

# TDK Basic Policy on Corporate Governance

This Basic Policy sets forth the basic views and policy on corporate governance of TDK Corporation (“TDK”) for the purpose of enhancing sustainable corporate growth and increase of corporate value over the mid- to long-term of the corporate group of TDK (the “TDK Group”).

## Chapter 1 General Provisions

### Article 1 (Basic Views on Corporate Governance)

1. In order to achieve sustainable corporate growth and increase of corporate value over the mid-to long-term of the TDK Group, TDK endeavors to enhance corporate governance continuously based on the Corporate Motto and Corporate Principles which are TDK’s management philosophy.

|                      |   |
|----------------------|---|
| Corporate Motto      | Contribute to culture and industry through creativity |
| Corporate Principles | “Vision” “Courage” “Trust”                            |

#### Vision

Always take a new step forward with a vision in mind.  
Creation and construction are not born without vision.

#### Courage

Always perform with courage.  
Performing power is born by confronting contradiction and overcoming it.

#### Trust

Always try to build trust.  
Trust is born from a spirit of honesty and service.

2. The basic views to achieve sustainable corporate growth and increase of corporate value over mid-to long-term of the TDK Group are as follows:
  - (1) Based on the founding spirit “Contribute to culture and industry through creativity” as the Corporate Motto of TDK which was established in 1935 as the world’s first company to industrialize a magnetic material called ferrite, TDK unremittingly pursues originality and increases corporate value through supplies of products and services which have created new value.
  - (2) TDK builds satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continues to be helpful to the society

- by resolving social issues, and contributes to the development of a more sustainable society.
- (3) TDK clearly declares as the “TDK Charter of Corporate Behavior” that TDK will continue to respect human rights; comply with relevant laws, regulations, and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting the TDK Group seek to behave in strict compliance with the “Corporate Standards of Business Conduct” prescribed by the “TDK Code of Conduct”.
  - (4) TDK aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, TDK strives to foster a sound corporate culture and sincerely conducts business activities, always aware of its place as a member of society.
  - (5) TDK will be accountable to stakeholders through comprehensive, accurate, timely, and impartial disclosure of information.
3. The enactment, amendment and abolition of this Basis Policy shall be made by a resolution of the Board of Directors of TDK.

## Chapter 2 Relationship with Stakeholders

### **1 Basic Policy**

#### Article 2 (Relationship with Stakeholders)

TDK recognizes that it is a social being supported by stakeholders (shareholders, customers, suppliers, employees and communities, among others), and while communicating with stakeholders, TDK fulfills its corporate social responsibility through its business activities based on the “TDK Code of Conduct”.

### **2 Relationship with Shareholders**

#### Article 3 (Securing Equality of Shareholders)

TDK treats its shareholders equally based on the class and number of shares they hold, and discloses information in a timely and appropriate manner so that no information gap occurs among shareholders.

#### Article 4 (General Meeting of Shareholders)

TDK establishes an environment as follows so that shareholders can exercise their voting rights appropriately at a General Meeting of Shareholders which is the highest decision-making body.

- (1) TDK dispatches a notice of convocation no later than three weeks before the General Meeting of Shareholders and publishes it electronically during the period from the resolution of the Board of Directors meeting regarding the relevant convocation of the General Meeting of Shareholders until the dispatch of the notice of convocation in principle,

so that shareholders can secure a sufficient period to examine agenda items of the General Meeting of Shareholders.

- (2) TDK uses an electronic voting rights exercise platform and prepares an English translation of a notice of convocation for the convenience of institutional investors and foreign investors.
- (3) If there is any proposal by TDK which was resolved at a General Meeting of Shareholders but for which a considerable number of dissenting votes were cast, TDK will endeavor to take appropriate measures after analyzing reasons therefor.

#### Article 5 (Basic Policy on Capital Policy)

Based on the understanding that improvement of corporate value over mid- to long-term will lead to increase of shareholder value, TDK strives to carry out its management based on the capital policy that is conscious of appropriate balance among capital efficiency, shareholder return, and financial strength.

