

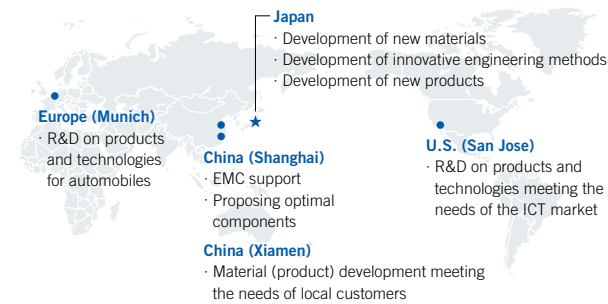
Intellectual Capital

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
2007	Division of Alps Electric (Japan)	HDD heads
	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

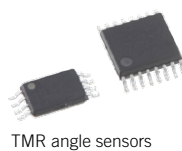
R&D Results

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.

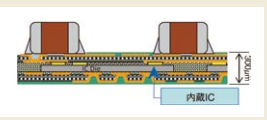


In the film application products sector, the development of next-generation lithium battery materials and film materials with new properties and functions is progressing.

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

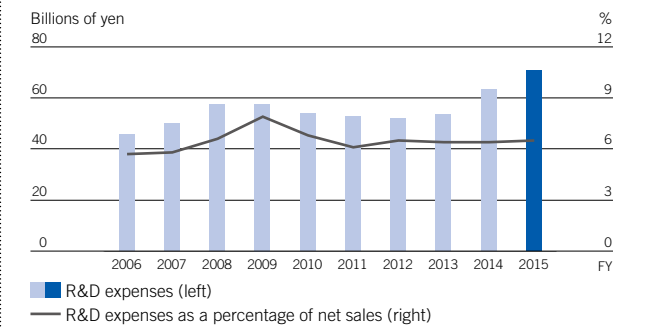
R&D that Never Stops

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

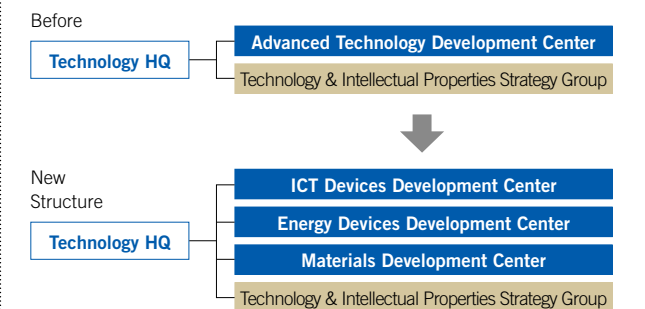
Realizing Effective Product Development

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.



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 individual, and believe it to be important to expand their abilities and potential, both self-sustained and to their greatest 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.

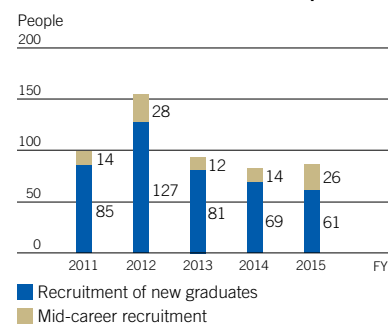
Developing Self-Sustained Human Resources (Programs to Develop and Cultivate Abilities)

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

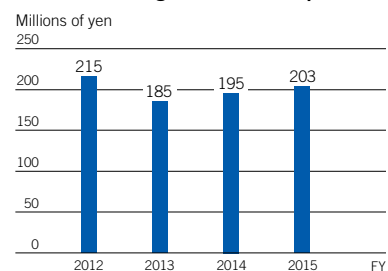
each and every employee making up the organization can do the job in a self-sustained fashion. TDK's goal in its employee training is to produce self-sustained employees who "make thorough use of their head to think, are courageous in taking up challenges, optimize change, and see things through to the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

