

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 July 3, 2023).

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<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 [Update]

The basic views to achieve sustainable corporate growth and increase of corporate value over medium- 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.

(6) Board members consisting of Directors and Audit & Supervisory Board Members and the executive side such as Corporate Officers, based on their respective responsibilities, endeavor toward the common purpose of achieving sustainable corporate growth and increasing the medium- to long-term corporate value of the TDK Group. The philosophy and culture shared by the Board of Directors to achieve this purpose are as follows.

“TDK’s Board Culture”

- ① Board members and the executive side build and maintain a relationship of deep mutual trust and a sound tension.
- ② Board members and the executive side achieve both the delegation of authority to encourage prompt and autonomous decision-making and the transparency in business execution (Empowerment & Transparency).
- ③ Based on the premise that discussions at the Board of Directors meetings should be essential discussions that contribute to corporate value, Board members actively and diversely make remarks and engage in discussions from each member’s standpoint and from a broad point of view, regardless of whether they are inside or outside members or whether they are Directors or Audit & Supervisory Board Members.
- ④ The executive side takes the opinions of the Board of Directors sincerely as an opportunity to improve management and implements necessary measures. Directors and Audit & Supervisory Board Members supervise and audit from an objective standpoint. Through these efforts, they aim to further improve the TDK Group’s corporate value.

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]

TDK implements all principles in accordance with those established in the Corporate Governance Code.

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

The following items are updated.

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

[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)]

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

[Principle 5-1 Policy for Constructive Dialogue 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 the Board of Directors meetings, 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 provide prompt and full reports 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 is approximately 90%, and TDK is actively promoting the appointment of foreign employees. 50% 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 26% of all employees being mid-career hires, and in recent years, mid-career hires have accounted for approximately 39% 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 3.2% (actual results for FY2021), 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 FY2035, and has begun

specific, long-term initiatives.

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

■ TDK Sustainability Website "Diversity & Inclusion"

<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 medium- 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 medium- and long-term management 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 127th 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]

(1) 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 places the pursuit of “Social Value”, which contributes to the solution of social issues and the realization of a sustainable society, at the starting point for all corporate activities. Based on “Social Value”, TDK will continue the cycle of increasing “Commercial Value (growth strategy)” and “Asset Value (asset efficiency)” and further creating “Social 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>

(2) Investment in human capital and intellectual property

In its Integrated 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 Integrated 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

(3) Initiatives on climate change

TDK discloses the status of its climate change initiatives on its website in accordance with the framework of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

https://www.tdk.com/en/sustainability2022/environmental_responsibility/climate-action#anchor_02

[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 seven 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. In addition, it is TDK's policy that each Committee is chaired by an Independent Outside Director and that more than half of the members of each Committee are composed of Independent Outside Directors.

[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 Independent Outside Director and of which a majority of the members are composed of Independent 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, activities, etc. in its Basic Policy on Corporate Governance, Annual Securities Report (Status of Corporate Governance, etc.) and Integrated Report.

■ TDK Basic Policy on Corporate Governance

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

■ Annual Securities Report

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

■ TDK Integrated Report

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

[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 seven 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 twelve, 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.

TDK stipulates in the "TDK Basic Policy on Corporate Governance" that, with respect to the composition of the Board of Directors, based on the belief that diversity is essential to innovation, TDK should ensure both diversity in terms of gender, internationality, work experience, age, etc., and an appropriate size of the Board.

The skill matrix is disclosed in the Notice of Convocation of Shareholders Meeting.

■ Notice of Convocation of the 127th Ordinary General Meeting of Shareholders

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

[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 of Effectiveness and Disclosure of a Summary of their Results)]

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.

Given that a third-party evaluation organization conducted a survey in the fiscal year ended March 2022, in the Board of Directors evaluation for the fiscal year ended March 2023, the Corporate Governance Committee (Chair: Shigenao Ishiguro, Chairman & Director who is not also a Corporate Officer) conducted the initial evaluation from a neutral standpoint, and after discussions by the Board of Directors, the Board of Directors conducted the final evaluation.

■Evaluation Process

(1) The Corporate Governance Committee (composed of Directors, including Outside Directors, and Corporate Officer (General Manager of Corporate Strategy HQ)) reviewed and deliberated the method and schedule for evaluating the effectiveness this time (September 2022). The contents of the review and deliberation were also shared with the Board of Directors (October 2022 Board

of Directors meeting).

- (2) The Corporate Governance Committee conducted an effectiveness evaluation questionnaire (anonymous form) for all seven Directors and all five Audit & Supervisory Board Members (November-December 2022).