#### Article 6 (Cross-Shareholdings)

1. TDK holds shares of other companies for the purpose of either of the following, and TDK's basic policy is to consistently enhance corporate value of the TDK Group through such shareholdings.
  - (1) Strategic shareholding for the development of its business
  - (2) Maintenance and improvement of business relationships
2. As to cross-shareholdings, TDK regularly evaluates qualitative and quantitative economic rationales from a medium- to long-term perspective and verifies the purpose and rationality of such shareholdings every term at the Board of Directors meetings. If the necessity to hold shares of a particular stock has decreased, TDK discusses and negotiates with the issuing company of the stock and promotes the reduction through sale, etc. of such shares.
3. In exercising voting rights as to its cross-shareholdings, TDK determines to approve or disapprove with full respect for the issuing company's management policies, etc. and considering whether the proposal is appropriate in light of the purpose of strategic shareholding for the development of TDK's business or maintenance and improvement of business relationships, whether the proposal can continuously increase the corporate value of TDK, the issuing company's social responsibilities, whether there is any act which may harm the trust of shareholders, etc. Also, TDK conducts a dialogue with the issuing company regarding the content of the proposal, etc. as appropriate.

#### Article 7 (Related Party Transactions)

1. TDK establishes a system that enables TDK to recognize any situations that may involve or even appear to involve conflicts between personal interests of directors, officers or employees of the TDK Group and interests of the TDK Group.

2. TDK prohibits Directors and Corporate Officers from conducting any transactions that may involve conflicts of interest with TDK without an approval of the Board of Directors.
3. The Audit & Supervisory Board regularly confirms conflicts of interest issues with Directors and Corporate Officers.

### **3 Relationship with Customers**

Article 8 (Relationship with Customers)

TDK regards “quality” as one of the key management principles in relation to the manufacturing in order to continuously meet customer expectations. TDK puts the quality first, and strives to craft products that are number one in quality and provide products that satisfy customers.

### **4 Relationship with Suppliers**

Article 9 (Relationship with Suppliers)

TDK strives to establish a strong partnership and maintain a good and healthy relationship with its suppliers. Furthermore, TDK strives to ensure fair procurements based on comprehensive consideration of QCDS (Quality, Cost, Delivery and Service) as well as compliance with laws and regulations by suppliers, environmental conservation, respect for human rights, etc.

### **5 Relationship with Local Communities**

Article 10 (Relationship with Local Communities)

1. TDK recognizes the importance of co-existing with society and communities as a corporate citizen, thinks about what activities it can do for society as a company, and promotes its own unique social contribution activities, etc.
2. TDK not only complies with laws and regulations, etc. in each region, but also respects customs and cultures and strives to mutually understand through active communications with local residents and groups.

### **6 Relationship with Employees**

Article 11 (Relationship with Employees)

1. TDK regards its employees as one of its most important assets to achieve the Corporate Motto. Furthermore, TDK develops the following human resources to practice and achieve the Corporate Motto in its corporate activities in accordance with the basic principle “Development of human resources will become a source of the eternal prosperity of the company”.
  - Human resources who have visions and exercise their fertile creativity and constructive power
  - Human resources who have hardy performing power to solve a problem with courage
  - Human resources who are devoted to the spirit of dedication and integrity to win trust
2. TDK establishes an environment and system in which each employee is respected as an individual and can develop his/her skills and possibility autonomously and to a maximum

extent.

3. In order to instill the “Corporate Standards of Business Conduct” prescribed by the “TDK Code of Conduct”, TDK provides education to its employees so that they can understand and comply with the contents thereof.

#### Article 12 (System regarding Whistle-Blowing)

1. TDK establishes a corporate ethics management system that centers on the Business Ethics Committee and includes its domestic and overseas subsidiaries, directly collects information and opinions regarding corporate ethics, etc., and regularly monitors TDK’s compliance with corporate ethics.
2. TDK establishes a system through which issues related to corporate ethics can be reported or consulted in a manner other than regular reporting lines, and in that regard, assures anonymity of whistle-blowers by establishing not only in-house consultation offices independent from the management but also outside third-party consultation offices. Furthermore, TDK ensures that whistle-blowers are not treated unfavorably as a result of their reports or consultations and makes its employees fully aware of that effect.

