Facilities

Materials technology is constantly advancing. This is not a field where one can acquire expertise in a single, quick jump. Only through persistent and time-consuming efforts can real breakthroughs be achieved. TDK excels here because we have constantly pushed the envelope over the span of 80 years. Another advantage comes from the fact that we have also developed in-house manufacturing methods and equipment at the same time.

In the world of electronic components, there is extremely fierce price competition, and Asian companies that rely on low labor costs tend to dominate. If a company only offers products that can also be made by others, it is bound to compete on price alone, and competitiveness can easily be lost. To get the ultimate performance out of source materials, advanced production facilities are an absolute must. This is why TDK has never simply relied on externally

procured equipment. Even if competitors conduct research on our products, this does not mean they are able to gain an understanding of the processes that are needed to manufacture them. Therefore the products cannot easily be duplicated. We value our in-house production facilities highly because they allow us to flexibly respond to product demands, providing the required performance and adjusting production efficiency.



Materials technology



Production facilities developed in-house

Contributing to ICT Progress

ICT products including smartphones, tablets, and personal computers continue to evolve into a high-level social infrastructure intricately connected via wired and wireless networks. In recent years, the increasing amount of information means that more and more data has to be communicated at higher speeds. In this area, TDK is focusing on the progress of LTE, and we also expect the 5G market to emerge eventually. Terminals that support LTE incorporate more complex circuitry, which calls for components with reduced space requirements, as well as highly effective power management. The TDK product range includes SAW filters that support the frequency bands currently used by mobile phones and smartphones, but we are

already one step ahead. Looking towards the 5G market and beyond, we have BAW filters suitable for the entire range up to the very high frequency bands that cannot be handled by SAW filters. We will aggressively pursue further development of SAW/BAW filters for such applications.

In the ICT area we also expect growth in demand for our actuators which are piezoelectric material components used in camera modules. Voice coil motors (VCM) for autofocus and optical image stabilizers (OIS) are currently increasingly being used smartphones for the Chinese market, and further increases in sales are to be expected.

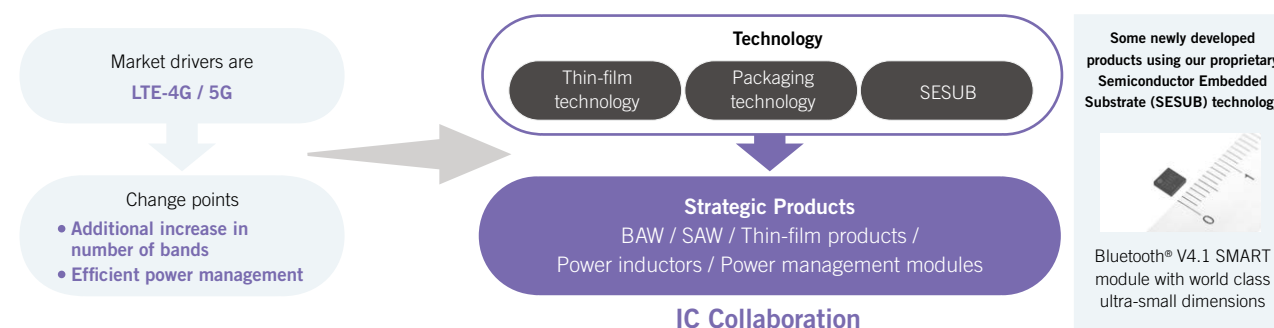
Strategy Going Beyond Smartphones

The shipping volume of smartphones has up to now drastically risen, but there are signs that the trend is slowing compared with the time when these products were first introduced. However, the move to LTE and the changeover from 3-mode to 5-mode support means that smartphones are still changing and evolving, and the demand for electronic components can therefore be expected to keep growing. However, TDK is not simply basing its projections on smartphone growth alone. We are already putting new strategies in place for the coming age of the Internet of Things (IoT). This term refers to a world where all kinds of things will have connectivity and will be able to link to each other and to the Internet. This will enable automatic recognition and automatic control on a previously unheard-of

scale. We believe that collaboration with chip designers will be a key strategy for the ICT market in this regard, and we are working towards the development of module products in conjunction with chip manufacturers and semiconductor manufacturers. The final target is the creation of products and solutions with high value added including also packaging and design aspects.

The wearables market is taking off, and we expect to offer an expanded range of strategic products also for this market in the future. We are actively pushing ahead with the development of proprietary technologies that are indispensable in this area, such as semiconductor embedded substrate (SESUB) and embedded thin-film capacitors (TFCP).

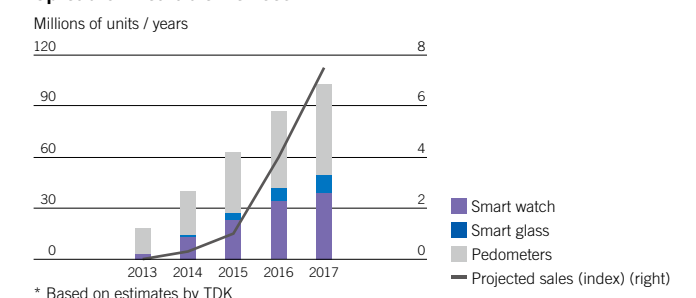
Medium-Term Strategies Targeting the ICT Market



Wearable device output and projected sales by TDK

Deployment of strategic products involves providing components that meet the requirements for wearable devices

Spread of Wearable Devices



3 Contributing to Next-Generation Industrial Equipment & Energy

INDUSTRIAL EQUIPMENT & ENERGY

Towards a Clean & Smart Social Infrastructure

Smart cities implementing the next-generation power distribution concept called the smart grid are being built in various locales, with the expectation that they will serve as models for the sustainable social organization of the near future. Such developments so far were pursued mainly in Europe, but are now spreading on a global scale. TDK is already supplying a wide range of power electronics products for renewable energy applications such as solar power and wind power systems. This includes, for example, step-up reactors that convert power for feeding into the grid, aluminum electrolytic capacitors for

high-capacity storage, and bidirectional DC-DC converters which serve as vital power conversion platforms. These products contribute significantly to maintaining power quality and ensuring high-efficiency conversion.

TDK is currently bolstering its lineup of energy devices for renewable energy applications, while at the same time harnessing its core competence in magnetics technology to expand sales of power-related products designed for controlling and supplying power.

Energy Device Growth Scenario / Industrial Equipment & Energy Fields

- Strengthen energy devices for renewable energy-related systems
- Promote the sales of power components drawing on magnetics technology, which is TDK's core competence

2015–2017

Dy*-free magnets with Nd* reduced by half for wind power generation

Lead-free piezoelectric material (CeraLink)

High-capacity high-efficiency power supplies

Secondary batteries (Storage battery systems)

Wireless-charging system for industrial equipment

After 2017

Rare-earth-free / strongest magnetic materials for wind power generation

Lead-free piezoelectric materials (thin-film, bulk)

Secondary batteries (Stationary type, high-safety battery technology)

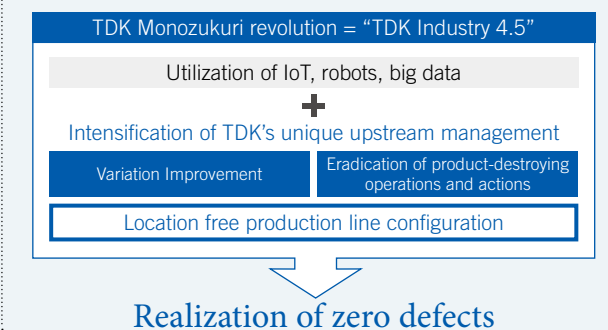
* Dy: Dysprosium Nd: Neodymium Both rare earth elements

Focus

Producing the Same High Quality all over the World – Location Free and Zero Defects

The new plants currently under construction in Akita Prefecture will be championing two concepts, namely “location free,” whereby the same quality can be produced at any site, regardless of factors such as labor cost, personnel proficiency, and geographical location, and “zero defect quality,” whereby no nonconforming products are allowed to emerge. Location free involves the use of a large number of cameras and sensors to realize a integrated production line from the materials preparation stage all the way through to assembly. The concept is already partially implemented at Sakata Plant of TDK Shonai, but after full completion in Akita we are planning to expand coverage first to China and then to other overseas production bases. The other concept is “zero defect quality” involves optimizing the product configuration and manufacturing process from the development and design stage and implementing thorough upstream control so that no nonconforming

products are allowed to emerge. This is based on TDK's belief that quality cannot be assured in a final inspection. Consequently, the final inspection process has been changed into a sampling inspection for nonconforming products. The realization of zero defects enables us to deliver high-quality products that meet the needs of our customers.



Providing Solutions Centered on Highly Capable Industrial Sensors

In the industrial equipment sector, we are marketing strategic products, in particular, wireless power transfer systems and magnetic sensors. Smartphones and automotive applications are the starting points for wireless power transfer systems, but many more applications are conceivable, such as hybrid buses, catenary-free streetcars, cable-less elevators, and more. For example, the principle of a hybrid bus as currently tested under government guidance is as follows. The charging station has a primary coil embedded in the road, and the secondary coil is located under the floor of the vehicle. The bus is stopped so that the two coils face each other. An inverter in the charging station converts the commercial power supply and sends the output to the primary coil. According to the principle of electromagnetic induction, the power is transferred to the secondary coil and is used to charge the battery of the bus.

With regard to magnetic sensors, development efforts are currently under way to enable use, for example, as encoders (position-detecting sensors) for linear motors, as well as applications for industrial robots. The magnetic sensors supplied by TDK benefit from the magnetics technology expertise gained through the development and manufacture of HDD heads. This makes them highly precise in position and angle detection, and they also feature high output and excellent thermal characteristics. The robotics market is considered one of the growth areas for the future.

Target Equipment (examples)	
Wireless-charging	Hybrid buses
	Catenary-free streetcars
	Cable-less elevators
TMR / GMR sensors	Linear motor encoders
	Industrial robots



Armed robot

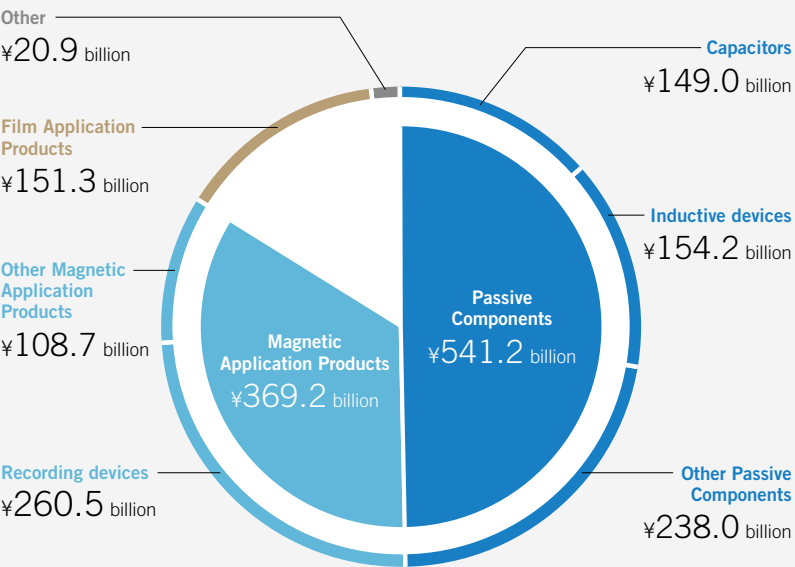


NC (Numerical Control) machine

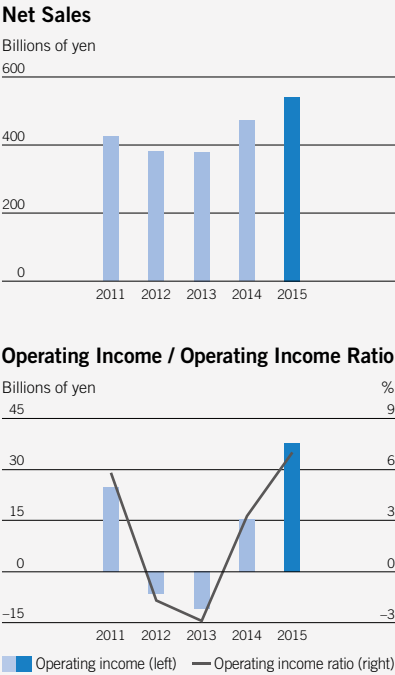
Segments at a Glance

Fiscal years ended March 31

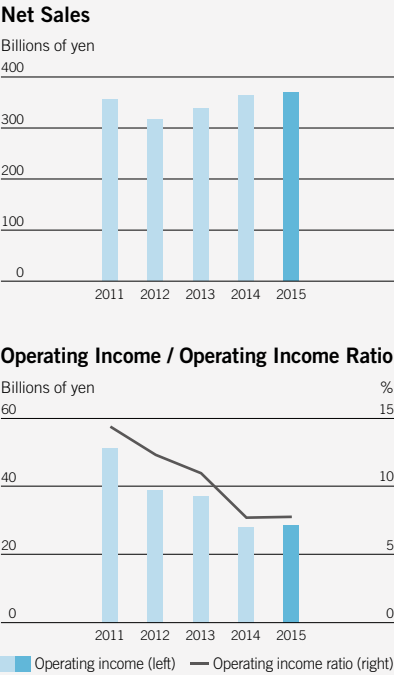
Sales by Segment (Fiscal 2015)



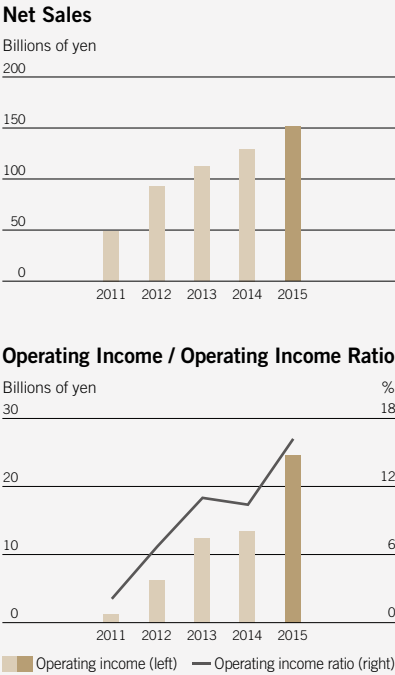
Passive Components



Magnetic Application Products



Film Application Products



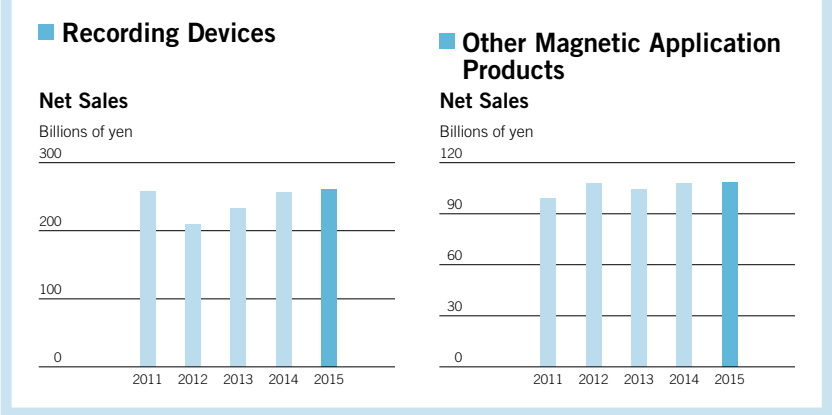
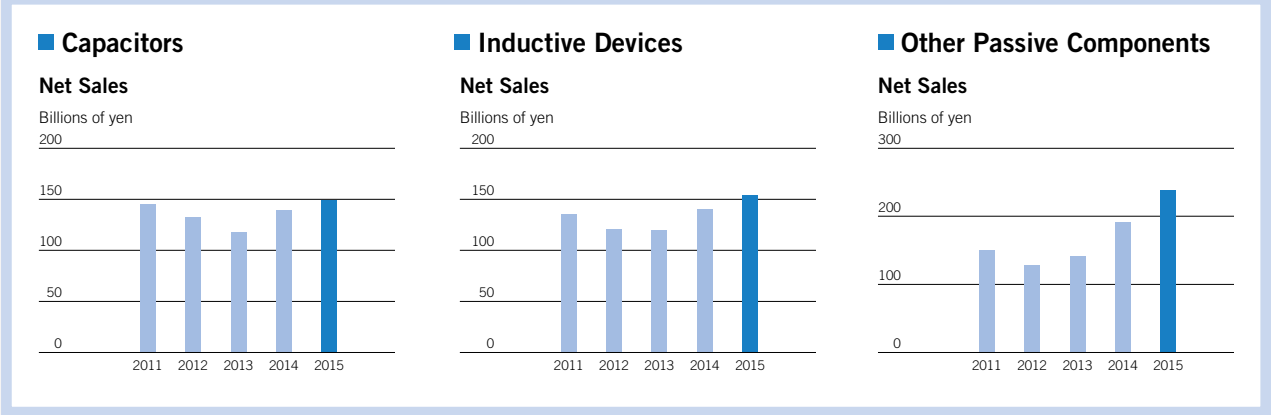
Business Environment of TDK

