

Basic Views on Corporate Governance

This is an English translation of Basic Views on Corporate Governance including Disclosure Based on the Principles of the Corporate Governance Code (Excerpt from the Corporate Governance Report filed with the Tokyo Stock Exchange on December 9, 2021).

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TDK Corporation

President and Representative Director

Shigenao Ishiguro

Contact: Planning Dept. Administration HQ

+81-3-6778-1070

Securities Code: 6762

<https://www.tdk.com/en/index.html>

The status of the corporate governance of TDK Corporation (“TDK”) is as mentioned below.

I Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The basic views to achieve sustainable corporate growth and increase of corporate value over mid- to long-term of the corporate group of TDK (the “TDK Group”) are as follows:

- (1) Based on the founding spirit “Contribute to culture and industry through creativity” as the Corporate Motto of TDK, which was established in 1935 as an entrepreneurial venture to industrialize a magnetic material called ferrite invented at Tokyo Institute of Technology, TDK unremittingly pursues originality and increases corporate value through supplies of products and services which have created new value.
- (2) TDK builds satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continues to be helpful to the society by resolving social issues, and contributes to the development of a more sustainable society.
- (3) TDK clearly declares as the “TDK Charter of Corporate Behavior” that TDK will continue to respect human rights; comply with relevant laws, regulations, and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. All Directors, Audit & Supervisory Board Members, Corporate Officers and employees constituting the TDK Group seek to behave in strict compliance with the “Corporate Standards of Business Conduct” prescribed by the “TDK Code of Conduct”.

(4) TDK aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the Corporate Motto. At the same time, TDK strives to foster a sound corporate culture and sincerely conducts business activities, always aware of its place as a member of society.

(5) TDK will be accountable to stakeholders through comprehensive, accurate, timely, and impartial disclosure of information.

TDK has established “TDK Basic Policy on Corporate Governance” as its basic views and policy regarding corporate governance of TDK, which is posted on the website of TDK.

■TDK Basic Policy on Corporate Governance

https://www.tdk.com/en/ir/tdk_management_policy/governance/index.html

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

[Update]

The following information is provided in accordance with the Corporate Governance Code after revision in June 2021 (including the principles for the Prime Market that will be applicable from April 4, 2022).

[Supplementary Principle 4-11-1 Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness (View on Balance, Diversity and Appropriate Board Size)]

TDK’s basic policy is to have a small number of Directors to expedite the management decision-making. The number of Directors shall be an appropriate number no more than ten in accordance with the Articles of Incorporation and currently eight Directors are in office.

The number of Audit & Supervisory Board Members shall be no more than five in accordance with the Articles of Incorporation and currently five Audit & Supervisory Board Members are in office.

As to the current Board composition, the total number of the Directors and Audit & Supervisory Board Members is thirteen, out of which six are Outside Directors or Outside Audit & Supervisory Board Members.

Directors are examined and nominated by the Nomination Advisory Committee based on the balance among knowledge, experience, skills, etc. as well as the diversity so that they can fulfill their roles and responsibilities effectively.

Thus far, Outside Directors have been elected among human resources who have diverse experience and expertise such as corporate managers, lawyers, etc. and Outside Audit & Supervisory Board Members have been elected among human resources who have diverse experience and expertise such as corporate managers, lawyers, accountants, etc. When the Nomination Advisory Committee selects the candidates for Directors and Audit & Supervisory Board Members, they shall not be excluded on the basis of race, belief, gender, religion, nationality, ethnicity, age, etc. in accordance with “TDK Basic Policy on Corporate Governance”.

TDK will make preparations to disclose the skill matrix in the notice of convocation for the Ordinary General Meeting of Shareholders to be held in June 2022.

[Disclosure Based on the Principles of the Corporate Governance Code] [Update]

The following information is provided in accordance with the Corporate Governance Code after revision in June 2021 (including the principles for the Prime Market that will be applicable from April 4, 2022).

The following items are updated.

[Supplementary Principle 2-4-1 Setting and Disclosure of Policies and Goals for Ensuring Diversity]

[Principle 3-1 Full Disclosure]

[Supplementary Principle 3-1-3 Disclosure of Initiatives on Sustainability]

[Supplementary Principle 4-10-1 Nomination and Compensation Advisory Committees]

[Supplementary Principle 4-11-1 Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness (View on Balance, Diversity and Appropriate Board Size)]

[Principle 5-1 Policy for Constructive Engagement with Shareholders]

[Principle 1-4 Cross-Shareholdings]

TDK's basic policy regarding cross-shareholdings is to consistently enhance corporate value of the TDK Group through such shareholdings and TDK holds shares of other companies for the purpose of either (1) strategic shareholding for the development of its business or (2) maintenance and improvement of business relationships.