## Chapter 3 Corporate Governance System

### **1 Basic Policy and System Design**

#### Article 13 (Basic Policy on Corporate Governance System)

1. TDK establishes an efficient and disciplined corporate governance system in order to pursue its management philosophy faithfully and enthusiastically and ensure the transparency, soundness and compliance of management on a continuing basis.
2. TDK adopts the Audit & Supervisory Board Member system under the Companies Act of Japan and invites disinterested and independent Outside Directors (“Independent Outside Directors”) and Outside Audit & Supervisory Board Members. TDK thereby strengthens the supervisory function of the Board of Directors and the audit function of the Audit & Supervisory Board Members in regard to business execution, etc.

### **2 Board of Directors**

#### Article 14 (Composition of Board of Directors)

TDK’s basic policy is to have the Board of Directors consisting of a small number of Directors to expedite the management decision-making process, and the number of Directors shall be an appropriate number no more than ten. Furthermore, TDK’s basic policy is to elect Independent Outside Directors which account for one-third or more of the Directors.

An Independent Outside Director serves as the chair of the Board of Directors in principle from a standpoint of further separating supervision from execution.

#### Article 15 (Roles and Responsibilities of Board of Directors)

1. Given its fiduciary responsibility to shareholders, in order to promote sustainable corporate growth and increase of corporate value over the mid- to long-term of the TDK Group, the Board of Directors makes decisions on important matters regarding the business execution of TDK and supervises the execution of duties of Directors and Corporate Officers.
2. In order to fulfill the roles and responsibilities provided in the immediately preceding Paragraph, the Board of Directors deliberates and makes decisions on important business strategies and business plans, and regularly verifies such strategies and business plans. Furthermore, the Board of Directors evaluates the business results of TDK appropriately, and nominates and evaluates Directors and Corporate Officers.
3. TDK specifies the matters to be resolved or reported at the Board of Directors in the Regulations of the Board of Directors, and with respect to the delegation of authority for business execution to the management, clarifies the scope and content of the matters delegated by specifying them in the relevant internal regulations.
4. The Board of Directors supports timely and decisive decision-making by Corporate Officers when important business execution decided by the Board of Directors is implemented.

#### Article 16 (Active Deliberations of Board of Directors)

1. TDK sets the number of agenda items, frequency of meetings and time for deliberation of the Board of Directors meetings so that the Board of Directors can consider and resolve and supervise the business execution sufficiently.
2. The Board of Directors Office distributes materials and explains in advance so that Directors can discuss and exchange views constructively.

#### Article 17 (Evaluation of Board of Directors)

In order to enhance the effectiveness of the Board of Directors, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors at a certain time every term, and discloses a summary of the methods and results thereof.

#### Article 18 (Positions held at other companies by Directors and Audit & Supervisory Board Members)

1. The Board of Directors confirms and approves important positions of directors, audit & supervisory board members or the management held at other companies by Directors and Audit & Supervisory Board Members every term.
2. TDK discloses the important positions of directors, audit & supervisory board members or the management held at other companies by Directors and Audit & Supervisory Board Members.

### **3 Directors**

#### Article 19 (Roles and Responsibilities of Directors)

1. With due attention to their fiduciary responsibilities to shareholders, Directors execute their

duties in order to respond to the trust of shareholders. Furthermore, Directors execute their duties in light of seeking to gain satisfaction, trust and support of shareholders and other stakeholders by increasing corporate value of the TDK Group on a sustainable basis.

2. In order to execute their duties, Directors cast their votes at the Board of Directors meetings after actively expressing their opinions and having exhaust discussions.
3. In order to appropriately fulfill their responsibilities, Directors collect sufficient information and secure sufficient time for TDK
4. Independent Outside Directors provide advice on overall management of TDK from an independent standpoint based on their abundant experience and broad knowledge.
5. The Directors' terms of office shall be set at one year to give shareholders an opportunity to cast votes of confidence to Directors' performance every business year.

