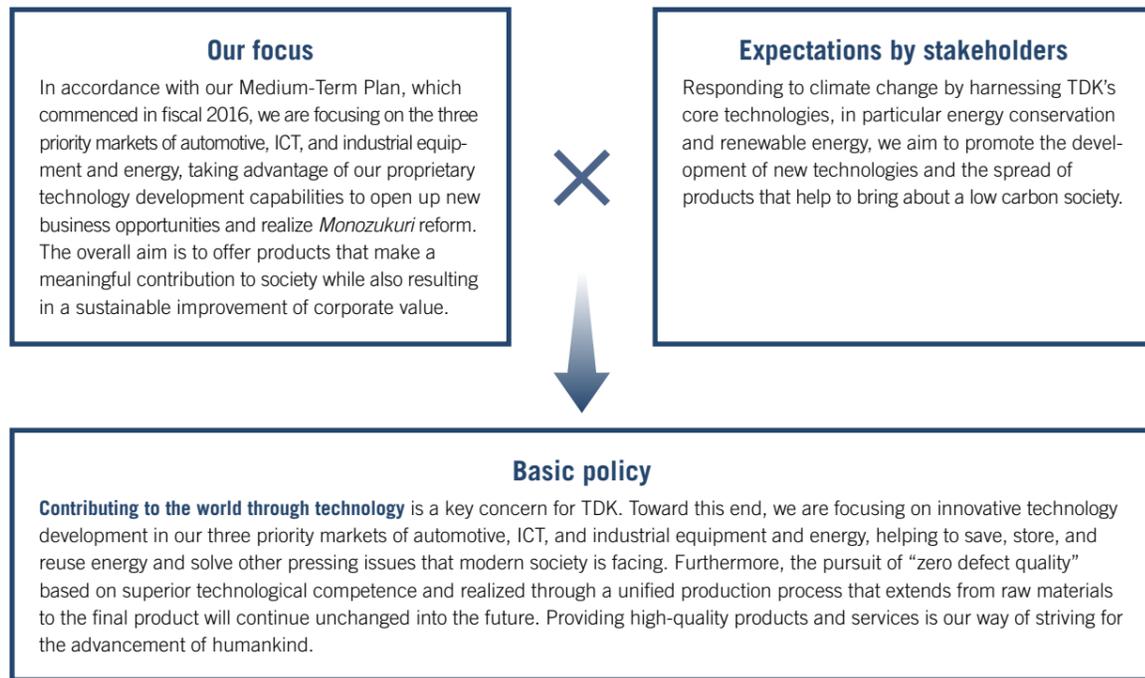


Intellectual Capital

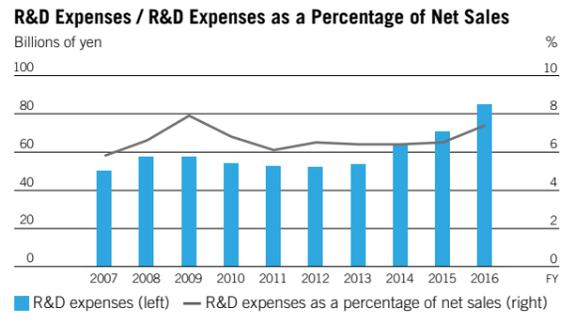


INPUT

Investing Capital for Continuous R&D

In the electronics industry, which continuously undergoes rapid changes and technological innovations, there are numerous examples of the commoditization of new products in the blink of an eye. TDK is confident that releasing valuable and creative new products to markets one after another through continuous research and development will contribute to increasing corporate value and profits. Since fiscal 2007, TDK has placed particular emphasis on R&D, maintaining annual R&D expenses of ¥50 billion or more, equal to approximately 6%–7% of sales. In fiscal 2016, we spent ¥84.9 billion on R&D. Going forward, we will continue our efforts to develop new and valuable products with a focus on our three priority markets: automotive, ICT, and industrial equipment and energy.

TDK is also working to strengthen and utilize its patent portfolio by managing and acquiring patents, licenses, and other intellectual property rights regarding the functions, designs, and so on, of TDK products as a strategic intellectual property initiative that will contribute to profits. We are also continuing our efforts to protect new products.



