

[Translation]

**NOTICE OF CONVOCATION**  
**OF**  
**THE 122ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

- Notes:* 1. This is a translation from Japanese of a notice distributed to shareholders in Japan.  
The translation is prepared solely for the convenience of foreign shareholders. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.
2. There are no English translations of the following: Non-Consolidated Balance Sheet, Non-Consolidated Statement of Operations, Non-Consolidated Statement of Changes in Net Assets and Certified Copy of Accounting Auditors' Report for Non-Consolidated Financial Statements.

**TDK Corporation**

**Tokyo, Japan**

[Translation]

Securities Code No. 6762

**Attention All Shareholders**

June 8, 2018

Shigenao Ishiguro  
President & Representative Director  
TDK Corporation  
9-1, Shibaura 3-chome,  
Minato-ku, Tokyo

**NOTICE OF CONVOCATION OF  
THE 122ND ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholder:

Thank you for your continued interest in TDK Corporation (the "Company").

You are hereby notified that the 122nd Ordinary General Meeting of Shareholders will be held as stated below. You are respectfully requested to attend the meeting.

In the event that you are unable to attend the meeting, you may exercise your votes using either of the methods described below. Please vote by 5:20 P.M. on June 27, 2018 (Wednesday), after carefully reading the attached Reference Documents for Shareholders Meeting.

[Voting by Mail]

Please indicate your approval or disapproval of the proposals to be resolved on the voting form enclosed herewith and return it to the Company by the deadline specified above.

[Voting via the Internet, etc.]

Please enter your approval or disapproval of the proposals to be resolved by the deadline specified above.

Details

1. Date and Time: 10:00 A.M. on June 28, 2018 (Thursday)
2. Place of the Meeting: Technical Center of the Company, 9th Floor  
15-7, Higashi-Ohwada 2-chome, Ichikawa-shi,  
Chiba Prefecture
3. Purposes of the Meeting:  
Matters to be Reported
  1. Report on the Business Report and the Consolidated Financial Statements for the 122nd Fiscal Year (from April 1, 2017 to March 31, 2018), and

Report on the Audit Results of the Consolidated Financial Statements for the 122nd Fiscal Year by the Accounting Auditor and the Audit & Supervisory Board

2. Report on the Non-Consolidated Financial Statements for the 122nd Fiscal Year (from April 1, 2017 to March 31, 2018)

Matters to be Resolved

- First Item: Appropriation of Retained Earnings  
Second Item: Election of Seven (7) Directors  
Third Item: Partial Amendment of the Articles of Incorporation

4. Validity of Votes:

- 1) If you vote both by mail and via the Internet, etc., then the vote via the Internet, etc. will be counted as the valid vote.
- 2) If you vote multiple times via the Internet, etc., your last vote will be counted as the valid vote.

5. Other Information:

- 1) If you are attending the meeting, kindly submit the voting form enclosed herewith at the reception. Also, please bring this Notice of Convocation with you to the meeting.
- 2) If you are attending by proxy, you are entitled to one (1) proxy who is also a shareholder of the Company entitled to votes at the meeting. Please have the proxy present written proof of his/her right of proxy along with your voting form at the reception.
- 3) In accordance with the law and Article 16 of the Company's Articles of Incorporation, the following items of the Company's Consolidated Financial Statements and Non-Consolidated Financial Statements, as audited by the Accounting Auditor and the Audit & Supervisory Board Members, are available on the Company's Internet website instead of being attached to this Notice of Convocation:
  - List of Notes to the Consolidated Financial Statements; and
  - List of Notes to the Non-Consolidated Financial Statements.
- 4) In the event that there are amendments made to the Reference Documents for Shareholders Meeting, the Business Report, the Consolidated Financial Statements, or the Non-Consolidated Financial Statements, such amendments will be found on the Company's Internet website.

The Company's Internet website <http://www.tdk.co.jp/>

End

## Reference Documents for the Ordinary General Meeting of Shareholders

### Proposals and Reference Information

#### First Item: Appropriation of Retained Earnings

The Company proposes that the appropriation of retained earnings be as provided below:

Matters concerning year-end dividends

The Company recognizes that achieving increase in corporate value over the medium- and long-term ultimately translates into higher shareholder value. In line with this understanding, the Company's fundamental policy is to work to consistently increase dividends through growth in earnings per share. By actively investing for growth, mainly in the development of new products and technologies in strategic fields so as to respond precisely to rapid technological innovation in the electronics industry, the Company is aiming to increase a medium- and long-term corporate value. Accordingly, the Company actively reinvests the Company's earnings in business activities and determines its dividends taking into consideration comprehensive factors, including return on equity (ROE) and dividends on equity (DOE) on a consolidated basis, as well as changes in the business environment, among other factors.

The Company intends to pay year-end dividends for the fiscal year under review as follows:

1. Item concerning the allotment of dividend assets and the total amount thereof:

¥70 per share of common stock of the Company

Total amount of dividends: ¥8,837,155,530

\* Together with the interim dividend of ¥60 per share paid on December 4, 2017, the annual dividend is ¥130 per share.

2. Effective date of payment of dividends from retained earnings:

June 29, 2018

《Reference》 Trends in cash dividends per share and dividend payout ratio on a consolidated basis

	119th (Apr. 1, 2014 to Mar. 31, 2015)	120th (Apr. 1, 2015 to Mar. 31, 2016)	121st (Apr. 1, 2016 to Mar. 31, 2017)	122nd (Apr. 1, 2017 to Mar. 31, 2018)
Interim dividend (¥)	40	60	60	60
Year-end dividend (¥)	50	60	60	(forecast) 70
Annual dividend (¥)	90	120	120	(forecast) 130
Dividend payout ratio on a consolidated basis (%)	22.9	23.3	10.4	(forecast) 25.9

## Second Item: Election of Seven (7) Directors

The Company's Articles of Incorporation provides that the term of each Director shall last one (1) year. Each of the seven (7) Directors' terms of office will expire at the closing of this Ordinary General Meeting of Shareholders. Accordingly, you are requested to elect seven (7) Directors (including three (3) Outside Directors). The Company has adopted a basic policy that one-third (1/3) or more of the Directors shall be independent Outside Directors.

The Director candidates are as follows:

Candidate No.	Name	Position and Duties, etc. at the Company	Attendance at Meetings of the Board of Directors
1	Shigenao Ishiguro Reelection	President & Representative Director • General Manager of Humidifier Countermeasures HQ	100% (15 out of 15 meetings)
2	Tetsuji Yamanishi Reelection	Director, Senior Vice President • General Manager of Finance & Accounting HQ	100% (15 out of 15 meetings)
3	Makoto Sumita Reelection	Director • Chairman of the Board of Directors • Chairman of Nomination Advisory Committee • Member of Compensation Advisory Committee	100% (15 out of 15 meetings)
4	Seiji Osaka Reelection	Director, Executive Vice President • General Manager of Corporate Strategy HQ	100% (11 out of 11 meetings since his appointment as Director in June 2017)
5	Kazumasa Yoshida Reelection Outside Director Independent Director	Director • Chairman of Compensation Advisory Committee • Member of Nomination Advisory Committee	100% (15 out of 15 meetings)
6	Kazuhiko Ishimura Reelection Outside Director Independent Director	Director • Member of Nomination Advisory Committee • Member of Compensation Advisory Committee	100% (15 out of 15 meetings)
7	Kazunori Yagi New candidate Outside Director Independent Director	Audit & Supervisory Board Member	100% (15 out of 15 meetings) (Attendance as Audit & Supervisory Board Member)

Note: Although Mr. Makoto Sumita is currently an Outside Director, you are requested to elect him as an Executive Director (as defined in Article 2 item (xv) of the Companies Act of Japan) in the proposal of his election in this Item.

Candidate No.	Name (Date of Birth)	Profile, Position and Duties at the Company, and Situation regarding Significant Concurrent Posts
<p>1.</p> <p>Candidate for reelection</p>	<p>Shigenao Ishiguro (Oct. 30, 1957)</p> <p>Number of Shares of the Company Owned: 3,100 shares</p> <p>Attendance at Meetings of the Board of Directors during the Fiscal Year: 15 of the 15 meetings</p>	<p>Jan. 1982 Entered the Company</p> <p>Apr. 2002 Senior Manager of Planning Group of Europe Sales Group of Recording Media &amp; Solutions Business Group of the Company</p> <p>Jul. 2004 Leader of Planning Group of Japan Operation of HDD Head Business Division of Data Storage &amp; Thin Film Technology Components Business Group of the Company</p> <p>Apr. 2007 Leader of Japan Operation of HDD Head Business Division of Data Storage &amp; Thin Film Technology Components Business Group of the Company</p> <p>Apr. 2011 Deputy General Manager of Data Storage &amp; Thin Film Technology Components Business Group of the Company</p> <p>Jun. 2012 General Manager of Data Storage &amp; Thin Film Technology Components Business Group of the Company</p> <p>Jun. 2014 Corporate Officer of the Company</p> <p>Apr. 2015 CEO of Magnetic Heads and Sensors Business Company of the Company</p> <p>Jun. 2015 Senior Vice President of the Company</p> <p>Apr. 2016 General Manager of Magnetic Sensors Business Group of Magnetic Heads and Sensors Business Company of the Company</p> <p>Jun. 2016 President &amp; Representative Director of the Company (present post) General Manager of Humidifier Countermeasures HQ of the Company (present post) General Manager of Manufacturing HQ of the Company</p>
<p><b>【The reasons why the Company recommends Mr. Shigenao Ishiguro as a candidate for Director】</b></p> <p>After having served as the head of the HDD (Hard Disk Drive) Head Business of the Company, Mr. Shigenao Ishiguro has been serving as President &amp; Representative Director of the Company since 2016 and strongly promoting the creation of new business and management reform. The Company believes that Mr. Ishiguro can continuously fulfil the expected role in decisions on important matters and supervision of business execution at the Board of Directors of the Company by utilizing his adequate management experience and knowledge which he has accumulated domestically and overseas, and requests that the shareholders elect him as a Director of the Company.</p>		

Candidate No.	Name (Date of Birth)	Profile, Position and Duties at the Company, and Situation regarding Significant Concurrent Posts
2.  Candidate for reelection	Tetsuji Yamanishi (May 29, 1960)  Number of Shares of the Company Owned: 1,500 shares  Attendance at Meetings of the Board of Directors during the Fiscal Year: 15 of the 15 meetings	Apr. 1983 Entered the Company Jan. 2005 Senior Manager of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company Jul. 2008 Head of Managerial Accounting Department of Finance & Accounting Department of Administration Group of the Company Jun. 2013 General Manager of Finance & Accounting Department of the Company Apr. 2015 General Manager of Finance & Accounting Group of the Company Jun. 2015 Corporate Officer of the Company Jun. 2016 Director of the Company (present post) Apr. 2017 General Manager of Finance & Accounting HQ of the Company (present post) Jun. 2017 Senior Vice President of the Company (present post)
<p><b>【The reasons why the Company recommends Mr. Tetsuji Yamanishi as a candidate for Director】</b></p> <p>Mr. Tetsuji Yamanishi has experience in accounting and finance in the Company's domestic and overseas business, currently serves as the head of the Finance and Accounting Department, and has demonstrated his high level of expertise and capabilities in the Company's financial and managerial administrative aspect on a global basis. The Company believes that Mr. Yamanishi can continuously fulfil the expected role in decisions on important matters and supervision of business execution at the Board of Directors of the Company by utilizing his experience and deep insight, and requests that the shareholders elect him as a Director of the Company.</p>		

Candidate No.	Name (Date of Birth)	Profile, Position and Duties at the Company, and Situation regarding Significant Concurrent Posts
<p>3.</p> <p>Candidate for reelection</p>	<p>Makoto Sumita (Jan. 6, 1954)</p> <p>Number of Shares of the Company Owned: 0 shares</p> <p>Attendance at Meetings of the Board of Directors during the Fiscal Year: 15 of the 15 meetings</p>	<p>Apr. 1980 Entered Nomura Research Institute, Ltd.</p> <p>Jun. 1996 Director of INNOTECH CORPORATION</p> <p>Apr. 2005 Executive Vice President &amp; Representative Director of the said company</p> <p>Jun. 2005 Director of IT Access Co., Ltd.</p> <p>Apr. 2007 President &amp; CEO of INNOTECH CORPORATION</p> <p>Jun. 2011 Outside Audit &amp; Supervisory Board Member of the Company</p> <p>Apr. 2013 Chairman &amp; CEO of INNOTECH CORPORATION (present post)</p> <p>Jun. 2013 Resigned as Outside Audit &amp; Supervisory Board Member of the Company</p> <p>Outside Director of the Company (present post)</p> <p>Feb. 2015 Chairman &amp; CEO of INNOTECH FRONTIER, Inc.</p> <p>[Situation regarding Significant Concurrent Posts] Chairman &amp; CEO of INNOTECH CORPORATION (He is scheduled to become Chairman and Director of the said company on Jun. 22, 2018)</p>
<p><b>【The reasons why the Company recommends Mr. Makoto Sumita as a candidate for Director】</b></p> <p>Mr. Makoto Sumita has an abundance of experience and knowledge in management as a manager of operating companies as well as a broad perspective. Also, he served as an Outside Audit &amp; Supervisory Board Member of the Company from 2011 to 2013 and has been serving as an Outside Director of the Company since 2013. He provided advice and recommendations to ensure the legality and appropriateness of decision-making at the Board of Directors of the Company and executed his duties appropriately. Further, he has acquired a detailed knowledge of the Company's management and business content through the execution of his duties at the Company thus far. Accordingly, the Company believes that Mr. Sumita can play an adequate role in decisions on important matters, supervision of business execution and strengthening of corporate governance at the Board of Directors of the Company in the future by utilizing his experience and insight, and requests that the shareholders elect him as an Executive Director of the Company.</p>		