Market environment and opportunities

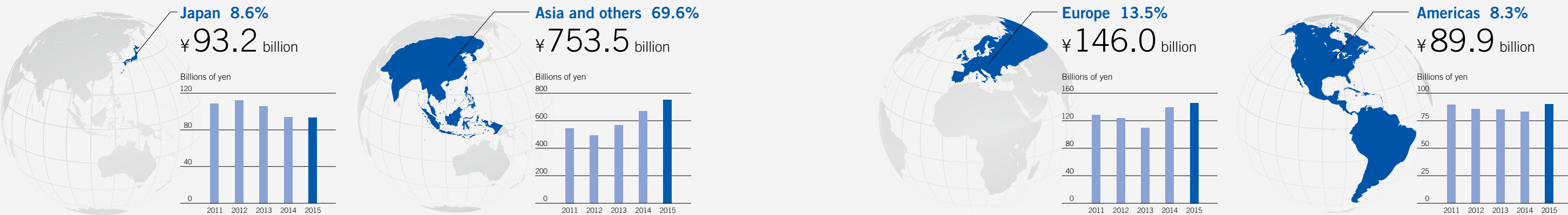
- For Automotive**
 - Trend toward lighter weight and electrification of in-vehicle equipment, driven by customers' increased fuel economy awareness
 - Increased demand for eco cars and hybrids, fanning outwards from Japan, North America, and Europe
- For ICT Network**
 - Increased demand in the Chinese market and other emerging economies
 - Market entry of new terminals
 - Mobile terminals with lower profile, more functions, higher performance
- For Industrial Equipment & Energy Applications**
 - Emergence of smart cities in various locations with smart grid (next-generation power distribution network) as energy infrastructure
 - Increased demand for renewable energy systems such as wind power and solar power installations

Factors affecting the market

- New environment-related legislation in various countries
- Intensified measures by various governments aimed at saving energy and costs
- Strong pressure on prices due to commoditization of existing products leading to price wars
- Development of new technologies and products by competitors
- Higher prices for source materials including powders and boards due to increased demand
- Fluctuations in sales figures and raw material procurement costs due to exchange rate fluctuations
- General consumer trends in electronics products



Sales by Region (FY March 2015)



Passive Components

Overview of Fiscal 2015

In the ceramic capacitor field, automotive sales were strong and productivity also improved, resulting in a higher profit margin. Sales of inductive devices for the American and Chinese smartphone markets rose sharply, and automotive sales increased as well, with an improved product mix also providing benefits. As a result, profits increased significantly. Sales of high-frequency components for LTE applications became stronger, and productivity also increased, providing higher earnings. In the

piezoelectric material components sector, sales of automotive parts and VCMs for camera modules rose, generating increased sales and profits.

The passive components segment generated sales of ¥541.2 billion, an increase of 14.7% year on year, and operating income rose by 145.3% to ¥37.9 billion. Boosted by strong overseas demand and the depreciation of the yen, net sales increased, contributing greatly to the improvement in profit margin.

		Capacitors	Inductive Devices	Other Passive Components
Main Products		For Automotive Multilayer ceramic chip capacitors with soft conductive resin terminal electrodes Aluminum electrolytic capacitors For ICT Network 3-terminal feed-through capacitors For Industrial Equipment & Energy Film capacitors Aluminum electrolytic capacitors 	For Automotive SMD inductors with guaranteed high temperature ratings Common mode filters for automotive LAN For ICT Network SMD inductors Thin-film common mode filters For Industrial Equipment & Energy Transformers EMC filters 	For Automotive Piezo actuators Various sensors (Gear tooth, Pressure, Current, Temperature) For ICT Network SAW / BAW filters, RF modules, VCM, Multilayer chip varistors For Industrial Equipment & Energy Varistors Arresters 
Important Requirements for Future Products		• Smaller form factor, higher capacitance • Lower profile for embedding • Lower ESL to enable decoupling applications • Higher temperature resistance for automotive use, higher structural reliability with soft conductive resin terminal electrodes	• Smaller dimensions, lower height, higher current rating, higher efficiency, lower losses • Develop product lineup according to usage environment • Strengthen EMC control products for reception sensitivity of smartphones with support for more bands • Develop filters for automotive networks	• Enlarge product mix to cover all RF bands • Increase production of camera module actuators • Adapt angle sensors to automotive applications
Customers		Car manufacturers, communication equipment manufacturers, industrial equipment manufacturers, infrastructure manufacturers, electrical home appliance manufacturers, precision instruments manufacturers etc.		
Com-petitors	Domestic	Murata Manufacturing, TAIYO YUDEN, etc.	Murata Manufacturing, TAIYO YUDEN, SUMIDA CORPORATION, etc.	Murata Manufacturing, TAIYO YUDEN, ALPS ELECTRIC, etc.
	Overseas	SEMCO (Korea), Yageo (Taiwan), KEMET (U.S.), AVX (U.S.), etc.	SEMCO (Korea), Cyntec (Taiwan), etc.	Avago Technologies (U.S.), Quovo (U.S.), etc.
World Market Share of Representative Products (TDK Data)		• Ceramic capacitor for automobiles 40–45%	• Inductors 20–25%	• SAW filters 30–35% • Varistors 45–50% • Surge arresters 75–80%

Medium-to Long-Term Growth Strategy

The recent structural reform promoted the allocation of management resources to the passive components segment as a field with high profitability. In particular, inductive devices, high-frequency components, and piezoelectric material components have been designated as key businesses. Strategic investments and technological development are being implemented, with the aim of pushing the operating income ratio over 10% by fiscal 2018.

A stable supply situation is expected with regard to products for the automotive sector, with the potential for growth, as we are responding to demands by manufacturers and consumers for reduced energy consumption and lower power operation. In the ICT sector, the expansion of the smartphone and tablet market will bring about more business opportunities for TDK through technological innovation.

Outlook for Fiscal 2016

In fiscal 2016, we expect net sales to grow from 7% to 10%. Among inductive devices, the share of thin-film products and multilayer products for the ICT market and the automotive market is expected to grow. In the area of high-frequency components, SAW, TC-SAW, BAW, and other filters for the LTE market expanded, and further growth in sales is expected, thanks to development efforts aimed at smaller dimensions and further improved characteristics. An expansion in sales is also projected for piezoelectric material components, key products being parts for the automotive market and optical image stabilizers for camera modules on the Chinese market.

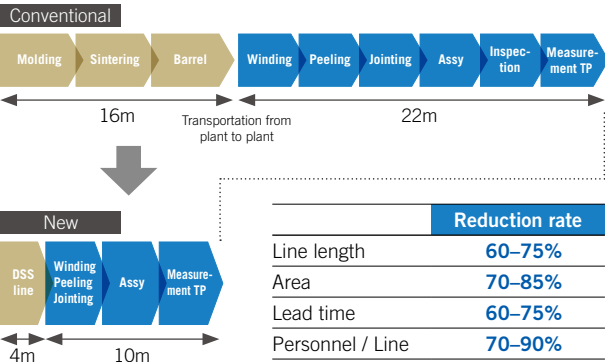
Initiatives Based on Growth Strategy

■ Unified production and location free for inductive devices
In the conventional manufacturing pattern of coils made from ferrite, separate plants were used for the processes from forming to polishing, and for the processes from winding to

measurement. Therefore, transportation from one site to the other was required during production.

In the pursuit of increased process efficiency, TDK is currently developing so-called “location free” production lines that are able to deliver products of equally high quality regardless of the geographic location of the site. The first step are two strategic production sites that are being built in the Akita Prefecture. The concept is of course not limited to inductive devices. Rather, we are preparing the stage for sharing elemental technology and improved processes across the passive components segment, resulting in faster response to customer requirements and eventually also faster development of new businesses and new products. In concrete terms, two new production sites are to be constructed in our key locations in Akita Prefecture (at the Honjo Plant and Inakura Plant), with one slated to become a mother plant mainly for multilayer products and the other for ferrite products. For the future, it is planned to gradually expand the location free concept that will be implemented at the new sites to manufacturing sites around the world. This is aimed at realizing optimal production in optimum locations, thereby enabling us to always supply customers with products of equally high quality.

Integrated Production and Location Free



Electronic components – look inside

Inductive Devices

Inductor is another word for coil, derived from the term for the phenomenon of inductance. The current flowing in a coil generates a magnetic field, which in turn generates a current. This property for purposes such as producing or adjusting an electromagnetic signal, storing energy, and stabilizing voltage. Many different kinds of inductors for various applications exist, classified as wound inductors, thin-film types, multilayer types, etc. TDK offers a full lineup with particular emphasis on ICT and automotive applications. Working in close cooperation with chip manufacturers, we will also be producing more customized modular products in the future.



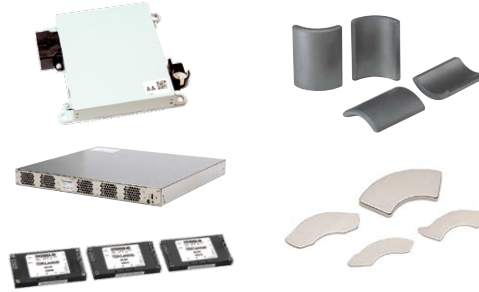
Structure of thin-film common mode filter with ESD function

Magnetic Application Products

Overview of Fiscal 2015

Net sales in fiscal 2015 rose 1.4% year on year to ¥369.2 billion, and operating income rose by 2.0% to ¥28.7 billion. Shipping quantities of HDD heads actually dropped compared to the previous term, but increased sales of suspension parts resulted in increased income. The results of productivity improvements, and the fact that sales to data centers have started to increase improved the product mix and also

contributed to earnings growth. On the other hand, magnet sales dropped, and in addition, impairment of metallic magnet related equipment on the order of ¥3.1 billion was carried out. With regard to power supplies, sales of products for semiconductor and industrial equipment did well, but goodwill impairment of about ¥2.2 billion was carried out.

Recording Devices		Other Magnetic Application Products
Main Products	For ICT (Including for data center) HDD magnetic heads HDD suspensions, etc. 	For Automotive DC-DC converters Battery chargers Magnets for motors (Cooling fan, Door lock) Batteries for xEV For ICT (base station) High Current Digital POL Converter HDD magnets For Industrial Equipment & Energy Bidirectional DC-DC converters High efficiency AC-DC power supplies Magnets for industrial equipment 
	Important Requirements for Future Products • Further increase in storage capacity and miniaturization • Development of high-spec and high-reliability products • New technologies such as thermal assisted magnetic recording head	• Supply magnets that reduce use of rare resources to a minimum • Supply magnets with high magnetic properties (high magnetic force and high heat resistance) that contribute to miniaturization and higher efficiency of electric motors • Development of high-efficiency power supplies
	Customers	Car manufacturers, communication equipment manufacturers, industrial equipment manufacturers, infrastructure manufacturers, electrical home appliance manufacturers, precision instruments manufacturers etc.
Com- petitors	Domestic	None
	Overseas	HDD magnetic heads: Seagate Technology (U.S.) Western Digital Technologies (U.S.) HDD suspension: Hutchinson Technology (U.S.) Power supplies: XP-Power (Singapore), MEAN WELL (Taiwan) Magnet: ZHONG KE SAN HUAN (China), Zhejiang Dongyang Magnetic Enterprise Group (China), etc.
World Market Share of Representative Products (TDK Data)		HDD magnetic heads: 25–30% HDD suspensions: 40–45% Power supplies for industrial equipment: 15–20% Ferrite magnets: 20–25%

* TDK is the only manufacturer in the world specializing in magnetic heads. Currently, the production of such heads is concentrated on three companies: TDK, Seagate Technology, and Western Digital Technologies.

Medium-to Long-Term Growth Strategy

The scale of the HDD market continuously expanded in keeping with the increase in PC shipping numbers until around 2011, but demand has bottomed out and is expected to continue to decline. But the age of Big Data and associated high capacity storage for data centers and similar applications is about to begin. This means that the demand for HDDs is likely to shift from the personal computing and consumer sector to data centers. HDDs used in data centers must support extremely high storage capacities, and the number of heads in such disks is much higher than in HDDs for PCs. In this sector, TDK will continuously introduce leading-edge products enabling high capacity. We are forging ahead with new technologies to meet the requirements of the age, such as the development of the micro DSA (Dual Stage Actuator) and thermal assisted magnetic recording head technology that will enable a drastic leap in storage capacity.

In the domain of magnets, TDK is also working hard at new developments. Fiscal 2015 was a difficult year where we had to take measures such as implementing an impairment, but we intend to restore revenue and get back on track by focusing on growth areas such as automotive applications and renewable energy and by developing market-leading new products.

The power supply business is expected to experience a growth in demand for industrial equipment products. We will continue to develop high-efficiency power supplies that contribute to saving energy for industrial equipment overall.

Outlook for Fiscal 2016

In fiscal 2016, demand for PCs is expected to decrease, leading to a projected drop in the size of the HDD head market from some 551 million in fiscal 2015 to 490 million in fiscal 2016. This is likely to result in a net sales reduction in this area, but because sales of data center application products are gradually expanding, the overall result in the segment is expected to remain at about the same level.

Initiatives Based on Growth Strategy

■ Development of heads for thermal assisted magnetic recording

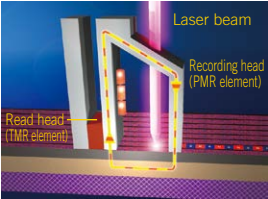
Along with the advent of the age of Big Data, HDDs that realize a further increase in storage capacity are called for. Increasing the number of platters in an HDD is one way of enabling the storage of more data, but there are physical limits to how many such platters can be accommodated. While exploring ways to solve this dilemma, TDK is prioritizing the development of a technique called thermal assisted magnetic recording. A laser integrated in the head heats up a narrow spot on the magnetic medium to temporarily weaken the coercive force, which enables a drastic jump in the recording density. Work is currently progressing to bring the technique from the laboratory to practical application and mass production, with the market expected to emerge from 2017 onwards. TDK intends to capture this opportunity from early on, thereby solidifying its position as a leading company in the HDD market.



The advancement of cloud computing means that HDDs, the main form of data storage in data centers—need to offer even higher storage capacities.



Thermal assisted magnetic recording head with integrated laser



Principle of thermal assisted magnetic recording



Electronic components – look inside

Magnetic Head

A magnetic head is a device that either generates a magnetic field to magnetize the medium and write data, or that detects a change in the field to read the recorded data. Advances in head technology have contributed to increases in the storage capacity of HDDs. TDK successfully established the technology for thin-film magnetic heads in 1994, and we are currently holds a market share of about 25% worldwide. We continue to make heads smaller and capable of higher capacities through the application of thin-film technology and utilization of advanced elements.

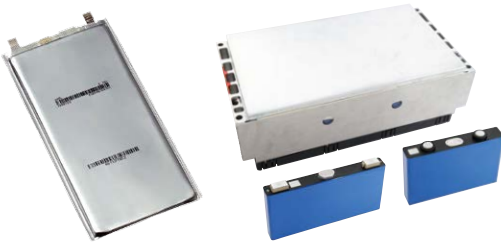


Film Application Products

Overview of Fiscal 2015

In the film application products segment, sales of energy devices (rechargeable batteries) rose due to an expansion of the customer portfolio in the Chinese market and the successful launch of new smartphone models. As a result, we achieved

net sales of ¥151.3 billion, a 17.0% increase over the previous term, and operating income was ¥24.6 billion, a 83.9% year-on-year increase.

Energy Devices		
Main Products	For ICT Network Lithium polymer batteries for smartphone	
	For Automotive Lithium-ion batteries for automobiles	
	For Industry Equipment & Energy High-capacity lithium ion batteries for power storage systems	
		
Important Requirements for Future Products	● Provide comprehensive solutions from battery cells to packaging design for batteries ● Maintain pricing competitiveness ● Minimize malfunction risks	
Customers	Car manufacturers, communication equipment manufacturers, industrial equipment manufacturers, infrastructure manufacturers, electrical home appliance manufacturers, precision instruments manufacturers, etc.	
Com-petitors	Domestic	Panasonic, Sony, Hitachi Maxell, etc.
	Overseas	Samsung SDI (Korea), LG Chem (Korea), BYD (China), etc.
World Market Share of Representative Products (TDK Data)	Lithium-ion polymer batteries 20-25%	

Medium-to Long-Term Growth Strategy

TDK's film application products business is mainly conducted by our Hong Kong subsidiary Amperex Technology (ATL). With regard to energy devices for the ICT sector, the trend towards thinner mobile devices suggests that the demand for lithium polymer batteries will rise, taking the place of conventional square lithium-ion batteries. Taking advantage of this change-over, we intend to broaden our customer portfolio and thereby increase our market share. In the existing products category, we will promote sales of special types, such as batteries with support for rapid charging, 3D products* that enable higher

capacity through effective use of surplus space, and types with improved throughput.

Furthermore, in addition to current sales for mobile devices centered around smartphones, we also expect an increase in demand for energy storage systems (ESS) for use in solar power and wind power installations. Our active approach to demand also in such areas besides mobile devices will contribute to the realization of growth.

* Batteries using electrodes with a three-dimensional structure. This increases the battery capacity and enables more efficient energy supply.