Technical Center (Japan)

SUSTAINABILITY

Building Global Systems for Continuous Development of Valuable New Products

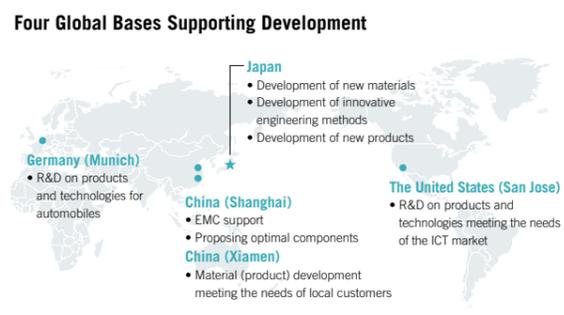
Development of systems by leveraging local resources

One of TDK's key features is the development of systems for conducting development globally and using local resources. We conduct joint R&D with leading universities in the United States and Europe and are constructing materials development systems tailored to local customers in China as well. Headway Technologies, Inc., a consolidated subsidiary in the U.S., is developing next-generation HDD magnetic heads.

M&As and tie-ups reinforce TDK's technological capabilities

TDK continuously expands its technological capabilities through M&As and tie-ups. The battery business, which currently boasts high profits, was developed with Amperex Technology Limited in Hong Kong, which was acquired in 2005, while the high-frequency components business was jointly developed with EPCOS Group, with which TDK

merged in 2008, expanding our customer base. TDK is now enhancing its development capabilities in such fields as packaging and modularization.



EFFICIENCY

Focus on Development of Products for Our Three Priority Markets

One issue that TDK faced was low efficiency in R&D. In response, TDK withdrew from low profitability, non-core businesses and implemented structural reforms designed to create novel products by making use of its core technologies, including materials and process technologies. Under the Medium-Term Plan that began in fiscal 2016, TDK is concentrating its management resources in three priority

markets—automotive, ICT, and industrial equipment and energy—and is working to develop new products with even greater added value.

TDK is also creating Development Centers that specialize in the markets for ICT devices, energy devices, and materials in order to bolster the specialization of R&D.

OUTPUT

Development of Innovative Products Leads the Market

TDK is utilizing its core competence in areas such as process technology, materials technology, and device and module technology to develop products with high added value in terms of the impending age of IoT. Many of these products are distinctive and reflect unique TDK characteristics. These include extremely compact, low-profile, high-performance multilayer chip varistors and EMC countermeasure products for the ICT market, ultra-accurate TMR angle sensors using TMR elements for the automotive market, and

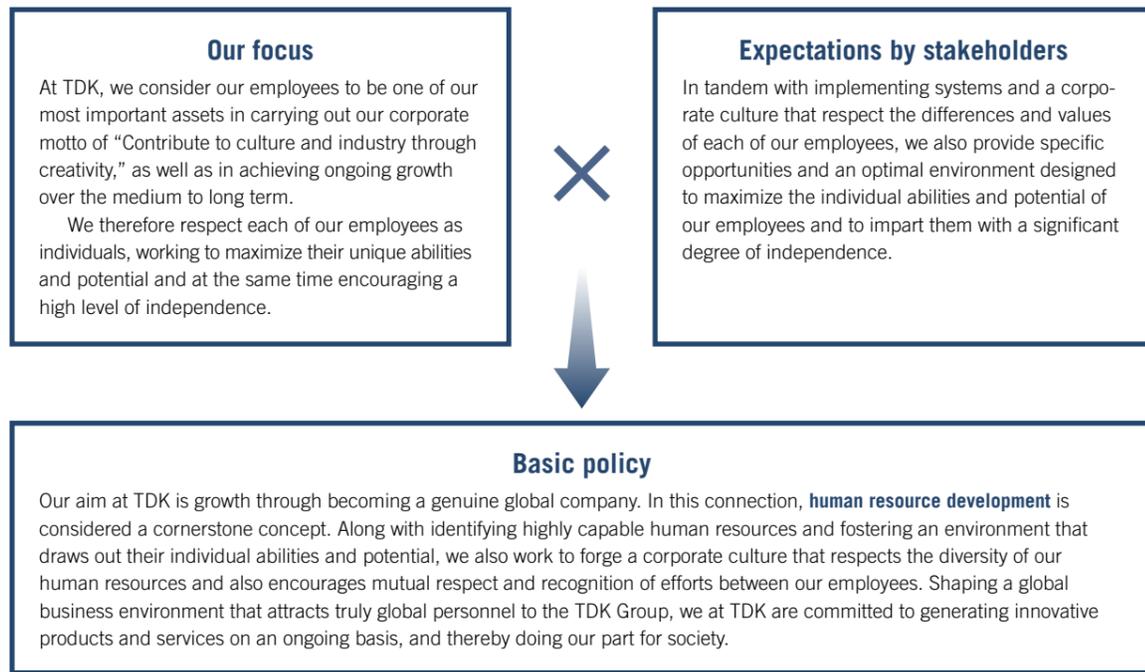
bidirectional DC-DC converters that contribute to power conversion efficiency in the industrial equipment and energy market.