#### **4 Audit & Supervisory Board Members/Audit & Supervisory Board**

Article 20 (Roles and Responsibilities of Audit & Supervisory Board Members/Audit & Supervisory Board)

1. The Audit & Supervisory Board Members and the Audit & Supervisory Board bear in mind their fiduciary responsibilities to shareholders and make appropriate decisions from an independent and objective standpoint when executing their roles and responsibilities including the audit of the performance of Directors' duties, appointment and dismissal of Accounting Auditors and the consent to the determination of remuneration of Accounting Auditors.
2. Audit & Supervisory Board Members strive to collect information actively by attending the Board of Directors meetings, the Executive Committee meetings and other important meetings, etc., and audit the business execution of the TDK Group.
3. Audit & Supervisory Board Members and the Audit & Supervisory Board ensure that Audit & Supervisory Board Members' audit is conducted effectively by coordinating with the internal audit department and the Accounting Auditor.

#### **5 Corporate Officers**

Article 21 (Adoption of Corporate Officer System)

TDK adopts a Corporate Officer system that separates the business execution functions from the management decision-making of the Board of Directors and the supervisory functions of Directors. Under this system, TDK strives to accelerate decision-making by delegation of authority and clarify the authority and responsibility of business execution.

#### **6 Advisory Bodies to Board of Directors**

Article 22 (Establishment of Advisory Bodies to Board of Directors)

TDK has established the following committees as advisory bodies to the Board of Directors.

- (1) The Nomination Advisory Committee
- (2) The Compensation Advisory Committee

- (3) The Corporate Governance Committee
- (4) The Business Ethics Committee

#### Article 23 (Nomination Advisory Committee)

1. The Nomination Advisory Committee shall be chaired by an Independent Outside Director and half or more of the members shall be comprised of Independent Outside Directors.
2. The Nomination Advisory Committee contributes to the securement of the transparency of decision-making process and the reasonableness of appointment and dismissal of Directors, Audit & Supervisory Board Members and Corporate Officers by nominating candidates after deliberating on the expected requirements regarding nomination of Directors, Audit & Supervisory Board Members and Corporate Officers.
3. The Nomination Advisory Committee confirms the positions of Outside Directors and Outside Audit & Supervisory Board Members held at other companies before the resolution of the Board of Directors provided in Article 18 Paragraph 1 every term.

#### Article 24 (Selection of Director, Audit & Supervisory Board Member and Corporate Officer Candidates)

1. The Nomination Advisory Committee examines and nominates Director and Corporate Officer candidates based on the balance among knowledge, experience and skills as well as the diversity so that they can fulfill their expected roles and responsibilities effectively.
2. The Nomination Advisory Committee nominates Audit & Supervisory Board Member candidates after examining the balance among knowledge, experience and skills based on the opinions provided by the Audit & Supervisory Board in advance so that they can fulfill their expected roles and responsibility effectively.
3. At least one Audit & Supervisory Board Member shall have sufficient expertise on finance and accounting.
4. TDK has established the items to be verified regarding independence as set forth in Exhibit 1 attached hereto in order to secure the independence of Outside Directors and Outside Audit & Supervisory Board Members it invites.

#### Article 25 (Compensation Advisory Committee)

1. The Compensation Advisory Committee shall be chaired by an Independent Outside Director and half or more of the members shall be comprised of Independent Outside Directors.
2. The Compensation Advisory Committee contributes to the securement of the transparency of remuneration decision-making process and the reasonableness of individual remunerations in light of corporate business performance, individual performance and general industry standards by deliberating and reporting to the Board of Directors on the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers.

Article 26 (Policy in Determining Remuneration of Directors and Corporate Officers)

1. TDK designs its remuneration system for the purpose of promoting as much as possible behavior on the part of Directors and Corporate Officers geared towards enhancing corporate results and stock value and continuously increasing the corporate value of the overall TDK Group by constantly pursuing the formulation of a competitive remuneration system to secure diverse and excellent human resources that focuses on linkage with short-term as well as medium- to long-term results.
2. The remuneration of Directors who also serve as a Corporate Officer and Corporate Officers is comprised of basic remuneration, short-term results-linked remuneration and medium- to long-term results linked remuneration.