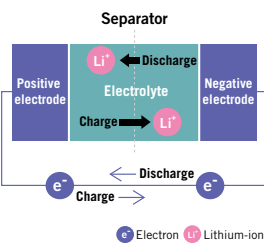
Outlook for Fiscal 2016

We expect net sales of applied film products to grow by about 25% in comparison to fiscal 2015. Sales of lithium polymer batteries are set to grow, not only to our established major customer in North America but also to customers in China and South Korea. The move away from heavy reliance on one client company and toward a broader spectrum of customers will result in a more balanced customer portfolio and further contribute to the stabilization of our operations.

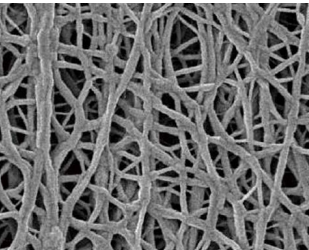
Initiatives Based on Growth Strategy

Aggressive investments to stay competitive

The rechargeable battery business is a field where considerable growth is foreseen. TDK is therefore investing aggressively in the development of special products, such as rapid-charge batteries and 3D batteries. Unlike passive components, batteries are a field where the final form of the product also plays a role, requiring mastery not only of battery technology but also of design and packaging aspects. In order to strengthen our capabilities in packaging technology, we acquired the Chinese company Navitasys Technology in 2012, giving us an advantage in the lithium polymer battery package business. We are strengthening our R&D power in the entire field, from development of new materials to manufacturing methods and design, which will enable us to offer comprehensive solutions to customers.



Principle of lithium-ion battery



Enlarged photograph of separator

Other

Regarding areas other than the three segments reported previously, we are also active in mechatronics (production equipment) and some other fields. Net sales for fiscal 2015 rose by 8.3% over the previous term to ¥20.9 billion. Whereas we had an operating loss of ¥3.2 billion in fiscal 2014, we went into the black by ¥300 million in fiscal 2015.

Main Products

Mechatronics (production equipment)
TDK's expertise in mechatronics gained in the production of outstanding electronic components is available in the form of production equipment.



Radio wave anechoic chamber

High-performance antennas and automated measurement systems with dedicated software improve the efficiency of EMC measurements. TDK offers EMC solutions comprising highly accurate EMC measurement services to support effective noise countermeasures in electronic devices.



Flash memory application devices

TDK supplies solid state drives (SSDs) with proprietary memory control chips and CompactFlash cards for industrial use.



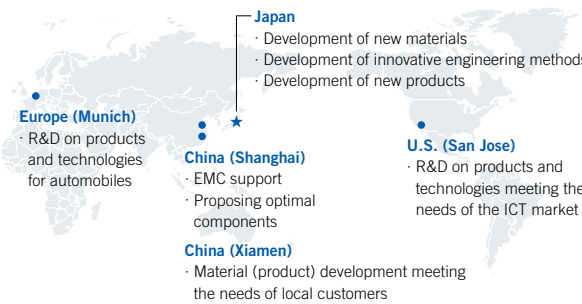
Intellectual Capital

INPUT

Capital Investments in the Development of New Products

Global R&D Framework

Our worldwide R&D activities encompass projects pursued in cooperation with leading universities in the U.S. and Europe, as well as efforts by overseas R&D subsidiaries utilizing local technology resources. In China, we will be pursuing R&D related to electronic device materials, in order to further solidify and foster the base for our business operations. With regard to R&D at consolidated subsidiaries, we continue to intensively pursue the development of next-generation HDD heads at Headway Technologies, Inc. in the U.S.



Further Bolstering Development Power

TDK has been promoting the creation of synergy effects for example, through M&As and technology alliances which further strengthen our tech power by fusing new technologies with our own extensive expertise. A case in point is the fusion with EPCOS Inc. of Germany in 2008, which strengthened our position in the field of electronic component modules and resulted in a broadening of our customer base. We are also aiming to bolster our development power in such areas as HDDs and rechargeable batteries.

Representative Acquisitions and Strengthened Business Fields

Year	Acquisition / Joint venture	Acquired business
2002	Innoveta Technologies (U.S.)	Power supplies for communications equipment
2005	Lamda Power Group (Japan)	Power supplies
	Amperex Technologies (Hong Kong)	Lithium polymer batteries
	Division of Alps Electric (Japan)	HDD heads
2007	Magnecomp International (Thailand)	Suspensions for HDD magnetic heads
2008	EPCOS (Germany)	Passive components such as high-frequency components
2011	NITTO DENKO (SHANGHAI) ELECTRO-ENERGY* (China)	Lithium battery separators
2012	Navitasys Technology (China)	Lithium polymer battery packaging
2013	Entrotech(U.S.)	Polymer resin

* Joint venture

OUTPUT & OUTCOME

R&D Results

New Product Development

In the passive components sector, we have harnessed core technologies for the development of next-generation multilayer ceramic chip capacitors and inductors, EMC filters, and compound sheet-type flexible magnetic “Flexield” and RF absorbers for anechoic chambers. As a result, we introduced various EMC control products to the market and advanced the performance of anechoic chamber facilities. Activities related to RF modules for higher frequencies and other module products were also strengthened.

In the field of magnetic application products, we are actively engaged in commercializing rare earth-free magnets and next-generation ferrite magnets, and we are developing the next generation of high recording density heads as well as TMR angle sensors and other devices for automotive use. The development of high-efficiency power supplies is another target in our quest to provide solutions for a more energy-conscious society. In order to avoid raising our selling price

due to the soaring costs of rare earth raw materials such as dysprosium, we are directing considerable development resources towards magnets that require fewer or no rare earth components.

In the film application products sector, the development of next-generation lithium battery materials and film materials with new properties and functions is progressing.

TOPICS

At CEATEC JAPAN 2015, the Semiconductor Embedded Substrate (SESUB) technology received the Grand Prix in the Technology Innovation category of the CEATEC AWARDS 2015.

Semiconductor Embedded Substrate (SESUB) for ultra compact, high performance modules

SUSTAINABILITY

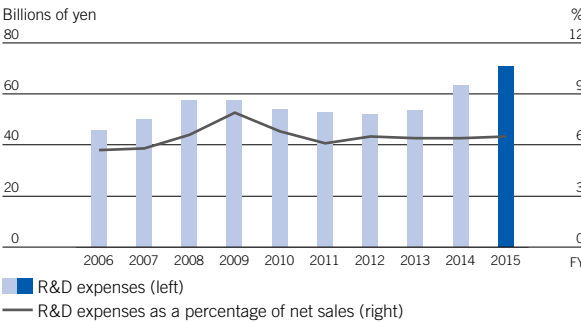
R&D that Never Stops

Ongoing Capital Investments in R&D and Intellectual Property Activities

TDK firmly believes that creating new products in a timely manner creates value for society and also contributes to corporate value earnings. In other words, continued R&D activity directed at product creation is the very key to our company's existence. The development of attractive and innovative new products and the resulting boost to net sales is an important factor for the growth of our group. In concrete terms, we have consistently spent more than ¥50 billion on R&D in each term since fiscal 2007. This makes our ratio of R&D expenses to net sales about 6 to 7 percent. As we move forward, technological innovation in our three key segments, namely Automotive, ICT Network, and Industrial Equipment & Energy is a top priority, and we will continue to make R&D investments targeted at bringing forth new products of value.

In addition, we understand the importance of strategic intellectual property activities that contribute to business profitability. We therefore are working to strengthen our patent and licensing portfolio with regard to the functions, design, and other features of our products. The adequate management of intellectual property rights will ensure the continued protection of our new products.

R&D Expenses / R&D Expenses as a Percentage of Net Sales



EFFICIENCY

Realizing Effective Product Development

Towards Enhanced Specialization in R&D

We have reorganized our development framework, aiming to provide the flexibility that allows researchers and engineers highly knowledgeable and qualified in a given market field to use our R&D platforms in a way that fosters free and imaginative thinking.

As a case in point, we divided the New Product Development Center in November 2014 into three entities: the ICT Devices Development Center, Energy Devices Development Center, and Materials Development Center. The ICT Devices Development Center will mainly work on the creation of parts and modules for smartphones, computers, and tablets, operating in an innovation timeframe that is about two to five years ahead of the present industry level. The Energy Devices Development Center targets modules and devices mostly for the automotive and industrial equipment field, working on groundbreaking developments such as wireless power transfer systems, with the aim to create

original products at the leading edge of the industry. The Materials Development Center looks about 5 to 10 years into the future, conducting research and aiming to develop new materials and processes that are relevant for the entire group and that will lead to entirely new products.

Before

Technology HQ —> Advanced Technology Development Center —> Technology & Intellectual Properties Strategy Group

↓

New Structure

Technology HQ —> [ICT Devices Development Center, Energy Devices Development Center, Materials Development Center] —> Technology & Intellectual Properties Strategy Group

Development is now structured into three centers, for enhanced specialization

Human Capital

INPUT

Pro-Active Investment in Human Resources

Personnel Policy

We regard our employees as one of our most important assets in realizing our corporate motto. We respect each as an individuals, and believe it to be important to expand their abilities and potential, both self-sustained and to their great potential.

With the electronics sector seeing intense change in its business environment, a high degree of specialization is needed, as well as the ability to provide quickly the products sought by society and customers. TDK has been hiring not just new graduates with high potential and motivation but also mid-career personnel with a high level of specialization.

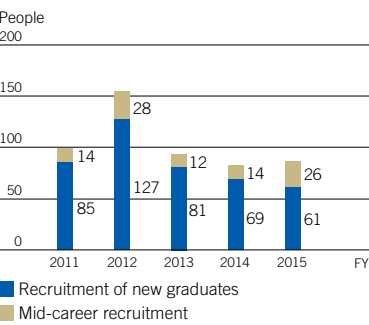
Developing Self-Sustained Human Resources (Programs to Develop and Cultivate Abilities)

It is vital for ongoing growth to improve the abilities of each and every employee. TDK believes that the ideal is where

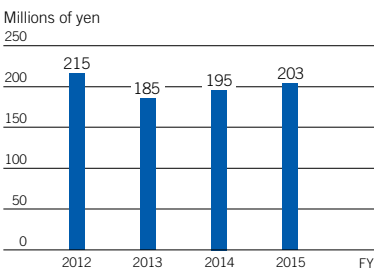
each and every employee making up the organization can do the job in a self-sustained fashion. TDK's goal in its employee training is to produce self-sustained employees who "make thorough use of their head to think, are courageous in taking up challenges, optimize change, and see things through to the finish."

In order to achieve these goals, TDK's programs to develop and cultivate abilities aim to teach progressively, from a young age, how to work in a self-sustained manner. These are made up of four categories, the "training programs on different levels" and "selective training programs" as well as the "specialized education programs," and "talent development support and qualification support programs" for those who needed a higher level of professional training.

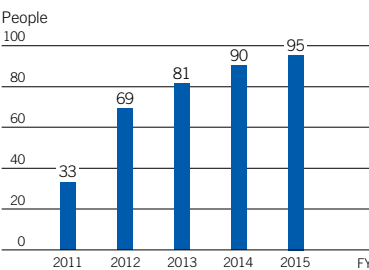
Recruitment of New Graduates / Mid-Career Recruitment (TDK Corporation)



Education / Seminar Training Costs (TDK Corporation)



Cumulative Total of Participants in TDK Monozukuri Tradition Seminars



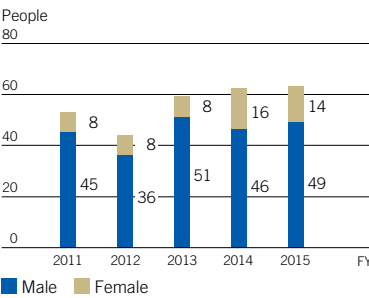
OUTPUT & OUTCOME

Aiming for Employee Satisfaction

Putting in Place a Good Work Environment

TDK aims to achieve a work-life balance, and strives to create an environment in which it is easy for employees to do their work. In Fiscal 2015, the average number of years worked continuously was 20.7 years for male employees and 17.8 years for female employees. The number of employees who left the Company in Fiscal 2015 was 49 men and 14 women.

Job Leavers / Dismissals (TDK Corporation)



SUSTAINABILITY

Respect for Diversity

Diversity Action Promotion Plan

The TDK Code of Conduct includes headings related to respect for human rights and a ban on discrimination.

In concrete terms, actions for the respect for human rights and equal opportunity include the implementation of awareness education, putting in place specialized support facilities such as helplines, various systems for child-raising and care (childcare leave system, family care leave system, reduced work hours system, etc.), as well as company-wide support for female employees and retirees.

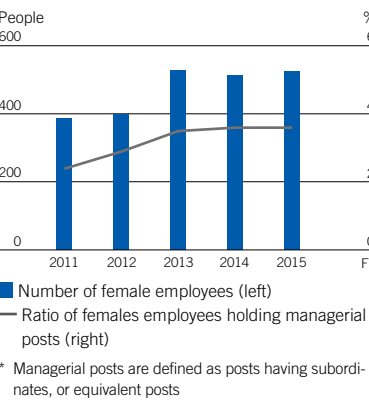
Global HR Activities

One of the most important things in the global market is to figure out how to transform HR diversity into strength in order to ensure ongoing growth. In particular, in a company like TDK, where the percentage of overseas sales is as high

at 90%, there is a need to build an environment to train and make use of global employees. TDK set up a Global HR Department in September 2013, and has been promoting a variety of measures to optimize HR activities across the group, such as personnel allocation so as to have the right person in the right place, and the introduction of a system to provide improved sales incentives to employees. With activities expanding to cover Japan, Europe, China, various ASEAN countries, Korea, and the Americas, it is contributing to the efficiency of the group as a whole.

Following on from this, further pro-active HR activities will be seen in fiscal 2016. Cross-training programs between group companies and globallybased training programs will enable many employees to benefit from active exchanges. Making the most of many employees who understand the TDK spirit will be a foundation for global growth.

Number of Female Employees / Ratio of Female Holding Managerial Posts (TDK Corporation)



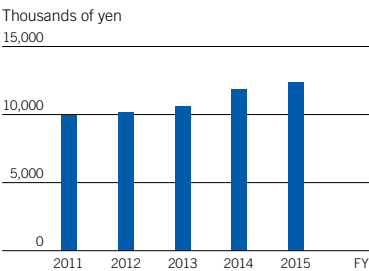
EFFICIENCY

Placing Importance in HR Investment Efficiency

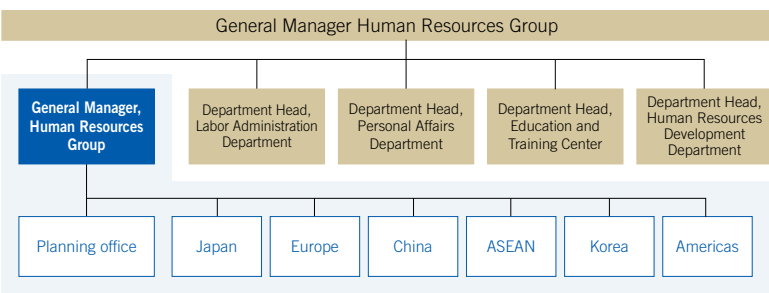
Number of Employees and Sales

Against a background of aggressive global M&As, the number of employees has gone from 87,809 in fiscal 2011 to 88,076 in fiscal 2015. Sales went from ¥862.5 billion in fiscal 2011 to ¥1,082.6 billion in fiscal 2015.