Bidirectional DC-DC converter

TMR sensor

Human Capital



To Ensure and Foster Human Resources with High Potential and Expertise

In the electronics industry, which is experiencing rapid business environment changes, it is necessary to have a high degree of specialization and to develop and provide products that society and customers want in a timely manner. TDK hires recent graduates with high potential and drive and actively recruits mid-career personnel with high levels of specialization.

TDK believes that the ideal is to enable each employee who makes up an organization to work autonomously. Our human resource development target is to produce numerous autonomous personnel with the ability to think things through

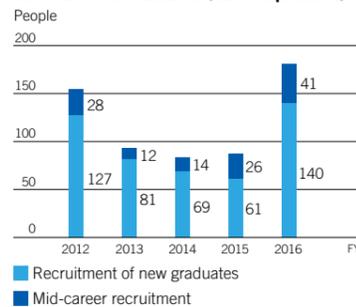
on their own, undertake new challenges with courage, persevere to optimize change, and see things through to the finish.

To achieve this target, TDK’s skills development and educational programs, which are designed to progressively teach employees how to work autonomously from the earliest stages of their careers, comprise four categories: “training programs on different levels,” “selective training programs,” “specialized education programs,” and “talent development support and qualification support programs,” the latter two are offered for those who need a higher level of professional training.

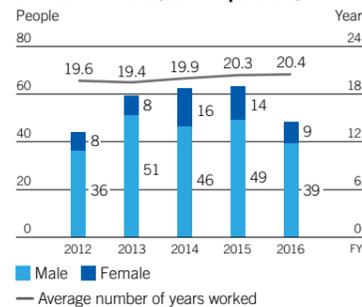
Education / Seminar Training Costs (TDK Corporation)



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



Job Leavers/Dismissals / Average Number of Years Worked (TDK Corporation)



Leveraging Human Resources Globally

The TDK Group is made up of multiple companies that conduct global business, and approximately 90% of the Group’s employees are non-Japanese. We strive to increase corporate value by placing outstanding human resources in optimal positions regardless of nationality, race, gender, or other attributes. Some 72% of TDK Group subsidiaries have non-Japanese presidents.

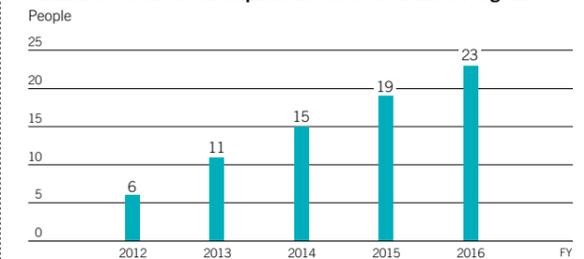
TDK is expanding and reinforcing overseas training programs that enable young employees to gain a variety of experiences overseas so that we can accelerate the globalization of human resources in the



Overseas trainee program

future. We are also taking measures to progressively make human resources visible through the introduction and operation of a global human resource management system.

Cumulative Total of Participants in Overseas Trainee Program



International Management Development (IMD) Training to Foster Global Leaders

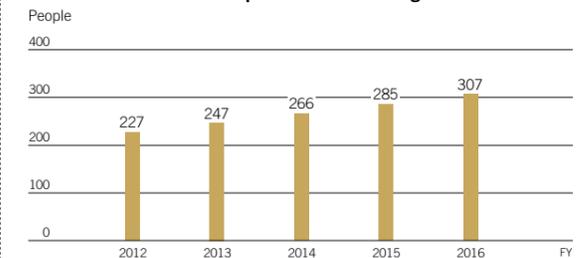
IMD training is held to help our internal leaders acquire truly global skills and develop stronger borderless solidarity within the Group. This training is for candidates for managerial positions at the TDK Group’s overseas affiliates. The training seminars have been held since 1997. They take the form of a week-long residential training course with lectures and workshops. The participants gain a deeper understanding of TDK’s corporate philosophy, acquire a broader, more managerial perspective, and establish bonds that help build personal international networks. Some participants who have completed the IMD



IMD training

training have gone on to become presidents of overseas affiliates, playing a vital role in human resource development within the TDK Group.

