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 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
In fiscal 2010, TDK began implementing a new three-year medium-term management plan. The ongoing management plan sets forth the following four basic policies and TDK is executing a specific action plan to achieve them: (1) provide distinctive electronic materials and components to address market needs and 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) develop a vibrant workforce of professionals.

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

The electronic components market, which shrank dramatically due to the simultaneous global financial crisis that began in the Fall of 2008, bottomed out in 2009 and recovered to a certain extent during 2010. However, the major earthquake that occurred on March 11, 2011 devastated parts of North Eastern Japan and disrupted supply systems for a large number of and different types of electronic components that are essential to electronics products. Such disruption has caused disorder in the world electronics market, but with efforts shifting from relief to restoration and with economies outside Japan growing relatively steadily despite the natural disaster the electronic components and electronics markets are expected to gradually rebound. Also, from a medium to long term standpoint, the adoption of electronics technologies in environmental fields including renewable energy is predicted to gather pace, driving further expansion in demand for electronic components.

While reaffirming the importance of maintaining a sound financial position to be prepared to deal with all manner of risks over the medium and long terms, TDK Group believes that it is the pressing issue to execute a growth strategy premised on the anticipated operating environment going forward, and as a result strengthen and improve the company.

In order to execute its growth strategy, TDK Group must create a business model that delivers maximum benefits by organically combining management resources while further strengthening core competencies. TDK Group’s finished product market combines many different types of electronics components. Manufacturers in Asia and other emerging economies are investing heavily and quickly in facilities and creating business models whereby they compete by lowering costs through mass production of small product lines. These manufacturers are fast establishing a presence in the market for components that can be easily combined to produce commoditized finished products. TDK Group’s business model, on the other hand, positions materials as a core competency and seeks to set TDK apart from competitors in terms of technological excellence. Through communication with customers to incorporate their individual needs, TDK analyzes, selects and adds materials. Importantly, this business model is based on developing and producing facilities to draw out the full potential of these materials and completing the production within the group. As it promotes this type of business model, TDK believes that the ability to develop materials is the starting point for adding value to electronic components. By refining its business model based on leveraging its core competencies in materials and process technologies to continually provide customers with the products they seek, TDK believes it can enhance its growth potential and earnings power, which are key to the group’s growth. At present, TDK Group is stepping up efforts targeting the key fields of communications, automobiles, energy and the environment. In these highly promising growth fields, TDK Group aims to achieve sustainable growth by continuing to provide distinctive TDK products peer companies cannot produce.

Over the past several years, corporate acquisitions have given TDK Group a more diverse pool of human talent, and at the same time yielded more business opportunities. Looking ahead, as TDK Group works to truly globalize its operations, it will seek to realize synergies from these corporate acquisitions and improve asset efficiency. In this way, TDK will strengthen its competitiveness, underpinned by a firm earnings base. 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 always aware of the importance of prospering together with society. Based on this awareness, TDK will ensure that laws and regulations are observed in Japan and other countries as it seeks to contribute even more to society.