Sales per Employee



Organization Employees of the Global HR Department

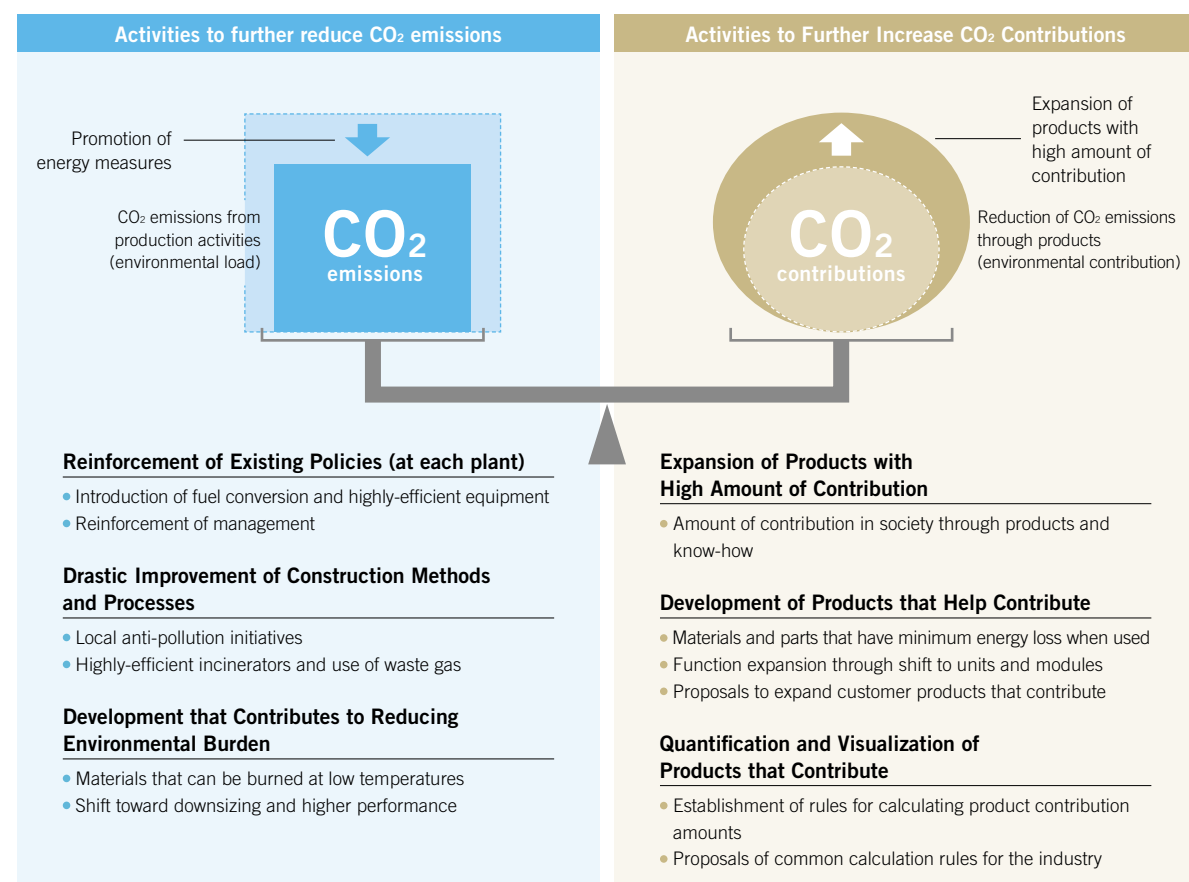


Natural Capital

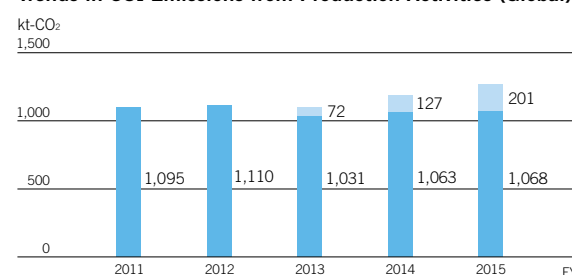
Setting Up TDK Environmental Action 2020

TDK has set up a group directive known as the TDK Environmental Charter, which recognizes “co-existence with the earth’s environment” as an important management issue, and aims to contribute to sustainable development. To realize this goal, TDK has formulated an environmental vision called TDK Environmental Action 2020 in April 2011 and is conducting activities with the target of becoming the first company in the electronic components industry to achieve carbon neutrality with environmental activities

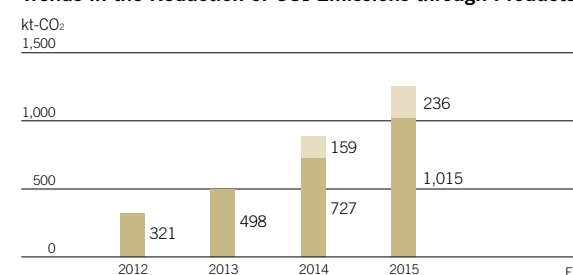
centered on the environmental impact of its products. In concrete terms, this is being done by reducing as much as possible CO₂ emissions associated with manufacturing activities at production sites, and by making a positive contribution to reducing the volume of CO₂ emissions in society at large through products and know-how. The goal for these activities is for emission reduction contributions to outweigh actual emissions by the end of fiscal 2021.



Trends in CO₂ Emissions from Production Activities (Global)



Trends in the Reduction of CO₂ Emissions through Products



Social and Relationship Capital

Society and Environmental Considerations in the Supply Chain

The TDK Group has the particularity of being a mid-stream company that is both a supplier that provides products and a buyer that sources raw materials. In looking to apply CSR to the supply chain as a whole, the business environment is heavily influenced by legislative systems, international industrial standards, and the like, and so “society and environmental considerations in the supply chain” have been established as an important aspect of our activities.

■ Efforts as a Supplier

As a supplier, TDK works on the social and environmental impact of its facilities. For example, we have compiled a TDK CSR Self-Check Sheet for grasping issues related to CSR activities and responding quickly to our customers. Also from fiscal 2014 to fiscal 2015, in addition to CSR internal audits carried out at five sites, we undertook CSR audits at an aggregate total of 72 sites, including responses to customer audit requests. Among these, audits were conducted at all sites in China where there is a high risk of labor issues, as we work on the social and environmental impact at our own facilities.



Conducting an audit of a factory in China

■ Efforts as a Buyer

As a buyer that sources raw materials, “CSR procurement” is a major issue for the company. Suppliers are asked to fill out a CSR checklist with the aim of providing awareness and raising motivation regarding CSR issues. If there are problems related to the response results, requests are put in individually for improvements. In fiscal 2015, improvement guidance was given to 13 suppliers. Starting in fiscal 2013, CSR audits have been implemented with the aim of acquiring an objective understanding of the situation. These suppliers are selected for implementation based on the degree of importance and level of dependence in relation to the products delivered to customers.

Response to Conflict Minerals

In recent years, armed groups in the Democratic Republic of the Congo (DRC) and adjoining countries have been conducting illegal mining and smuggling of minerals to fund themselves. These actions not only serve to further conflict but constitute violations of human rights through forced labor and the abusive treatment of local people. Companies that utilize mineral resources must take a responsible stance in view of this situation. In response to the rapid increase in the number of inquiries received from customers concerning conflict minerals, TDK established a system for making replies and began operating it in July 2013. For suppliers, we will implement surveys of newly purchased products regularly and continue to request the identification of smelters in the case of items for which smelters currently have not been specified.

A conflict minerals policy for the TDK Group was formulated in April 2013, codifying our basic stance as described below.

- 1 The TDK Group shall not procure minerals that become a source of funding for armed conflict from the Democratic Republic of the Congo (DRC) and adjoining countries, either directly or indirectly. If procurement from such a source has become evident, measures to eliminate use of the source shall be taken.
- 2 Audits covering the entire supply chain shall be carried out in a reasonable and rational manner.
- 3 The TDK Group shall work together with industry organizations in attempting to find a joint solution to the problem.

In April of the same year, TDK also conducted internal explanation sessions. In the main office, surveys of suppliers are handled mainly by the Procurement Function and responses to customers by the Quality Assurance Function. In addition, each business group has designated persons in charge of the conflict minerals issue. Clearly outlined responsibilities of each function are therefore in place.

Characteristics of Corporate Governance at the TDK Group

Aggressive Invitation of Outside Directors and Outside Audit & Supervisory Board Members

Having recognized the importance of supervisory functions for management at an early stage, TDK has actively endeavored to invite Outside Directors and Outside Audit & Supervisory Board Members into its organization.



Strengthening of Supervisory Functions Performed by Outside Directors

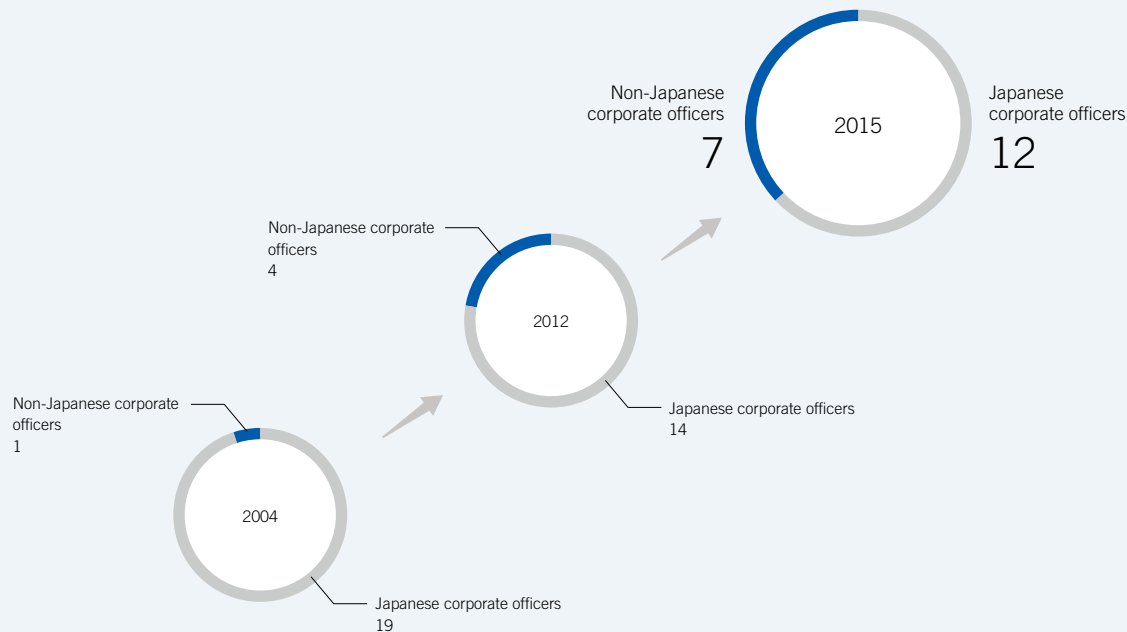
The post of **Chairman of the Board** is filled by **an Outside Director**.

The posts of **Chairman** of the Nomination Advisory Committee and the Compensation Advisory Committee are each filled **by Outside Directors**.

This helps ensure the transparency of HR and compensation processes and the validity of officer appointments and compensation.

Aggressive Promotion of Non-Japanese Corporate Officers

At TDK Corporation, the ratio of total sales from overseas exceeds 90%. As such, the Company aggressively promotes capable personnel in its organization regardless of their nationality.



Basic Policy

TDK was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has unremittingly pursued originality and increased corporate value through provisions of products and services which have created new value, based on the founding spirit "contribute to culture and industry through creativity" as its corporate motto. In addition, the TDK Group will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees, and communities, among others), continue to be helpful by resolving social issues, and contribute to the development of a more sustainable society. The TDK Group clearly declares as its Corporate Charter of Business Behavior that the TDK Group will continue to respect human rights, comply with relevant laws and regulations, both domestic and international, and carry out its social responsibility domestically and overseas with a strong sense of

ethics. All members of the TDK Group seek to behave in strict compliance with the Corporate Standards of Business Conduct prescribed by the TDK Code of Conduct.

In addition, TDK aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the corporate motto. At the same time, TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, TDK will be accountable to stakeholders through comprehensive, accurate, timely, and impartial disclosure of information.

As mentioned above, TDK sincerely and devotedly seeks to achieve its management philosophy, and to establish the effective and orderly corporate governance systems to continue to ensure soundness, compliance, and transparency in its business operations.

1. Adoption of the Company Auditor System and Strengthening of the Supervisory Function

TDK has adopted the Company Auditor System pursuant to the Companies Act of Japan and has appointed three independent Outside Audit & Supervisory Board Members (of the five Audit & Supervisory Board Members) who are disinterested in TDK to strengthen the supervision of TDK's management.

2. Strengthening the Function of the Board of Directors and Increasing the Accountability of Directors

TDK has a small number of Directors to expedite the management decision-making process. At the same time, TDK has appointed disinterested, independent Outside Directors in order to enhance the supervision of TDK's management. In addition, the Directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every business year.

3. Adoption of a Corporate Officer System for Expeditious Business Execution

TDK has adopted a Corporate Officer system that separates the management decision-making and Director supervisory functions of the Board of Directors from the execution of business. Corporate Officers are in charge of business execution and carrying out decisions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

4. Establishment of Advisory Bodies to the Board of Directors (Business Ethics & CSR Committee, Disclosure Advisory Committee, Compensation Advisory Committee, and Nomination Advisory Committee)

The aim of the Business Ethics & CSR Committee is to ensure compliance with the TDK corporate motto, understanding of corporate ethics, and improvement of awareness of corporate

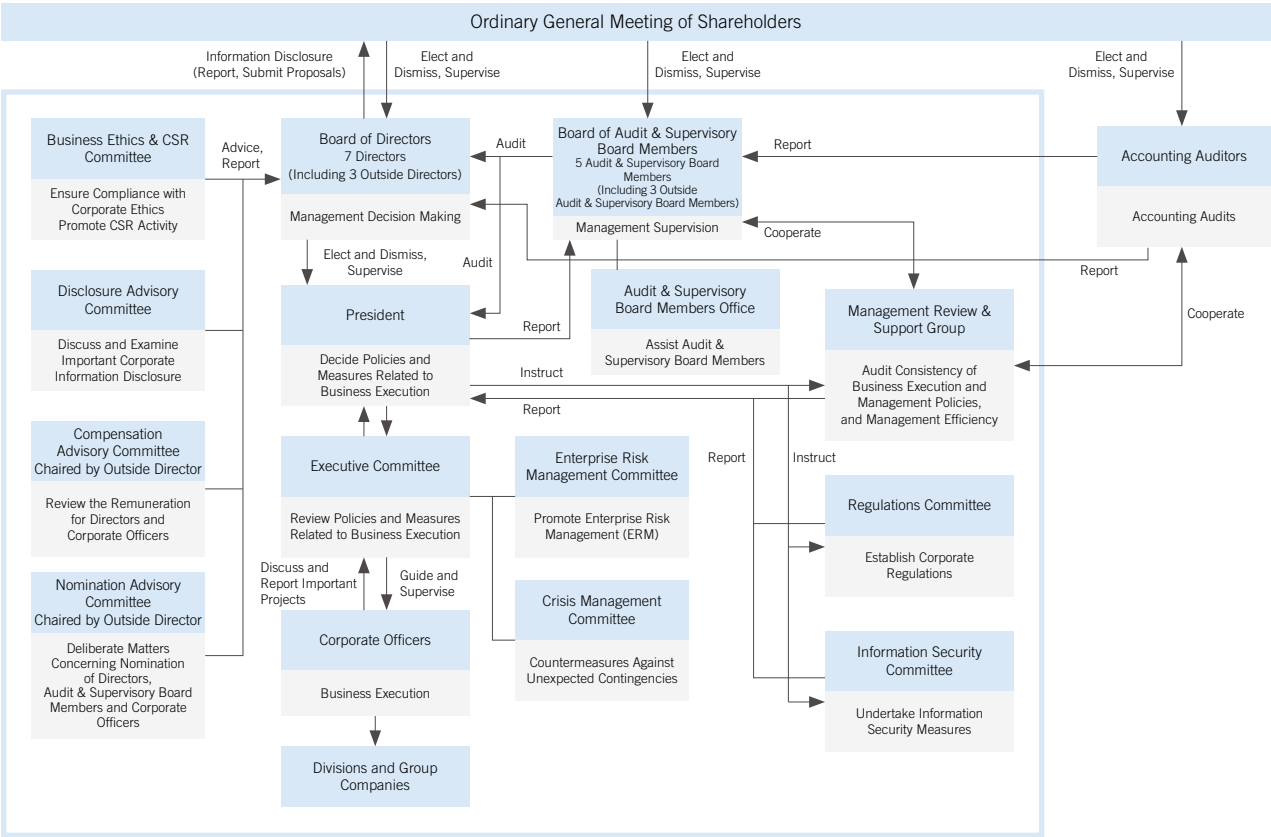
social responsibility (CSR). To achieve this aim, the Directors, Audit & Supervisory Board Members, Corporate Officers, and all other members of TDK are made fully aware of the TDK Code of Conduct, which stipulates concrete standards of business conduct in compliance with TDK's management philosophy, including the TDK corporate motto and corporate principle, and social norms, including relevant laws, regulations, and international rules and the spirit thereof.

The Disclosure Advisory Committee reviews and examines important corporate information and disclosure materials of TDK that are required for investment decisions by shareholders and investors, to ensure that TDK discloses appropriate information in a comprehensive, accurate, timely, and impartial manner, in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchanges on which TDK's shares are listed.

The Compensation Advisory Committee, which is chaired by an Outside Director of TDK, examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers, as well as presidents and qualifying officers of principal TDK subsidiaries. It also reviews the transparency of the remuneration decision-making process and verifies whether such remuneration is reasonable in light of corporate business performance, individual performance, and general industry standards.

The Nomination Advisory Committee, which is chaired by an Outside Director of TDK, reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members, and Corporate Officers, and provides transparency in the decision-making process.