Candidate No.	Name (Date of Birth)	Profile, Position and Duties at the Company, and Situation regarding Significant Concurrent Posts
<p>4.</p> <p>Candidate for reelection</p>	<p>Seiji Osaka (Oct. 28, 1958)</p> <p>Number of Shares of the Company Owned: 2,000 shares</p> <p>Attendance at Meetings of the Board of Directors during the Fiscal Year: 11 of the 11 meetings since his appointment as Director in June 2017</p>	<p>Apr. 1982 Entered the Company</p> <p>Apr. 2003 Senior Manager of Corporate Planning Dept. of the Company</p> <p>Jun. 2009 Corporate Officer of the Company General Manager of Corporate Planning Dept. of Corporate Strategy Group of the Company</p> <p>May 2011 General Manager of Corporate Planning Group of the Company General Manager of Corporate Planning Dept. of Corporate Planning Group of the Company</p> <p>Jun. 2012 Senior Vice President of the Company Senior Executive Vice President &amp; COO of TDK-EPC Corporation</p> <p>Apr. 2015 General Manager of Electronic Components Sales &amp; Marketing Group of the Company General Manager of ICT Group of Electronic Components Sales &amp; Marketing Group of the Company</p> <p>Apr. 2017 General Manager of Corporate Strategy HQ of the Company (present post) In charge of Human Resources</p> <p>Jun. 2017 Director of the Company (present post) Executive Vice President of the Company (present post) Outside Director of Tabuchi Electric Co., Ltd. (present post)</p> <p>[Situation regarding Significant Concurrent Posts] Outside Director of Tabuchi Electric Co., Ltd.</p>
<p><b>【 The reasons why the Company recommends Mr. Seiji Osaka as a candidate for Director】</b></p> <p>After working at the operating and sales departments, Mr. Seiji Osaka is currently working on the preparation and implementation of the Company's business strategies as the head of the department responsible for corporate planning, corporate communications and the Board of Directors Office. The Company believes that Mr. Osaka can continuously fulfil the expected role in decisions on important matters and supervision of business execution at the Board of Directors of the Company by utilizing his experience and insight, and requests that the shareholders elect him as a Director of the Company.</p>		

Candidate No.	Name (Date of Birth)	Profile, Position and Duties at the Company, and Situation regarding Significant Concurrent Posts
5. Candidate for reelection Outside Director Independent Director	Kazumasa Yoshida (Aug. 20, 1958)  Number of Shares of the Company Owned: 0 shares  Attendance at Meetings of the Board of Directors during the Fiscal Year: 15 of the 15 meetings	<p>Oct. 1984 Entered Intel Corporation</p> <p>Oct. 1999 Manager of Technology/OEM Alliance Business Strategy of Enterprise Service Group of the said company</p> <p>Mar. 2000 General Manager of Communication Product Group of Intel K.K.</p> <p>May 2002 General Manager of Intel Architecture Business of the said company</p> <p>Jun. 2003 Representative Director and President of the said company</p> <p>Dec. 2004 Vice President of Sales and Marketing Group of Intel Corporation</p> <p>Jun. 2012 Outside Director of Onkyo Corporation (present post)</p> <p>Feb. 2013 Outside Director of Gibson Brands, Inc.</p> <p>Jun. 2013 Outside Director of CYBERDYNE, INC. (present post)</p> <p>Oct. 2013 Advisor of Intel K.K.</p> <p>Jun. 2014 Outside Director of the Company (present post)</p> <p>Jun. 2015 Outside Director of Mamezou Holdings Co., Ltd. (present post)</p> <p>Jul. 2016 Outside Director of FreeBit Co., Ltd. (present post)</p> <p>[Situation regarding Significant Concurrent Posts] Outside Director of Onkyo Corporation Outside Director of CYBERDYNE, INC. Outside Director of Mamezou Holdings Co., Ltd. Outside Director of FreeBit Co., Ltd.</p>
<p><b>【Candidate for Outside Director】</b></p> <p><b>【The reasons why the Company recommends Mr. Kazumasa Yoshida as a candidate for Outside Director】</b></p> <p>Mr. Kazumasa Yoshida has an abundance of experience and knowledge concerning the management of companies related to the electronics industry, global business and consumer business as well as a broad perspective. The Company believes that he is capable of giving advice and recommendations to ensure the legality and appropriateness of decision-making of the Board of Directors of the Company, and requests that the shareholders elect him as an Outside Director of the Company.</p> <p><b>【Independent Director (as such term defined in Rule 436-2 of the Securities Listing Regulations of Tokyo Stock Exchange, Inc.; the same applies hereinafter)】</b></p> <p>Mr. Kazumasa Yoshida is currently an Independent Director. In the event that the proposal of his election in this Item is approved by this Ordinary General Meeting of Shareholders and he becomes an Outside Director, he will continue to be an Independent Director.</p> <p><b>【Term of office as Outside Director】</b></p> <p>Four (4) years as of the closing of this Ordinary General Meeting of Shareholders. Mr. Kazumasa Yoshida currently serves both as the chairman of the Compensation Advisory Committee and a member of the Nomination Advisory Committee.</p>		

Candidate No.	Name (Date of Birth)	Profile, Position and Duties at the Company, and Situation regarding Significant Concurrent Posts	
6. Candidate for reelection Outside Director Independent Director	Kazuhiko Ishimura (Sept. 18, 1954)  Number of Shares of the Company Owned: 0 shares  Attendance at Meetings of the Board of Directors during the Fiscal Year: 15 of the 15 meetings	Apr. 1979 Jan. 2006  Jan. 2007 Mar. 2008  Jan. 2010 Jan. 2015 Jun. 2015 Jun. 2017 Jan. 2018	Entered Asahi Glass Co., Ltd. Executive Officer and GM of Kansai Plant of the said company Senior Executive Officer and GM of Electronics & Energy General Division of the said company President & COO & Representative Director of the said company President & CEO & Representative Director of the said company Chairman & Representative Director of the said company Outside Director of the Company (present post) Outside Director of IHI Corporation (present post) Chairman & Director of Asahi Glass Co., Ltd. (present post)  [Situation regarding Significant Concurrent Posts] Chairman & Director of Asahi Glass Co., Ltd. Outside Director of IHI Corporation
<p><b>【Candidate for Outside Director】</b></p> <p><b>【The reasons why the Company recommends Mr. Kazuhiko Ishimura as a candidate for Outside Director】</b></p> <p>Mr. Kazuhiko Ishimura has an abundance of experience and advanced, specialized knowledge regarding business management as well as a broad perspective. The Company believes that he is capable of giving advice and recommendations to ensure the legality and appropriateness of decision-making of the Board of Directors of the Company, and requests that the shareholders elect him as an Outside Director of the Company.</p> <p>Although the Company has a business relationship relating to electronic components, glass and chemical goods, etc. with Asahi Glass Co., Ltd., where Mr. Kazuhiko Ishimura is Director, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of TDK Group ("TDK") to the Asahi Glass Group represented less than 1% of the consolidated net sales of TDK, and the ratio of sales of the Asahi Glass Group to TDK represented less than 1% of the consolidated net sales of the Asahi Glass Group.</p> <p>Also, although the Company has a business relationship relating to electronic components and production equipment, etc. with IHI Corporation, where Mr. Kazuhiko Ishimura is Outside Director, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of TDK to the IHI Group represented less than 1% of the consolidated net sales of TDK, and the ratio of sales of the IHI Group to TDK represented less than 1% of the consolidated net sales of the IHI Group.</p> <p><b>【Independent Director】</b></p> <p>Mr. Kazuhiko Ishimura is currently an Independent Director. In the event that the proposal of his election in this Item is approved by this Ordinary General Meeting of Shareholders and he becomes an Outside Director, he will continue to be an Independent Director.</p> <p><b>【Term of office as Outside Director】</b></p> <p>Three (3) years as of the closing of this Ordinary General Meeting of Shareholders.</p> <p>Mr. Kazuhiko Ishimura currently serves both as a member of the Nomination Advisory Committee and a member of the Compensation Advisory Committee.</p>			

Candidate No.	Name (Date of Birth)	Profile, Position and Duties at the Company, and Situation regarding Significant Concurrent Posts
7.  New candidate  Outside Director  Independent Director	Kazunori Yagi (Apr. 1, 1949)  Number of Shares of the Company Owned: 0 shares  Attendance at Meetings of the Board of Directors during the Fiscal Year: 15 of the 15 meetings (Attendance as Audit & Supervisory Board Member)	Apr. 1972 Entered Yokogawa Electric Works Ltd. (currently Yokogawa Electric Corporation) Oct. 1999 Vice President (Officer) and General Manager of Finance & Business Planning, in charge of Corporate Marketing of the said company Apr. 2001 Senior Vice President and General Manager of Finance & Business Planning of the said company Jun. 2001 Director, Senior Vice President and General Manager of Finance & Business Planning of the said company Jul. 2002 Director, Executive Vice President and General Manager of Finance & Business Planning of the said company Jul. 2005 Director, Executive Vice President and General Manager of Management Administration Headquarters of the said company Jun. 2011 Advisor to the said company, Outside Audit & Supervisory Board Member of Yokogawa Bridge Holdings Corp. (present post) Jun. 2012 Outside Director of JSR Corporation Jun. 2013 Outside Audit & Supervisory Board Member of the Company (present post) Mar. 2014 Outside Director of OYO Corporation (present post) Jun. 2017 Outside Audit & Supervisory Board Member of Sojitz Corporation (present post)  [Situation regarding Significant Concurrent Posts] Outside Audit & Supervisory Board Member of Yokogawa Bridge Holdings Corp. Outside Director of OYO Corporation Outside Audit & Supervisory Board Member of Sojitz Corporation

	<p><b>【Candidate for Outside Director】</b></p> <p><b>【The reasons why the Company recommends Mr. Kazunori Yagi as a candidate for Outside Director】</b></p> <p>Mr. Kazunori Yagi has an abundance of experience and knowledge concerning management of companies related to the electronics industry and has knowledge and insight into finance and accounting. Also, he was elected as an Outside Audit &amp; Supervisory Board Member of the Company in 2013 and has contributed to the improvement in quality of audit. The Company believes that he is capable of giving advice and recommendations to ensure the legality and appropriateness of decision-making of the Board of Directors of the Company by utilizing his experience and broad perspective for supervision of the Company's management, and requests that the shareholders elect him as an Outside Director of the Company.</p> <p>Although the Company has a business relationship relating to metallic materials with Sojitz Corporation, where Mr. Kazunori Yagi is an Outside Audit &amp; Supervisory Board Member, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of the Sojitz Group to TDK represented less than 1% of the consolidated net sales of the Sojitz Group.</p> <p><b>【Independent Director】</b></p> <p>Mr. Kazunori Yagi is currently an Independent Audit &amp; Supervisory Board Member. In the event that the proposal of his election in this Item is approved by this Ordinary General Meeting of Shareholders and he becomes an Outside Director, he will be an Independent Director.</p> <p><b>【Term of office as Audit &amp; Supervisory Board Member】</b></p> <p>Mr. Kazunori Yagi is currently an Outside Audit &amp; Supervisory Board Member. Although his term of office as an Audit &amp; Supervisory Board Member will be five (5) years as of the closing of this Ordinary General Meeting of Shareholders, he will resign as an Audit &amp; Supervisory Board Member upon vote on the proposal of his election in this Item.</p>
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- Notes:
1. None of the above seven (7) candidates have any special interest in the Company.
  2. The Company entered into contracts with each of the current Outside Directors and the current Audit & Supervisory Board Member pursuant to Article 427 paragraph 1 of the Companies Act of Japan to limit the liabilities of each such Outside Director and Audit & Supervisory Board Member to the Company under Article 423 paragraph 1 of the same Act to the amount set forth in each such contract, which shall be equal to or greater than the amount provided for in Article 425 paragraph 1 of the same Act.  
In the event that the proposal of election of Messrs. Kazumasa Yoshida and Kazuhiko Ishimura in this Item is approved by this Ordinary General Meeting of Shareholders and they become Outside Directors, such contracts will continue to be in effect.  
Also, in the event that the proposal of election of Mr. Kazunori Yagi in this Item is approved by this Ordinary General Meeting of Shareholders and he becomes an Outside Director, the Company will enter into such contract with him.
  3. The matters concerning Outside Directors and Outside Audit & Supervisory Board Members (principal activities) in the fiscal year under review are set forth from page 33 through page 34 of the Business Report.
  4. In the cease and desist order and surcharge payment order issued to the manufacturers of HDD suspensions by the Japan Fair Trade Commission ("JFTC") in February 2018, there was a reference to misconduct of the Company and its subsidiaries under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan. However, the Company and its subsidiaries were exempted from cease and desist order and surcharge payment order, since they filed an application under the leniency program with the JFTC in advance and such application was granted as well as for other reasons.  
Each candidate for Outside Directors has regularly commented as appropriate on the importance and thorough implementation of corporate governance and legal compliance at the Board of Directors meetings and on other occasions. In addition, each candidate for Outside Directors has performed his duties by, for example, providing more active recommendations on the development and strengthening of the Company's corporate governance and compliance system after gaining the understanding of the said case.

《Reference 1》 Nomination Advisory Committee

The Company has in place a Nomination Advisory Committee as an advisory body to the Board of Directors which is chaired by an Outside Director and of which more than half of the members are composed of Outside Directors.

This Nomination Advisory Committee discusses the conditions expected with regard to nominations for the posts of Director, Audit & Supervisory Board Member and Corporate Officer and makes nominations. In this way it helps ensure the appropriateness of the elections of Directors, Audit & Supervisory Board Members and Corporate Officers, and the transparency of the decision-making process. In addition, the Nomination Advisory Committee discusses the independence of Outside Directors and Outside Audit & Supervisory Board Members.

All candidates in the Second Item have been discussed by the Nomination Advisory Committee.

《Reference 2》 Criteria for 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, the Company has established “items to be verified regarding independence” 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 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 the Company

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 the Company 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 TDK 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 TDK other than remuneration for officers)

(ii) Where it is recognized within TDK 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 TDK other than remuneration for officers (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 TDK other than remuneration for officers (where this income is equivalent to 2% or more of total consolidated net sales)

(iii) Where TDK 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 TDK or it would be difficult to find an alternative provider of the same services, etc.