As to cross-shareholdings, TDK verifies the rationality of continuous holding of such shares and the number of such shares, etc. stock by stock every year at Meetings of the Board of Directors, etc. based on the purpose of such shareholding, situation of transactions, profitability relative to the cost of capital, financial condition, etc., and if the necessity to hold shares of a particular stock has decreased, TDK discusses and negotiates with the issuing company of the stock and promotes the reduction through sale, etc. of such shares.

In exercising voting rights as to its cross-shareholdings, TDK determines to approve or disapprove with full respect for the issuing company's management policies, etc. and considering whether the proposal is appropriate in light of the purpose of strategic shareholding for the development of TDK's business or maintenance and improvement of business relationships, whether the proposal can continuously increase the corporate value of TDK, the issuing company's social responsibilities, whether there is any act which may harm the trust of shareholders, etc. Also, TDK conducts a dialogue with the issuing company regarding the content of the proposal, etc. as appropriate.

[Principle 1-7 Related Party Transactions]

The TDK Group stipulates in the “TDK Code of Conduct” that directors, officers and employees of the TDK Group should avoid any situations that may involve or even appear to involve conflicts between their personal interests and the interests of the TDK Group, and in case that any such situation may arise, each of them must make prompt and full disclosure in writing to his or her supervisor or manager. At the same time, Directors are prohibited from conducting any transactions for the benefit of him/herself or any third parties without an approval from TDK under the Regulations of the Directors’ Business.

Directors and Corporate Officers are required to give prior notice to the Board of Directors regarding their conflicts of interest transactions. Also, the Board of Directors reinforces monitoring by inspecting transactions between TDK and Director, Audit & Supervisory Board Member or any of his/her relative within the second degree through “Confirmation on Disclosure Information of Directors and Audit & Supervisory Board Members” once a year and attempting to assess actual conditions of other companies at which Director or Audit & Supervisory Board Member holds any concurrent position. Further, the Audit & Supervisory Board regularly confirms conflicts of interest issues with Directors and Corporate Officers.

The TDK Group has no shareholders which fall under major shareholders, etc.

[Supplementary Principle 2-4-1 Setting and Disclosure of Policies and Goals for Ensuring Diversity]

The TDK Group comprises numerous affiliated companies with business operations around the globe. TDK believes that it is important for the Group’s growth that it continues generating innovative creativity by establishing an environment in which employees with diverse backgrounds can display their skills. With this in mind, TDK has established the “TDK Diversity & Inclusion Policy” and is promoting the securing and utilization of diverse human resources necessary for business operations, based on the recognition that employee diversity is a major driving force essential to TDK's success. As a result, the ratio of foreign employees in the TDK Group as a whole exceeds 90%, and TDK is actively promoting the appointment of foreign employees. 44% of TDK's Corporate Officers are foreign nationals, and TDK will continue this policy in the future.

From the past, TDK has opened its doors to a wide range of mid-career hires, with approximately 25% of all employees being mid-career hires, and in recent years, mid-career hires have accounted for approximately 40% of new hires.

The percentage of mid-career hires in management positions is approximately 27%. TDK intends to maintain the current level of mid-career hiring and continue to promote mid-career hires to management positions, aiming to utilize diverse values based on outside experience in business operations.

On the other hand, the ratio of female managers at TDK is only 2.3%, which TDK recognizes as one of the major issues. In order to improve this situation, TDK has established a dedicated department

with the mission of promoting the advancement of women in 2020, and has set a target of 15% for the ratio of women in management positions in 2035, and has begun specific, long-term initiatives.

These policies and initiatives are posted on TDK's website.

■ TDK Sustainability Website "Cultivate a corporate culture that respects diversity"

<https://www.tdk.com/en/sustainability2021/social/diversity-inclusion>

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

TDK manages corporate pension funds through TDK Pension Fund (the "Fund").

TDK selects and allocates to the Fund human resources who have appropriate credentials for managing corporate pension funds and contributes to a proper management system. Also, TDK has established a structure in which the Fund and labor union, etc. collaboratively control and supervise the management of corporate pension funds in order to manage conflicts of interest which may arise between corporate pension beneficiaries and TDK appropriately.

The Fund establishes a policy asset mix and manages corporate pension funds from a mid- to long-term perspective applying advice from management consultants, in order to secure earnings over the long term for ensuring that pension benefits are paid to the beneficiaries into the future.

The Fund conducts comprehensive evaluations of the asset managers, including not only quantitative evaluation of their performance, etc. but also qualitative evaluation of their investment policy, operational process, compliance, etc., through quarterly regular management reporting meetings.