Article 27 (Corporate Governance Committee)

The Corporate Governance Committee conducts deliberations on matters concerning corporate governance, internal control system and its operation, etc. and continuously strives to enhance corporate governance for TDK's sustainable growth and increase of its corporate value over the mid- to long-term.

Article 28 (Business Ethics Committee)

The Business Ethics Committee makes Directors, Audit & Supervisory Board Members, Corporate Officers and all other members of the TDK Group fully aware of the "TDK Code of Conduct", which stipulates concrete standards of business conduct to ensure compliance with the TDK Group's management philosophy (including the Corporate Motto and Corporate Principles) and social norms (including relevant laws, regulations, and international rules and the spirit thereof), and ensures compliance with the Corporate Motto, understanding of corporate ethics, and improvement of awareness of corporate social responsibility.

**7 Support and Training Policy for Directors and Audit & Supervisory Board Members**

Article 29 (Support for Directors and Audit & Supervisory Board Members)

TDK establishes a system supporting Directors and Audit & Supervisory Board Members (including the establishment of the Board of Directors Office and the Audit & Supervisory Board Members Office), so that Directors and Audit & Supervisory Board Members can fulfill their roles and responsibilities appropriately.

Article 30 (Training Policy for Directors and Audit & Supervisory Board Members)

1. TDK properly provides Directors and Audit & Supervisory Board Members (including Outside Directors and Outside Audit & Supervisory Board Members) with opportunities to gain knowledge about TDK through factory tours, explanations about business conditions, etc. for

purposes of training.

2. TDK renders Directors and Audit & Supervisory Board Members an external training service, etc. regarding acquisition of basic knowledge about laws and regulations related to their duties.

## **8 Accounting Auditor**

### Article 31 (Accounting Auditor)

1. The Accounting Auditor ensures proper audits and secures the reliability of financial information of the TDK Group.
2. The Audit & Supervisory Board selects the Accounting Auditor candidate appropriately, establishes standards to evaluate the Accounting Auditor appropriately, and conducts the evaluation based on such standards.
3. The Audit & Supervisory Board regularly verifies whether the Accounting Auditor possesses necessary independence and expertise.

## Chapter 4 Information Disclosure and Communication

### Article 32 (Information Disclosure)

1. With respect to both financial information (including the company's financial conditions, business results, etc.) and non-financial information (including information regarding management strategies, management issues, risks and corporate governance, etc.), TDK not only discloses information in a timely and appropriate manner in compliance with relevant laws and regulations (including the Companies Act of Japan, the Financial Instruments and Exchange Act of Japan, etc.) and the rules and regulations of the stock exchange on which TDK's shares are listed, but also works proactively to provide further information in addition to the disclosure required under the said laws and regulations and rules.
2. TDK strives to make information disclosure in English to the extent reasonable from the standpoint of international information disclosure.

### Article 33 (Policy for Constructive Engagements with Shareholders and Investors)

1. TDK makes efforts to gain understanding regarding the financial conditions and management strategy of the TDK Group through constructive engagements with shareholders and investors, and strives to achieve sustained growth and improve medium- to long-term corporate value of the TDK Group by reflecting valuable input from shareholders and investors to the management.
2. TDK's basic policy regarding improvement of system and other efforts to promote constructive engagements with shareholders and investors is as follows.
  - (1) Appointing a member of the management in charge of engagements with shareholders and investors  
President and Representative Director and Corporate Officer in charge of accounting have

constant engagements with domestic and overseas shareholders and investors and explain to them about management strategy of the TDK Group.

- (2) Measures to ensure positive coordination between internal departments with the aim of supporting engagement

The department in charge of IR plays a central role in regularly exchanging information and cooperating among Corporate Officers in charge and other related persons of relevant departments.