TDK Group’s Corporate Governance System



History of Corporate Governance Reform

June 2002	Reduced number of Directors from twelve to seven Introduced Corporate Officer system for the purpose of clearly separating management supervision and operational execution Invited Outside Director into organization for the first time Formed Compensation Advisory Committee (Chairman: Outside Director) Suspended reserve of Director retirement benefits (Retirement benefit system abolished in June 2011)
June 2003	Director term shortened from two years to one year following change to Articles of Incorporation Two Outside Audit & Supervisory Board Members in service increased to three
June 2004	Foreigner assumed Corporate Officer post for first time
June 2005	Stock-based compensation stock options introduced for Directors and Corporate Officers
June 2007	Suspended reserve of Audit & Supervisory Board Member retirement benefits (Retirement benefit system abolished in June 2011) Compensation for Outside Directors and Audit & Supervisory Board Members changed to base compensation only
June 2008 August 2008	One Outside Director in service increased to two Formed Nomination Advisory Committee (Chairman: Outside Director)
June 2009	Two non-Japanese assumed Corporate Officer post; two Outside Directors in service increased to three
June 2012	Four non-Japanese assumed Corporate Officer post
June 2015	Seven non-Japanese assumed Corporate Officer post

Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board Members

Over time, the TDK Group has aggressively invited Outside Directors into its organization for the purpose of strengthening its supervisory functions for management, implementing management that is mindful of shareholders and various

other stakeholders, and establishing corporate governance that is both efficient and disciplined. As a result, 50% of all of the officers at the company are accounted for by Outside Directors and Outside Audit & Supervisory Board Members as of the

end of June 2015. More specifically, three out of seven total Directors are Outside Directors and three out of five total

Corporate Auditors are Outside Audit & Supervisory Board Members.

Outside Directors	Reason for appointment	Attendance at meeting of the Board of Directors in Fiscal 2015	
Makoto Sumita	Mr. Sumita has an abundance of experience and knowledge in management as a manager of operating companies as well as a broad perspective.	13 times / 13 times	
Kazumasa Yoshida	Mr. Yoshida has an abundance of experience and knowledge concerning the management of companies related to the electronics industry, global business, and consumer business as well as a broad perspective.	10 times / 10 times (After nominated in June 2014)	
Kazuhiko Ishimura	Mr. Ishimura has an abundance of experience and advanced, specialized knowledge regarding business management as well as a broad perspective.	— (Nominated in June 2015)	
Outside Audit & Supervisory Board Members	Reason for appointment	Attendance at meetings of the Board of Directors in Fiscal 2015	Attendance at meeting of the Board of Audit & Supervisory Board Members in Fiscal 2015
Kazunori Yagi	Mr. Yagi has knowledge relating to financing and accounting, as well as an abundance of experience and knowledge concerning the management of companies related to the electronics industry.	12 times / 13 times	13 times / 14 times
Toru Ishiguro	Mr. Ishiguro has specialized knowledge regarding the law as a lawyer, advanced, specialized knowledge regarding corporate governance and internal control, and considerable insight.	— (Nominated in June 2015)	
Kiyoshi Fujimura	Mr. Fujimura has knowledge relating to financing and accounting, as well as an abundance of experience and knowledge concerning the management of companies related to the general trade company.	— (Nominated in June 2015)	

Status of Board of Directors and Board of Audit & Supervisory Board Members in FY March 2015

Board of Directors meetings	Number of Board of Directors meetings	13 Times
	Directors' rate of attendance at meetings	100%
	Outside Directors' rate of attendance at meetings	100%
	Corporate Auditors' rate of attendance at meetings	98%
Board of Audit & Supervisory Board Members meetings	Outside Audit & Supervisory Board rate of attendance at meetings	97%
	Number of Audit & Supervisory Board meetings	14 Times
	Audit & Supervisory Board rate of attendance at meetings	99%
	Outside Audit & Supervisory Board Members rate of attendance at meetings	98%

Main Agenda Discussed by Board of Directors During Fiscal 2015

Capital expenditures under primary businesses
Strategies for priority businesses
Revision of companywide organization and reforms for headquarters functions
Investment for reinforcing infrastructure of Passive Components segment (Two new manufacturing buildings built at main manufacturing sites in Akita Prefecture)
Revision of officer compensation system [Revision of compensation amount for Directors (annual bonus limit established; amount of stock option compensation for Directors revised; stock options conditional on achievement of business performance introduced)]

Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members

In order to secure the independence of the Outside Directors and Outside Audit & Supervisory Board Members it invites into its organization, the TDK Group has established its own “items to be verified regarding independence” with reference to criteria such as Rule 436-2 of the Securities Listing Regulations (“Securing Independent Directors / Auditors”) and Rule III. 5. (3)-2 of Guidelines Concerning Listed Company Compliance, etc., both of which are stipulated by Tokyo Stock Exchange, Inc.

Items to be Verified Regarding Independence

1 In cases where the relevant Outside Director / Audit & Supervisory Board Member has a business relationship with TDK

An Outside Director / Audit & Supervisory Board Member shall be judged not to be independent if they are at present, or have been during the past five years, a party with a business relationship with TDK as described in (i) below or a person who executes business for such party, or if (ii) below applies to them.

- (i) When it is recognized, objectively and reasonably, that said business relationship is necessary for, or has a substantial influence on, the continued growth of TDK or the other party to such business relationship (when there is a high degree of dependence in the relationship, where the relationship is the source of 2% or more of consolidated sales, and where the other party to the relationship receives money or other assets from TDK other than remuneration for officers)

- (ii) When it is recognized within TDK that the relevant Outside Director / Audit & Supervisory Board Member is involved in the business relationship with the other party to such relationship

2 In cases where the relevant Outside Director / Audit & Supervisory Board Member is a consultant, an accounting professional or a law professional

An Outside Officer shall be judged not to be independent if any of the following cases apply to such person at present or have applied to such person during the past five years.

- (i) When it is recognized, objectively and reasonably, that the relevant Outside Director / Audit & Supervisory Board Member (including candidates for such position; the same shall apply hereinafter) cannot perform duties as an Independent Outside Director / Audit & Supervisory Board Member because they receive money or other assets from TDK other than remuneration for officers (where there is a high degree of dependence)
- (ii) Where it is recognized, objectively and reasonably, that the relevant Outside Director / Audit & Supervisory Board Member cannot perform duties as an Independent Outside Director / Audit & Supervisory Board Member because the organization to which such person belongs (hereinafter referred to as the “Relevant Organization”) receives money or other assets from TDK other than remuneration for officers (when this income is equivalent to 2% or more of total annual remuneration)

- (iii) When TDK has a high degree of dependence on a professional or a Relevant Organization, such as a case where services, etc., rendered by such party are essential to the corporate management of TDK or it would be difficult to find an alternative provider of the same services, etc.
- (iv) Where it is recognized within TDK that the relevant Outside Director / Audit & Supervisory Board Member is involved with the services, etc., provided by the Relevant Organization

3 In the case of a close relative of the relevant Outside Director / Audit & Supervisory Board Member

An Outside Director/Audit & Supervisory Board Member shall be judged not to be independent if either of the following cases apply to their close relative at present or have applied to them during the past five years.

(i) A person to whom (1) or (2) above applies (except persons with no material significance)

(ii) A person who executes business for TDK Corporation or a subsidiary of TDK Corporation (except persons without material significance)

Remuneration for Directors and Audit & Supervisory Board Members

Remuneration Determination Process

TDK has in place a Compensation Advisory Committee acting as an advisory body to the Board of Directors, composed of Outside Directors (among whom one is committee chairman) and an officer in charge of personnel. The committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers of the Company and reviews the transparency of the remuneration decision-making process and verifies whether the individual remuneration is reasonable in light of corporate business performance, individual performance, and general industry standards, among other factors.

Purpose of Remuneration System, Remuneration Level

TDK's remuneration system is designed for the following purpose based on the consultation and deliberation of the Compensation Advisory Committee, an advisory body to the Board of Directors.

By constantly pursuing the formulation of a competitive remuneration system that focuses on linkage with short-term as well as mid- to long-term results, TDK promotes, as much as possible, behavior on the part of Directors and Audit & Supervisory Board Members geared towards enhancing corporate results and stock value to constantly increase the corporate value of the overall TDK Group.

TDK aims to set remuneration at levels enabling the maintenance of competitiveness compared with other companies in the same business category or of similar scale in different

business categories. The adequacy of its level is examined by the Compensation Advisory Committee based on studies, etc., on corporate management remuneration performed periodically by third parties.

Results Linkage System

- 1 Short-term results linkage system (results-linked bonus)**
- A system whereby remuneration fluctuates depending on the single-year consolidated results (operating income, ROA, etc.) and the degree of attainment of results of the position in charge.
- 2 Mid- to long-term results linkage system (stock-linked compensation stock options)**

Stock-linked compensation stock options are granted with the number of shares calculated based on their value at the time of grant depending on the amount of stock option remuneration determined for each position. This is an effective stock option grant similar to the disbursement of actual stock of the Company whereby recipients have the same advantage of a rising stock value of the Company and the same risk of it falling as regular shareholders. The introduction of such a system is to further increase the ambition and morale of eligible Directors with respect to the enhancement of results and stock value.

The Company has established Corporate Stock Ownership Guidelines and makes an effort to ensure that eligible Directors hold at least a certain number of shares in the Company pursuant to their rank, including stock-linked compensation stock options.

Total Amount of Remuneration for Directors and Audit & Supervisory Board Members for the Business Year Under Review (Fiscal 2015)

Classification	Total number of payees	Total amount of remuneration (Millions of yen)	Remuneration breakdown					
			Basic remuneration		Results-linked bonus		Stock-linked compensation stock options	
			Number of payees	Amount paid (Millions of yen)	Number of payees	Amount paid (Millions of yen)	Number of payees	Amount paid (Millions of yen)
Directors (Outside Directors)	8 (4)	375 (40)	8 (4)	216 (40)	4	86	4	73
Audit & Supervisory Board members (Outside Audit & Supervisory Board members)	5 (3)	85 (27)	5 (3)	85 (27)	Not eligible for the above remuneration			
Total number of payees	13	459	13	301	4	86	4	73

* The number of Directors and Audit & Supervisory Board Members at the end of fiscal 2015 under review was 7 and 5, respectively. The total number of payees, the total amount of remuneration, and the basic remuneration in the breakdown thereof regarding Directors and Audit & Supervisory Board Members as shown above includes the amount of remuneration paid to one Outside Director who retired at the close of the 118th Ordinary General Meeting of Shareholders held on June 27, 2014.

Compliance and Information Management System

Permeation of Compliance Awareness

The TDK Group gives every employee a copy of the TDK Code of Conduct Handbook to use as guidelines for their corporate activities and strives to raise awareness by, among other things, displaying posters.

Furthermore, in order to deepen employees' understanding of compliance, the TDK Group implements training for specific ranks and e-learning for all employees, as well as talks by responsible directors and lectures by outside speakers for managers.

Cartel Prevention Training

In recent years, violations of competition laws are being prosecuted with increasing severity, not only in Japan but in the EU and the U.S. as well. As a result, there have been numerous cases where Japanese companies were found to be in breach of domestic or foreign antitrust laws (competition laws) through cartel activities. Offending companies were ordered to pay huge penalties, and criminal charges were brought against officers. In some cases, suppliers and consumers sued for damages, and shareholder derivative actions were also filed.

TDK's Charter of Corporate Behavior calls for strict observation of each country's laws and regulations, and for fulfillment of its obligations to society with integrity and a high ethical sense. We therefore implement anti-cartel training in our organization on a worldwide basis.

During Fiscal 2015, the following measures were carried out.

- Lawyers and other experts from outside the company were invited to give talks to persons in positions where a possible cartel risk exists, including managers, function chiefs, and members of sales, promotion, and planning departments. 22 such talks were held in locations including Japan, China, Taiwan, South Korea, Singapore, Malaysia, the U.S., and Europe, with a total of 821 persons attending.
- Training by e-learning was conducted.

Business Continuity Plan (BCP)

At TDK, in order to cut business continuity risk caused by factors including natural disasters, accidents, etc., we have implemented improvement strategies at each of our plants and sales offices to prevent disasters and epidemics, as well as instituted in-house power generators to offset electricity shortages. We work to both introduce and integrate business continuity planning to ensure that our critical business functions are not interrupted even in the event of a disaster, or if they are interrupted that they will resume as quickly as possible.

In response to greater business continuity risk in recent years, we also strive to improve business continuity planning on an ongoing basis.

Information Security

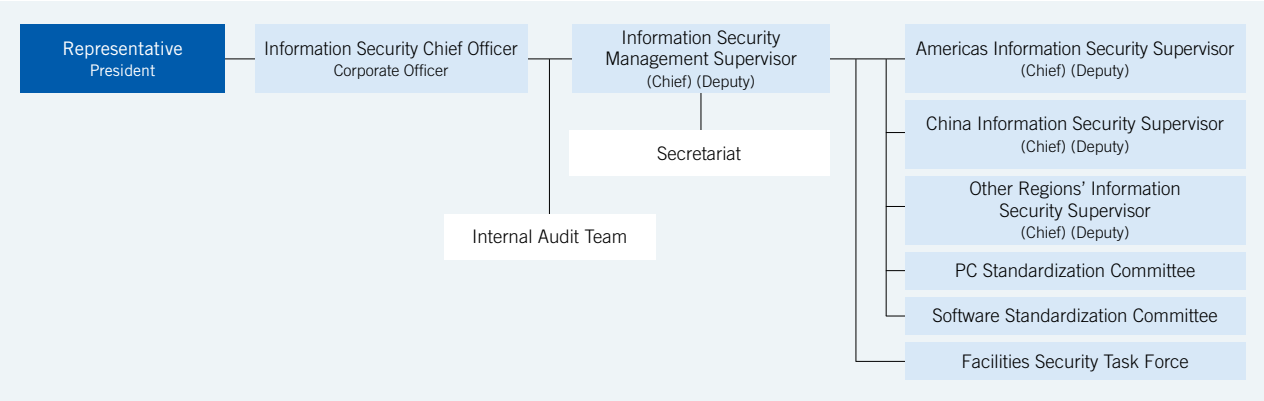
In July 2005, TDK set down its information security basic policy in order to maintain and improve information security. All employees carry out their work based on the six guidelines for action. The activities that specifically are being carried out are listed below. These activities together comprise TDK's information security control system.

- Increasing management of information provided by customers as well as trade secret information.
- Controls based on information security management, primarily head office information systems
- Compliance with the Private Information Protection Law, which was fully enacted in April 2005

In Fiscal 2015, the following actions were implemented with a view to preventing leakage of information and cyber-attacks.

- Security training on prevention of information leaks
- Boosting PC security
- Bolstering security of Internet connections
- Eliminating e-mail that may include SPAM / viruses
- Limitations on Internet access
- Limitations on mobile access
- Limitations on external devices

Information Security Management Framework



Interview with an Outside Director—TDK Group’s Corporate Governance



Makoto Sumita
Outside Director
Chairman of the Board
CEO, Innotech Corporation

Building a Viable Corporate Governance Framework
I laud TDK Corporation for conducting a variety of advanced initiatives over time in the name of strengthening corporate governance. During fiscal 2016 as well, the Company has become one of the first to implement a third-party evaluation system for its Board of Directors, which discusses issues based on the results of those evaluations. This and other efforts show that TDK Corporation is by no means settling for its current state of corporate governance, and is instead further pushing forward with initiatives aimed at strengthening it.

At TDK Corporation, three out of the company’s seven Directors are Outside Directors. These Outside Directors also serve in the posts of Chairman of the Board and Chairmen of the Nomination Advisory Committee and Compensation Advisory Committee. With 13 years having passed since TDK Corporation first invited Outside Directors into its organization in 2002, the Outside Director system has taken root at the company in a viable form. It is clear to me that the company’s Outside Directors and Outside Audit & Supervisory Board Members are taking advantage of their respective insight and making their voices heard, and that their opinions are exerting a considerable influence on the management of the Company. While there may be differences in their position and approach, those Outside Directors and Outside Audit & Supervisory Board Members share the common purpose of elevating TDK Corporation’s corporate value as they freely pit their opinions against each other. From my perspective, this relationship between the two is akin to a “coalition cabinet.”

Still, no matter how much something might be actively discussed by the Board of Directors, if that agenda is not

sufficiently incorporated in the Company’s business activities, there is no point to that discussion. In further elevating the viability of corporate governance, I believe that two-way communication through which Outside Directors and Outside Audit & Supervisory Board Members also increase their opportunities to interact with members of the business execution side and endeavor to diffuse that agenda on the frontlines while also relating the actual status of those frontlines to management is essential. Additionally, while seven out of our 19 Corporate Officers at TDK Corporation are non-Japanese, my view is that it is soon time for us to promote non-Japanese to Outside Director posts as well as we continue striving to become a truly global company.

Management Accountability and its Increasing Importance
The pursuit of short-term profit growth targets by corporations as they boost indexes such as earnings efficiency, profitability, investment efficiency, and human productivity is something that should be conducted as a matter of course in order to meet the expectations of investors. One of the attributes that defines the electronic components industry is that it takes time for the products of investment to blossom. Even when introducing the development or manufacturing of new materials or products, without gestating over a long period of time an end result that truly achieves differentiation will not come about. At the same time, the electronic components industry also easily succumbs to the impact of changes in the market environment. For precisely that reason, I sense that there are often differences in how that industry is perceived compared to a market that changes over a short period of time. Where that point is concerned, in the

context of the introduction of the Corporate Governance Code of Japan and the Japanese Stewardship Code, I believe the current trend of investors and businesses with differing measures for investment and growth coming closer together is a desirable one, and that in fulfilling the key role that it has, management needs to aggressively arrange forums for dialogue with investors and patiently issue persuasive explanations even more than before.