[Principle 3-1 Full Disclosure]

(1) Company objectives (e.g., business principles), business strategies and business plans

TDK was established in 1935 as an entrepreneurial venture to industrialize a magnetic material called ferrite invented at Tokyo Institute of Technology. Based on TDK's founding spirit "Contribute to culture and industry through creativity" as its Corporate Motto, TDK has promoted the development of new products that respond to market needs as well as the advancement of materials and process technologies, and also has promoted globalization and diversification while actively utilizing M&A and collaborating with external parties. As a result, TDK is developing passive components, sensor application products, magnetic application products, and energy application products as its main business.

TDK wishes to continue to be an energetic company that constantly creates even higher value for all stakeholders, including shareholders, customers, suppliers, employees and society, by having an innovative thinking and a willingness to tackle new challenges, and by leveraging the strengths of each company of the TDK Group and mobilizing the power of the entire TDK Group. TDK has formulated its corporate strategy and a three-year, medium-term management plan based on the above-mentioned management policy.

The details are posted on the website of TDK.

■TDK's Corporate Motto

https://www.tdk.com/en/about_tdk/corporate_motto/index.html

■TDK's Management Policy (Including Medium- and Long-Term Management Strategy and Three-Year, Medium-Term Management Plan)

https://www.tdk.com/en/ir/tdk_management_policy/index.html

(2) Basic views and guidelines on corporate governance based on each of the principles of the Code TDK has established "TDK Basic Policy on Corporate Governance" as its basic views and policy regarding corporate governance of TDK, which is posted on the website of TDK.

■TDK Basic Policy on Corporate Governance

https://www.tdk.com/en/ir/tdk_management_policy/governance/index.html

(3) Board policies and procedures in determining the remuneration of the senior management and directors

"Policies in determining the remuneration of Directors and Corporate Officers"

TDK 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 Group by constantly pursuing the formulation of a competitive remuneration system to secure diverse and excellent human resources that focuses on linkage with short-term as well as medium- to long-term results.

The remuneration of Directors and Corporate Officers is comprised of (i) basic remuneration, (ii) results-linked bonus as a short-term performance linkage system and (iii) stock-linked compensation as a medium- to long-term performance linkage system.

Results-linked bonus is designed to fluctuate in accordance with the consolidated operating results in a single year (operating income, ROE) and the degree of attainment against target values in the business of which each Director or Corporate Officer is in charge. As to a part of stock-linked compensation, TDK uses some consolidated performance indicators from the Medium-Term Plan, and adopts a system where the number of shares to be delivered fluctuates based on the degree of achievement of the targets, for the purpose of further increasing the linkage between remuneration for Directors and Corporate Officers and TDK's medium- to long-term performance and corporate value. The guideline for the ratio of remuneration by type is as provided below.

Basic Remuneration: Results-Linked Bonus: Stock-Linked Compensation

1: approximately 0.5-0.6: approximately 0.6-0.8 (assuming 100% achievement of performance targets)

"Procedures in determining the remuneration of Directors and Corporate Officers"

TDK has in place a Compensation Advisory Committee acting as an advisory body to the Board of Directors, which is chaired by an Independent Outside Director and of which a majority of the members are composed of Independent Outside Directors. The Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers of TDK, submits a report to the Board of Directors, and thereby contributes to the securement of transparency of the remuneration decision-making process and appropriateness of individual remunerations in light of corporate business performance, individual performance and general industry standards, among other factors.

The remuneration of Directors and Corporate Officers of TDK is discussed by the Compensation Advisory Committee and then resolved by the Board of Directors.

The details are posted on the website of TDK.

■Policies and Procedures in Determining the Remuneration of Directors and Corporate Officers of TDK

https://www.tdk.com/en/ir/tdk_management_policy/governance/remuneration/index.html

(4) Board policies and procedures in the appointment/dismissal of the senior management and the nomination of director and audit & supervisory board member candidates

TDK has in place a Nomination Advisory Committee as an advisory body to the Board of Directors which is chaired by an Independent Outside Director and of which a majority of the members are composed of Independent 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.

The independence of Outside Directors and Outside Audit & Supervisory Board Members is determined in accordance with the “Items to be verified regarding independence” established by TDK. The Nomination Advisory Committee deliberates on the appropriateness of the policy, etc. for nomination of Directors and Corporate Officers on an annual basis and determines on the eligibility of Directors and Corporate Officers when they are newly appointed or reappointed. Also, the standards and procedures for dismissal of Directors and Corporate Officers during their term of office are provided in the Regulations of the Directors’ Business and the Regulations of the Corporate Officers’ Business.