(iv) Where it is recognized within TDK 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 the Company or a subsidiary of the Company (except persons without material significance)

### Third Item: Partial Amendment of the Articles of Incorporation

#### 1. Reasons for proposals

The Company has decided to move its head office to Chuo-ku, Tokyo in order to strengthen its function as a central base of TDK which develops its business globally and its role to lead the entire group. In connection with this decision, the Company proposes that the location of head office provided in Article 3 of the current Articles of Incorporation be changed from Minato-ku, Tokyo to Chuo-ku, Tokyo. Also, the Company proposes to establish Supplementary Provision in order to set forth a provision for provisional measures related to this change.

#### 2. Details of the amendments

The details of the amendments are as stated below.

(The parts to be amended are underlined.)

The Current Articles of Incorporation	Proposed Amendments
<p>(Location of Head Office) Article 3. The Company shall have its head office in <u>Minato-ku</u>, Tokyo.</p> <p>(Newly Established)</p>	<p>(Location of Head Office) Article 3. The Company shall have its head office in <u>Chuo-ku</u>, Tokyo.</p> <p><u>Supplementary Provision</u> <u>The amendment of Article 3 shall become effective as of the date of the relocation of head office decided at the Meeting of the Board of Directors to be held on or before December 31, 2018 and this Supplementary Provision shall be deleted as of the effective date of the relocation of head office.</u></p>

End

**(Documents Attached to the Notice of Convocation  
of the Ordinary General Meeting of Shareholders)**

**Attached Document (1)**

BUSINESS REPORT

〔 From: April 1, 2017  
To: March 31, 2018 〕

**1. Business Conditions**

**(1) Business Conditions and Results of TDK Group ("TDK")**

In the fiscal year ended March 31, 2018 ("Fiscal 2018"), the global economy maintained a gradual pace of recovery overall. In the U.S., Europe and Japan, corporate business conditions, employment levels, and personal consumption trended firmly. Emerging economies continued to experience higher rates of growth than developed countries, despite some signs of a slight deceleration in China.

Looking at the electronics market, which has a large bearing on the consolidated performance of the Company, demand for components in the automotive market continued to surge, fueled by a continued increase in the number of components installed per vehicle in step with advances in the electrification of automobiles. In the industrial equipment market, demand was firm, supported mainly by surging investment in semiconductors and corporate investment in automation. In addition, demand was solid for home electric appliances such as game consoles and room air conditioners. Meanwhile, in the ICT (Information and Communications Technology) market, production of smartphones showed some signs of adjustment.

As a result, consolidated operating results for the Company for Fiscal 2018 were as follows.

(¥ in millions)

	Fiscal 2017	Fiscal 2018	YoY Change
Net sales	1,178,257	1,271,747	7.9%
Operating income	208,660	85,633	-59.0%
Income before income taxes	211,717	89,811	-57.6%
Net income attributable to the Company	145,099	63,463	-56.3%
Net income attributable to the Company / Basic per common share (¥)	1,150.16	502.80	-647.36

Besides, Operating income for fiscal 2017 included one-time gain on sale of business according to forming a joint venture with Qualcomm Incorporated.

**(2) Segment Information of TDK**

TDK's net sales are made up of four reporting segments—"Passive Components" (Capacitors, Inductive Devices, etc.), "Sensor Application Products", "Magnetic Application Products" (Recording Devices, etc.), and "Film Application Products", as well as "other" that are not included in any of those four reporting segments.

Net sales by business section in each segment were as follows:  
[Consolidated]

(¥ in millions)

Business Section	Main Applications	Net Sales	Share of Sales (%)	YoY Change (%)
Capacitors	Communications, AV, office automation and other types of equipment, automobiles and industrial equipment, etc.	156,990	12.3	14.8
Inductive Devices		157,529	12.4	8.4
Other Passive Components		123,120	9.7	-50.0
Passive Components		437,639	34.4	-17.1
Sensor Application Products	Automobiles, industrial and communications equipment, etc.	77,578	6.1	81.0
Recording Devices	PCs and PC peripherals, automobiles and industrial equipment, etc.	237,865	18.7	-1.8
Other Magnetic Application Products		95,370	7.5	8.9
Magnetic Application Products		333,235	26.2	1.0
Film Application Products	PCs and communications equipment, etc.	370,953	29.2	49.8
Other	Communications and industrial equipment, etc.	52,342	4.1	76.6
Consolidated total		1,271,747	100.0	7.9
Incl. Overseas sales		1,158,004	91.1	7.9

Note: In accordance with the reorganization, the “Sensor Application Products” segment was newly established. Certain products previously included in “Other” were reclassified into the “Passive Components” segment’s Other Passive Components, and certain products previously included in the “Magnetic Application Products” segment’s Recording Devices were reclassified into “Other” from the start of Fiscal 2018. The calculations of comparisons against the previous fiscal year are based on the sales of the previous fiscal year reclassified to conform to the new segmentation.

**[Passive Components Segment]**

This segment is made up of (1) Capacitors, (2) Inductive Devices, and (3) Other Passive Components. Consolidated net segment sales were ¥437,639 million, down 17.1% year on year from ¥528,225 million.

The Capacitors business is made up of Ceramic Capacitors, Aluminum Electrolytic Capacitors, and Film Capacitors. Consolidated net sales in the Capacitors business were ¥156,990 million, up 14.8% year on year from ¥136,790 million. Sales of Ceramic Capacitors increased to the automotive and the industrial equipment markets, while decreased to the ICT market. Sales of Aluminum Electrolytic Capacitors and Film Capacitors increased mainly to the industrial equipment market.

Consolidated net sales of Inductive Devices business increased by 8.4% year on year from ¥145,334 million to ¥157,529 million. Sales increased to the automotive and the industrial equipment markets, while decreased to the ICT market.

Other Passive Components include High-Frequency Devices, Piezoelectric Material Products and Circuit Protection Components. Consolidated net sales of Other Passive Components decreased by 50.0% year on year from ¥246,101 million to ¥123,120 million. Sales to the ICT market decreased sharply due to the impact of transferring part of the high-frequency devices business to a joint venture with Qualcomm Incorporated.

**[Sensor Application Products Segment]**

This segment is made up of Temperature and Pressure Sensors, Magnetic Sensors and MEMS Sensors. Consolidated net segment sales increased by 81.0% year on year from ¥42,850 million to ¥77,578 million.

Sales to the ICT market increased due to the consolidation of the sales of InvenSense, Inc., following the completion of its acquisition in the first quarter of fiscal 2018.

**[Magnetic Application Products Segment]**

This segment is made up of (1) Recording Devices, and (2) Other Magnetic Application Products. Consolidated net segment sales increased by 1.0% year on year, from ¥329,850 million to ¥333,235 million.

The Recording Devices business comprises mainly HDD (Hard Disk Drive) Heads and HDD Suspension Assemblies. It recorded sales of ¥237,865 million, down 1.8% from ¥242,287 million.

Other Magnetic Application Products include Power Supplies and Magnets. Consolidated net sales increased by 8.9% year on year from ¥87,563 million to ¥95,370 million.

Sales of Power Supplies increased mainly to the industrial equipment market. Also, sales of Magnets increased mainly to the industrial equipment market.

**[Film Application Products Segment]**

This segment is made up of Energy Devices (Rechargeable Batteries). Consolidated net segment sales increased by 49.8% from ¥247,693 million to ¥370,953 million.

Sales of Energy Devices increased significantly to the ICT market.

**[Other]**

Other includes Mechatronics (Production Equipment) and Others. Consolidated net segment sales increased by 76.6% from ¥29,639 million to ¥52,342 million.

### (3) Capital Expenditures of TDK

TDK invested ¥178,612 million in capital expenditures in Fiscal 2018, up 6.6% year on year, in order to provide an accurate response to fast-paced technological innovation and escalating sales competition in the electronics market. Capital expenditures in the previous fiscal year were ¥167,631 million.

Main capital expenditures included expenditures for equipment to increase production and raise production efficiency of Rechargeable Batteries; equipment to increase production and raise production efficiency of Ceramic Capacitors and Inductive Devices; and equipment for producing next-generation HDD Heads with higher areal density and Micro Actuator Suspension Assemblies. In Fiscal 2018, TDK executed capital expenditures in the aforementioned core business operations.

### (4) Research and Development of TDK

The expenditure for R&D activities in Fiscal 2018 was ¥103,457 million, up 13.4% from ¥91,254 million in Fiscal 2017. TDK invested in R&D to respond to the diversifying electronics market by strengthening and expanding new product development on an ongoing basis.

Based on a technology strategy of grasping market changes, TDK is focusing on developing products where future growth is promising. Especially with Sensors, which are a vital device for the IoT (Internet of Things) era, TDK aims to offer solutions combining sensor technology and software.

Further, TDK has built a four-base system for global R&D (Japan, Americas, Europe, and Asia), and is developing products in collaboration with R&D organizations and leading companies around the world based on a first-to-market mindset.

### (5) Fund Procurement of TDK

The balances of bonds and debt as of the end of Fiscal 2018 were as follows:

(¥ in millions)

Issue	Balance at March 31, 2018	Increase (Decrease) During FY2018
Bonds	13,385	399
Short- and long-term debt	469,634	148,488
Total	483,019	148,887

Issuances of bonds and assumption of short-term and long-term debt are mainly decided by and carried out by the Company. Details of bonds issued by the Company and its main lenders as of March 31, 2018 are as follows:

#### 1) Straight Bonds (Issued on January 23, 2009)

Issue	Total Amount of Issue	Issue Price	Coupon Rate	Redemption Date
4th Series Unsecured Straight Bonds	13,000 million yen	100 yen per face value of 100 yen	2.038% per annum	January 30, 2019

## 2) Main Lenders (As of March 31, 2018)

(¥ in millions)

Lender	Amount
Resona Bank, Limited	77,453
Sumitomo Mitsui Banking Corporation	69,060
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	68,624
Sumitomo Mitsui Trust Bank, Limited	55,500
Mizuho Bank, Ltd.	53,624
Mitsubishi UFJ Trust and Banking Corporation	53,624
Development Bank of Japan Inc	35,000

Note: The Bank of Tokyo-Mitsubishi UFJ, Ltd. has changed its name to MUFG Bank, Ltd. on April 1, 2018.

**(6) Assignment of Businesses or Acceptance of Assignment of Businesses of Other Companies, or Acquisition or Disposition of Shares, etc., of Other Companies**

Not applicable.

## (7) Assets and Earnings in the Last Four Fiscal Years

[Consolidated Results] (¥ in millions)

Term Item	119th (Apr. 1, 2014 to Mar. 31, 2015)	120th (Apr. 1, 2015 to Mar. 31, 2016)	121st (Apr. 1, 2016 to Mar. 31, 2017)	122nd (Apr. 1, 2017 to Mar. 31, 2018)
Net sales	1,082,560	1,152,255	1,178,257	1,271,747
Operating income	72,459	93,414	208,660	85,633
Net income attributable to the Company	49,440	64,828	145,099	63,463
Net income attributable to the Company / Basic per common share (¥)	392.78	514.23	1,150.16	502.80
Total assets	1,404,253	1,450,564	1,664,333	1,905,209
Total equity	758,007	684,633	802,118	831,232
Total stockholders' equity	738,861	675,361	793,614	824,634
Total stockholders' equity per share (¥)	5,864.56	5,354.79	6,288.55	6,532.01
Dividends per share (¥)	90.00	120.00	120.00	130.00
Return on Equity (ROE) (%)	7.2	9.2	19.8	7.8
Return on Assets (ROA) (%)	3.7	4.5	9.3	3.6
Dividend on Equity (DOE) (%)	1.6	2.1	2.1	2.0

Notes: 1. Net income attributable to the Company / Basic per common share and total stockholders' equity per share are computed based on the weighted average number of the issued shares and the number of issued shares as of the end of the relevant fiscal year, respectively, after deducting treasury stock.

2. The total cash dividend for the 122nd fiscal year is ¥130.00 per share, including a year-end dividend of ¥70.00 per share. The year-end dividend is scheduled for approval at the 122nd Ordinary General Meeting of Shareholders on June 28, 2018.

3. TDK adopted the FASB's ASU No. 2015-03 "Simplifying the Presentation of Debt Issuance Costs" from the 121st fiscal year, and figures are presented excluding debt issuance costs included in total assets in previous fiscal years. Also, Return on Assets (ROA) is presented after recalculation.

## (8) Pressing Issues

### 1) Medium- and Long-Term Management Strategy of TDK

TDK has formulated a new three-year medium-term management plan starting in the fiscal year ending March 31, 2019. Under the plan, TDK aims to achieve sustainable growth and increase corporate value by refining the components and process technologies it has cultivated and strengthening provision of solutions that respond to market needs. TDK will pursue a zero-defect quality strategy based on advanced technological capabilities, along with working to truly globalize its operations by speed-focused management.

Turning to TDK's business, it will create a new Energy Application Products segment to integrate the rechargeable battery, industrial equipment power supply, and automotive power supply businesses, and strengthen its business by generating synergies among its energy-related

businesses. Four reorganized segments will form the main businesses: Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products through which TDK will expand its sales. In addition to investing in these core businesses, TDK aims to enhance the Group's overall profitability and capital efficiency, while efficiently investing in new product development and new businesses.

At the same time, as regards shareholder returns, TDK's policy is to continue paying stable dividends by leveraging the impact of these investments to grow earnings per share.

TDK has established the "TDK Basic Policy on Corporate Governance" to further activate its constructive engagement (dialogue) with shareholders and investors and fulfill the role and obligations of the Board of Directors appropriately and will endeavor to implement appropriate information disclosure and ensure transparency. Furthermore, TDK has established important issues in corporate social responsibility (CSR) activities based on both its own perspective and that of its stakeholders and the Group as a whole will focusing on working to solve social issues.

## 2) Pressing Issues of TDK

The electronics market is experiencing solid demand for electrical components due to increasing sophistication and multifunction of electronic equipment. At the same time, product safety standards are increasingly high, and customers are demanding higher levels of performance and quality for automotive electrical components in particular.