Passing Down the “TDK WAY” that Underpins Our Sustainable Growth
During fiscal 2015, TDK Corporation showed increased momentum in the recovery of its business performance as exemplified by its net sales surpassing ¥1 trillion, a first for the Company. However, this does not mean that its underlying essential value has changed. Rather, I think that the current momentum is the by-product of the increasing penetration of the “TDK WAY” that has been in place since the Company’s founding, namely taking materials and leveraging their attributes to bring forth unique, competitive products with

magnetics technology at their core, among our customers globally as well as inside Japan.

In the future as well, the incorporation of electronic components in large numbers will go beyond electronic products to take place across multiple industries, starting with automobiles. While it is impossible to foresee the future 10 to 20 years down the road, no matter how our flagship products may shift or how our customers may exhibit dynamic change, as long as TDK Corporation continues to evolve upon the “TDK WAY,” I am confident that the Company will remain highly recognized by greater society. Additionally, accommodating the requests of that society through value that leads to improved security and comfort in the form of environment-friendly products, products that feel good to use, and products that match consumer sensibilities is also an essential component of the company’s long-term sustainable growth. As TDK Corporation approaches its 100th anniversary, I believe its management will be called upon to fulfill the mission of continuing to communicate the founding spirit and values of TDK on a worldwide scale and share them across generations.

Focus

Analysis and Evaluation of Effectiveness of TDK Corporation's Board of Directors

The Corporate Governance Code of Japan explicitly states that “The Board should endeavor to improve its function by analyzing and evaluating the effectiveness of the Board as a whole,” an indication that ensuring that effectiveness is an issue of extreme importance. In its aim to enhance the effectiveness of its Board of Directors and elevate its corporate value, in fiscal 2015 TDK Corporation had a third-party consultant evaluate that Board.

PURPOSE	PROCESS
The purpose of this evaluation was to perform a comparative analysis of how the effectiveness of the Board of Directors as a whole, both committees (the Nomination Advisory Committee and the Compensation Advisory Committee), each Director and each Audit & Supervisory Board Member, as well as TDK Corporation’s Board of Directors framework is positioned relative to competitors both within and outside Japan and principles stated in principal corporate codes in Japan and overseas.	The process used in the evaluation was to ask all Directors and Audit & Supervisory Board Members to provide their answers to a question form concerning the effectiveness of the Board of Directors as a whole, both committees, and each Director and each Audit & Supervisory Board Member, and then conduct a detailed interview with each Director and Audit & Supervisory Board Member based on the nature of their responses. Using those responses and interviews as a reference, a report based on that third-party evaluation was provided to the Board of Directors. An analysis and evaluation of the effectiveness of the Board of Directors as a whole was then conducted by the Board.
RESULTS	CHALLENGES
The evaluation found that the Board of Directors of TDK Corporation contains a framework for exercising management audit functions as they pertain to the size, composition, and operational status of the Board, the qualities of its members, the status of each committee, and so forth. Moreover, with respect to discussion by the Board of Directors, it was found that a culture of respect for open discussion was in place, and that both Directors and Audit & Supervisory Board Members actively take part in and contribute to discussion.	The evaluation found that in order to establish an aggressive governance framework for realizing greater long-term shareholder value based on a growth strategy of completing structural reforms, accelerating the Company’s globalization, and pursuing its growth, the Board of Directors needs to take greater time in discussing TDK Corporation’s medium- to long-term management challenges and the predominant risks in its growth strategy, among other factors. It was also found that a framework must be established that enables the Board to engage in such discussion.

Going forward, the Board of Directors of TDK Corporation will engage in sufficient discussion based on the above analysis and evaluation, and will push forward with formulating and swiftly executing response measures.

Directors, Audit & Supervisory Board Members, and Corporate Officers (As of June 26, 2015)

Directors



Takehiro Kamigama

President & Representative Director of the Company
General Manager of Humidifier Countermeasures HQ of the Company and General Manager of Technology HQ of the Company
Number of shares held
73 hundreds of shares



Atsuo Kobayashi

Director
General Manager of Magnet Products Business Group
Number of shares held
10 hundreds of shares



Hiroyuki Uemura

Director
CEO of the Electronic Components Business Company of the Company, General Manager of the Ceramic Capacitors Business Group of the Electronic Components Business Company of the Company
Number of shares held
37 hundreds of shares



Noboru Saito

Director
General Manager of the Corporate Strategy HQ of the Company
Number of shares held
11 hundreds of shares



Makoto Sumita

Outside Director
Chairman of the Board
Chairman of Nomination Advisory Committee
Number of shares held
– shares

Summary of career —————
Born on Jan. 6, 1954
Apr. 1980 Entered Nomura Research Institute, Ltd
Jun. 1996 Director of INNOTECH CORPORATION
Apr. 2005 Executive Vice President & Representative Director of the said company
Jun. 2005 Director of IT Access Co., Ltd.
Apr. 2007 President & CEO of INNOTECH CORPORATION
Jun. 2011 Outside Audit & Supervisory Board Member of the Company
Apr. 2013 Chairman & CEO of INNOTECH CORPORATION (present post)
Jun. 2013 Resigned as Outside Audit & Supervisory Board Member of the Company
Outside Director of the Company (present post)
Feb. 2015 Chairman & CEO of INNOTECH FRONTIER, Inc. (present post)



Kazumasa Yoshida

Outside Director
Chairman of Compensation Advisory Committee
Number of shares held
– shares

Summary of career —————
Born on Aug. 20, 1958
Oct. 1984 Entered Intel Corporation
Oct. 1999 Manager of Technology / OEM Alliance Business Strategy of Enterprise Service Group of the said company
Mar. 2000 General Manager of Communication Product Group of Intel K.K.
May 2002 General Manager of Intel Architecture Business of the said company
Jun. 2003 Representative Director and President of the said company
Dec. 2004 Vice President of Sales and Marketing Group of Intel Corporation
Jun. 2012 Outside Director of Onkyo Corporation (present post)
Feb. 2013 Outside Director of Gibson Brands, Inc. (present post)
Jun. 2013 Outside Director of CYBERDYNE Inc. (present post)
Oct. 2013 Advisor of Intel K.K.
Jun. 2014 Outside Director of the Company (present post)
Jun. 2015 Outside Director of Mamezou Holdings Co., Ltd. (present post)



Kazuhiko Ishimura

Outside Director
Member of Nomination Advisory Committee, Member of Compensation Advisory Committee
Number of shares held
– shares

Summary of career —————
Born on Sep. 18, 1954
Apr. 1979 Entered ASASHI GLASS CO., LTD.
Jan. 2006 Executive Officer of the said company
Jan. 2007 Senior Executive Officer and GM of Electronics & Energy General Division of the said company
Mar. 2008 President & COO & Representative Director of the said company
Jan. 2010 President & CEO & Representative Director of the said company
Jan. 2015 Chairman & Representative Director of the said company (present post)
Jun. 2015 Outside Director of the Company (present post).

Audit & Supervisory Board Members



Osamu Yotsui

Full-time Audit & Supervisory Board Member
Number of shares held
22 hundreds share



Junji Yoneyama

Full-time Audit & Supervisory Board Member
Number of shares held
20 hundreds share



Kazunori Yagi

Outside Audit & Supervisory Board Member
Number of shares held
– shares

Summary of career —————
Born on Apr. 1, 1949
Apr. 1972 Entered Yokogawa Electric Corporation
Oct. 1999 Vice President (Officer) and General Manager of Finance & Business Planning, in charge of Corporate Marketing of the said company
Apr. 2001 Senior Vice President and General Manager of Finance & Business Planning of the said company
Jun. 2001 Director, Senior Vice President and General Manager of Finance & Business Planning of the said company
Jul. 2002 Director, Executive Vice President and General Manager of Finance & Business Planning of the said company
Jul. 2005 Director, Executive Vice President and General Manager of Management Administration Headquarters of the said company
Jun. 2011 Advisor to the said company, Audit & Supervisory Board Member of Yokogawa Bridge Holdings Corporation (present post)
Jun. 2012 Outside Director of JSR Corporation (present post)
Jun. 2013 Outside Audit & Supervisory Board Member of the Company (present post)
Mar. 2014 Outside Director of OYO Corporation (present post)



Toru Ishiguro

Outside Audit & Supervisory Board Member
Number of shares held
– shares

Summary of career —————
Born on Jun. 19, 1954
Apr. 1980 Registered as lawyer in Japan
Joined Hamada & Matsumoto
Apr. 1984 Registered as lawyer in New York, the United States of America
Jan. 1985 Partner of Hamada & Matsumoto
Sep. 1987 Resident Partner of the London office of Hamada & Matsumoto
Jun. 2000 Outside Corporate Auditor of Monex Securities Ltd.
Dec. 2002 Partner of Mori Hamada & Matsumoto (present post)
Jun. 2015 Outside Audit & Supervisory Board Member of the Company (present post)



Kiyoshi Fujimura

Outside Audit & Supervisory Board Member
Number of shares held
– shares

Summary of career —————
Born on Nov. 3, 1949
Apr. 1972 Entered Mitsubishi Corporation
Feb. 2002 Member of the Board, President and CEO of Mitsubishi Corporation
Financial & Management Services (Japan) Ltd.
Jun. 2003 Senior Corporate Auditor of Mitsubishi Corporation
Jun. 2007 Senior Vice President of the said company, CIO & CISO and Senior Assistant to person in charge of Work Restructuring & Internal Control System
Apr. 2008 Executive Vice President of the said company, CIO, Work Restructuring & Internal Control System
Jun. 2008 Member of the Board, Executive Vice President of the said company, CIO, Work Restructuring & Internal Control System
Apr. 2009 Member of the Board, Executive Vice President of the said company, Work Restructuring & Internal Control System, IT Service Business Development, CIO
Apr. 2010 Member of the Board, Executive Vice President of the said company, Audit & Internal Control System
Jun. 2012 Adviser of the said Company
Outside Corporate Auditor of AJINOMOTO CO., INC. (present post)
Jun. 2015 Outside Audit & Supervisory Board Member of the Company (present post)

Corporate Officers

President & CEO

Takehiro Kamigama

Executive Vice Presidents

Atsuo Kobayashi

Hiroyuki Uemura

Senior Vice Presidents

Seiji Osaka

Shinya Yoshihara

Noboru Saito

Robin Zeng

Joachim Zichlarz

Shigenao Ishiguro

Corporate Officers

Takakazu Momozuka

Mitsuru Nagata

Joachim Thiele

Keiichi Imamoto

Satoru Sueki

Christian Block

Norbert Hess

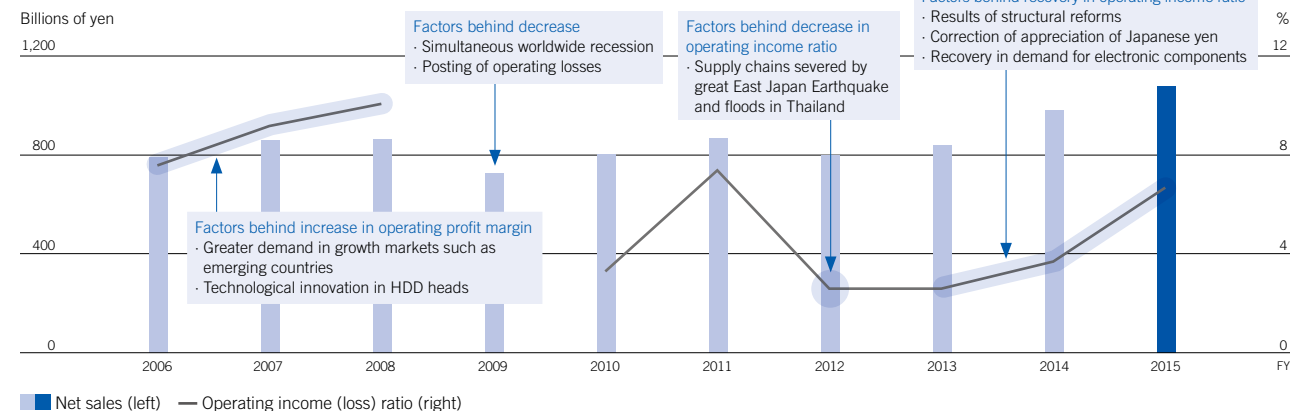
Michael Pocsatko

Hong Tian

Tetsuji Yamanishi

10 Years of Financial Trends and Analysis

Net Sales and Operating Income (Loss) Ratio Long-Term Trends



Analysis of Net Sales and Operating Income Over Last 10 Fiscal Years

From fiscal 2003 up through fiscal 2008, TDK Corporation conducted a revision of its products and businesses through selection and concentration primarily in its recording media business. The company achieved sustainable growth through its core HDD head business followed by its other main businesses of inductive devices and ceramic capacitors.

In the wake of sluggish demand for electronic devices triggered by the financial crisis of 2008, TDK Corporation committed itself to transforming its business structure. This aggressive commitment included the withdrawal and improvement of unprofitable businesses, the optimization of personnel assignments, and the consolidation of bases of operation. By fiscal 2011, the Company had realized a steady recovery.

However, due largely to supply chains being severed by the Great East Japan Earthquake and floods in Thailand that took place in 2011, TDK Corporation encountered a prolonged period during which both its net sales and operating income succumbed to changes in the Company's external environment. Additionally, given that its net sales from overseas had already exceeded 80%, the excessive acceleration in the devaluation of the Japanese yen also exerted a considerable impact on the Company's business performance. Having been subject to the foregoing, in order to build a corporate constitution that would not be swayed by its business environment,

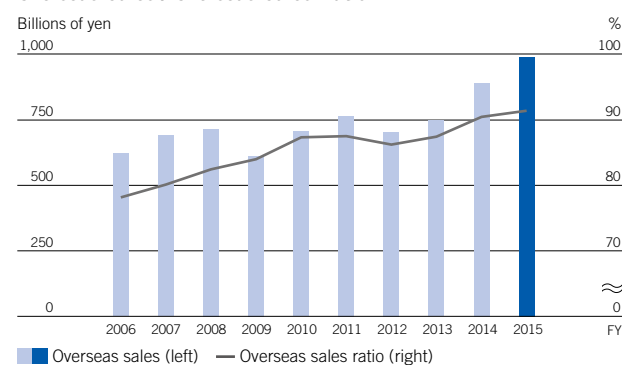
Analysis According to Segment

As of fiscal 2010, TDK Corporation has changed its method of business performance disclosure to a per-segment basis that covers passive components, magnetic application products, and other new businesses. During fiscal 2012, film application products were added to those segments.

TDK Corporation enacted large-scale structural reforms once more starting in fiscal 2012.

From fiscal 2013 onward, TDK Corporation has been achieving a recovery in its operating income by virtue of a recovery in demand for electronic components, the effects of its structural reforms, improved profitability of its passive components, and growth in sales of rechargeable batteries. Additionally, the corrections made to the excessive appreciation of the yen that resulted from a change in the political administration and a fiscal policy shift by the Bank of Japan also helped the Company post its largest net sales figure on record during fiscal 2015 at over ¥1 trillion.

Overseas Sales / Overseas Sales Ratio



Due to a worsening of the external environment and internal factors in the form of structural reforms, the Passive Components segment posted negative operating income for fiscal 2012 and 2013. However, largely as a result of the popularization of smartphones and tablets and solid progress in the electrification of the automobile, the number of passive components that can be supplied by TDK Corporation

increased considerably. In turn, this has caused net sales and operating income under this segment to grow.

In the Magnetic Application Products segment, although the Company has been posting operating income on an ongoing basis, the share of overall net sales that this segment accounts for is contracting. In addition to the growth in net sales under the Passive Components segment and the Film Application Product segment, attempts by the company to free itself of its constitution dependent on its HDD business, which accounts for approximately 25% of market share worldwide, also played a role.

In the Film Application Product segment, both net sales and operating income ratio are trending upward due to an increase in greater sales of energy devices (rechargeable batteries) for smartphones.

Analysis of Financial Position during Last 10 Fiscal Years

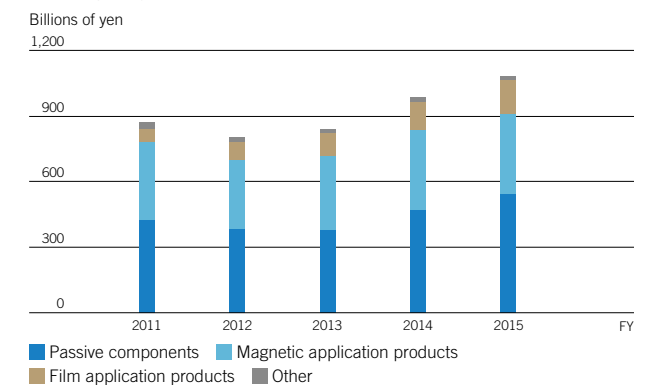
From fiscal 2008 up through fiscal 2009, total assets increased due principally to the acquisition of the EPCOS Inc. At the same time, as a result of raising funds, primarily in the form of acquiring stock, total liabilities also increased. This caused the company's stockholders' equity ratio to fall by approx. 20 points to the 50%-range. At this point in time, the shareholders' equity ratio is on a gradual incline, with net cash at the end of fiscal year ending in March 2015 at ¥18.2 billion. Since the end of fiscal year ending in March 2012, net trade receivables, inventories, property, plant and equipment and other items have each increased alongside higher net sales for certain products. Furthermore, foreign currency adjustments continue to work in the Company's favor due to the impact of the devaluated yen. These are working to produce an increase in total assets.