(5) Explanations with respect to the individual appointments/dismissals of the senior management and the nominations of director and audit & supervisory board member candidates based on (4)

As to the explanations with respect to the individual appointments of Directors and Audit &

Supervisory Board Members, please see the Notice of Convocation of Shareholders Meeting posted on the website of TDK.

■ Notice of Convocation of the 125th Ordinary General Meeting of Shareholders

https://www.tdk.com/en/ir/ir_events/general/index.html

[Supplementary Principle 3-1-3 Disclosure of Initiatives on Sustainability]

TDK seeks to solve social issues through its business and to achieve both a sustainable society and corporate growth.

Under Value Creation 2023, our Medium-Term Plan, TDK aims to contribute to society while creating the three “Values”: Commercial Value (achieving its growth strategy), Asset Value (improving asset efficiency), and Social Value (improving its value to society), and to grow our business as a result. TDK believes that Social Value—the goal of a sustainable society and company—in particular is the starting point of a cycle for creating the other types of Value.

In order to both achieve the goals of the Medium-Term Plan and balance sustainable society with sustainable corporate growth, TDK identified the TDK Group’s Materiality by defining key issues as those which should be addressed by giving them top priority in investment of the organization’s management resources. EX (Energy transformation) and DX (Digital transformation), set forth in its materiality, are the business areas that TDK focuses on for social value creation and corporate growth, and are areas in which TDK can create value for society through the Group’s technology and products. TDK is striving to maximize Social Value primarily in these two areas by developing a system within the company to generate products based on the issues raised in the SDGs. Quality management, human resource management, supply chain management, opportunity and risk management, pursuing both delegation of authority and internal controls, and asset efficiency improvement are the areas TDK has positioned as the basis for value creation in the fields of EX and DX.

TDK's sustainability initiatives are comprehensively disclosed on its website.

■ TDK Sustainability Website

<https://www.tdk.com/en/sustainability/index.html>

■ Climate change initiatives (information disclosure based on TCFD recommendations)

https://www.tdk.com/en/sustainability2021/environmental_responsibility/climate-action

In its Annual report, TDK discloses comprehensive information on its management strategies and issues based on the corporate value creation cycle, and explains its investments, etc. in human capital and intellectual property.

■ TDK Annual Report

https://www.tdk.com/en/ir/ir_library/annual/index.html

The TDK Group's Materiality is explained at a business strategy briefing for investors.

■ Investors Meeting 2021

https://www.tdk.com/en/ir/ir_events/strategy/20210524/index.html

[Supplementary Principle 4-1-1 Roles and Responsibilities of the Board (1) (Scope and Content of the Matters Delegated to the Management)]

TDK stipulates matters to be resolved or reported at the Meeting of the Board of Directors in its Regulations of the Board of Directors. Such matters include management policies, business plans, and important corporate acquisitions. Particular delegations of business execution authorities are stipulated in the Job Authority Regulations and the scope of the matters delegated is clarified thereby.

While matters required to be resolved at the Meeting of the Board of Directors under applicable laws and regulations or the Articles of Incorporation and decisions on important business execution shall be resolved at the Meeting of the Board of Directors, certain matters are delegated to the management (Corporate Officers) under the Job Authority Regulations to accelerate decision-making according to changes in the business environment.

[Principle 4-8 Effective Use of Independent Outside Directors]

TDK's basic policy is to elect Independent Outside Directors which account for one-third or more of the Directors, and at present, three out of eight Directors are Independent Outside Directors.

Independent Outside Directors advise on TDK's business in general from an independent standpoint based on their abundance of experience and broad perspective, and play a role to enhance the function of management decision-making and supervision.

Also, an Independent Outside Director serves as chair of the Board of Directors as part of TDK's efforts to enhance corporate governance.

Further, TDK has in place the Nomination Advisory Committee and the Compensation Advisory Committee as advisory bodies to the Board of Directors to enhance independence, objectivity and accountability of the function of the Board of Directors regarding nomination and compensation of Directors and Corporate Officers. At present, more than half of the members of each Committee are composed of Independent Outside Directors and each Committee is chaired by an Independent Outside Director.

[Principle 4-9 Independence Standards and Qualification for Independent Outside Directors]

In order to secure the independence of Outside Directors and Outside Audit & Supervisory Board Members TDK invites, TDK has established the "Items to be verified regarding independence" of TDK with reference to such criteria as Rule 436-2 of the Securities Listing Regulation regarding securing Independent Directors/Audit & Supervisory Board Members and Rule III. 5. (3)-2 of the Guidelines Concerning Listed Company Compliance, both of which are stipulated by Tokyo Stock

Exchange, Inc. The outline of these items is as follows.