In this situation, TDK recognizes the importance of quickly implementing a zero-defect quality strategy and is pushing forward with further strengthening its production process with a management that unifies all stages from raw materials to manufacturing. On the other hand, TDK will implement measures to stably procure raw materials expected to be affected by tight supply-demand balance, and to develop new processing methods that reduce the use of rare metals.

In the previous fiscal year and the fiscal year under review, TDK positioned the sensor business as a core business for the Group and conducted M&As focused on sensor related companies. TDK has steadily proceeded with the post-merger integration process, and the early creation of targeted synergies has become a priority. One such measure is to organize a global personnel system and enhance appropriate evaluation and training schemes to utilize acquired human resources in management.

Moreover, to help realize a sustainable society, TDK will take steps to coexist with the global environment, including by reducing the environmental impact of its business activities (reducing CO2 emissions and so forth).

In these endeavors, the Company greatly appreciates the continued support of all its shareholders.

In July 2016, the Company had an on-site inspection by Japan Fair Trade Commission regarding its HDD suspension business under the Anti-Monopoly Act in Japan. In February 2018, Japan Fair Trade Commission officially announced that they had issued a cease-and-desist order and a surcharge payment order against manufacturers of HDD suspensions. The Company and its subsidiaries are exempted from any surcharges and also have received no cease-and-desist order pursuant to an application for leniency in advance.

TDK has appointed a Chief Compliance Officer to oversee the entire Group and has worked to develop a compliance structure with the aim of further reinforcing its compliance with laws and regulations. Going forward, TDK takes this situation very seriously and will pursue these efforts with increased vigor and speed and will strive to restore the trust of its stakeholders, etc.

In this way, TDK will strengthen its compliance structure, while the governance structure will also be strengthened by the establishment, etc. of a Corporate Governance Committee as an advisory body to the Board of Directors of the Company.

《Reference》 Consolidated forecasts for the fiscal year ending March 31, 2019 (as published on April 27, 2018)

(¥ in millions)

	Results for the fiscal year ending March 31, 2018	Forecasts for the fiscal year ending March 31, 2019	YoY Change
Net sales	1,271,747	1,340,000	5.4%
Operating income	85,633	100,000	16.8%
Income before income taxes	89,811	98,000	9.1%
Net income attributable to the Company	63,463	70,000	10.3%
Net income attributable to the Company / Basic per common share (¥)	502.80	554.48	51.68

### (9) Principal Businesses of TDK

TDK is principally engaged in the manufacture and sale of electronic components. Main businesses in the four reporting segments and others which are not included in such three segments are as follows:

Segment	Main Businesses
Passive Components	Ceramic Capacitors, Aluminum Electrolytic Capacitors, Film Capacitors, Inductive Devices (Coils / Ferrite Cores / Transformers), High-Frequency Devices, Piezoelectric Material Products, Circuit Protection Components
Sensor Application Products	Temperature and Pressure Sensors, Magnetic Sensors, MEMS Sensors
Magnetic Application Products	HDD Heads, HDD Suspension Assemblies, Power Supplies, Magnets
Film Application Products	Energy devices (rechargeable batteries)
Other	Mechatronics (production equipment), Others

### (10) Major Business Offices and Plants of TDK

#### 1) The Company

Type of Office	Locations
Head Office	9-1, Shibaura 3-chome, Minato-ku, Tokyo
Business Offices	Sendai, Matsumoto, Nagoya, Osaka, Fukuoka

Plants	Nikaho Plant (Akita Pref.), Honjo Plant(Akita Pref.) Inakura Plant (Akita Pref.), Narita Plant (Chiba Pref.), Kofu Plant (Yamanashi Pref.), Asama Techno Plant (Nagano Pref.), Shizuoka Plant (Shizuoka Pref.), Mikumagawa Plant (Oita Pref.)
Research & Development	Ichikawa and Narita, Chiba Pref.

## 2) Subsidiaries

The “1) Status of Principal Subsidiaries” of “(11) Principal Subsidiaries” is as follows.

### (11) Principal Subsidiaries

#### 1) Status of Principal Subsidiaries

Name of Company	Capital	Percentage of Votes Held by the Company (%)	Outline of Principal Business
TDK-Lambda Corporation (Minato-ku, Tokyo)	¥2,976 million	*100.0	Manufacture and sale of magnetic application products
TDK Akita Corporation (Yurihonjo-shi, Akita Pref.)	¥200 million	*100.0	Manufacture of passive components
TDK Shonai Corporation (Tsuruoka-shi, Yamagata Pref.)	¥110 million	*100.0	Manufacture of passive components
TDK China Co., Ltd. (Shanghai, China)	RMB260,973 thousand	100.0	Management and supervision of Chinese subsidiaries
TDK Hong Kong Company Limited (Hong Kong, China)	HK\$25,500 thousand	100.0	Manufacture and sale of passive components and magnetic application products
SAE Magnetics (Hong Kong) Limited (Hong Kong, China)	HK\$50 thousand	*100.0	Manufacture and sale of magnetic application products
TDK Xiamen Co., Ltd. (Xiamen, China)	RMB681,074 thousand	*100.0	Manufacture and sale of passive components
Amperex Technology Limited (Hong Kong, China)	US\$277,588 thousand	*99.3	Manufacture and sale of film application products
TDK (Shanghai) International Trading Co., Ltd. (Shanghai, China)	RMB1,659 thousand	*100.0	Sale of passive components
TDK Taiwan Corporation (Taipei, Taiwan)	NT\$424,125 thousand	*95.4	Manufacture and sale of passive components
Magnecomp Precision Technology Public Co., Ltd. (Ayutthaya, Thailand)	US\$96,333 thousand	99.8	Manufacture and sale of magnetic application products
TDK Singapore (Pte) Ltd. (Singapore)	US\$126 thousand	*100.0	Sale of passive components and magnetic application products

Name of Company	Capital	Percentage of Votes Held by the Company (%)	Outline of Principal Business
TDK U.S.A. Corporation (New York, U.S.A.)	US\$1,665,155 thousand	100.0	Management and supervision of U.S. subsidiaries
InvenSense Inc. (California, U.S.A.)	US\$1,475,072 thousand	*100.0	Manufacture and sale of sensor application products
TDK Corporation of America (Illinois, U.S.A.)	US\$3,800 thousand	*100.0	Sale of passive components
TDK Europe S.A. (Windhof, Luxembourg)	Euro 352,113 thousand	100.0	Management and supervision of European subsidiaries
EPCOS AG (Munich, Germany)	Euro 66,682 thousand	*100.0	Manufacture and sale of passive components
TDK Europe GmbH (Munich, Germany)	Euro 46,545 thousand	*100.0	Sale of passive components
TDK-Micronas GmbH (Freiburg, Germany)	Euro 500 thousand	*100.0	Manufacture and sale of sensor application products

Notes: 1. Capital and percentage of votes held by the Company have been rounded down to the nearest unit.

2. \* denotes percentage of votes held by the Company including indirect holdings.

## 2) Business Combinations

Classification		No. of Companies	YoY Change
Consolidated subsidiaries	Domestic	15	-3 companies (+1 company, -4 companies)
	Overseas	127	+7 companies (+13 companies, -6 companies)
	Total	142	+4 companies (+14 companies, -10 companies)
Equity-method affiliates	Domestic	3	-1 company
	Overseas	5	—
	Total	8	-1 company

## (12) Employees

### Employees of TDK:

Number of Employees	Change from Preceding Fiscal Year
102,883	3,190

Note: The number of employees represents the number of employees who work in offices. Part-time employees are not included in the figure above.

## 2. Matters Concerning Shares of the Company

### (1) Total Number of Shares Authorized to Be Issued by the Company

480,000,000 shares

### (2) Total Number of Issued Shares

129,590,659 shares (inclusive of 3,345,580 shares of treasury stock)

### (3) Number of Shareholders

21,565 shareholders (4,422 less than at March 31, 2017)

### (4) Top 10 Largest Shareholders

Name of shareholder	Number of shares held	Percentage of shares held
	(thousands of shares)	(%)
The Master Trust Bank of Japan, Ltd.(Trust account)	24,086	19.08
Japan Trustee Services Bank, Ltd.(Trust account)	14,404	11.41
Trust & Custody Services Bank, Ltd.(Securities investment trust account)	3,437	2.72
STATE STREET BANK WEST CLIENT - TREATY 505234	2,355	1.87
Japan Trustee Services Bank, Ltd.(Trust account 5)	1,999	1.58
JPMC OPPENHEIMER JASDEC LENDING ACCOUNT	1,839	1.46
STATE STREET BANK AND TRUST COMPANY 505001	1,797	1.42
Nippon Life Insurance Company	1,640	1.30
Japan Trustee Services Bank, Ltd.(Trust account 7)	1,634	1.29
Japan Trustee Services Bank, Ltd.(Trust account 9)	1,626	1.29

Notes: 1. The 3,345,580 shares of treasury stock were not considered when calculating the percentage of shares held.

2. Shares of treasury stock are not considered in the number of shares held by the largest shareholders above.

### 3. Matters Concerning Stock Acquisition Rights, Etc.

#### (1) Stock Acquisition Rights, Etc., Granted to the Company's Directors and Audit & Supervisory Board Members as of the End of the Fiscal Year Under Review in Consideration for the Performance of Their Duties

##### 1) Stock-Linked Compensation Stock Acquisition Rights

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Amount to be paid for stock acquisition rights (issue price)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
2005	June 29, 2005	26	2,600 shares of common stock	Free of charge	From July 1, 2005 to June 30, 2025	1 person, 26 rights	—
2008	May 28, 2008	17	1,700 shares of common stock	¥5,967 (fair value)	From July 6, 2008 to July 5, 2028	1 person, 17 rights	—
2009	May 27, 2009	125	12,500 shares of common stock	¥4,021 (fair value)	From July 5, 2009 to July 4, 2029	2 people, 57 rights	—
2010	May 26, 2010	144	14,400 shares of common stock	¥4,213 (fair value)	From July 4, 2010 to July 3, 2030	2 people, 67 rights	—
2011	May 25, 2011	282	28,200 shares of common stock	¥3,925 (fair value)	From July 3, 2011 to July 2, 2031	2 people, 75 rights	1 person 20 rights
2012	June 21, 2012	282	28,200 shares of common stock	¥2,770 (fair value)	From July 8, 2012 to July 7, 2032	2 people, 98 rights	1 person 19 rights
2013	June 19, 2013	281	28,100 shares of common stock	¥3,112 (fair value)	From July 7, 2013 to July 6, 2033	2 people, 94 rights	1 person 26 rights
2014	June 18, 2014	321	32,100 shares of common stock	¥4,136 (fair value)	From July 6, 2014 to July 5, 2034	2 people, 94 rights	1 person 26 rights
2015	July 31, 2015	927	92,700 shares of common stock	¥6,806 (fair value)	From August 23, 2015 to August 22, 2035	4 people, 331 rights	—
2016	June 17, 2016	470	47,000 shares of common stock	¥4,273 (fair value)	From July 10, 2016 to July 9, 2036	4 people, 235 rights	—
2017	June 16, 2017	271	27,100 shares of common stock	¥6,584 (fair value)	From July 9, 2017 to July 8, 2037	4 people, 111 rights	—

## 2) Stock Acquisition Rights

Issue	Issue resolution date	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Exercise price (per share)	Exercise period of stock acquisition rights (both days inclusive)	Directors' and Audit & Supervisory Board Members' holdings	
						Directors	Audit & Supervisory Board Members
11th	July 31, 2012	245	24,500 shares of common stock	¥3,550	From August 1, 2014 to July 31, 2018	—	—
12th	July 31, 2013	403	40,300 shares of common stock	¥3,836	From August 1, 2015 to July 31, 2019	—	—

Notes: 1. The exercise price of stock-linked compensation stock acquisition rights is ¥1 per share.

2. Stock acquisition rights are issued free of charge.

3. Stock acquisition rights have not been granted to Outside Directors and Audit & Supervisory Board Members.

4. Stock acquisition rights held by Directors include stock acquisition rights granted when they were Corporate Officers of the Company.