In order to accommodate rapid technological innovations and intensified sales competition in the electronics industry,

Analysis Cash Flow during Last 10 Fiscal Years

During fiscal year ending in March 2009, TDK Corporation conducted a large-scale M&A. Consequently, its free cash flow entered negative territory. However, even while continuing to aggressively conduct capital expenditures, the company has kept its free cash flow in positive territory due to an increase in cash flow from operating activities. TDK Corporation's principle is to use cash and deposits, etc. (which includes cash, deposits, short-term investments, and securities) as liquid capital while using funds generated from day-to-day business activities to cover operating capital and capital expenditure funds. The company has been endeavoring over a long period of time to maintain its liquidity at 2.0 months' worth of monthly consolidated net sales or greater. Additionally, in order to improve its capital efficiency, TDK Corporation has introduced a Cash Management System (CMS) in Japan, the U.S., and Europe. Through this system, the company centrally manages funds using headquarters functions as much as possible. However,

Sales by Segment



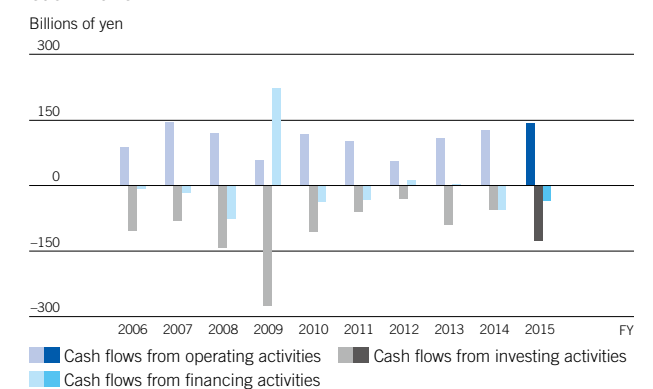
TDK Corporation has aggressively conducted capital expenditures on an ongoing basis. At the same time, the company's adopted policy is to make such investments after always considering the balance between supply and demand.

Total Assets / Stockholders' equity Ratio



for its subsidiaries that are unable to cover operating capital and capital expenditure funds with cash on hand, the Company is electing to use funds within the TDK Group to the extent possible.

Cash Flows



Fiscal 2015

Operating Results for Fiscal 2015

Summary of Market Conditions

In the electronics market, production levels differ across set products (finished products). The level of smartphone production was considerably higher than the previous fiscal year due mainly to growing demand in the Chinese market and the release of new device models by major manufacturers. Production in the automobile market, which was underpinned by brisk sales of automobiles in the U.S., increased year on year. Production of PCs remained at the same level as in the previous fiscal year due to firm progress in demand for replacement PCs in line with the end of support for Windows XP. Production of HDDs progressed at nearly the same level as the

Net Sales and Operating Income According to Segment

During fiscal 2015, TDK Corporation recorded consolidated net sales of ¥1,082,560 million, up 10.0% from fiscal 2014, and operating income of ¥72,459 million, up 97.9% from fiscal 2014.

The Company's Passive Components segment is made up of the Company's: (1) capacitors business, (2) inductive devices business, and (3) other passive components business. Segment net sales were ¥541,205 million, up 14.7% year on year. The segment reported profit of ¥37,891 million, up 145.3% from fiscal 2014. In the capacitors business, sales to the automotive and industrial equipment markets increased in particular. In the inductive devices business and other passive components business, sales to the automotive and ICT markets increased.

The Magnetic Application Products segment is made up of the company's: (1) recording devices business and (2) other magnetic application products business. Segment net sales increased 1.4% year on year to ¥369,221 million. Segment profit increased 2.0% over fiscal 2014 to ¥28,692 million. Income generated by HDD heads under the recording devices

previous fiscal year despite the decrease in production that was originally envisioned. This is due to the gradual growth in the data center market and demand for PCs and videogame consoles.

As a result of the above, company sales in the information and communications technology (ICT) market, particularly smartphones, and the automobile market increased. Moreover, despite a slight decrease in sales quantities in the HDD heads market, demand for heads for data centers began to grow, resulting in an improve product mix. This, coupled with the devaluation of the yen versus the U.S. dollar, resulted in an increase in income and, by extension, an increase in the net sales of the TDK Group.

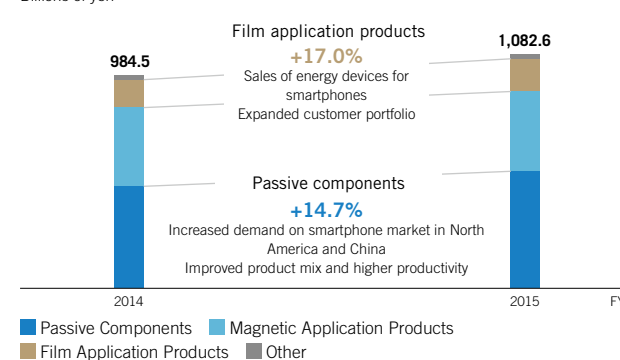
business grew despite a slight decrease in sales volume. This reflected an improved product mix as demand started to grow for HDD heads for data centers, and the impact of the weaker yen against the U.S. dollar. For other magnetic application products, although sales of power supplies to the industrial equipment market increased, sales of magnets to the automotive market decreased.

The Film Application Products segment includes energy devices (rechargeable batteries) and applied films. Segment net sales increased 17.0% year on year, to ¥151,275 million. Segment profit increased 83.9% from fiscal 2014, to ¥24,558 million. Sales of energy devices to the ICT market increased in particular.

The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. Net sales for this segment increased 8.3% over fiscal 2014 to ¥20,859 million. Segment earnings entered positive territory, having gone from a loss of ¥3,196 million in fiscal 2014 to income of ¥275 million in fiscal 2015.

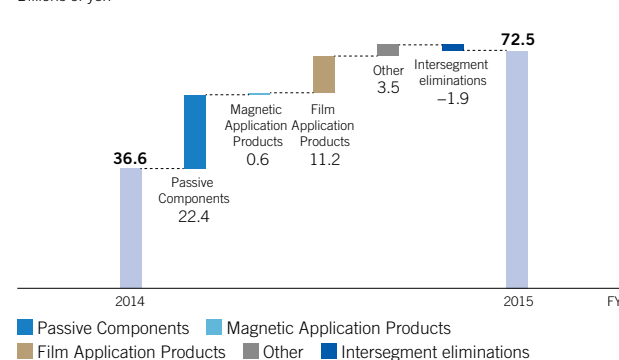
Comparing Net Sales by Segment Fiscal 2015 and 2014

Billions of yen



Comparing Operating Income by Segment Fiscal 2015 and 2014

Billions of yen



Production Results and Status of Orders Received According to Segment

TDK Corporation's production results for fiscal 2015 are as follows: ¥545,867 million for a year-on-year increase of 14.3% in the Passive Components segment, ¥371,130 million for a year-on-year increase of 1.7% in the Magnetic Application Products segment, and ¥156,583 million for a year-on-year increase of 23.3% in the Film Application Products segment.

Effect of Foreign Exchange Fluctuations

Regarding average currency rates during fiscal 2015, the yen's value depreciated 9.6% versus the U.S. dollar and 3.3% versus the euro year on year. Exchange rate fluctuations had the effect of increasing net sales approximately ¥79.7 billion and operating income approximately ¥15.0 billion in fiscal 2015. Additionally, TDK Corporation and certain overseas

Cost and Net Income

Cost of sales in fiscal 2015 increased 5.1% from fiscal 2014 to ¥802.2 billion due to an increase in net sales. However, the cost of sales ratio decreased 3.5 percentage points over fiscal 2014 to 74.1% of net sales. Despite cost increases driven by higher labor costs in China and other emerging markets and strong pressure for price discounts on products, the cost of sales ratio decreased due to contributions from improvements in productivity and lower material prices, lower costs of sales resulting from the effects of structural reforms, improvements to the company's product mix as a result of terminating unprofitable product lines, and an increase in sales volumes. As a result, gross profit increased ¥59.4 billion (26.9%) year on year in fiscal 2015, bringing the gross profit ratio to 25.9%.

Selling, general and administrative expenses in fiscal 2015 increased ¥23.6 billion from fiscal 2014, to ¥207.9 billion. The main factors in the increase in expenses are an increase of ¥11.2 billion due to the effects of currency translation

Status of Capital Expenditures

Capital expenditures in the Passive Components segment totaled ¥45,235 million. These were mainly for the purpose of increasing the production capacity of high-frequency components and inductive devices. Capital expenditures in the Magnetic Application Products segment totaled ¥16,552 million. These were mainly for the development and production of high-density next-generation heads for HDDs at SAE Magnetics

Net orders received for fiscal 2015 are as follows: ¥565,062 million for a year-on-year increase of 15.8% in the Passive Components segment, ¥362,896 million for a year-on-year increase of 0.6% in the Magnetic Application Products segment, and ¥238,359 million for a year-on-year increase of 52.5% in the Film Application Products segment. Results for production and orders received in the Passive Components segment and the Film Application Products segment have grown considerably. Burgeoning demand is also anticipated for the next fiscal year and beyond.

subsidiaries have entered agreements for the likes of forward foreign exchange contracts and currency swaps in order to mitigate foreign exchange fluctuation risk. The company's policy regarding said risk is that in principle, it will hedge up to 50% of foreign currency-denominated net trade receivables expected to be generated over the course of the coming six months.

adjustments resulting from the yen's depreciation and an increase in sales expansion drive costs in the company's main businesses. R&D expenses included in selling, general and administrative expenses for fiscal 2015 climbed 11.5% from fiscal 2014 to ¥70.6 billion. This was the result of efforts to improve development efficiency through the selection of development themes, which partially offset a ¥2.7 billion increase in expenses due to the effects of currency translation adjustments resulting from the yen's depreciation as well as higher expenses due to the implementation of development themes in the Company's main businesses.

Non-operating income for fiscal 2015 deteriorated ¥1.1 billion from fiscal 2014 mainly due to equity in earnings of affiliates worsening ¥0.7 billion.

Net income attributable to TDK Corporation shareholders came to ¥49.4 billion, resulting in ¥377.98 in net income attributable to TDK Corporation shareholders per diluted share. Return on equity (ROE) improved from 2.7% to 7.2%.

(H.K.) Ltd. Capital expenditures in the Film Application Products segment totaled ¥34,324 million. These were mainly to increase the production capacity of lithium polymer batteries at Amperex Technology Ltd. Capital expenditures in the Other segment totaled ¥1,439 million. Capital expenditures under R&D functions at TDK Corporation's headquarters totaled ¥4,975 million. These were mainly for investment in internal IT infrastructure construction and core R&D.

Analysis of Financial Position

Assets

Total assets at the end of fiscal 2015 amounted to ¥1,404.3 billion, a ¥164.7 billion increase from the end of the previous fiscal year. Liquidity on hand increased ¥27.0 billion, with cash and cash equivalents increasing ¥14.3 billion, short-term investments increasing ¥11.4 billion and marketable securities increasing ¥1.3 billion. Additionally, net trade receivables increased ¥31.6 billion due to higher net sales, and net property, plant and equipment increased ¥53.2 billion.

Liabilities

Total liabilities increased ¥58.9 billion from the end of the previous fiscal year to ¥646.3 billion. While current installments of long-term debt declined ¥36.4 billion, long-term debt increased ¥33.9 billion, trade payables increased ¥15.9 billion, accrued salaries and wages increased ¥9.4 billion, and accrued expenses increased ¥22.3 billion.

Net assets

Total shareholders' equity under net assets increased ¥103.5 billion from the end of fiscal 2014 to ¥738.9 billion. Foreign currency translation adjustments improved relative to the end of the previous fiscal year as a result of the ongoing trend of the yen's depreciation. This was the primary factor behind an ¥81.3 billion increase in accumulated other comprehensive income (loss).

Analysis of Cash Flows

Cash flows from operating activities

Operating activities provided net cash of ¥142,850 million, a year-on-year increase of ¥15,542 million. This was mainly due to an increase in net income.

Cash flows from investing activities

Investing activities used net cash of ¥127,312 million, a year-on-year increase of ¥71,874 million. This was mainly due to an increase in expenditure caused by the acquisition and leasing of noncurrent assets.

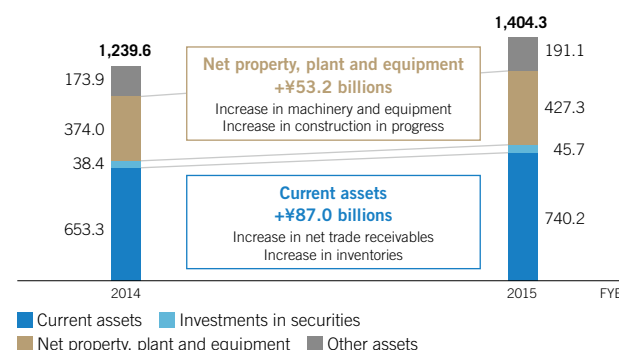
Cash flows from financing activities

Financing activities used net cash of ¥35,243 million, a year-on-year decrease of ¥20,875 million. This was mainly due to a decrease in repayments of long-term debt and a decrease in short-term debt, net.

After factoring the effects of currency fluctuations into the above, cash and cash equivalents at the end of fiscal 2015 were ¥265,104 million, representing a ¥14,256 million increase over the end of fiscal 2014.

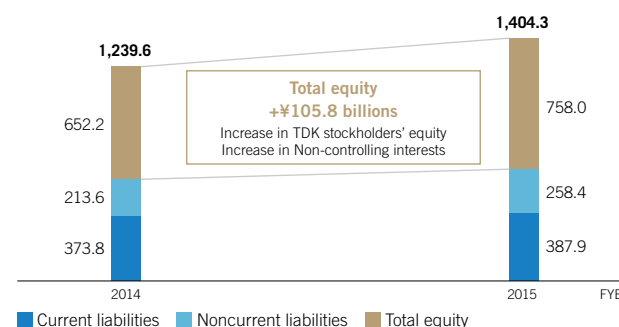
Comparing Total Assets Fiscal 2015 and 2014

Billions of yen



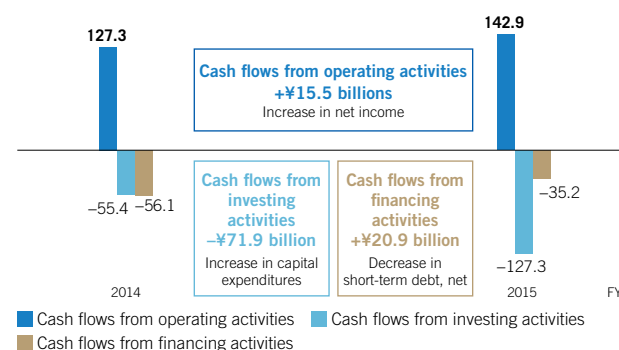
Comparing Total Liabilities and Net Assets Fiscal 2015 and 2014

Billions of yen



Comparing Cash Flows Fiscal 2015 and 2014

Billions of yen



Outlook for Fiscal 2016 and Medium- to Long-Term Prospect

Outlook for Fiscal 2016

The world economy in fiscal 2016 is expected to show a moderate recovery driven by the U.S. economy and emerging countries. The electronics market also exhibits promise of continued robust growth in demand for electronic components. As such, TDK Corporation predicts that it will post ¥1,180,000 million in net sales, a 9.0% increase over fiscal 2015, and ¥95,000 million in operating income. On a per-segment basis, the company predicts that sales under the Passive Components segment will increase year-on-year by 7% to 10%, sales under the Magnetic Application Products segments will show negligible variance year on year, and sales under the Film Application Products segment will increase year-on-year by 25%+α. With regard to the acquisition of noncurrent assets, the company is planning on executing aggressive capital expenditures in order to accommodate burgeoning demand, particularly that in China, and expects said expenditures will amount to ¥130,000 million, a year-on-year increase of 26.8%.

Medium- to Long-Term Management Plan

The expansion of the electronics market, which includes electronic components for automobiles and smartphones, continues to progress on a robust note. Products continue to become increasingly high-function and slimmer, and safety standards are becoming progressively more advanced. In particular, the level of customers' demands for the quality and performance of in-vehicle and other electronic components is becoming higher and higher. Based on this current scenario, TDK Corporation formulated its three-year Medium-Term plan policy with fiscal year starting in March 2016 as its initial year, and will strive to achieve the further enhancement of its corporate value through sustainable growth (See p. 28). In addition to the expansion of its thin-film device business for realizing more lightweight and compact high-precision sensors for automobiles and industrial equipment as well as wearable devices that take maximum advantage of the thin-film technology assets that the Company has accumulated up to now, TDK Corporation will steadily execute fundamental measures for a number of its businesses, and will focus on transforming their constitution to a highly profitable one at an early stage.