[Questionnaire Items (Major Items)]

- ① Role and function of the Board of Directors (questions and free answers)
- ② Size and composition of the Board of Directors (questions and free answers)
- ③ Operation of the Board of Directors (questions and free answers)
- ④ Composition and role of the Nomination Advisory Committee (questions and free answers)
- ⑤ Operation of the Nomination Advisory Committee (questions and free answers)
- ⑥ Composition and role of the Compensation Advisory Committee (questions and free answers)
- ⑦ Operation of the Compensation Advisory Committee (questions and free answers)
- ⑧ Support system for Outside Directors (questions and free answers)
- ⑨ Role of the Audit & Supervisory Board Members and expectations of the Audit & Supervisory Board Members (questions and free answers)
- ⑩ Relationship with investors and shareholders (questions and free answers)
- ⑪ Governance structure of TDK and effectiveness of the Board of Directors in general (free answers)
- ⑫ Self-evaluation by Directors and Audit & Supervisory Board Members (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 above questionnaire and identified common problems and issues. The Corporate Governance Committee made an interim report on the results to the Board of Directors and the Board of Directors deliberated the results (December 2022 Board of Directors meeting).
- (4) The Chair of the Corporate Governance Committee conducted individual interviews (with all Directors and all Audit & Supervisory Board Members), focusing on the key issues identified by the above questionnaire (December 2022-January 2023).
- (5) The Corporate Governance Committee compiled the opinions gathered from the questionnaire and interviews in an anonymous form, reviewed and deliberated based on them, and compiled them into a primary evaluation (March 2023).

Also, the results of the primary evaluation were reported to the Board of Directors and the Board

of Directors deliberated several times, taking the results into consideration, and finalized the evaluation (March and April 2023 Board of Directors meetings).

■Primary Evaluation by the Corporate Governance Committee

The results of the primary evaluation by the Corporate Governance Committee are as follows.

(1) Summary of Evaluation Results

- ① Highly effective and evolving from year to year.
 - The governance system of the executive structure and the support of the Board of Directors have been realized.
 - The Board of Directors' discussions are taken seriously by the executive side and reflected in management.
 - The Board of Directors is continuously working to spiral up governance through PDCA measures to address issues identified in the Board evaluation.
 - The Board of Directors of TDK engages in high-level discussions while maintaining a deep relationship of trust and healthy tension between the internal and external members of the Board of Directors.
- ② The current institutional design is functioning effectively.
 - TDK's institutional design (company with Audit & Supervisory Board) and its various bodies (Board of Directors, Audit & Supervisory Board, Nomination Advisory Committee, and Compensation Advisory Committee) are functioning effectively.
 - The Corporate Governance Committee has evolved by being reorganized to include Outside Directors and to serve as a forum for discussing the big picture of governance.
 - The size, composition, and qualifications of the various bodies (Board of Directors, Audit & Supervisory Board, Nomination Advisory Committee, and Compensation Advisory Committee) are well balanced and appropriate.
 - The Independent Outside Director chairs the Board of Directors and contributes to facilitating fair and active discussions from a neutral standpoint.
 - The presence of the Chairman & Director, who is also a former President and not a Corporate Officer, contributes to discussions at the Board of Directors meetings that contribute to the enhancement of corporate value.
- ③ Active and substantive discussions are held at the Board of Directors meetings.
 - The discussion at the Board of Directors meetings is evolving toward bigger picture discussions in an atmosphere of openness.
 - Active participation in discussions is taking place without distinction between internal and outside members or between Directors and Audit & Supervisory Board Members.
 - Discussions are held on medium- to long-term management plans, governance structure, and management issues, etc. The content of these discussions contributes to the

sustainable growth of the company and improvement of its corporate value.

- The discussions of the Board of Directors are reflected in business plans and measures, and ultimately lead to improvement in the quality of management.

(2) Progress in addressing issues identified in the effectiveness evaluation of the previous fiscal year

The following issues reported in the previous fiscal year were addressed in the annual plan of the Board of Directors, and efforts for improvement were recognized.

① Monitoring for the achievement of the Medium-Term Plan

At the Board of Directors' meetings, the progress of the Medium-Term Plan for the entire company and major business units was reported and deliberated. Based on the results, at the March 2023 Board of Directors meeting, the progress of the Medium-Term Plan was summarized, and the next business plan was discussed. In terms of appealing to stakeholders, the Board of Directors regularly provided feedback on IR activities, and several discussions were held outside the Board of Directors on the themes of "dialogue with investors as it should be" and "activities related to non-financial information disclosure" by members including internal and Outside Directors and Audit & Supervisory Board Members.

② Board member succession and inheritance of board culture

As part of the board member succession, the Nomination Advisory Committee prepared a "skill matrix" that clarified the skills of each member and disclosed the matrix in the Notice of Convocation of Ordinary General Meeting of Shareholders and the Integrated Report. In addition, the Corporate Governance Committee deliberated on ways to carry on the culture of the Board of Directors, which allows active and effective discussions even if the members of the Board of Directors change in the future. As a result, TDK's board culture was clearly stated and incorporated into the "TDK Basic Policy on Corporate Governance", and the Board of Directors passed a resolution to revise the said policy.

③ Deepening of discussions on group risk management

The ERM Committee reports on company-wide risk management to the Board of Directors several times, and the Compliance Committee reports on compliance risk to the Board of Directors several times, thereby deepening discussions on group risk management at the Board of Directors. In addition, the President & CEO reports to the Board of Directors on particularly important matters in a timely manner.

■Final Evaluation by the Board of Directors

(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 primary evaluation 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.