5. Stock acquisition rights held by an Audit & Supervisory Board Member were granted during appointment as a Director.

(Reference) Stock acquisition rights, etc., held by Directors, Audit & Supervisory Board Members, Corporate Officers and employees, etc., of the Company and its subsidiaries as of March 31, 2018

	Number of stock acquisition rights	Class and number of shares to be issued upon the exercise of stock acquisition rights	Percentage of the number of stock acquisition rights in the total number of the issued shares
Stock-Linked Compensation Stock Acquisition Rights	3,146	314,600 shares of common stock	0.24%
Stock Acquisition Rights	648	64,800 shares of common stock	0.05%
Total	3,794	379,400 shares of common stock	0.29%

### (2) Stock Acquisition Rights, Etc., Granted to Employees, Etc., During the Fiscal Year Under Review in Consideration for the Performance of Their Duties

Issue	Corporate Officers of the Company		Employees of the Company		Officers and Employees of the Subsidiaries of the Company	
	Number of holders	Number issued	Number of holders	Number issued	Number of holders	Number issued
2017 Stock-Linked Compensation Stock Acquisition Rights	15	160 stock acquisition rights (16,000 shares)	—	—	—	—

#### 4. Matters Concerning Directors and Audit & Supervisory Board Members

##### (1) Names and Other Details of Directors and Audit & Supervisory Board Members

Position	Name	Duties at the Company and Situation regarding Significant Concurrent Posts
Representative Director (Chairman)	Takehiro Kamigama	<ul style="list-style-type: none"> <li>• Outside Director of OMRON Corporation</li> <li>• Outside Director of Yamaha Motor Co., Ltd.</li> </ul>
Representative Director (President)	Shigenao Ishiguro	<ul style="list-style-type: none"> <li>• General Manager of Humidifier Countermeasures HQ of the Company</li> </ul>
Director (Senior Vice President)	Tetsuji Yamanishi	<ul style="list-style-type: none"> <li>• General Manager of Finance &amp; Accounting HQ of the Company</li> </ul>
Director (Executive Vice President)	Seiji Osaka	<ul style="list-style-type: none"> <li>• General Manager of Corporate Strategy HQ, in charge of Human Resources of the Company</li> <li>• Outside Director of Tabuchi Electric Co., Ltd.</li> </ul>
Outside Director	Makoto Sumita	<ul style="list-style-type: none"> <li>• Chairman &amp; CEO of INNOTECH CORPORATION</li> <li>• Chairman &amp; CEO of INNOTECH FRONTIER, Inc.</li> </ul>
Outside Director	Kazumasa Yoshida	<ul style="list-style-type: none"> <li>• Outside Director of Onkyo Corporation</li> <li>• Outside Director of CYBERDYNE, INC.</li> <li>• Outside Director of Mamezou Holdings Co., Ltd.</li> <li>• Outside Director of Freebit Co, Ltd.</li> </ul>
Outside Director	Kazuhiko Ishimura	<ul style="list-style-type: none"> <li>• Chairman &amp; Director of Asahi Glass Co., Ltd.</li> <li>• Outside Director of IHI Corporation</li> </ul>
Full-time Audit & Supervisory Board Member	Junji Yoneyama	
Full-time Audit & Supervisory Board Member	Osamu Yotsui	
Outside Audit & Supervisory Board Member	Kazunori Yagi	<ul style="list-style-type: none"> <li>• Outside Audit &amp; Supervisory Board Member of Yokogawa Bridge Holdings Corp.</li> <li>• Outside Director of OYO Corporation</li> <li>• Outside Audit &amp; Supervisory Board Member of Sojitz Corporation</li> </ul>
Outside Audit & Supervisory Board Member	Toru Ishiguro	<ul style="list-style-type: none"> <li>• Partner of Mori Hamada &amp; Matsumoto</li> <li>• Outside Director of Daiwa Asset Management Co., Ltd.</li> <li>• Director of Japan Investor Protection Fund</li> <li>• Governor of Japan Exchange Regulation</li> </ul>
Outside Audit & Supervisory Board Member	Kiyoshi Fujimura	

Notes: 1. Directors Messrs. Makoto Sumita, Kazumasa Yoshida, and Kazuhiko Ishimura are Outside Directors pursuant to Article 2, item 15 of the Companies Act of Japan and Independent Directors pursuant to Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.

2. Audit & Supervisory Board Members Messrs. Kazunori Yagi, Toru Ishiguro, and Kiyoshi Fujimura are Outside Audit & Supervisory Board Members pursuant to Article 2, item 16 of the Companies

Act of Japan. Also, Messrs. Kazunori Yagi, and Kiyoshi Fujimura are Independent Audit & Supervisory Board Members pursuant to Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc.

3. After March 31, 2018, the following changes in duties and significant concurrent posts occurred:

date of change	Position	Name	Duties at the Company and Situation regarding Significant Concurrent Posts
April 1, 2018	Director (Executive Vice President)	Seiji Osaka	<ul style="list-style-type: none"> <li>• General Manager of Corporate Strategy HQ of the Company</li> <li>• Outside Director of Tabuchi Electric Co., Ltd.</li> </ul>
May 23, 2018	Outside Director	Makoto Sumita	<ul style="list-style-type: none"> <li>• Chairman &amp; CEO of INNOTECH CORPORATION</li> </ul>

4. Transactions between the Company and other parties where Outside Directors/Audit & Supervisory Board Members concurrently hold significant positions were as follows:

- Although the Company has business relationships relating to Semiconductor Memory Devices and system development, etc. with INNOTECH CORPORATION, where Outside Director Mr. Makoto Sumita is CEO, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of TDK to the INNOTECH Group represented less than 1% of the consolidated net sales of TDK, and the ratio of sales of the INNOTECH Group to TDK represented less than 1% of the INNOTECH Group's consolidated net sales.
- Although the Company has business relationships relating to electronic components, glass and chemical goods, etc. with Asahi Glass Co., Ltd., where Outside Director Mr. Kazuhiko Ishimura serves as Director, the transacted amount is so small for both entities that such business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of TDK to Asahi Glass Group represented less than 1% of the consolidated net sales of TDK, and the ratio of sales of the Asahi Glass Group to TDK represented less than 1% of the Asahi Glass Group's consolidated net sales.
- Although the Company has business relationships relating to electronic components and manufacturing equipment, etc. with IHI Corporation, where Outside Director Mr. Kazuhiko Ishimura serves as the Outside Director, the transacted amount is so small for both entities that this business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of the TDK to the IHI Group represented less than 1% of the consolidated net sales of the TDK, and the ratio of sales of the IHI Group to the TDK represented less than 1% of the IHI Group's consolidated net sales.
- Although the Company has a business relationship relating to metallic materials with Sojitz Corporation, where Outside Audit & Supervisory Board Member Mr. Kazunori Yagi serves as Outside Audit & Supervisory Board Member, the transacted amount is so small for both entities that this business relationship is not a significant relationship; in the fiscal year ended March 31, 2018, the ratio of sales of the Sojitz Group to TDK represented less than 1% of the consolidated net sales of the Sojitz Group.

5. Audit & Supervisory Board Members Messrs. Osamu Yotsui, Kazunori Yagi, and Kiyoshi Fujimura have relevant knowledge of financing and accounting as stated below:

- Full-time Audit & Supervisory Board Member Mr. Osamu Yotsui has the experience of serving for many years in the fields of financing and accounting of the Company; thus, he has considerable knowledge in this field.
- Outside Audit & Supervisory Board Member Mr. Kazunori Yagi has the experience of serving for many years in the fields of accounting and corporate planning at Yokogawa Electric Corporation; thus, he has considerable knowledge as regards financing and accounting.
- Outside Audit & Supervisory Board Member Mr. Kiyoshi Fujimura has the experience of serving for many years in the field of accounting for Mitsubishi Corporation; thus, he has considerable knowledge of financing and accounting.

6. The Company entered into contracts with all of the Outside Directors and Audit & Supervisory Board Members pursuant to Article 427, paragraph 1 of the Companies Act of Japan to limit their liabilities under Article 423, paragraph 1 of the same Act. The amount of liability set forth in each such contract is equal to or greater than the amount provided for in Article 425, paragraph 1 of the same Act.

## (2) Remuneration for Directors and Audit & Supervisory Board Members

### 1) Total Amount of Remuneration for the Fiscal Year Under Review

Classification	Total number of payees	Total amount of remuneration (¥ in millions)	Remuneration breakdown					
			Basic remuneration		Results-linked bonus		Stock-linked compensation stock options	
			Number of payees	Amount paid (¥ in millions)	Number of payees	Amount paid (¥ in millions)	Number of payees	Amount paid (¥ in millions)
Directors	8	523	8	249	3	101	4	173
(including Outside Directors)	(3)	(45)	(3)	(45)	Not eligible for the above remuneration			
Audit & Supervisory Board Members	5	87	5	87	Not eligible for the above remuneration			
(including Outside Audit & Supervisory Board Members)	(3)	(29)	(3)	(29)				
Total	13	610	13	336	3	101	4	173

Notes: 1. The number of Directors and Audit & Supervisory Board Members at the end of the fiscal year under review were 7 and 5, respectively.

The total number of payees, the total amount of remuneration and the basic remuneration in the breakdown thereof regarding Directors and Audit & Supervisory Board Members as shown above include 1 Director who retired at the close of the 121st Ordinary General Meeting of Shareholders held on June 29, 2017, and the amount of remuneration paid to him.

#### 2. The ceiling amount of remuneration

##### (1) The ceiling amount of remuneration for Directors

1) Basic remuneration: The ceiling amount of remuneration for Directors as a group was resolved as less than ¥25 million per month at the 106th Ordinary General Meeting of Shareholders held on June 27, 2002.

2) Results-linked bonus: The ceiling amount of results-linked bonuses was resolved as less than ¥350 million per year at the 119th Ordinary General Meeting of Shareholders held on June 26, 2015.

3) Stock-linked compensation stock options: The ceiling amount of remuneration related to stock acquisition rights allocated as stock options was resolved as less than ¥457 million per year at the 119th Ordinary General Meeting of Shareholders held on June 26, 2015.

##### (2) The ceiling amount of remuneration for Audit & Supervisory Board Members

Basic remuneration: The ceiling amount of remuneration for Audit & Supervisory Board Members as a group was resolved as less than ¥8 million per month at the 106th Ordinary General Meeting of Shareholders held on June 27, 2002.

3. As for the amount of results-linked bonuses and stock-linked compensation stock options for Directors for the fiscal year under review, it has been recorded as an expense.

### 2) Policy and Determination Method Regarding the Amounts of Remuneration and Other Payments for Directors and Audit & Supervisory Board Members and its Method of Calculation

#### <Policy on remuneration>

##### (1) Purpose of remuneration system

The Company has designed 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 constantly increasing the corporate value of the overall TDK 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) Remuneration level

The Company aims to set remuneration at levels enabling the maintenance of competitiveness compared with other companies of similar scale, mainly in the same business category. The adequacy of its level is examined by the Compensation Advisory Committee based on studies, etc., on corporate management remuneration performed periodically by third parties.

(3) Composition of remuneration

- a. Remuneration for Directors who serve concurrently as Corporate Officers  
Composed of basic remuneration, results-linked bonuses and stock-linked compensation stock options.
- b. Remuneration of Directors who do not serve concurrently as Corporate Officers  
Composed of basic remuneration and stock-linked compensation stock options.
- c. Remuneration for Outside Directors  
Basic remuneration only.
- d. Remuneration for Audit & Supervisory Board Members  
Basic remuneration only.

(4) Results linkage system

- a. Short-term results linkage system (results-linked bonus)  
A system whereby remuneration fluctuates within a range of 0% to 200% of the standard payment amount depending on the consolidated results for the year (operating income, ROE) and the degree of attainment of targets set for each division in charge.
- b. Mid- to long-term results linkage system (stock-linked compensation stock options)  
Under this system, recipients share the same advantage of a rising stock value of the Company and the same risk of it falling as shareholders. The introduction of such a system is intended to increase the ambition and morale of eligible Directors and Corporate Officers with respect to the enhancement of results and stock value. To further strengthen the link between executive remuneration and mid- to long-term results and corporate value, some stock-linked compensation stock options have a results achievement condition attached to them. The results achievement condition takes consolidated results under the medium-term management plan (operating income, ROE) as an index, and varies the number of exercisable options between 0% and 100% of the number of options granted, depending on the degree of attainment of targets.

The Company has established Corporate Stock Ownership Guidelines. The Company makes an effort to ensure that eligible Directors and Corporate Officers hold at least a certain number of shares in the Company pursuant to their rank, including stock-linked compensation stock options.

<Remuneration determination process (establishment and operation of the Compensation Advisory Committee)>

In order to achieve the purpose of the aforementioned remuneration system, the Company has in place a “Compensation Advisory Committee” acting as an advisory body to the Board of Directors which is chaired by an Outside Director and of which more than half of the members are composed of Outside Directors.

The Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers and reports its findings to the Board of Directors in order to review the transparency of the remuneration decision-making process and help to ensure that the individual remuneration is reasonable in light of corporate business performance, individual performance and general industry standards, among other factors.

**(3) Matters Concerning Outside Directors and Outside Audit & Supervisory Board Members**

1) Situation regarding Significant Concurrent Posts and Relationships between the Company and the Entities Concerned

Please refer to “4. (1) Names and Other Details of Directors and Audit & Supervisory Board Members” noted from page 29 through page 30.

2) Principal Activities of Outside Directors and Outside Audit & Supervisory Board Members during the Fiscal Year Under Review

Name (Position)	Attendance at Meetings of the Board of Directors and Other Meetings	Opinions in Meetings of the Board of Directors and Other Activities
Makoto Sumita (Outside Director)	Mr. Sumita attended all 15 meetings of the Board of Directors held during the fiscal year under review. Attendance at the following committee meetings during the fiscal year under review: Nomination Advisory Committee: 6 out of 6 meetings Compensation Advisory Committee: 8 out of 8 meetings	Mr. Sumita is the Chairman of the Board of Directors. He actively stated opinions based mainly on his extensive experience and high level of expertise regarding corporate management, especially in the electronics field. Mr. Sumita is the Chairman of the Nomination Advisory Committee. He therefore plays a key role in judging the appropriateness of the selection of Directors, Audit & Supervisory Board Members and Corporate Officers, and the transparency of the decision-making process. He is also a member of the Compensation Advisory Committee.
Kazumasa Yoshida (Outside Director)	Mr. Yoshida attended all 15 meetings of the Board of Directors held during the fiscal year under review. Nomination Advisory Committee: 6 out of 6 meetings Compensation Advisory Committee: 8 out of 8 meetings	Mr. Yoshida actively stated opinions regarding corporate management based on his extensive experience and knowledge, mainly on corporate management in the electronics industry and global and consumer businesses. Mr. Yoshida is the Chairman of the Compensation Advisory Committee. He therefore plays a key role in judging the transparency of the decision-making process of the remuneration to Directors and Corporate Officers, and the appropriateness of the compensation. He is also a member of the Nomination Advisory Committee.