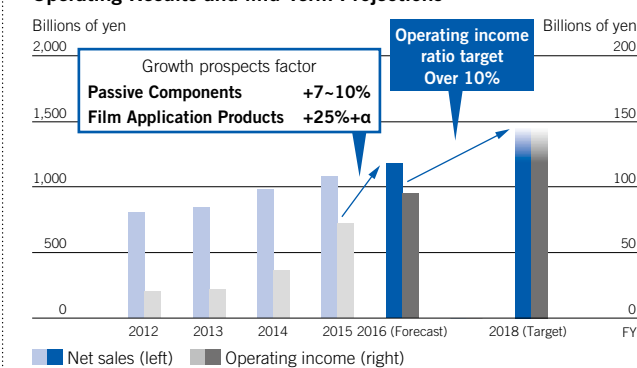
Additionally, in order to provide support for the development of each of those businesses, TDK Corporation will reform its

Outlook for Fiscal Year ending in March 2016

	Fiscal 2016 Full-Year Projections	Fiscal 2015 Full-Year Results	Millions of yen	
			YoY Change (FY2015 vs FY2016)	Change %
Net sales	1,180,000	1,082,560	97,440	9.0
Operating income	95,000	72,459	22,541	31.1
Net income	65,000	49,440	15,560	31.5
Dividends	Annual 120	Annual 90	Annual 30	—
Capital expenditure	130,000	102,525	27,475	26.8
Depreciation and amortization	90,000	80,249	9,751	12.2
R&D expenses	77,000	70,644	6,356	9.0

headquarters development functions into a three-center system that consists of information and communications device development, energy device development, and materials development. In doing so, the Company will establish a development framework that is consistent with the attributes of markets and fields. Furthermore, in order to implement activities that are consistent with regional attributes, the Company will strengthen its R&D functions in the U.S., Europe and China.

Operating Results and Mid-Term Projections



Consolidated Balance Sheets

TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)
As of March 31, 2015 and 2014

ASSETS

	2014		2015			Change
	Millions of yen	%	Millions of yen	%	U.S.\$ thousands	Millions of yen
Current assets	653,285	52.7	740,241	52.7	6,168,675	86,956
Cash and cash equivalents	250,848		265,104		2,209,200	14,256
Short-term investments	8,691		20,091		167,425	11,400
Marketable securities	—		1,301		10,842	1,301
Net trade receivables	206,472		238,089		1,984,075	31,617
Inventories	136,387		151,012		1,258,433	14,625
Other current assets	50,887		64,644		538,700	13,757
Noncurrent assets	586,304	47.3	664,041	47.3	5,533,675	77,737
Investments in securities	38,401		45,733		381,108	7,332
Net property, plant and equipment	374,032		427,254		3,560,450	53,222
Other assets	173,871		191,054		1,592,117	17,183
Total	1,239,589	100.0	1,404,282	100.0	11,702,350	164,693

For convenience only, an exchange rate of U.S. \$1=¥120 has been used.

LIABILITIES AND EQUITY

	2014		2015			Change
	Millions of yen	%	Millions of yen	%	U.S.\$ thousands	Millions of yen
Current liabilities	373,781	30.2	387,877	27.6	3,232,308	14,096
Short-term debt	132,237		136,098		1,134,150	3,861
Current installments of long-term debt	37,147		751		6,258	(36,396)
Trade payables	95,688		111,591		929,925	15,903
Accrued expenses	86,664		118,336		986,133	31,672
Other current liabilities	22,045		21,101		175,842	(944)
Noncurrent liabilities	213,565	17.2	258,398	18.4	2,153,317	44,833
Long-term debt, excluding current installments	97,623		131,483		1,095,692	33,860
Retirement and severance benefits	93,777		105,687		880,725	11,910
Other noncurrent liabilities	22,165		21,228		176,900	(937)
Total liabilities	587,346	47.4	646,275	46.0	5,385,625	58,929
Common stock	32,641		32,641		272,008	—
Additional paid-in capital	57,635		39,755		331,292	(17,880)
Legal reserve	26,651		29,685		247,375	3,034
Retained earnings	624,919		661,159		5,509,658	36,240
Accumulated other comprehensive income (loss)	(87,134)		(5,882)		(49,017)	81,252
Treasury stock	(19,385)		(18,497)		(154,141)	888
Total TDK stockholders' equity	635,327	51.3	738,861	52.6	6,157,175	103,534
Noncontrolling interests	16,916	1.3	19,146	1.4	159,550	2,230
Total equity	652,243	52.6	758,007	54.0	6,316,725	105,764
Total	1,239,589	100.0	1,404,282	100.0	11,702,350	164,693

For convenience only, an exchange rate of U.S. \$1=¥120 has been used.

Consolidated Statements of Income and Statements of Comprehensive Income

TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)
For the years ended March 31, 2015 and 2014

Statements of Income

	2014		2015			Change	
	Millions of yen	%	Millions of yen	%	U.S.\$ thousands	Millions of yen	%
Net sales	984,525	100.0	1,082,560	100.0	9,021,333	98,035	10.0
Cost of sales	763,572	77.6	802,225	74.1	6,685,208	38,653	5.1
Gross profit	220,953	22.4	280,335	25.9	2,336,125	59,382	26.9
Selling, general and administrative expenses	184,337	18.7	207,876	19.2	1,732,300	23,539	12.8
Operating income	36,616	3.7	72,459	6.7	603,825	35,843	97.9
Other income (deductions):							
Interest and dividend income	3,365		4,075		33,958	710	
Interest expense	(3,457)		(2,992)		(24,933)	465	
Foreign exchange gain (loss)	(1,302)		(1,846)		(15,383)	(544)	
Other—net	4,550		2,821		23,508	(1,729)	
Total other income (deductions)	3,156	0.3	2,058	0.2	17,150	(1,098)	(34.8)
Income from continuing operations before income taxes	39,772	4.0	74,517	6.9	620,975	34,745	87.4
Income taxes	17,936	1.8	21,738	2.0	181,150	3,802	21.2
Income from continuing operations	21,836	2.2	52,779	4.9	439,825	30,943	141.7
Loss from discontinued operations	(3,602)	(0.3)	—	—	—	3,602	—
Net income	18,234	1.9	52,779	4.9	439,825	34,545	189.5
Less: Net income attributable to noncontrolling interests	1,946	0.2	3,339	0.3	27,825	1,393	71.6
Net income attributable to TDK	16,288	1.7	49,440	4.6	412,000	33,152	203.5

Notes: 1. For convenience only, an exchange rate of U.S. \$1=¥120 has been used.
2. Figures related to the data tape business and the Blu-ray business, which becam discounted operations in the year ended March 31, 2014, are restated.

Statements of Comprehensive Income

Item	2014	2015		Change
	Millions of yen	Millions of yen	U.S.\$ thousands	Millions of yen
Net income	18,234	52,779	439,825	34,545
Other comprehensive income (loss), net of taxes:				
Foreign currencies translation adjustments	60,544	92,481	770,675	31,937
Pension liability adjustments	7,187	(13,804)	(115,033)	(20,991)
Net unrealized gains (losses) on securities	4,722	4,463	37,192	(259)
Total other comprehensive income (loss)	72,453	83,140	692,834	10,687
Comprehensive income	90,687	135,919	1,132,659	45,232
Comprehensive income attributable to noncontrolling interests	3,248	6,158	51,317	2,910
Comprehensive income attributable to TDK	87,439	129,761	1,081,342	42,322

For convenience only, an exchange rate of U.S. \$1=¥120 has been used.

Consolidated Statements of Stockholders’ Equity

TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)
For the years ended March 31, 2015 and 2014

Millions of yen									
2014	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other com-prehensive income (loss)	Treasury stock	Total TDK stockholders’ equity	Non-controlling interests	Total equity
Balance as of March 31, 2013	32,641	64,199	25,426	617,377	(159,016)	(19,458)	561,169	19,447	580,616
Equity transaction of consolidated subsidiaries and other		(6,564)		27	731	77	(5,729)	(5,385)	(11,114)
Cash dividends				(7,548)			(7,548)	(394)	(7,942)
Transferred to legal reserve			1,225	(1,225)			—		—
Comprehensive income									
Net income				16,288			16,288	1,946	18,234
Other comprehensive income (loss)					71,151		71,151	1,302	72,453
Total comprehensive income							87,439	3,248	90,687
Acquisition of treasury stock						(5)	(5)		(5)
Sale of treasury stock				(0)		1	1		1
Balance as of March 31, 2014	32,641	57,635	26,651	624,919	(87,134)	(19,385)	635,327	16,916	652,243

Millions of yen									
2015	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other com-prehensive income (loss)	Treasury stock	Total TDK stockholders’ equity	Non-controlling interests	Total equity
Balance as of March 31, 2014	32,641	57,635	26,651	624,919	(87,134)	(19,385)	635,327	16,916	652,243
Equity transaction of consolidated subsidiaries and other		(17,880)		(99)	931	895	(16,153)	(3,556)	(19,709)
Cash dividends				(10,067)			(10,067)	(372)	(10,439)
Transferred to legal reserve			3,034	(3,034)			—		—
Comprehensive income									
Net income				49,440			49,440	3,339	52,779
Other comprehensive income (loss)					80,321		80,321	2,819	83,140
Total comprehensive income							129,761	6,158	135,919
Acquisition of treasury stock						(7)	(7)		(7)
Sale of treasury stock		(0)				0	0		0
Balance as of March 31, 2015	32,641	39,755	29,685	661,159	(5,882)	(18,497)	738,861	19,146	758,007

U.S. thousands									
2015	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other com-prehensive income (loss)	Treasury stock	Total TDK stockholders’ equity	Non-controlling interests	Total equity
Balance as of March 31, 2014	272,008	480,292	222,092	5,207,658	(726,117)	(161,542)	5,294,391	140,967	5,435,358
Equity transaction of consolidated subsidiaries and other		(149,000)		(825)	7,758	7,459	(134,608)	(29,634)	(164,242)
Cash dividends				(83,892)			(83,892)	(3,100)	(86,992)
Transferred to legal reserve			25,283	(25,283)			—		—
Comprehensive income									
Net income				412,000			412,000	27,825	439,825
Other comprehensive income (loss)					669,342		669,342	23,492	692,834
Total comprehensive income							1,081,342	51,317	1,132,659
Acquisition of treasury stock						(58)	(58)		(58)
Sale of treasury stock		(0)				0	0		0
Balance as of March 31, 2015	272,008	331,292	247,375	5,509,658	(49,017)	(154,141)	6,157,175	159,550	6,316,725

For convenience only, an exchange rate of U.S. \$1=¥120 has been used.

Consolidated Statements of Cash Flows

TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)
For the years ended March 31, 2015 and 2014

	2014	2015	
	Millions of yen	Millions of yen	U.S. thousands
Cash flows from operating activities:			
Net income	18,234	52,779	439,825
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	83,109	80,249	668,742
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	4,349	4,919	40,992
Decrease (increase) in inventories	13,011	(4,368)	(36,400)
Increase (decrease) in trade payables	(1,446)	(12,375)	(103,125)
Increase (decrease) in accrued expenses	3,589	7,892	65,767
Decrease (increase) in other assets and liabilities, net	6,416	(3,347)	(27,892)
Other—net	46	17,101	142,508
Net cash provided by operating activities	127,308	142,850	1,190,417
Cash flows from investing activities:			
Capital expenditures	(68,606)	(102,525)	(854,375)
Proceeds from sale and maturity of short-term investments	21,844	21,828	181,900
Payment for purchase of short-term investments	(20,232)	(30,861)	(257,175)
Proceeds from sale and maturity of securities	5,269	707	5,892
Payment for purchase of securities	(1,746)	(248)	(2,067)
Disbursement for loans made by TDK	5,206	7,698	(219,341)
Proceeds from sales of tangible and intangible assets	(1,414)	(26,321)	64,150
Other—net	4,241	2,410	20,083
Net cash used in investing activities	(55,438)	(127,312)	(1,060,933)
Cash flows from financing activities:			
Proceeds from long-term debt	33,747	34,777	289,808
Repayment of long-term debt	(51,867)	(37,320)	(311,000)
Increase (decrease) in short-term debt, net	(16,634)	(916)	(7,633)
Dividends paid	(7,554)	(10,069)	(83,908)
Acquisition of noncontrolling interest	(13,981)	(24,633)	(205,275)
Other-net	171	2,918	24,316
Net cash used in financing activities	(56,118)	(35,243)	(293,692)
Effect of exchange rate changes on cash and cash equivalents	21,409	33,961	283,008
Net increase in cash and cash equivalents	37,161	14,256	118,800
Cash and cash equivalents at beginning of period	213,687	250,848	2,090,400
Cash and cash equivalents at end of period	250,848	265,104	2,209,200

Notes: 1. For convenience only, an exchange rate of U.S. \$1=¥120 has been used.
2. Cash flows attributable to the discontinued operations are not presented separately from cash flows attributable to continuing operations in the statements of cash flows.

Corporate Information

TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)
As of March 31, 2015

Corporate Name

TDK Corporation

Corporate Headquarters

Shibaura Renasite Tower, 3-9-1 Shibaura, Minato-ku, Tokyo 108-0023

Date of Establishment

December 7, 1935

Authorized Number of Shares

480,000,000 shares

Number of Shares Issued

129,590,659 shares

Number of Shareholders

21,771

Common Stock

¥32,641,976,312

Securities Traded

Tokyo Stock Exchange (Listed on in September, 1961)

Securities Code

6762

Number of Employees (Consolidated)

88,076

Transfer Agent

Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233

Independent Registered Public Accounting Firm

KPMG AZSA LLC (the Japan member firm of KPMG International)

ADR Information

Type

Level 1 with sponsorship

ADR Ratio

1 Common Stock = 1 ADR

Ticker Symbol

TTDKY

CUSIP

872351408

Depository Bank

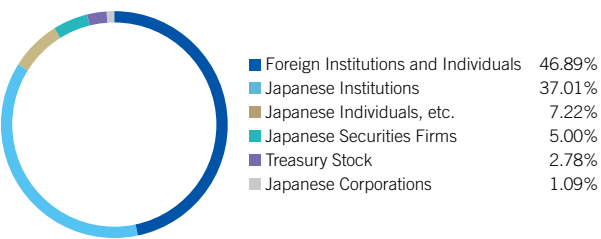
Citibank, N.A. Shareholder Services
P.O. Box 43077
Providence, Rhode Island 02940-3077
U.S.A.
Tel : 1-877-248-4237 CITI-ADR (toll free)
Tel : 1-816-843-4281 (out of U.S.)
Fax : 1-201-324-3284
Internet : <http://www.citi.com/adr>
E-mail : citibank@shareholders-online.com

Principal Shareholders (10 Largest Shareholders)

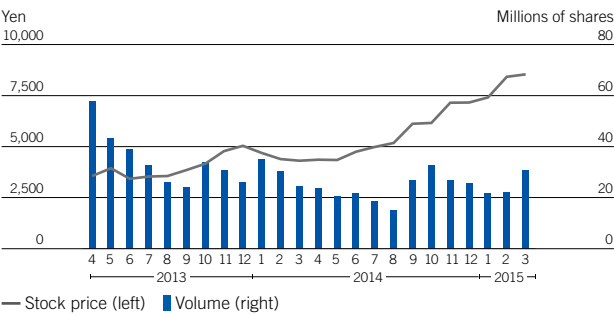
Name of shareholder	Number of shares held (thousands of shares)	Percentage of number of shares held in the total number of issued shares (%)
1. The Master Trust Bank of Japan, Ltd. (Trust account)	15,105	11.66
2. Japan Trustee Services Bank, Ltd. (Trust account)	9,976	7.70
3. JP Morgan Chase Bank 380055	4,356	3.36
4. BNP Paribas Securities (Japan) Limited	2,704	2.09
5. Trust & Custody Services Bank, Ltd.	2,475	1.91
6. SOCIETE GENERALE PARIS MRC/OPT	1,812	1.40
7. Japan Trustee Services Bank, Ltd. (Trust account 9)	1,754	1.35
8. THE BANK OF NEW YORK MELLON SA/NV 10	1,742	1.34
9. Nippon Life Insurance Company	1,640	1.27
10. STATE STREET BANK WEST CLIENT – TREATY 505234	1,619	1.25
Total	43,181	33.32

Notes: 1. Other than the above, the Company holds 3,603 thousand shares of treasury stock.
2. As a copy of Change Report dated June 5, 2014, was sent from Sumitomo Mitsui Trust Bank, Limited and its two joint holders, TDK Corporation acknowledges it has received the report pertaining to as of the end of fiscal 2015, the details were not included in the above "Status of major shareholders." the share possession by each shareholder as of May 30, 2015, as detailed below. However, as TDK Corporation cannot confirm the numbers of such shares substantially held.

Status by Ownership



TDK Stock Price and Volume





TDK Corporation

Shibaura Renasite Tower, 3-9-1 Shibaura, Minato-ku, Tokyo 108-0023
<http://www.global.tdk.co.jp/>



About the cover photo

An aurora is a magnetic phenomenon caused by charged particles of high energy emanating from the sun (solar wind) and being accelerated by the force of the Earth's magnetic field. When the particles collide with oxygen or nitrogen in the upper layers of the atmosphere, they emit light. This fascinating sight is symbolic of the force behind magnetic technology, the core competence of TDK.