Cumulative Total of Participants in IMD Training

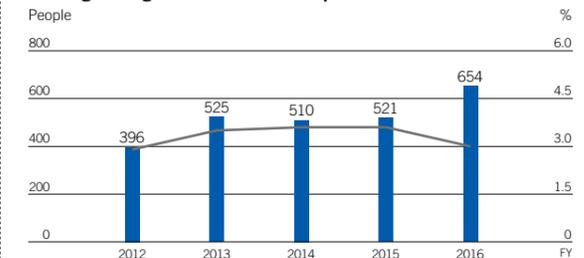


Diversity Action Promotion Plan

The TDK Code of Conduct contains provisions requiring respect for human rights and prohibiting discrimination, and TDK carries out employee education and training. TDK also conducts company wide programs, including specialized consultation services such as helplines, various programs relating to childcare and family nursing care by employees, and programs supporting female employees and employees who retire at the mandatory retirement age.

In response to the Act Concerning Promotion of Women’s Career Activities, which came into effect in April 2016, TDK adopted three action plans: **1** to have women account for at least 30% of graduates hired to begin working in 2018; **2** to introduce a program to re-hire employees who resign because of childbirth, childcare, relocation of spouse, or provision of nursing care for a family member; and **3** to introduce a system allowing employees to take leave due to the relocation of a spouse.

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



Note: Managerial posts are defined as posts having subordinates, or equivalent posts.

Social and Relationship Capital



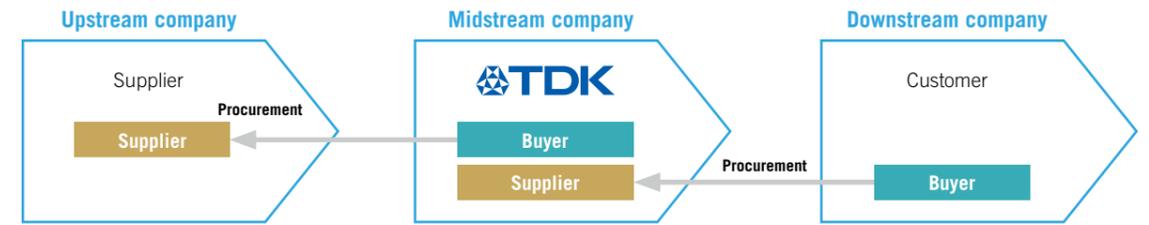
Response to Conflict Minerals

In the Democratic Republic of the Congo (DRC) and adjoining countries, at times the proceeds from the mining and sale of minerals have been used to fund armed groups. These actions serve to further conflict and violations of human rights of the local people.

TDK began its response to the problem of conflict minerals following the enactment of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. A conflict minerals policy*1 for the TDK Group was formulated in April 2013. 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. Our suppliers implement surveys using the CFSI*2 and CMRT*3. Surveys are carried out regularly on new purchases, and for those items for which the smelting site cannot be identified through past surveys, new surveys are conducted. In a fiscal 2014 survey, 86%*4 of 15,754 items surveyed were deemed to have no association with conflict minerals.

As for queries from customers, the entire process is integrated, spanning the initiation of a query at our sales divisions to responses by our operations divisions—yielding a rapid and accurate response system. In fiscal 2016, we issued 2,505 responses, an increase of 16 on the previous fiscal year. At TDK, we understand the necessity of initiatives throughout the supply chain; therefore, to approach the various issues of conflict minerals as effectively as we can, we participate in JEITA*5.

*1. For details of the TDK Group's policy on conflict minerals, please refer to the following URL: http://www.global.tdk.com/csr/supplier_responsibility/csr02210.htm
 *2. CFSI: Conflict-Free Sourcing Initiative
 Organizations addressing conflict mineral issues, established by the Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI)
 *3. CMRT: Conflict Minerals Reporting Template
 *4. Suppliers of TDK Corporation
 *5. For details on JEITA's Responsible Minerals Trade Working Group, please refer to the following URL:
http://home.jeita.or.jp/mineral/eng/index_e.html



Efforts at TDK's Production Sites

TDK has compiled the TDK CSR Self-Check Sheet, based on the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, with the aims of identifying issues in CSR activities and replying swiftly to customers. This self-diagnosis is implemented at all production sites every year. Furthermore, TDK responds to requests from customers for CSR audits, which have been increasing in recent years, seeing them as a good opportunity to further raise the level of CSR activities.