■Items to be verified regarding independence

(1) In cases where the relevant Outside Director/Audit & Supervisory Board Member is a person concerned with the TDK Group

An Outside Director/Audit & Supervisory Board Member shall be judged not to be independent if either of the following cases applies to them at present or has applied to them during the past ten years.

- (i) A Director of TDK or a subsidiary of TDK (except Outside Directors)
- (ii) An Audit & Supervisory Board Member of TDK or a subsidiary of TDK (except Outside Audit & Supervisory Board Members)
- (iii) A Corporate Officer of TDK or a subsidiary of TDK
- (iv) An employee of TDK or a subsidiary of TDK

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

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

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

(3) 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 applies to such person at present or has applied to such person during the past three years.

- (i) Where it is recognized, objectively and reasonably, that the relevant Outside Director/Audit & Supervisory Board Member (including candidates for such position; the same shall apply hereinafter) cannot perform duties as an Independent Director/Audit & Supervisory Board Member because they

receive money or other assets from the TDK Group other than remuneration for Director/Audit & Supervisory Board Member (where there is a high degree of dependence)

(ii)Where it is recognized, objectively and reasonably, that the relevant Outside Director/Audit & Supervisory Board Member cannot perform duties as an Independent Director/Audit & Supervisory Board Member because an organization to which such person belongs (hereinafter the “Relevant Organization”) receives money or other assets from the TDK Group other than remuneration for Director/Audit & Supervisory Board Member (where this income is equivalent to 2% or more of total consolidated net sales)

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

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

(4) 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 applies to their close relative (meaning a relative within the second degree of kinship (as defined under Japanese law)) at present or has applied to them during the past three years.

(i)A person to whom (2) or (3) above applies (except persons without material significance)

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

As to qualification of Outside Director/Audit & Supervisory Board Member, reasons for nomination as a candidate for Outside Director/Audit & Supervisory Board Member are stipulated in the proposal regarding the election of Directors/Audit & Supervisory Board Members in the Notice of Convocation of Ordinary General Meeting of Shareholders.

[Supplementary Principle 4-10-1 Nomination and Compensation Advisory Committees]

TDK has in place a Nomination Advisory Committee and a Compensation Advisory Committee acting as advisory bodies to the Board of Directors, which are chaired by an Outside Director and of which a majority of the members are composed of Outside Directors. Each committee considers gender and other aspects of diversity and skills in its deliberations. In addition, the Nomination Advisory Committee deliberates on succession planning and considers candidates, and the status of such deliberations is shared with the Board of Directors.

TDK discloses its policies on the independence of the composition of committees, their authorities, roles, etc. in its Basic Policy on Corporate Governance and Annual Securities Report (Status of

Corporate Governance, etc.).

■ TDK Basic Policy on Corporate Governance

https://www.tdk.com/en/ir/tdk_management_policy/governance/index.html

■ Annual Securities Report for the fiscal period ended March 31, 2021

https://www.tdk.com/system/files/ir_library_report_pdf_lib40230_en.pdf

[Supplementary Principle 4-11-1 Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness (View on Balance, Diversity and Appropriate Board Size)]

TDK's basic policy is to have a small number of Directors to expedite the management decision-making. The number of Directors shall be an appropriate number no more than ten in accordance with the Articles of Incorporation and currently eight Directors are in office.

The number of Audit & Supervisory Board Members shall be no more than five in accordance with the Articles of Incorporation and currently five Audit & Supervisory Board Members are in office.

As to the current Board composition, the total number of the Directors and Audit & Supervisory Board Members is thirteen, out of which six are Outside Directors or Outside Audit & Supervisory Board Members.

Directors are examined and nominated by the Nomination Advisory Committee based on the balance among knowledge, experience, skills, etc. as well as the diversity so that they can fulfill their roles and responsibilities effectively.

Thus far, Outside Directors have been elected among human resources who have diverse experience and expertise such as corporate managers, lawyers, etc. and Outside Audit & Supervisory Board Members have been elected among human resources who have diverse experience and expertise such as corporate managers, lawyers, accountants, etc. When the Nomination Advisory Committee selects the candidates for Directors and Audit & Supervisory Board Members, they shall not be excluded on the basis of race, belief, gender, religion, nationality, ethnicity, age, etc. in accordance with "TDK Basic Policy on Corporate Governance".

TDK will make preparations to disclose the skill matrix in the notice of convocation for the Ordinary General Meeting of Shareholders to be held in June 2022.