(2) Future Issues

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

① Further evolution of board discussions

TDK has achieved growth through delegation of authority that promotes rapid and autonomous decision-making and transparency in business execution (Empowerment & Transparency). In order to sustain growth and promote further enhancement of corporate value, the Board of Directors should evolve its discussions to another level. The Board of Directors needs to further delegate authority to the executive side and focus the Board's discussions on bigger picture, medium- to long-term themes to deepen the discussion. It is also important for the executive side to continue to appropriately share information with the Board members in order to ensure effective discussions at the Board of Directors meetings.

② Strengthening engagement with stakeholders

In order to enhance TDK's corporate value, it is necessary for all stakeholders to have a deeper understanding of TDK's growth potential and competitive advantage. To this end, the Board of Directors should be deeply involved in the development of the Medium-Term Plan for TDK's growth potential, while at the same time discussing and encouraging stronger engagement with investors and other stakeholders by the executive side (information dissemination, communication, brand enhancement, etc.).

In addition, it would be beneficial for the Board of Directors to be more open to employees as the entire group works toward the common goal of TDK's sustainable growth and enhancement of corporate value over the medium to long term.

③ Responding to rapidly changing market trends

In this difficult-to-predict era of rapid economic, social, and political change on a global scale, it is necessary to enhance marketing strategies, including market analysis on a global scale, and

the ability to respond to geopolitical and geo-economic risks in order to achieve sustainable growth and increase corporate value over the medium to long term.

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 Plan upon their assuming office.

[Principle 5-1 Policy for Constructive Dialogue 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 dialogue 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 dialogue with shareholders
Representative Director, President & CEO, Corporate Officer in charge of accounting and other senior management members have constant dialogues 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 dialogues 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 when the Medium-Term Plan is updated 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 dialogues with shareholders and investors are relayed to the Board of Directors at each quarterly financial closing, and feedback is provided to the management.

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

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

[Status of Dialogue with Shareholders, etc.]

(1) Main Respondents to Dialogue with Shareholders]

Representative Director, President & CEO, the Director in charge of accounting, and senior management engage in ongoing dialogue with shareholders and other investors in Japan and overseas. In addition, the IR/SR Group, a department dedicated to investor and shareholder relations, takes the lead in conducting dialogues with numerous investors and shareholders.

(2) Overview of shareholders with whom dialogue has been held

With regard to the overview of shareholders, TDK conducts dialogues with shareholders and investors of various investment styles, such as growth and value, mainly institutional investors with active management in Japan and overseas. In addition, TDK conducts dialogues with a wide range of personnel, including fund managers, portfolio managers, sell-side and buy-side analysts, ESG managers, and those in charge of exercising voting rights.

(3) Main themes of dialogue and shareholder interests

The main themes of dialogue and issues of interest to shareholders include management policy, recognition of issues, financial strategies, progress in individual business strategies, progress in non-financial initiatives including ESG, and responses to geopolitical risks. TDK is engaged in a constructive and active dialogue about these issues.

(4) Status of feedback of shareholder opinions and concerns to the management and the Board of Directors

The IR/SR group organizes the numerous opinions obtained and issues identified in dialogue with shareholders and investors, and reports quarterly to the Board of Directors, thereby strengthening feedback to the company.

(5) Details of matters incorporated based on feedback, if any

TDK is enhancing disclosure of information to meet the disclosure needs of shareholders and investors. Specifically, TDK is promoting the enhancement of information management of non-financial

activities so that TDK can appropriately communicate how non-financial activities contribute to the increase of corporate value.

Details on the status of dialogue with shareholders will be published in the Integrated Report scheduled to be issued at the end of July 2023.

■ TDK Integrated Report

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

[Implementation of Management Conscious of Cost of Capital and Stock Price]

Under Value Creation 2023, our Medium-Term Plan, TDK aims to generate stable cash flow by examining the growth potential and return on capital for each business unit, and by ensuring the allocation of funds in a balanced manner accordingly. Specifically, TDK stratifies its approximately 80 CBUs (※1) according to the two axes of "return on capital" and "business potential", and allocate investments according to their respective positions.

To evaluate profitability and cash earning capacity, TDK applies a logic tree based on TVA (※2), TDK's proprietary index, and its component, business ROA (※3). TDK holds regular review meetings, where each business manager explains future free cash flow and business ROA plans, to clarify which parts of the logic tree to focus on and which elements to strengthen, as well as to raise awareness.

※1 CBU (Cash Flow Business Unit): The smallest unit of business responsibility and business portfolio management in the TDK Group

※2 Business ROA: A key indicator constituting TVA, which represents the ratio of profit to business assets (= return on invested capital) for each business. Business ROA of 10% is set as the hurdle rate for return on capital.

3 TVA (TDK Value Added): The TDK Group's proprietary value-added indicator that compares profit after tax before interest with the minimum required return on business assets (cost of equity) for each business.

The above information is disclosed in the Integrated Report.

■ TDK Integrated Report

https://www.tdk.com/ja/ir/ir_library/5-1annual/index.html