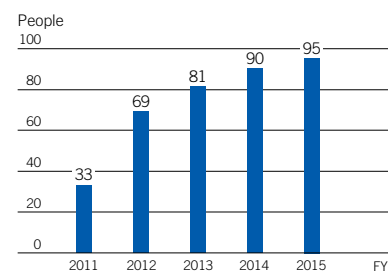
Recruitment of New Graduates / Mid-Career Recruitment (TDK Corporation)



Education / Seminar Training Costs (TDK Corporation)



Cumulative Total of Participants in TDK Monozukuri Tradition Seminars



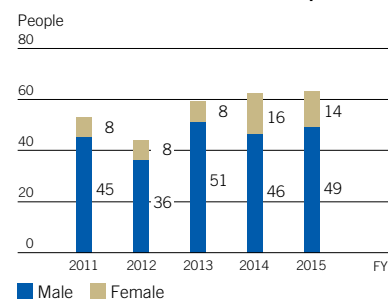
OUTPUT & OUTCOME

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.

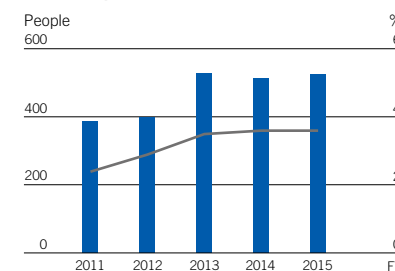
Global HR Activities

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.

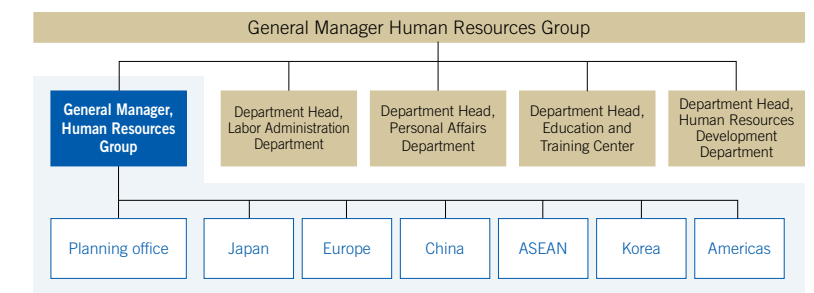
Following on from this, further pro-active HR activities will be seen in fiscal 2016. Cross-training programs between group companies and globallybased training programs will enable many employees to benefit from active exchanges. Making the most of many employees who understand the TDK spirit will be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