[Supplementary Principle 4-11-2 Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness (Disclosure regarding Concurrent Duties of Directors and Audit & Supervisory Board Members)]

TDK stipulates in the "TDK Basic Policy on Corporate Governance" that each Director and Audit & Supervisory Board Member should limit the number of important concurrent positions of other companies to no more than three companies, excluding TDK.

TDK confirms positions of directors, audit & supervisory board members or the management held at

other companies by Directors and Audit & Supervisory Board Members and approves them by resolution at the Meeting of the Board of Directors every term.

Further, positions held at other companies by Outside Directors and Outside Audit & Supervisory Board Members are also confirmed by the Nomination Advisory Committee every term.

Important concurrent positions held at other companies by Directors and Audit & Supervisory Board Members are disclosed in the Notice of Convocation of Shareholders Meeting and Annual Securities Report.

[Supplementary Principle 4-11-3 Preconditions for Board of Directors and Audit & Supervisory Board Effectiveness (Analysis and Evaluation and Disclosure of Effectiveness)]

TDK conducts an evaluation of the effectiveness of the Board of Directors each year in order to verify whether the functions expected of the Board of Directors are properly performed and enhance such functions.

Also, TDK requests a third-party evaluation institution to evaluate the effectiveness of the Board of Directors periodically (about once every three years) in order to verify it from the neutral and objective standpoint.

In the Board of Directors evaluation for the fiscal year ended March 2021, as a survey was conducted by a third-party evaluation institution in the fiscal year ended March 2019, the Corporate Governance Committee (Chair of the Committee: Makoto Sumita, Chairman of TDK & Director who does not concurrently serve as a Corporate Officer), which is an advisory body to the Board of Directors, took the lead in a neutral position, conducted questionnaires and interviews with the Board of Directors (including the Audit & Supervisory Board Members) and its Advisory Committees (Nomination Advisory Committee and Compensation Advisory Committee), analyzed the results thereof and identified the issues, and after discussions by the Board of Directors, the Board of Directors conducted the final evaluation.

■Evaluation Process

- (1) The Corporate Governance Committee, after reviewing the method and schedule for evaluating the effectiveness this time, reported to and deliberated with the Board of Directors about them (October 2020).
- (2) The Corporate Governance Committee prepared an effectiveness evaluation questionnaire and administered it to all seven Directors and all five Audit & Supervisory Board Members (November - December 2020).

[Questionnaire Items (Major Items)]

- ①Size and composition of the Board of Directors (questions and free answers)
- ②Operation of the Board of Directors (questions and free answers)
- ③Composition and role of the Nominating Advisory Committee (questions and free answers)

- ④Operation of the Nomination Advisory Committee (questions and free answers)
- ⑤Composition and role of the Compensation Advisory Committee (questions and free answers)
- ⑥Operation of the Compensation Advisory Committee (questions and free answers)
- ⑦Support system for Outside Directors (questions and free answers)
- ⑧Role of the Audit & Supervisory Board Members (questions and free answers)
- ⑨Relationship with investors and shareholders (questions and free answers)
- ⑩Self-evaluation by Directors and Audit & Supervisory Board Members (free answers)
- ⑪Others (free answers)

*The survey is multifaceted, with detailed sub-items underneath the major items described above. While certain question items are not changed in the effective evaluation questionnaire in order to enable continuous measurement each year, the other question items are reviewed each year in order to enhance the quality of the evaluation. Also, many “free comment fields” are provided in order to collect different and various opinions and suggestions without regard to the questionnaire items.

- (3) The Corporate Governance Committee compiled the results of the questionnaire in an anonymous form, identified common problems and issues, and made an interim report to and deliberated with the Board of Directors (December 2020).
- (4) The Chair of the Corporate Governance Committee conducted individual interviews with all six Directors except for the Chair of the Committee himself and all five Audit & Supervisory Board Members, focusing on the key issues identified by the questionnaire (December 2020 - January 2021).
- (5) The Corporate Governance Committee compiled the results of the interviews in an anonymous form and reported to the Board of Directors about them, and after discussions and deliberations at the Board of Directors, the Board of Directors finalized the evaluation (March and April 2021).

■Summary of Evaluation Results

(1) Results of the Effectiveness Evaluation (Conclusion)

In this evaluation, the Board of Directors considered the effectiveness of the Board of Directors to be the “appropriate fulfillment of the roles and functions (management supervision, decisions on important matters, etc.) expected of the Board of Directors in realizing the company's sustainable growth” and conducted an evaluation in terms of whether there is a mechanism to guarantee this, whether appropriate deliberations and active and substantive discussions take place, and whether the results of these deliberations and discussions lead to improved management.

