

I-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 electronic materials, electronic devices, recording devices and recording media, 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 delivers even higher corporate value for 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): a TDK Group proprietary value-added yardstick that shows 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).

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

(Indicator for Managing Environmental Performance)

Rate of reduction in CO₂ emissions in Japan

The rate of reduction in CO₂ emissions is an indicator of the TDK Group's progress in conducting its business activities in harmony with the natural environment.

(3) Medium- and Long-Term Management Strategy

The TDK Group has been conducting business based on a new medium-term management plan since April 2007 that sets the strengthening of manufacturing capabilities (monozukuri) and growing with customers as medium-term goals. The plan has three basic policies: create highly customized products, strengthen manufacturing capabilities by emphasizing frontline operations, and optimally utilize and allocate resources. Specific initiatives are being implemented in line with these basic policies.

The TDK Group's main business is electronic components and its customers are companies that use and buy these components. Accordingly, the TDK Group's growth is dependent on growth at its customers. That's why it is crucial that the TDK Group develops and supplies products that will help customers grow. Guided by this mission as a manufacturer, the TDK Group will put even greater emphasis on strengthening frontline manufacturing capabilities with the aim of achieving sustained growth from a medium- and long-term perspective.

(4) Pressing Issues

From a medium-term perspective, the electronics industry, the TDK Group's field of operations, is expected to see the growth of digital home appliances; the convergence of information and communications, as typified by the increasingly diverse functions offered by mobile phones and the greater portability of all sorts of electronic devices; and the increasing use of electronics in motor vehicles. These trends are expected to result in continued expansion in demand for the electronic components that TDK develops, manufactures and sells. At the same time, however, in the dynamically changing electronics industry, a faster response than ever before will be required by the company's electronic components business.

In fiscal 2007, TDK ramped up production capacity to respond to growing demand for components and also entered into an equity-based business alliance with Tabuchi Electric Co., Ltd. with the aim of strengthening the power supplies business. TDK will continue to advance various reform and improvement measures as it recognizes that it must endeavor to step up the pace of its businesses still more.

Furthermore, in the digital era of the electronics industry, falling prices due to stiffer competition, rapid shifts in demand and the resulting risks associated with excess inventories and the loss of sales opportunities, and other challenges are unavoidable. Nevertheless, TDK is determined to build a framework to respond adequately to these business risks and remain a company that can grow. In this vein, TDK will refine its core technologies (materials, process and evaluation & simulation technologies) while honing in on three key fields that it believes harbor prospects for growth: IT home electronics; high-speed, large-capacity networks; and car electronics. Increasing the company's ability to generate earnings by supplying products and technologies imbuing value that these markets demand on a timely basis is a key issue. Moreover, TDK will accelerate its growth by making investments that are prudent yet aggressive.

While taking these actions to reinforce its businesses, TDK will also place priority on corporate social responsibility and corporate governance. As a corporate citizen, TDK is rededicating itself to prospering together with society. With this in mind, the company will conduct its own community and charitable activities based on a corporate philosophy that is rooted in the principles of "Creativity" and "Culture." Moreover, TDK will further upgrade its compliance program to ensure that all laws and regulations are observed in Japan and other countries.

(5) Basic Stance on Corporate Governance

Please refer to TDK's website at http://www.tdk.co.jp/ir_e/policy/pol03000.htm for the latest information.