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



* Managerial posts are defined as posts having subordinates, or equivalent posts

Organization Employees of the Global HR Department



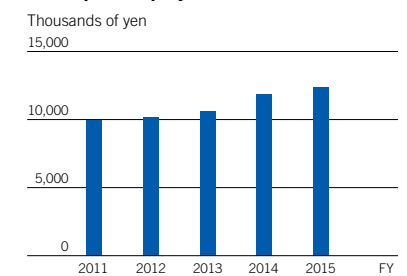
EFFICIENCY

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

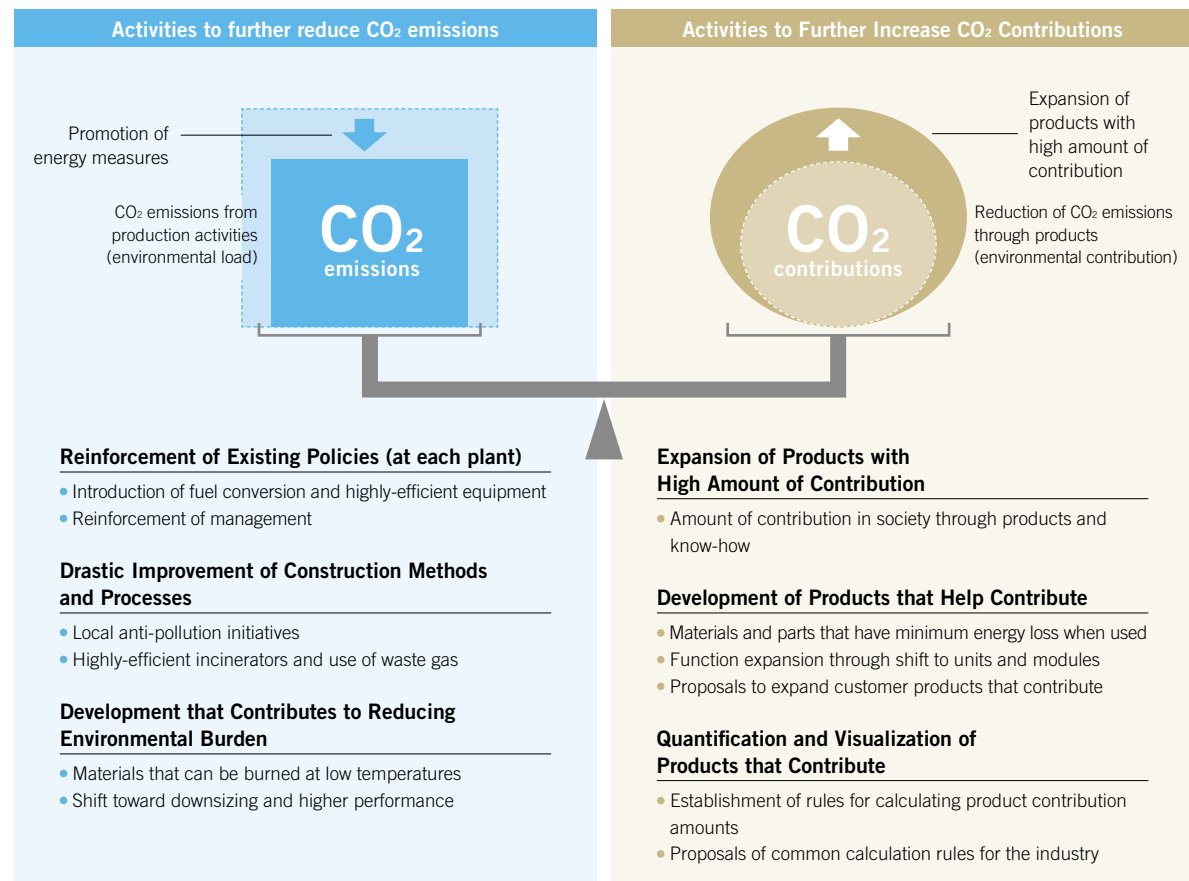


Natural Capital

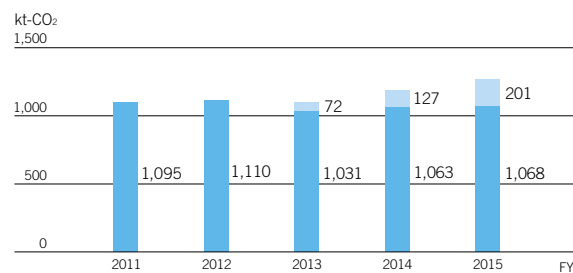
Setting Up TDK Environmental Action 2020

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.

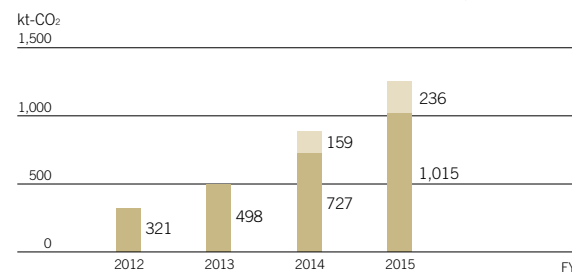


Trends in CO₂ Emissions from Production Activities (Global)



Note: The light blue parts of the graph indicate emissions at plants that were newly added after compilation of TDK Environmental Action 2020.

Trends in the Reduction of CO₂ Emissions through Products



Note: The light brown parts of the graph indicate new efforts made possible by the completion of criteria for calculating environmental contributions.

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.