Based on the results of the analysis of the questionnaires and interviews conducted by the Corporate Governance Committee, the Board of Directors, as a result of conducting deliberations several times, confirmed that the effectiveness of the Board of Directors and its Advisory Committees (Nomination Advisory Committee and Compensation Advisory Committee) was sufficiently secured

in terms of their size and composition, the content of the agenda items and deliberations, the status of discussions, their reflection in management, etc.

In addition, the Board of Directors confirmed that it continues to enhance its effectiveness by making improvements based on the results of the Board of Directors evaluation in the previous fiscal year.

Further, as to operation and utilization of the effectiveness evaluation, the Board of Directors confirmed that not superficial but effective efforts, such as developing questionnaire items and interview contents, are being made.

(2) Summary of Evaluation

As a result of the evaluation of the effectiveness of the Board of Directors, the following points were confirmed.

① Size and composition of the Board of Directors

- The Board of Directors is chaired by an Independent Outside Director and the neutral and fair operation of the Board of Directors is maintained.
- The Size and composition of the Board of Directors (seven Directors (four internal Directors and three Independent Outside Directors) and five Audit & Supervisory Board Members (two internal Audit & Supervisory Board Members and three Independent Outside Audit & Supervisory Board Members)) ensures appropriate balance for neutral, fair and lively discussions.
- The Outside Directors and the Outside Audit & Supervisory Members consist of members who have a variety of experience and expertise including those who have management experience in other companies and those who have deep knowledge of finance, accounting, or legal, while the internal Directors do not include those in charge of business units and consist only of Directors who have a bird's eye view of the entire group, thus a well-balanced system for the functioning of the Board of Directors is maintained.
- The diversity including internationality and gender in the composition of the Board of Directors has been maintained and is steadily progressing.

② Discussions at the Board of Directors meetings

- The Chair of the Board of Directors, who is an Independent Outside Director, facilitates lively discussions, and active and substantive discussions are held by all members, without distinction between internal and outside members (Directors or Audit & Supervisory Board Members), or between Directors and Audit & Supervisory Board Members.
- Based on the annual plan of the Board of Directors, medium- and long-term management strategies, financial strategies, major business plans, global HR strategies, risk management, sustainability, information on dialogue with investors and shareholders, etc. are regularly

reported to and deliberated at the Board of Directors meetings.

③Size and composition of the Nomination Advisory Committee and the Compensation Advisory Committee

- Each of the Nomination Advisory Committee and the Compensation Advisory Committee is chaired by an Independent Outside Director and the neutral and fair operation of these Committees is maintained.
- In terms of the size and composition of the Nomination Advisory Committee and the Compensation Advisory Committee, the majority of the members of each Committee are Independent Outside Directors (two internal Directors and three Independent Outside Directors, respectively), which ensures appropriate balance for neutral, fair and lively discussions.

④Reflections for improved management and governance

- The opinions of Outside Directors/Audit & Supervisory Board Members are fed back to the executives as appropriate and reflected in business plans and measures, and the Board of Directors properly fulfills its functions of supervising management and making important decisions through deliberations and verifications at the Board of Directors meetings.
- With respect to the issues identified in the effectiveness evaluation of the Board of Directors, monitoring and improvement efforts have been made and the PDCA cycle (Evaluation by the Board of Directors → Identification of issues → Improvement → Verification of results) has been implemented. In addition, governance is being improved by continuing this cycle every year.

(3) Progress in Addressing the Issues Identified in the Previous Fiscal Year's Effectiveness Evaluation

The Board of Directors listed the issues reported in the previous fiscal year as items to be addressed in the annual plan of the Board of Directors and worked on the improvement of such issues, and verified their progress through questionnaires, interviews and discussions in the effectiveness evaluation of the Board of Directors this time.

①Continuous verification of long-term management strategies

The Board of Directors continued to verify the progress of the plan based on the long-term management strategies and deliberate on the next (new) medium-term management plan.

The fiscal year ended March 2021 is the final fiscal year of the three-year medium-term management plan. The Board of Directors reviewed the results of the medium-term plan and discussed about the direction of the next (new) medium-term plan at the Board of Directors meeting in November 2020. After that, the Board of Directors repeatedly deliberated on the business situation of each major business division and the concept of the new medium-term plan

in its meetings held during the period between November 2020 and January 2021, and based on these deliberations, resolved and formulated a new medium-term plan in its meeting held in March 2021, taking the long-term management strategies into consideration.

② Strengthening of the group's risk management

TDK has established the "Global Common Regulations" that stipulate the roles, responsibilities and authorities of the global group companies of TDK and the rules that all employees should comply with, and promoted their dissemination and operation.