- (3) Measures to promote general investor meeting and other IR activities

TDK promotes understanding of shareholders and investors by holding financial results briefings, business strategy meetings, etc., and promotes information disclosure by publishing a part of the materials at the website of TDK, etc.

- (4) Measures to relay to the senior management and the Board of Directors

Situations of engagements with shareholders and investors are relayed to the Board of Directors, Executive Committee meeting, and Corporate Officers in charge, etc. in each case.

- (5) Measures to control insider information when conducting engagement

TDK has established the Insider Trading Prevention Standard as its internal rule and manage insider information properly by fully enforcing the said Regulations and conducting educational activities, etc.

Enacted June 17, 2016

Amended November 28, 2018

Exhibit 1            Items to be verified regarding independence of Outside Directors and Outside Audit & Supervisory Board Members

In order to secure the independence of the Outside Directors and Outside Audit & Supervisory Board Members it invites, TDK has established the “items to be verified regarding independence” of TDK with reference to such criteria as Rule 436-2 of the Securities Listing Regulation regarding securing independent Directors/Audit & Supervisory Board Members and Rule III. 5. (3)-2 of the Guidelines Concerning Listed Company Compliance, both of which are stipulated by Tokyo Stock Exchange, Inc. The outline of these items is as follows.

■ Items to be verified regarding independence

(1) In cases where the relevant Outside Director/Audit & Supervisory Board Member has a business relationship with TDK

An Outside Director/Audit & Supervisory Board Member shall be judged not to be independent if they are at present, or have been during the past five years, a party with a business relationship with TDK as described in (i) below, or a person who executes business for such a party, or if (ii) below applies to them.

(i) Where it is recognized, objectively and reasonably, that such business relationship is necessary for, or has a substantial influence on, the continued operation of the TDK Group or the other party to such business relationship (where there is a high degree of dependence in the relationship, where the relationship is the source of 2% or more of consolidated net sales, or where the other party to the relationship receives money or other assets from the TDK Group other than remuneration for Director/Audit & Supervisory Board Member)

(ii) Where it is recognized within the TDK Group that the relevant Outside Director/Audit & Supervisory Board Member is involved in a business relationship with the other party to such business relationship

(2) In cases where the relevant Outside Director/Audit & Supervisory Board Member is a consultant, an accounting professional or a law professional

An Outside Director/Audit & Supervisory Board Member shall be judged not to be independent if any of the following cases apply to such person at present or have applied to such person during the past five years.

(i) Where it is recognized, objectively and reasonably, that the relevant Outside Director/Audit & Supervisory Board Member (including candidates for such position; the same shall apply hereinafter) cannot perform duties as an independent Director/Audit & Supervisory Board Member because they receive money or other assets from the TDK Group other than remuneration for Director/Audit & Supervisory Board Member (where there is a high degree of dependence)

(ii) Where it is recognized, objectively and reasonably, that the relevant Outside Director/Audit & Supervisory Board Member cannot perform duties as an independent

Director/Audit & Supervisory Board Member because an organization to which such person belongs (hereinafter the “Relevant Organization”) receives money or other assets from the TDK Group other than remuneration for Director/Audit & Supervisory Board Member (where this income is equivalent to 2% or more of total consolidated net sales)

(iii) Where the TDK Group has a high degree of dependence on a professional or a Relevant Organization, such as a case where services, etc., rendered by such parties are essential to the corporate management of the TDK Group or it would be difficult to find an alternative provider of the same services, etc.

(iv) Where it is recognized within the TDK Group that the relevant Outside Director/Audit & Supervisory Board Member is involved in the services, etc., provided by the Relevant Organization

(3) In the case of a close relative of the relevant Outside Director/Audit & Supervisory Board Member

An Outside Director/Audit & Supervisory Board Member shall be judged not to be independent if either of the following cases apply to their close relative at present or have applied to them during the past five years.

(i) A person to whom (1) or (2) above applies (except persons without material significance)

(ii) A person who executes business for TDK or a subsidiary of TDK (except persons without material significance)

- End -