Name (Position)	Attendance at Meetings of the Board of Directors and Other Meetings	Opinions in Meetings of the Board of Directors and Other Activities
Kazuhiko Ishimura (Outside Director)	Mr. Ishimura attended all 15 meetings of the Board of Directors held during the fiscal year under review. Nomination Advisory Committee: 6 out of 6 meetings Compensation Advisory Committee: 8 out of 8 meetings	Mr. Ishimura actively stated opinions regarding corporate management in general based on his extensive experience and knowledge regarding corporate management at a materials manufacturer and global business. Mr. Ishimura is a member of the Nomination Advisory Committee. He therefore plays an important role in judging the appropriateness of the selection of Directors, Audit & Supervisory Board Members and Corporate Officers, and the transparency of the decision-making process. He is also a member of the Compensation Advisory Committee.
Kazunori Yagi (Outside Audit & Supervisory Board Member)	Mr. Yagi attended all 14 meetings of the Audit & Supervisory Board and all 15 meetings of Board of Directors held during the fiscal year under review.	Mr. Yagi actively stated opinions based mainly on his extensive experience regarding corporate management in the electronics field and on his professional accounting and financing viewpoint.
Toru Ishiguro (Outside Audit & Supervisory Board Member)	Mr. Ishiguro attended all 14 meetings of the Audit & Supervisory Board and all 15 meetings of Board of Directors held during the fiscal year under review.	Mr. Ishiguro actively stated opinions from his specialized knowledge on law as a lawyer and advanced, specialized knowledge and wide-ranging insight regarding corporate governance and internal control.
Kiyoshi Fujimura (Outside Audit & Supervisory Board Member)	Mr. Fujimura attended all 14 meetings of the Audit & Supervisory Board and all 15 meetings of Board of Directors held during the fiscal year under review.	Mr. Fujimura actively stated opinions from his extensive experience in corporate management of a general trading company and his expert knowledge relating to finance and accounting.

Note: In the cease and desist order and surcharge payment order issued to the manufacturers of HDD suspensions by the Japan Fair Trade Commission (“JFTC”) in February 2018, there was a reference to misconduct of the Company and its subsidiaries under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan. However, the Company and its subsidiaries were exempted from cease and desist order and surcharge payment order, since they filed an application under the leniency program with the JFTC in advance and such application was granted as well as for other reasons.

Each Outside Directors and Outside Audit & Supervisory Board Member has regularly commented as appropriate on the importance and thorough implementation of corporate governance and legal compliance at the Board of Directors meetings and on other occasions. In addition, each Outside Directors and Outside Audit & Supervisory Board Member has performed his duties by, for example, providing more active recommendations on the development and strengthening of the Company’s corporate governance and compliance system after gaining the understanding of the said case.

## 5. Accounting Auditor

(1) Name KPMG AZSA LLC

### (2) Remuneration

(¥ in millions)

	Amounts payable
The amount of remuneration payable to the Accounting Auditor by the Company with respect to duties provided under Article 2, paragraph 1 of the Certified Public Accountants Act	376
The aggregate amount of remuneration and other material benefits payable to the Accounting Auditor by the Company and its subsidiaries	424

- Notes: 1. The Company's Audit & Supervisory Board has consented to the remuneration of the Accounting Auditor as required under the Article 399 paragraph 1 of the Companies Act, after examining the Accounting Auditor's audit plan, the status of duties conducted in previous fiscal years, and the basis for calculation of the remuneration estimate by receiving the necessary materials and hearing reports from Directors, relevant in-house departments, and the Accounting Auditor.
2. The amount of remuneration for audit pursuant to the Companies Act and the amount of remuneration for audit pursuant to the Financial Instruments and Exchange Act are not divided in the Auditing Agreement concluded between the Company and the Accounting Auditor. Therefore, the amount to be paid by the Company with respect to duties provided as stated in Article 2, paragraph 1 of the Certified Public Accountants Act represents the total amount to be paid by the Company.
3. The Company pays remuneration to the Accounting Auditor for advice regarding the application of accounting standards and other duties aside from those provided under Article 2, paragraph 1 of the Certified Public Accountants Act.
4. Of the Company's principal subsidiaries, TDK U.S.A. Corporation, SAE Magnetics (Hong Kong) Limited and other companies are audited by KPMG member firms overseas, and EPCOS AG is audited by another foreign audit firm.

### (3) Dismissal or Non-reappointment of Accounting Auditor

If all of the Audit & Supervisory Board Members acknowledge that the Company's Accounting Auditor is subject to any of the conditions set forth in Article 340, paragraph 1 of the Companies Act, and is therefore largely unable to properly execute its duties, the Company shall dismiss the Accounting Auditor by a unanimous resolution of all members of the Audit & Supervisory Board.

In addition to cases in which there is evidence to justify the dismissal of the Company's Accounting Auditor for statutory reasons, if any event occurs that is recognized as casting doubt upon the suitability of the Accounting Auditor regarding important factors relating to the Accounting Auditor's execution of duties, such as the Accounting Auditor's qualifications, independency and ethics, the Audit & Supervisory Board will, in accordance with the Regulations of the Audit & Supervisory Board, decide as to whether the Accounting Auditor shall be dismissed or shall not be re-appointed, comprehensively taking the facts into account.

## 6. TDK's System and Policy

**[Establishment of systems for ensuring the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation, and other systems for ensuring the properness of operations of a stock company and operations of a corporate group consisting of such stock company and its subsidiaries]**

With respect to the statement above, the Board of Directors of the Company resolved as follows:  
(Revision date: May 24, 2017)

### **(1) Systems for ensuring the execution of duties by Directors of the Company complies with laws and regulations and the Articles of Incorporation:**

The Company was established in 1935 as the world's first company to industrialize a magnetic material called ferrite. In the ensuing years, the Company has unremittingly pursued originality and increased corporate value through provisions of products and services which have created new value, based on the founding spirit "Contribute to culture and industry through creativity" as its Corporate Motto. In addition, TDK will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees, and communities, among others), continue to be helpful by resolving social issues and contribute to the development of a more sustainable society. TDK clearly declares as "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 members of TDK seek to behave in strict compliance with the "Corporate Standards of Business Conduct" prescribed by the "TDK Code of Conduct".

In addition, the Company aims to achieve its management targets and to improve corporate value further through the creation of products by adhering to the Corporate Motto. At the same time, the Company strives to foster a sound corporate culture and sincerely conducts business activities, always being aware of its place as a member of society. Moreover, the Company will be accountable to stakeholders through comprehensive, accurate, timely, and impartial disclosure of information.

As mentioned above, the Company sincerely and devotedly seeks to achieve its management philosophy and to establish the following effective and orderly corporate governance systems to continue to ensure soundness, compliance, and transparency in its business operations.

#### ① Adoption of the Audit & Supervisory Board Member System and Strengthening of the Supervisory Function:

The Company has adopted the Audit & Supervisory Board Member system pursuant to the Companies Act of Japan and appoints independent Outside Audit & Supervisory Board Members who are disinterested in the Company to strengthen the supervision of the Company's management.

#### ② Strengthening the Function of the Board of Directors and Increasing the Accountability of Directors:

The Company has a small number of Directors to expedite the management decision-making process. At the same time, the Company appoints disinterested, independent Outside Directors in order to enhance the supervision of the Company's management. In addition, the Company's basic policy is to elect independent Outside Directors which account for one-third or more of the Directors. Furthermore, the Directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every fiscal year.

③ Adoption of a Corporate Officer System for Expeditious Business Execution:

The Company has adopted a Corporate Officer system that separates the management decision-making and Director supervisory functions of the Board of Directors from the execution of business. This aims to accelerate decision-making by delegation of authority and to clarify the authority and responsibility of business execution. Corporate Officers are in charge of business execution and carrying out decisions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

④ Establishment of Advisory Bodies to the Board of Directors (Business Ethics & CSR Committee, Disclosure Advisory Committee, Compensation Advisory Committee and Nomination Advisory Committee):

The aim of the Business Ethics & CSR Committee is to ensure compliance with the TDK Corporate Motto, understanding of corporate ethics and improvement of awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Audit & Supervisory Board Members, Corporate Officers and all other members of TDK are made fully aware of the “TDK Code of Conduct”, which stipulates concrete standards of business conduct in compliance with the TDK’s management philosophy, including the TDK Corporate Motto and Corporate Principle, and social norms, including relevant laws, regulations, international rules and the spirit thereof.

The Disclosure Advisory Committee reviews and examines important corporate information and disclosure materials of the Company that are required for investment decisions by shareholders and investors to ensure that the Company discloses appropriate information in a comprehensive, accurate, timely and impartial manner, in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchange on which the Company’s shares are listed.

The Compensation Advisory Committee, which is chaired by an Outside Director of the Company, examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers as well as presidents and qualifying officers of the Company’s principal subsidiaries. It also reviews the transparency of the remuneration decision-making process and verifies whether such remuneration is reasonable in light of corporate business performance, individual performance and general industry standards.

The Nomination Advisory Committee, which is chaired by an Outside Director of the Company, reviews the conditions expected for the post of Director, Audit & Supervisory Board Member and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members and Corporate Officers, and provides transparency in the decision-making process.

Under the foregoing corporate systems, the Audit & Supervisory Board Members in charge of supervising management ensure soundness, compliance and transparency in the Company’s business operations by executing their duties pursuant to the Regulations of the Audit & Supervisory Board, the Code of Audit & Supervisory Board Members’ Auditing Standards and Audit Practice Standards for Internal Control Systems and by auditing whether the Directors’ performance is appropriately and reasonably in compliance with relevant laws and regulations and the Articles of Incorporation.

Similarly, Directors in charge of management decision-making and supervision of business execution ensure soundness, compliance and transparency in the Company’s business operations by executing their duties pursuant to the Regulations of the Directors’ Business and the Regulations of the Board of Directors established in accordance with relevant laws and regulations and the Articles of Incorporation. In addition, Corporate Officers in charge of business execution ensure soundness, compliance and transparency in the Company’s business

operations by executing their duties pursuant to the Regulations of the Corporate Officers' Business.

The Company establishes the following system to ensure compliance with all applicable securities and exchange laws and other similar laws and regulations of all relevant countries, as well as the rules and regulations of the stock exchange on which the Company's shares are listed (hereinafter collectively referred to as the "Securities Regulations").

- (i) The Company establishes an internal control system and other methods to warrant that it collects, records, analyzes, processes, summarizes and reports, and timely discloses within the deadlines stipulated by the Securities Regulations, all information required to be disclosed under the Securities Regulations.
- (ii) The Company establishes a system to ensure that the Company has procedures designed to obtain reasonable assurance that all the transactions that the Company conducts are properly authorized, that the Company's assets are protected from unauthorized or improper use and that all trading activities are appropriately recorded and reported for the purpose of enabling the Company to prepare financial statements in accordance with applicable accounting standards.
- (iii) The Company ensures that the above-mentioned management system is in compliance with the requirements of the Securities Regulations with respect to corporate governance systems.

**(2) System under which information regarding the execution of business by Directors of the Company shall be preserved and controlled:**

The President, who is responsible for the business execution of the Company, establishes the Document Control Regulations, which are applicable to TDK and provide basic rules for the preservation and control of information.

**(3) Regulations and other systems for managing the risk of loss(es) of the Company and its subsidiaries:**

To enhance the risk management system of TDK, the Company establishes the three committees (which is chaired by a Corporate Officer appointed by the President) under the direct control of the Executive Committee.

(i) ERM\* Committee

For the purpose of the company-wide treatment of factors that obstruct the achievement of the business targets and business operations of the Company, the Company establishes the ERM Committee and promotes enterprise risk management.

Corporate regulations, bylaws, guidelines and departmental guidelines in each department provide for operating rules for specific risks, including legal, financial and IT-related risks. These risks are managed by managers in charge of the particular areas of operation.

(ii) Crisis Management Committee

In order to prepare for unexpected situations such as natural disasters, the Company establishes the Crisis Management Committee, which develops the Business Continuity Plan (BCP). If such an unexpected situation arises, the Company will assess the situation immediately and respond appropriately.

(iii) Information Security Committee

In order to appropriately manage important information assets including information provided by customers, the Company establishes the Basic Policy on Information Security and the Information Security Committee, and appropriately takes risk-based security measures.

The Company ensures that a structure for receiving advice in relation to operating business execution effectively is in place through regular confirmation by the Audit & Supervisory Board

Members and the internal audit group of the management operations described above. In addition, the Company seeks advice from specialists, including outside legal counsel and other experts, regarding new factors that may hinder TDK as needed.

\*ERM (Enterprise Risk Management)

**(4) System for ensuring Directors of the Company and Directors, etc. of the Company's subsidiaries execute their duties efficiently and system for reporting matters concerning the execution of duties of Directors, etc. of the Company's subsidiaries to the Company:**

The Company has a small number of Directors and has adopted the Corporate Officer system to facilitate the Directors' ability to make quick and efficient management decisions.

At the same time, policies and measures with respect to business execution, such as development, manufacturing, marketing and financing of TDK, are deliberated upon by the Executive Committee, which consists of Corporate Officers and General Managers designated by the President. All Corporate Officers perform their duties expeditiously pursuant to the decisions made by the Executive Committee. The Company ensures efficient management via proposals to the Board of Directors and regular reports from Corporate Officers to the Executive Committee.

In addition, the Company establishes midterm management targets shared by all members of TDK and strives to inform them of such targets. The Company also establishes systems that enable it to understand the targets and implementation plans of each department as well as the progress of each department in relation to such targets. With respect to the business management of subsidiaries, the Company establishes systems that enable it to understand their business conditions through quarterly reports submitted by each subsidiary.

**(5) System for ensuring performance of duties by employees of the Company and Directors, etc. and employees of the Company's subsidiaries are in compliance with laws and regulations and the Articles of Incorporation:**

TDK strives to ensure that all Directors, Audit & Supervisory Board Members, Corporate Officers and employees are fully familiar with TDK's management philosophy, "TDK Code of Conduct" and "TDK Charter of Corporate Behavior" in order to ensure improved soundness, compliance and transparency of management, as well as compliance with laws, regulations and the Articles of Incorporation throughout the Company's business operations.

Furthermore, the Company establishes a corporate ethics management system including the Company's subsidiaries worldwide under the Business Ethics & CSR Committee and regularly monitors the Company's compliance with corporate ethics. Also, the Company establishes the Consultations and Help Lines, which enable employees to directly report all relevant information and opinions concerning corporate ethics, etc. within TDK.

In addition, the Company establishes a compliance promotion department under the direct control of the President, and appoints a Chief Compliance Officer, to strengthen its compliance system.

