

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

The TDK Group's business environment in fiscal 2012 underwent dramatic change for a variety of reasons. These included supply chain disruptions and power outages in the aftermath of the Great East Japan Earthquake, damage to customer and TDK Group business sites in Thailand due to flooding, the persistently strong yen which reached an historic high of under 80 yen to the U.S. dollar, and a macroeconomic slowdown. These and other factors created uncertainty surrounding the world economic outlook. In addition, the HDD industry saw restructuring as manufacturers moved to reform businesses. The HDD industry has a close connection with the recording devices business, which includes HDD heads, one of the TDK Group's mainstay businesses. In fiscal 2013 and thereafter, TDK must assume there will be risks posed by large-scale natural disasters and dizzying change in the electronics market. Regardless of the prevailing operating environment, the TDK Group believes that its pressing issues are to execute various measures to maintain a healthy earnings structure and at the same time execute a growth strategy that will result in a stronger and better company.

Fiscal 2013 is the first year of a new medium-term management plan for the TDK Group. Under this plan, the TDK Group will step up measures in the next-generation information and communications market and in the energy-related market, viewing these as markets of primary importance. In these markets, where high growth is anticipated, the TDK Group aims to achieve sustained growth and expand corporate value by continuing to provide distinctively TDK products that set it apart from other companies.

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 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 strengthen its corporate governance.