

## **I-3) 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 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): 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).

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

The reduction of CO2 emissions was established as an indicator in order to promote business activities in harmony with the natural environment in the TDK Group.

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

Fiscal 2009 was the second year of TDK's three-year medium-term management plan. However, due to a rapid change in the business environment, TDK has decided to discontinue this plan after two years and begin in fiscal 2010 a newly formulated three-year medium-term management plan. The new management plan has four basic policies: (1) provide distinctive electronic materials and components that enrich the natural environment and people's lives; (2) optimize cost and quality by pursuing advances in materials and process technologies; (3) create a strong earnings structure by boldly prioritizing businesses and reducing total costs; and (4) provide workplaces where employees can thrive. The new management plan is premised on the global economy shifting to a phase of low growth and polarization into an unavoidable low price-oriented market and a market that seeks high-value-added products. Furthermore, the plan assumes an extremely difficult business environment, one defined by the simultaneous forces of accelerating globalization and digitization in the electronics industry, as well as by the emergence of newly industrializing economies and the beginning of an era of massive competition created by the move toward open platforms. In light of these changes in the business environment, TDK will implement a new plan under which it will refocus on using technology to spur growth as a manufacturer. TDK will focus on materials and process technologies, pursue optimal costs and fundamentally revamp its business model in an effort to rebuild its profit structure by reducing selling, general and administrative expenses

and increase enterprise value. TDK aims to be a company that can develop its electronic materials and components businesses from a sound and firm earnings base by proposing and delivering value recognized by customers. This value will be offered in the form of distinctive products grounded on TDK's proprietary technologies and eco-friendly products.

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

The electronics industry, of which the TDK Group is a part, underwent tumultuous change in fiscal 2009. Demand for electronic components has begun to contract, after having continued to expand since the IT bubble burst in 2001 and indications are that fiscal 2010 and subsequent years will also present a similarly difficult operating environment. Accordingly, one key theme for the TDK Group is to implement timely measures to create, as it must, a company that can maintain a sound earnings base in bad times as well as good and quickly improve its corporate health.

In fiscal 2009, TDK made EPCOS AG and its subsidiaries (the EPCOS Group) consolidated subsidiaries. The EPCOS Group develops, manufactures and sells electronic components such as aluminum electrolytic capacitors, film capacitors, inductive devices, sensors, actuators and high-frequency components. It excels at customizing products based on customers' individual specifications and boasts a host of extremely competitive products in the automotive electronics, industrial electronics and telecommunications fields. By combining EPCOS' and TDK's respective components businesses, TDK is aiming to become the world's leading company in electronic components, modules and systems in terms of size, regions and product lineup. TDK therefore sees the quick and efficient capturing of synergies with the EPCOS Group as another key theme.

In reinforcing its businesses, TDK will also take into account the environment. TDK will supply products that meet customer demands and that match trends in society such as in terms of energy conservation, legal and regulatory compliance, and safety, and will also take further steps to reduce the environmental impact of its business activities, such as by cutting CO2 emissions.

As a corporate citizen, TDK is also rededicating itself to prospering together with society, while further upgrading its compliance program to ensure that 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](http://www.tdk.co.jp/ir_e/policy/pol03000.htm) for the latest information.