Regarding high-risk regions and production sites, including these customer CSR audits, once every two years we conduct internal audits by third-party organizations. Since 2013, TDK has also been implementing CSR internal auditor training every year with the aims of conveying a systemic understanding of the requirements of these CSR audits to employees and upgrading CSR activities at production sites.

Response to CSR audits

During fiscal 2015–16, TDK implemented CSR internal audits at 10 sites. Together with customer CSR audits, we undertook CSR audits at an aggregate total of 75 sites. In China, where there is a high risk of labor-related issues, audits were conducted at all sites. In Malaysia, where the forced labor of foreign workers has become a social issue, four production sites voluntarily accepted CSR audits in fiscal 2016. Each audited site made improvements regarding matters that were pointed out, and the CSR Office shared information with related head office functions, calling for attention to be paid to these problems and getting them reflected in measures.

Furthermore, CSR internal auditor training was implemented in China and Malaysia in fiscal 2016, bringing the total number of employees who have received this training to 171 persons.



CSR internal auditor training (Malaysia)

Promotion of CSR Procurement

CSR procurement, which is included in TDK's purchasing policy, is an important issue for our company. Because we are a components manufacturer, we promote CSR from our position as a supplier. But it is also necessary for us to promote CSR among our own suppliers.

Therefore, we require our suppliers to reply to a CSR check every year; and if there are any issues with their answers, we request them to make improvements individually. In fiscal 2016, TDK provided guidance and called for improvements at seven companies*.

TDK also implements CSR audits with the aim of objectively understanding the situation, selecting targeted suppliers in consideration of such factors as their degree of importance and our dependence on them in the delivery of products to our customers.

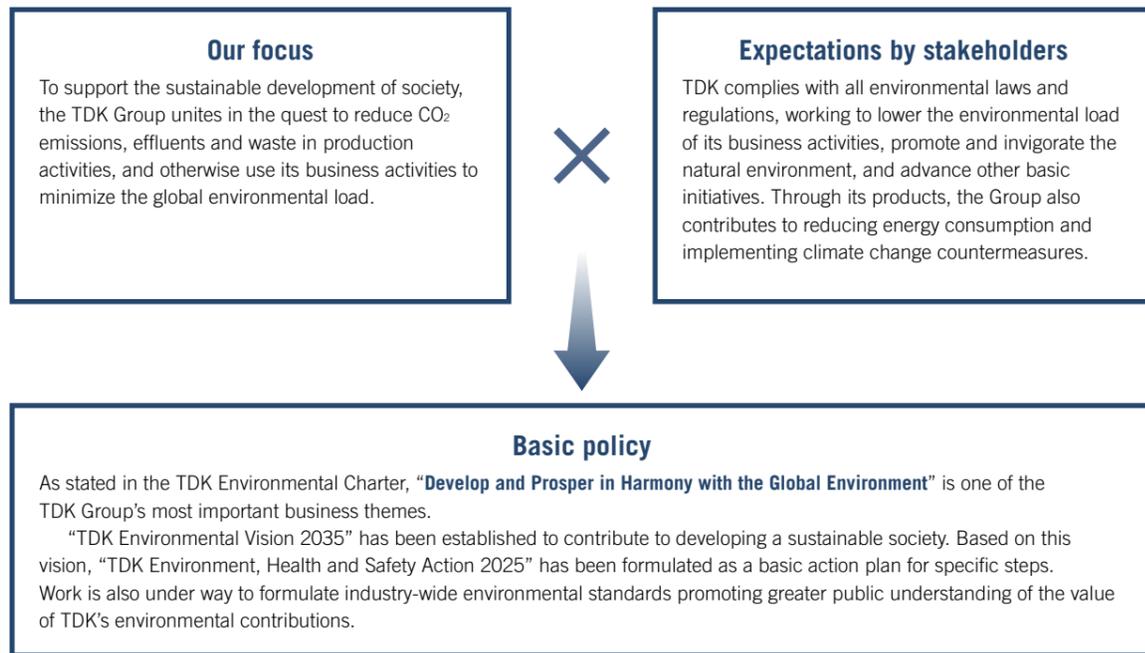
Expansion of CSR audits among commissioned manufacturers

In China, where working environment risks are high, TDK has been expanding CSR audits since fiscal 2016, not only among suppliers but also among commissioned manufacturers on which it depends. Of the areas specified by the EICC, these audits focus on the three items of labor, safety and health, and the environment in order to check that conditions in manufacturing workplaces are appropriate.