**(6) System for ensuring proper business execution by the corporate group consisting of the Company and its subsidiaries:**

Each Director, Corporate Officer and manager in charge of operations strives to achieve proper business operations by making decisions in accordance with the "TDK Code of Conduct", the Job Authority Regulations and other applicable corporate regulations for the entire TDK, in order to maintain soundness, compliance and transparency in business operations and to achieve the business targets of the Company and TDK.

The Audit & Supervisory Board Members audit, on a regular basis, the condition of the business operations of each department of the Company and TDK by researching the departments, examining important documents and attending important meetings. In addition, the internal audit group audits and supports each department of the Company and TDK in order to promote consistency in relation to business operations and management policies, appropriateness regarding management efficiency and compliance with relevant laws and regulations.

**(7) Matters relating to employees who support the duties of Audit & Supervisory Board Members of the Company when Audit & Supervisory Board Members request such employees:**

The Audit & Supervisory Board Members Office, consisting of designated full-time employees who do not perform any business execution duties, assists the Audit & Supervisory Board Members.

**(8) Matters regarding the independence of employees in the preceding item from Directors and the ensuring of the effectiveness of instructions of Audit & Supervisory Board Members of the Company to such employees:**

The Audit & Supervisory Board Members directly evaluates the performance of the employees who serve as members of the Audit & Supervisory Board Members Office, and any transfer or discipline of these employees is determined pursuant to the operating rules of the Company subject to the consent of the Audit & Supervisory Board Members.

In addition, any employee who has been instructed or ordered by an Audit & Supervisory Board Member in connection with audit duties shall not be subject to any Director's instruction or order with respect to said Audit & Supervisory Board Member's instruction or order.

**(9) System for ensuring Directors or employees of the Company report to Audit & Supervisory Board Members of the Company and system for ensuring Directors, Audit & Supervisory Board Members, employees of the Company's subsidiaries or persons who have received reports from these persons report to Audit & Supervisory Board Members of the Company:**

All members of TDK provide an appropriate report immediately, if an Audit & Supervisory Board Member requests a report regarding the execution of business. Information regarding management policies of TDK and conditions of business execution by Corporate Officers is timely provided to Audit & Supervisory Board Members who attend important meetings such as Executive Committee meetings and business plan review meetings, and minutes of such meetings are also provided to the Audit & Supervisory Board Members immediately. Furthermore, Audit & Supervisory Board Members may receive explanations directly from Corporate Officers and other personnel as necessary. Audit & Supervisory Board Members may review reports prepared by each department of the Company or company of TDK, and Audit & Supervisory Board Members may thereby confirm the conditions of the business operations of the Company and TDK.

In addition, all members of TDK may report any fact which may cause significant damage to the Company or TDK, such as violation of law or regulation, to the Consultations or Help Lines established by the Business Ethics and CSR Committee and covering the Company and TDK or the Ethics Councils established in each area and the Business Ethics and CSR Committee. In cases where the Business Ethics and CSR Committee or the Ethics Council in each area finds any fact which may cause significant damage to the Company or TDK, such as violation of law or regulation, it will immediately report such fact to Audit & Supervisory Board Members or the Audit & Supervisory Board.

Furthermore, information regarding the activities of the ERM Committee and other committees is provided to Audit & Supervisory Board Members from time to time, enabling the Audit & Supervisory Board Members to confirm the overall status of corporate activities.

**(10) System for ensuring persons who have reported as provided in the preceding item will not be treated unfavorably on grounds of such reporting**

The Company prohibits members of TDK who have reported to the Consultation or Help Line from being treated unfavorably on the grounds of such reporting, and stipulates to that effect in the “TDK Code of Conduct” and clearly informs all members of TDK of that fact.

**(11) Matters concerning policies for disposal of expenses and obligations associated with the execution of duties by Audit & Supervisory Board Members**

When Audit & Supervisory Board Members demand payment of expenses or obligations associated with execution of their duties from the Company pursuant to Article 388 of the Companies Act of Japan, the Company will pay such expenses or obligations immediately after deliberation at the department in charge unless the expenses or obligations concerning such demand are proven to be unnecessary for the execution of such duties of the Audit & Supervisory Board Members.

**(12) System for ensuring Audit & Supervisory Board Members of the Company conduct audits effectively:**

The Audit & Supervisory Board Members and the Audit & Supervisory Board meet with the Representative Director on a regular basis to confirm management policies and exchange opinions on pressing issues and risks affecting TDK and other important matters from the perspective of the Audit & Supervisory Board Members’ audits. These meetings also strengthen the mutual understanding between the Audit & Supervisory Board Members and the Representative Director.

The Audit & Supervisory Board Members and the internal audit group meet regularly and also receive regular audit reports from the Accounting Auditor. Audit & Supervisory Board Members conduct efficient audits by sharing information regarding initial audit plans and results. Furthermore, the Audit & Supervisory Board enters into an advisory contract with an attorney who is independent from the business execution department and has established a system to ensure that it receives advice with respect to matters which need to be reviewed or confirmed from the perspective of the Audit & Supervisory Board Members or the Audit & Supervisory Board.

**[Overview of operation of systems to ensure appropriate business operations]**

**(1) Internal audit and internal control over financial reporting**

The internal audit department of the Company verifies the establishment and operation of the systems to ensure appropriate business operations of TDK and supports improvements thereof from the standpoint of consistency in relation to business operations and management policies, efficiency of management and compliance with relevant laws and regulations in accordance with the annual plan, and conducts the “evaluation of the effectiveness of internal controls over financial reporting” in accordance with the Financial Instruments and Exchange Act of Japan. Furthermore, the internal audit department regularly reports about the results thereof to the President, the Board of Directors and the Audit & Supervisory Board Members.

## **(2) Corporate ethics**

Basically, the Company's top management themselves stand at the forefront and demonstrate leadership in order to instill and enhance awareness of corporate ethics and compliance among Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting TDK, and in particular, the chairperson of the Business Ethics & CSR Committee from time to time creates occasions to directly educate and enlighten employees, etc. of TDK in order to notify them of TDK's management philosophy, "TDK Code of Conduct" and "TDK Charter of Corporate Behavior". Also, TDK implements collective education, e-learning, etc. regarding corporate ethics generally in overseas locations as well as in Japan each year.

Furthermore, under the corporate ethics management system that centers on the Business Ethics & CSR Committee and includes the Company's subsidiaries worldwide, compliance with corporate ethics is regularly monitored and the said Committee reports about the result thereof to the Board of Directors each quarter.

Moreover, the Consultations and Help Lines have been established as a system through which issues related to corporate ethics may be reported or consulted in a manner other than regular reporting lines. The Consultations and Help Lines directly collect information and opinions concerning corporate ethics, etc. within TDK. In addition to such internal reporting channel, another reporting channel using an outside law firm has been established in Japan, China, Asia (excluding Japan and China), Europe and Americas regions. An employee who wants to report may choose a channel which he/she thinks best among the multiple reporting channels mentioned above.

## **(3) Compliance**

The Company has established the legal and compliance headquarters under the direct control of the President as well as appoints the Chief Compliance Officer and Regional Chief Compliance Officers in Japan and the other four regions around the world. The Company thereby fosters a sincere, fair and transparent corporate culture and meets the expectations and trust of its customers and society as well as further strengthens its system to ensure that all members of TDK act in compliance with a common standard around the world.

Furthermore, the Company identifies compliance risks of TDK which it deems material from the perspective of legal risk management, and among such risks, focuses on risks related to cartel, product quality fraud, etc. which may have a significant impact in developing its business globally. With respect to various issues arising in connection with corporate compliance, a department in charge verifies the facts regarding such issues, and timely reports to the Board of Directors are conducted. Also, such department in charge analyzes the causes of such issues and develops preventive measures for each company of TDK, in cooperation with the legal and compliance headquarters.

## **(4) Risk management**

The ERM Committee promotes the company-wide risk management including identification of risks that need to be addressed on a cross-functional basis and introduction of countermeasures in cooperation with relevant departments.

Also, based on the Business Continuity Plan (BCP) established by TDK, the Crisis Management Committee conducts the regular check of operations and continuously promotes the BCP training and other activities mainly at the domestic locations of TDK.

Furthermore, TDK continuously verifies information security risks and implements appropriate countermeasures. For example, in preparation for cyber-attacks and other risks, the Information Security Committee provides information security education programs to employees and implements protection, detection, BCP and other countermeasures.

## **(5) Group business management**

The Executive Committee discusses about policies and measures with respect to business execution of TDK and monitors the targets and implementation plans of operating departments and headquarters and the progress of each department in relation to such targets by regularly receiving reports from each department. With respect to the business management of subsidiaries, the Company monitors the business conditions of subsidiaries by receiving quarterly reports from each subsidiary.

## **(6) Directors and Board of Directors**

The Board of Directors of the Company consists of seven Directors including three independent Outside Directors, and an independent Outside Director presides over the procedures of the Board of Directors meetings as the chairperson of the Board of Directors. The Board of Directors makes decisions on important management matters as well as matters specified in the applicable laws and regulations, the Articles of Incorporation and internal regulations based on careful discussions and supervises the conditions of business execution. Also, the Nomination Advisory Committee and the Compensation Advisory Committee have been established as advisory bodies to the Board of Directors and the chairperson and majority of the members of each Committee are independent Outside Directors. This promotes the transparency and objectivity of decision-making process regarding nomination and compensation of Directors and Corporate Officers, etc. Furthermore, the Disclosure Advisory Committee reviews and examines important disclosure materials that are required for investment decisions by shareholders and investors including the Summary of Financial Reports in order to ensure appropriate disclosure.

In each fiscal year, the Board of Directors conducts the Board of Directors evaluation and evaluates the Board of Directors including its advisory committees (Nomination Advisory Committee and Compensation Advisory Committee) in order to further enhance its effectiveness.

Among others, the composition of internal Directors has been changed based on the results of the past Board of Directors evaluation. As a result, internal Directors do not include managers of operating departments but consist of only officers who look down at the entire group (*e.g.*, Chairman, President, officer in charge of management strategies and officer in charge of financial affairs). The Company thereby, and together with Outside Directors and Outside Audit & Supervisory Board Members, has created a system to further enhance the management oversight function.

Also, the Company has improved the support system for the Board of Directors by newly establishing the Board of Directors Office.

During the fiscal year under review, the Board of Directors meetings were held 15 times.

## **(7) Audit & Supervisory Board Member and Audit & Supervisory Board**

The Audit & Supervisory Board Members timely collect information regarding management policies of TDK and conditions of business execution by Corporate Officers, etc. by attending the Executive Committee meetings, business plan review meetings and other important meetings as well as the Board of Directors meetings and inspecting management reports and applications for internal decision-making. The Audit & Supervisory Board Members audited the Company's all operating departments and headquarters and the subsidiaries selected according to importance based on the audit policy setting forth the priority audit items. The Audit & Supervisory Board Members share information regarding the identified issues with operating department managers and headquarters, confirm the countermeasures and share this information with Directors.

The Audit & Supervisory Board Members receive the internal audit report from the internal audit department and promote information sharing and collaboration with them through establishing regular meetings. The Audit & Supervisory Board Members regularly confirm the status of the Accounting Auditor's audit including quarterly financial statements and promote

collaboration with the Accounting Auditor by establishing opportunities to exchange opinions between the Accounting Auditor and the Audit & Supervisory Board regarding audit plans and assertions. The Audit & Supervisory Board Members have meetings with an attorney with whom the Audit & Supervisory Board has entered into an advisory contract regularly and from time to time and receive legal advice regarding Audit & Supervisory Board Members' operations timely, and thereby improve the effectiveness of Audit & Supervisory Board Members' operations.

The Audit & Supervisory Board confirms management conditions through regular meetings with the Representative Director, hearings from the Senior Executive Vice President, Executive Vice President and Senior Vice President, etc., and exchanges opinions and provides recommendations regarding tasks to be addressed by TDK (including matters concerning corporate governance and compliance), risks surrounding TDK, important issues in connection with the Audit & Supervisory Board Members' audit and other issues. During the fiscal year under review, the Audit & Supervisory Board meetings were held 14 times.

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Note: Monetary amounts, numbers of shares, proportions and other figures contained in this business report are rounded to the nearest unit unless otherwise stated or no rounding is required.

Attached Document (2)

CONSOLIDATED BALANCE SHEETS  
(prepared in accordance with U.S. GAAP)

Item	As of March 31, 2017 (reference)	As of March 31, 2018	Item	As of March 31, 2017 (reference)	As of March 31, 2018
<b>(ASSETS)</b>	(¥ in millions)		<b>(LIABILITIES)</b>	(¥ in millions)	
<b>Current assets</b>	<b>866,136</b>	<b>899,936</b>	<b>Current liabilities</b>	<b>477,594</b>	<b>603,037</b>
Cash and cash equivalents	330,388	279,624	Short-term debt	77,680	124,573
Short-term investments	56,131	43,613	Current installments of long-term debt	42,517	64,566
Marketable securities	-	54	Trade payables	176,644	226,791
Net trade receivables	254,909	304,016	Accrued expenses	148,609	159,618
Inventories	154,499	207,532	Income taxes payables	16,650	10,989
Other current assets	70,209	65,097	Other current liabilities	15,494	16,500
<b>Noncurrent assets</b>	<b>798,197</b>	<b>1,005,273</b>	<b>Noncurrent liabilities</b>	<b>384,621</b>	<b>470,940</b>
Investments in affiliates	149,057	143,589	Long-term debt	213,935	293,880
Other investments	12,768	11,651	Retirement and severance benefits	125,202	125,137
Net property, plant and equipment	464,667	545,641	Deferred income taxes	29,786	35,432
Goodwill	61,031	157,858	Other noncurrent liabilities	15,698	16,491
Other intangible assets	51,821	85,531	<b>(Total liabilities)</b>	<b>862,215</b>	<b>1,073,977</b>
Deferred income taxes	29,546	31,131	<b>(EQUITY)</b>		
Other assets	29,307	29,872	<b>Common stock</b>	<b>32,641</b>	<b>32,641</b>
			<b>Additional paid-in capital</b>	<b>15,349</b>	<b>8,738</b>
			<b>Legal reserve</b>	<b>37,727</b>	<b>45,366</b>
			<b>Retained earnings</b>	<b>833,884</b>	<b>874,563</b>
			<b>Accumulated other comprehensive income (loss)</b>	<b>(108,575)</b>	<b>(119,492)</b>
			<b>Treasury stock</b>	<b>(17,412)</b>	<b>(17,182)</b>
			<b>(Total TDK stockholders' equity)</b>	<b>793,614</b>	<b>824,634</b>
			<b>Noncontrolling interests</b>	<b>8,504</b>	<b>6,598</b>
			<b>(Total equity)</b>	<b>802,118</b>	<b>831,232</b>
<b>Total assets:</b>	<b>1,664,333</b>	<b>1,905,209</b>	<b>Total liabilities and equity:</b>	<b>1,664,333</b>	<b>1,905,209</b>

Note: Amounts less than ¥1 million have been rounded to the nearest unit.