As part of this, TDK clarified risk owners and risk reporting routes and strengthened the monitoring. These efforts were reported to and confirmed by the Board of Directors.

③ Enhancement of communication among Outside Directors/Audit & Supervisory Board Members

From the perspective of preventing the spread of the Covid-19 infection, the Board of Directors meetings of the fiscal year ended March 2021 were held via remote conference system in principle. From the same point of view, TDK decided to refrain from having face-to-face meetings and dinners among Outside Directors and Audit & Supervisory Board Members in principle.

In remote meetings, there was no problem with the IT systems, and smooth proceedings were maintained. At the same time, however, it was pointed out that it was difficult to convey the atmosphere and feeling of the meetings compared to face-to-face meetings. It was confirmed that, while closely monitoring the situation of Covid-19 and taking measures to prevent infection, TDK will continue to enhance communication.

(4) Future Issues

As a result of the effective evaluation of the Board of Directors this time, the following four items are recognized as the main issues that the Board of Directors should address in the future:

① Monitoring of the new medium-term management plan

Based on the long-term management strategies, TDK has formulated a new medium-term management plan (three years from the fiscal year ending March 2022) which sets forth "Social Value," "Commercial Value" and "Asset Value" as the base of improving the corporate value. It was confirmed that the Board of Directors should continuously deliberate and verify its steady implementation.

② Promotion of the efforts to address issues related to sustainability

From the perspective of improving the corporate value over the medium to long term, it was

decided that efforts should be further promoted to address issues related to sustainability, including social and environmental issues. Specifically, it was confirmed that the Board of Directors should spread its efforts toward sustainability into the company's businesses, promote the linkage between such efforts and the businesses, deepen discussions at the Board of Directors meetings, and enhance information dissemination regarding sustainability.

③Further strengthening of the group's risk management

It was confirmed that the risk management should be further strengthened in order to respond to various risks associated with the global business expansion and changes in the situation and environment in the international community. In particular, it was confirmed that the management system of risks, including compliance risks, should be further strengthened and that the Board of Directors should discuss the overall risks more deeply.

④Succession of Board members and HR strategies

In order to maintain the Board of Directors effectively, it was confirmed that it is necessary to realize smooth successions of the Board members, including internal and Outside Directors and Audit & Supervisory Board Members, and the Chair of the Board of Directors. In addition, it was confirmed that the successions of the entire company, including not only the Board members but also Corporate Officers and executives, should be promoted in conjunction with the global human resources development plan.

Going forward, TDK will continue to improve the effectiveness of the Board of Directors in order to achieve its sustained growth and enhance its corporate value.

[Supplementary Principle 4-14-2 Training for Directors and Audit & Supervisory Board Members]

TDK properly provides Directors and Audit & Supervisory Board Members (including Outside Directors and Outside Audit & Supervisory Board Members) with opportunities for training (acquisition of necessary knowledge, appropriate updates, etc.) in order to ensure that they can appropriately fulfill their expected roles and responsibilities. The contents of the training are as follows.

- (1) TDK properly provides Directors and Audit & Supervisory Board Members with opportunities to gain knowledge about TDK through visits to bases, factory tours, explanations about business conditions, etc. Also, TDK arranges external training services, etc. to provide Directors and Audit & Supervisory Board Members with basic knowledge of laws and regulations, etc. related to their duties.
- (2) TDK conducts a session to brief newly appointed Outside Directors and newly appointed Outside Audit & Supervisory Board Members on TDK's business, organization, governance, finances and the content of its medium-term management plan upon their assuming office.

[Principle 5-1 Policy for Constructive Engagement with Shareholders]

TDK's policy is to make efforts to gain understanding regarding the financial conditions and management strategy, etc. of the TDK Group through constructive engagement with shareholders and to take the following measures to achieve sustained growth and improve medium- to long-term corporate value of the TDK Group by reflecting valuable input from shareholders to the management.

(1) Appointing a member of the management or a Director regarding engagement with shareholders
President and Representative Director, Corporate Officer in charge of accounting and other senior management members have constant engagements with investors, including, among others, domestic and overseas shareholders, and explain to them about management strategy of the TDK Group in principle, and other Directors (including Outside Directors) and Audit & Supervisory Board Members also respond to such engagements to a reasonable extent.

(2) Measures to ensure positive coordination between internal departments

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

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

In addition to regular quarterly financial results briefings, TDK holds medium- to long-term business strategy meetings and promotes understanding of investors. TDK promotes disclosure of information as well by publishing a part of the materials on the website of TDK.

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

Situations of engagements with shareholders and investors are relayed to the Board of Directors, Executive Committee, and Corporate Officers in charge, etc. from time to time, including before announcement of financial results.

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

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