In fiscal 2016, TDK conducted CSR audits on six companies and made a total of 78 findings. Many of these findings concerned a lack of consideration for the storage and management of harmful substances and for workers engaged in handling them, and improvements were requested.

* Suppliers of TDK Corporation

Natural Capital



Formulation of the New “TDK Environmental Vision 2035” as TDK Advances Toward Its 100th Anniversary

The TDK Group fast-tracked the goal of “carbon neutral” status originally outlined in “TDK Environmental Action 2020” (our third basic environmental action plan), achieving the stated targets in fiscal 2015. Being launched from fiscal 2017 is a new environmental vision with a more global and long-term perspective, and a medium- to long-range action plan to achieve that mission. Under this vision, formulated as “TDK Environmental Vision 2035,” our goal is **“to halve the CO₂ emission basic-unit from a life-cycle perspective by 2035.”**

This stance stems from the belief that minimizing the environmental load in business activities, and revitalizing the natural environment, is the duty of companies that supply products designed to contribute to the lives of their customers and society as a whole. Moreover, modeled on the United Nations Climate Change Conference (COP 21) Paris Agreement, which seeks to curb global warming by achieving a balance between greenhouse gas emissions and absorption sources, this is considered the ideal corporate posture for all TDK activities.



TDK Environmental Vision 2035

Reduction of CO₂ Emissions from Production Activities (Environmental Load)

“TDK Environmental Action 2020” sets the target of reducing the TDK Group’s global CO₂ emissions to less than one million tons by March 2021*. In fiscal 2016, TDK continued to promote energy-saving activities at its production sites in all countries. Unfortunately, those efforts failed to produce the targeted value of lowering CO₂ emissions to 1,050 thousand tons or less, with the final level tracked at 1,126 thousand tons.

Once operations begin, it is projected that CO₂ emissions at Honjo will be lowered by 3.4%, while simultaneously cutting existing boiler fuel costs by 15%.



Biomass boiler (TDK-MCC Honjo Plant)

* Applicable to sites at the time of compilation of “TDK Environmental Action 2020,” which commenced activities in fiscal 2012.

Introduction of biomass boiler

Over the past three years, TDK has studied the introduction of the biomass boiler—a system anticipated to contribute to lowering both CO₂ emissions and cost. Such boilers are engineered to run on renewable energy with animal- and plant-derived resources as fuel, while exerting a minor impact on the environment. For this project, the Honjo Factory of TDK-MCC Corporation (a facility with high demand for steam year-round) was selected as the installation site.

Trends in CO₂ Emissions from Production Activities (Global)

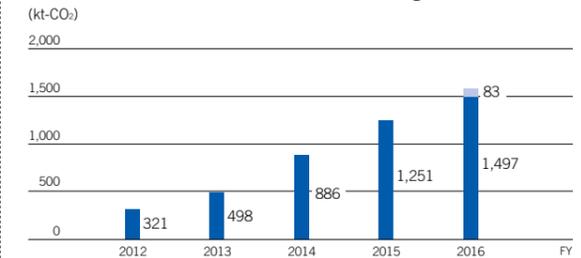


Note: The light green parts of the graph indicate emissions at plants that were newly added after compilation of “TDK Environmental Action 2020.”

Increasing the Reduction of CO₂ Emissions through Products (Environmental Contribution)

“TDK Environmental Action 2020” sets the target of increasing the reduction of CO₂ emissions through products to more than 1.0 million tons by fiscal 2021. Efforts to reach this target were subsequently accelerated, enabling that level to be achieved in fiscal 2015. Declared in fiscal 2016 was the new aim of raising this contribution above 1,050 thousand tons, expanding the level to include magnetic products and multilayer chip inductors among the targets and putting effective calculating standards into place. As a result, the fiscal 2016 product contribution volume was at 1,580 thousand tons.

Trends in the Reduction of CO₂ Emissions through Products



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

Lowering Environmental Load through a Diversified Multilayer Chip Inductor Lineup

The multilayer chip inductors used in the signal processing lines and power supply circuitry of general electronic equipment also play a role as components of mobile phones and computers. By switching from the conventional coil format to a multilayer construction using ferrite or ceramic materials, smaller and thinner sizes can be achieved, which

contributes to reducing the environmental impact of the end product. This environmental contribution amounted to 14,000 tons.



Multilayer chip inductor