**Attached Document (3)**

**CONSOLIDATED STATEMENTS OF INCOME**  
(prepared in accordance with U.S. GAAP)

Item	From: April 1, 2016 To: March 31, 2017 (reference)	From: April 1, 2017 To: March 31, 2018
	(¥ in millions)	(¥ in millions)
<b>Net sales</b>	<b>1,178,257</b>	<b>1,271,747</b>
Cost of sales	855,948	930,516
<b>Gross profit</b>	<b>322,309</b>	<b>341,231</b>
Selling, general and administrative expenses	239,446	259,698
Other operating expense (income)	(125,797)	(4,100)
<b>Operating income</b>	<b>208,660</b>	<b>85,633</b>
<b>Other income (deductions)</b>		
Interest and dividend income	4,152	6,369
Interest expense	(3,428)	(4,461)
Equity in earnings of affiliates	1,396	2,989
Foreign exchange gain (loss)	368	(786)
Other - net	569	67
<b>Total other income (deductions)</b>	<b>3,057</b>	<b>4,178</b>
<b>Income before income taxes</b>	<b>211,717</b>	<b>89,811</b>
Income taxes	66,157	25,834
<b>Net income</b>	<b>145,560</b>	<b>63,977</b>
Less: Net income attributable to noncontrolling interests	461	514
<b>Net income attributable to TDK</b>	<b>145,099</b>	<b>63,463</b>

Note: Amounts less than ¥1 million have been rounded to the nearest unit.

**Attached Document (4)**

**CONSOLIDATED STATEMENT OF EQUITY**

(prepared in accordance with U.S. GAAP)

(From: April 1, 2017  
To: March 31, 2018)

(¥ in millions)

	Common stock	Additional paid-in capital	Legal reserve	Retained earnings	Accumulated other comprehensive income (loss)
Balance as of beginning of period	32,641	15,349	37,727	833,884	(108,575)
Equity transaction of consolidated subsidiaries and other		(6,893)			73
Cash dividends				(15,145)	
Transferred to legal reserve			8,735	(8,735)	
Transferred to retained earnings			(1,096)	1,096	
Comprehensive income					
Net income				63,463	
Foreign currency translation adjustments					(12,732)
Pension liability adjustments					2,129
Net unrealized gains (losses) on securities					(387)
Total comprehensive income (loss)					
Acquisition of treasury stock					
Sale of treasury stock					
Compensation expenses related to stock options		370			
Exercise of stock option		(88)			
Balance as of end of period	32,641	8,738	45,366	874,563	(119,492)

	Treasury stock	Total TDK Stockholders' equity	Non controlling interests	Total equity
Balance as of beginning of period	(17,412)	793,614	8,504	802,118
Equity transaction of consolidated subsidiaries and other		(6,820)	(1,977)	(8,797)
Cash dividends		(15,145)	(498)	(15,643)
Transferred to legal reserve		—	—	—
Transferred to retained earnings		—	—	—
Comprehensive income				
Net income		63,463	514	63,977
Foreign currency translation adjustments		(12,732)	50	(12,682)
Pension liability adjustments		2,129	5	2,134
Net unrealized gains (losses) on securities		(387)		(387)
Total comprehensive income (loss)		52,473	569	53,042
Acquisition of treasury stock	(7)	(7)		(7)
Sale of treasury stock	1	1		1
Compensation expenses related to stock options		370		370
Exercise of stock option	236	148		148
Balance as of end of period	(17,182)	824,634	6,598	831,232

Note: Amounts less than ¥1 million have been rounded to the nearest unit.

## REFERENCE

### CONSOLIDATED STATEMENTS OF CASH FLOWS (prepared in accordance with U.S. GAAP)

Item	From: April 1, 2016 To: March 31, 2017	From: April 1, 2017 To: March 31, 2018
	(¥ in millions)	
<b>Cash flows from operating activities:</b>		
Net income	145,560	63,977
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	87,491	92,171
Deferred income taxes	30,723	(1,354)
Impairment of long-lived assets	16,811	1,282
Impairment of goodwill	2,600	-
Gain on business transfer	(149,538)	(5,427)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(59,152)	(51,961)
Decrease (increase) in inventories	(21,709)	(49,731)
Increase (decrease) in trade payables	67,913	53,761
Increase (decrease) in accrued expenses	12,467	8,410
Decrease (increase) in other assets and liabilities, net	19,941	(18,277)
Other-net	7,029	(1,541)
Net cash provided by operating activities	160,136	91,310
<b>Cash flows from investing activities:</b>		
Capital expenditures	(167,631)	(178,612)
Proceeds from sale of tangible and intangible assets	21,085	9,083
Proceeds from sale and maturity of short-term investments	38,697	168,256
Payment for purchase of short-term investments	(73,632)	(156,621)
Proceeds from sale and maturity of securities	523	24,933
Payment for purchase of securities	(837)	(1,208)
Proceeds from business transfer, net of cash transferred	128,210	30,365
Acquisition of subsidiaries, net of cash acquired	(16,819)	(141,499)
Other-net	(707)	(796)
Net cash used in investing activities	(71,111)	(246,099)
<b>Cash flows from financing activities:</b>		
Proceeds from long-term debt	119,275	147,010
Repayment of long-term debt	(52,246)	(61,643)
Proceed from short-term debt with maturities longer than three months	2,457	4,086
Repayment of short-term debt with maturities longer than three months	(1,578)	(3,220)
Increase (decrease) in short-term debt, net	(81,942)	48,067
Dividends paid	(15,132)	(15,138)
Acquisition of noncontrolling interests	(8,914)	(8,796)
Other-net	327	(278)
Net cash provided by (used in) financing activities	(37,753)	110,088
Effect of exchange rate changes on cash and cash equivalents	(6,352)	(6,063)
Net increase (decrease) in cash and cash equivalents	44,920	(50,764)
Cash and cash equivalents at beginning of period	285,468	330,388
Cash and cash equivalents at end of period	330,388	279,624

Note: Amounts less than ¥1 million have been rounded to the nearest unit.

## **Attached Document (8)**

### **CERTIFIED COPY OF ACCOUNTING AUDITORS' REPORT FOR CONSOLIDATED FINANCIAL STATEMENTS**

[English Translation of the Independent Auditors' Report Originally Issued in the Japanese Language]

#### **Independent Auditor's Report**

May 23, 2018

The Board of Directors  
TDK Corporation

KPMG AZSA LLC

Yutaka Terasawa (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Hiroto Yamane (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Kohei Shingaki (Seal)  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

We have audited the consolidated financial statements, comprising the consolidated balance sheet, the consolidated statements of income, the consolidated statement of equity and the related notes of TDK Corporation as at March 31, 2018 and for the year from April 1, 2017 to March 31, 2018 in accordance with Article 444, Paragraph 4 of the Companies Act.

#### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the second sentence of Article 120, Paragraph 1 of the Ordinance of Companies Accounting, which is applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the same Ordinance, that prescribes some omissions of disclosure items required under accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on the consolidated financial statements based on our audit as independent auditor. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in

the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above, which were prepared in accordance with the second sentence of Article 120, Paragraph 1 of the Ordinance of Companies Accounting, which is applied mutatis mutandis pursuant to Article 120-3, Paragraph 3 of the same Ordinance, that prescribes some omissions of disclosure items required under accounting principles generally accepted in the United States of America, present fairly, in all material respects, the financial position and the results of operations of TDK Corporation and its subsidiaries for the period, for which the consolidated financial statements were prepared.

### **Other Matter**

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

### **Notes to the Reader of Independent Auditor's Report:**

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act.

## Attached Document (10)

### CERTIFIED COPY OF AUDIT REPORT OF AUDIT & SUPERVISORY BOARD

[English Translation of the Audit Report of Audit & Supervisory Board  
Originally Issued in the Japanese Language]

#### **Audit Report of Audit & Supervisory Board**

The Audit & Supervisory Board (the "Board") of TDK Corporation (the "Company") has reviewed and discussed the audit report prepared by each Audit & Supervisory Board Member with respect to the execution of the duties by the Directors during the 121st fiscal year commencing on April 1, 2017 and ending on March 31, 2018 and prepared the following audit report of the Board.

#### 1. Means and methods of audits employed by the Audit & Supervisory Board Members and the Board

(1) The Board established audit policies, schedules, duty allocation policies and other relevant guidance for the relevant fiscal year pursuant to the Code of Audit & Supervisory Board Members' Auditing Standards established by the Board; received reports from each Audit & Supervisory Board Member regarding their execution of audits and the results thereof, as well as reports from Directors, etc. and the Accounting Auditor regarding the execution of their duties; and sought explanations as necessary.

(2) In accordance with the audit policies, schedules, duty allocation policies set forth above, each Audit & Supervisory Board Member communicated with the Directors, Corporate Officers, internal audit department and other employees; made efforts to develop the audit environment and collect information; and conducted audits as set forth below.

i Each Audit & Supervisory Board Member participated in meetings of the Board of Directors and other important meetings; received reports from Directors, Corporate Officers and employees regarding the execution of their duties; sought explanations as necessary; examined important approval records and associated information; and investigated the status of operations and property at the head office and other principal offices. In addition, with respect to subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with their Directors and Audit & Supervisory Board Members; and received business reports from subsidiaries as necessary.

ii With respect to the contents of the resolution of the Board of Directors regarding the development of systems necessary to ensure that the execution of the duties by the Directors complies with the laws and regulations and the Articles of Incorporation and other systems prescribed as necessary for ensuring the properness of operations of a corporate group consisting of a stock company and its subsidiaries under Paragraphs 1 and 3 of Article 100 of the Ordinance for Enforcement of the Companies Act of Japan and the operations of the systems developed based on such resolution (the "Internal Control Systems"), in accordance with the Standards for Conducting Internal Control Audit established by the Board, each Audit & Supervisory Board Member received reports regarding the situation of the establishment and operations of such systems from Directors, Corporate Officers and other employees on a regular basis; sought explanations as necessary; and expressed opinions as Audit & Supervisory Board Member.

iii While monitoring and verifying whether the Accounting Auditor maintained its independence and implemented appropriate audits, each Audit & Supervisory Board

Member received reports from the Accounting Auditor regarding the execution of its duties; and sought explanations as necessary. In addition, each Audit & Supervisory Board Member in charge of receiving a notice of accounting audit reports from the Accounting Auditor received a notice from the Accounting Auditor that it had developed the "systems necessary to ensure proper execution of duties", prescribed under Article 131 of the Ordinance of Companies Accounting of Japan, in accordance with the "Quality Management Standards Regarding Audits", published by the Business Accounting Council as of October 28, 2005, and other relevant standards; and sought explanations as necessary.

Based on the above means and methods, each Audit & Supervisory Board Member examined the business reports and the supplementary schedules thereof, the non-consolidated financial statements (balance sheet, statement of operations, statement of changes in net assets and list of notes to financial statements) and the supplementary schedules thereof, and the consolidated financial statements (consolidated balance sheet, consolidated statement of operations, consolidated statement of equity and list of notes to consolidated financial statements) for the relevant fiscal year.

## 2. Audit results

### (1) Results of audits of the business reports and other subjects

- i The Board has confirmed that the business reports and the supplementary schedules thereof accurately indicate the status of the Company in compliance with applicable laws and regulations and the Articles of Incorporation.
- ii The Board has found no misconduct or material facts in violation of laws and regulations or the Articles of Incorporation in connection with the execution of the duties by the Directors.
- iii The Board has confirmed that the content of the resolution of the Board of Directors regarding the Internal Control Systems is appropriate and there is no matter on which to remark in regard to the description of business report and the execution of the duties by the Directors regarding the Internal Control Systems.

In addition, in the cease and desist order and surcharge payment order issued to the manufacturers of HDD suspensions by the Japan Fair Trade Commission ("JFTC") in February 2018, there was a reference to misconduct of the Company and its subsidiaries under the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan. However, the Company and its subsidiaries were exempted from cease and desist order and surcharge payment order, since they filed an application under the leniency program with the JFTC in advance and such application was granted as well as for other reasons. The Board nevertheless took seriously the fact that such misconduct of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan had been found and confirmed that the Company should work to promote thorough compliance with laws and regulations, including the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade of Japan, and to enhance the operation of internal control system as a whole and corporate governance system within the entire group.

### (2) Results of audits of the non-consolidated financial statements and the supplementary schedules thereof

The Board has confirmed that the methods and results of the audits by the Accounting Auditor, audit firm of KPMG AZSA LLC, are appropriate.

### (3) Results of audits of the consolidated financial statements

The Board has confirmed that the methods and results of the audits by the Accounting Auditor, audit firm of KPMG AZSA LLC, are appropriate.

May 25, 2018

Audit & Supervisory Board  
TDK Corporation

Full-time Audit & Supervisory Board Member

Junji Yoneyama (Seal)

Full-time Audit & Supervisory Board Member

Osamu Yotsui (Seal)

Outside Audit & Supervisory Board Member

Kazunori Yagi (Seal)

Outside Audit & Supervisory Board Member

Toru Ishiguro (Seal)

Outside Audit & Supervisory Board Member

Kiyoshi Fujimura (Seal)

End