

## **2. Management Policies**

### **(1) Fundamental Management 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 developed and commercialized passive components, magnetic application products and film application products, among other products. This drive has been based on the company's founding spirit: "Contribute to culture and industry through creativity."

To preserve its identity as a dynamic company, TDK believes that it must remain an organization that constantly provides even higher corporate value to all stakeholders, including shareholders, customers, suppliers, employees and society, by drawing on innovative thinking and a willingness to tackle new challenges.

### **(2) Targeted Management Indicators**

To realize this fundamental management policy, the TDK Group conducts its business activities with reference to the following indicators.

#### **(Important Fundamental Management Indicator)**

\* TVA (TDK Value Added)

TVA measures the added value newly created by the company's business activities and is an important decision-making tool for management.

TVA is a TDK Group proprietary value-added yardstick that measures the extent of earnings commensurate with invested capital. This indicator compares earnings after taxes but without deducting interest expenses with the cost of capital (stockholders' equity + interest-bearing liabilities).

#### **(Indicator for Managing Environmental Performance)**

\* CO2 Emissions Reductions

As part of its environmental action plan to promote business activities in harmony with the natural environment, the TDK Group has set a target for CO2 emissions reductions.

### **(3) Medium- and Long-Term Management Strategy**

TDK is currently implementing a three-year, medium-term management plan, with fiscal 2013 the inaugural year. The plan has four key themes, and TDK is executing a specific action plan in line with them. The first key theme is to ensure further growth at TDK. To achieve this, TDK aims to grow further in the next-generation information and communications market and in the energy-related market, which it sees as important markets from a medium-term perspective. The second key theme is to rigorously prioritize business resources. Here, TDK will establish a clear competitive edge by selectively allocating business resources in order to develop distinctive product businesses in important growth markets. The third key theme is to innovate based on market needs. TDK will endeavor to create new products on a timely basis and improve its market position. This will entail strengthening its hand in key markets, as well as marketing for important finished products and contact with key global customers. The fourth key theme is quickening the pace of management. The aim here is to respond quickly to changes in TDK's markets. Key actions will include raising asset efficiency, optimizing human resources and bases, simplifying the organization and business processes, and shortening lead times across business operations as a whole.

In this way, TDK aims to become a global leader in the electronic components industry by proposing and offering value recognized by customers through the development and manufacture of distinctive products grounded on the TDK Group's proprietary technologies and eco-friendly products and from a firm earnings base.

#### **(4) Pressing Issues**

In the world economy, some emerging countries saw lower economic growth rates surface, but there were also signs of a rebound, mainly in the U.S. economy, which showed signs of a gradual recovery centered on private-sector demand. Under these global economic circumstances, in the electronics market, production of smartphones and tablet devices rose sharply year on year. At the same time, production in the automobile market as a whole also rose, accompanying expanding demand in the U.S.

In the smartphone market, diffusion of smartphones is accelerating in emerging countries due to the introduction of low-priced models by Chinese manufacturers, and the demand for electronic components is noticeably increasing due to enhanced communication features. Looking at the HDD market, changes are occurring in TDK's operating environment. Demand for HDDs for PCs is waning in line with the greater uptake of cloud computing services and the drastic increase in communication data capacity. On the other hand, there is higher demand for highly reliable HDDs for use in data centers.

Following the consolidation of production sites in both Japan and overseas, in the fiscal year under review TDK completed its withdrawal from the data tape business and the Blu-ray business, thereby achieving one step in a series of large-scale restructuring measures. Next fiscal year is the final year of the three-year medium-term management plan that started in the fiscal year ended March 31, 2013, and TDK will further accelerate its shift to a growth strategy. In the next-generation information and communications market and the energy-related market, TDK will strengthen initiatives for the automobile market, in which demand for electronic components is growing due to the increasing use of onboard electronics, and for the healthcare market, in which significant growth is anticipated.

To successfully implement TDK's growth strategy, it is essential to grasp market needs in a timely manner and to deliver value to customers grounded in manufacturing capabilities that emphasize product quality. Looking ahead, TDK will establish a sales system tied closely to key markets and customers. At the same time, TDK will make use of core technologies across the TDK Group in order to implement speedy development activities as a group and to rebuild its manufacturing framework with an emphasis on product quality.

In reinforcing its businesses, TDK will also take into account the environment. The Group will supply products that meet customer demands and that respond to social concerns such as energy conservation, legal and regulatory compliance, and safety, and will also take further steps to reduce the environmental impact of its business activities, by cutting CO2 emissions and other measures. As a corporate citizen, TDK will reaffirm the importance of prospering together with society and will ensure that laws and regulations are observed in Japan and other countries as it seeks to strengthen its corporate governance.