TDK United Report 2026

TDK

In Everything, Better

Key Points of the TDK United Report 2026

The TDK United Report is a communication tool for strengthening stakeholder engagement, enabling TDK to share its growth story in both financial and pre-financial terms with investors and other stakeholders.

01

We have adopted “United”—“RENDO (連動)”— as our theme to drive enhanced corporate value.

TDK United Report 2026 was prepared around this “United” theme. TDK is not some uniform integration of the entire Group into a single mold, but rather about diverse team members (employees) coming together as a “United” team in the spirit of functional equality. Going forward, we will further deepen this and transform it into a “RENDO.” “United”—“RENDO” has various meanings.

• RENDO: the Past and the Future	“A company is like a training dojo” (▶p. 4)
• RENDO: Corporate Strategy and Human Resources Strategy	Alignment of HR Strategy with Corporate Strategy (▶p. 40)
• RENDO: Financial and Pre-Financial Aspects	TDK’s Key Issues (Materiality) (▶p. 36–)
• RENDO: with Stakeholders	Stakeholder Engagement (▶p. 70)
• RENDO of Interorganizational Organization	Value Creation Chain of TDK (▶p. 42)
• RENDO: Key Issues (Materiality) with Enhanced Corporate Value	Positioning of Key Issues (Materiality) (▶p. 22)
• RENDO: Investor Day with the United Report	Stakeholder Engagement (▶p. 70)
• RENDO: the Message from the President & CEO with movie	Message from the President & CEO (▶p. 9)

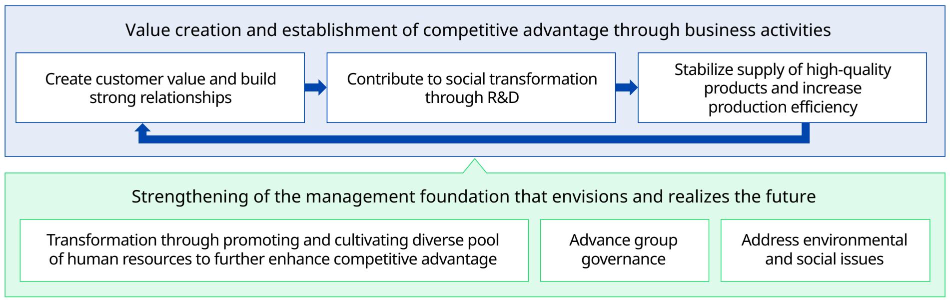
By embodying the theme of “United” in these various ways, we aimed to provide a clearer understanding of how our corporate strategy, competitive advantages, corporate culture and both financial and pre-financial initiatives are organically united.

02

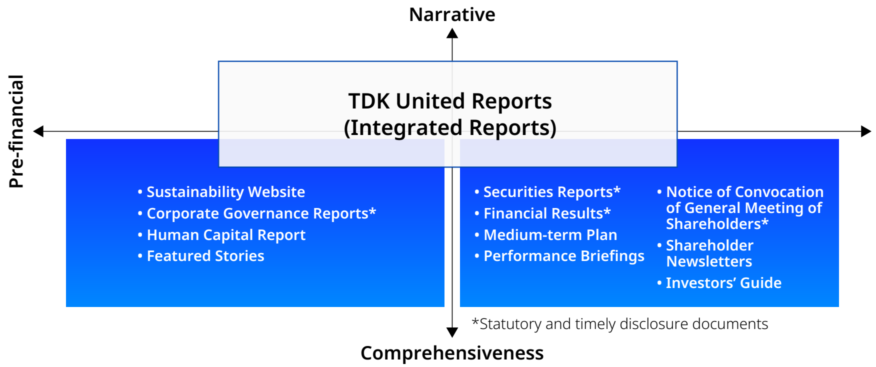
The report has been structured around our key issues (materiality).

Pre-financial capital initiatives have been organized according to each key issue (materiality). We took into consideration our long-term strategies as well as risks and opportunities and identified the key issues (materiality) that have a real impact on the value creation capability of the TDK Group from the perspective of achieving our long-term vision based on our Corporate Motto and Corporate Principles. We have clearly demonstrated unity with enhanced corporate value by presenting these initiatives in the context of materiality.

Key issues (materiality) which should be addressed toward the realization of Long-term Vision



Positioning of the TDK United Report (Integrated Report)



Since FY March 2025, the Integrated Report has been positioned as the highest level disclosure document within our information disclosure structure. We reviewed production systems, and following deliberation by the Disclosure Committee, our internal organization, we made the Integrated Report subject to reporting at Executive Committee meetings and Board of Directors meetings.
The Integrated Report focuses on the “story” toward the enhancement of corporate value, with highly comprehensive information that could not be contained in the report included in various disclosure documents and posted on the TDK website as indicated in the positioning diagram above.

Reader’s Guide—FAQ

Q What does “TDK United” aim to accomplish?

A TDK has over its history grown significantly while continuing to transform its business portfolio. We have achieved this by respecting the cultures of M&A companies and having them “united” with the Group, rather than simply by “integrating” these companies. At the root of TDK United is the mindset that “people are everything” and our unique corporate culture of “functional equality” that has taken root in our company for many years.

▶ p. 9 Message from the President & CEO

Q What is TDK’s Medium-term Plan to achieve its Long-term Vision?

A We have formulated a Medium-term Plan as a three-year action plan to achieve the Long-term Vision. The plan has three pillars: strengthen management focusing on cash flows, enhance business portfolio management (emphasizing ROIC) and evolve the Ferrite Tree (Pre-financial capital).

▶ p. 14 Message from the CFO
▶ p. 27 Medium-term Plan: Key Points/ Progress

Q What initiatives are being pursued to enhance pre-financial capital?

A TDK considers technological capabilities, human capital, organizational capabilities, customer base and other elements generally referred to as “non-financial capital” to be capital that generates future cash flows, expressing it as “pre-financial capital.” Our efforts are focused on strengthening this pre-financial capital, leading to enhanced corporate value.

▶ p. 36– TDK’s Key Issues (Materiality)

"RENDO(連動)"="United"

TDK is not some uniform integration of the entire Group into a single mold, but rather about diverse team members (employees) coming together as a "United" team. Going forward, we will further deepen this and transform it into a "RENDO." In this report, we will present RENDO of TDK United from multiple perspectives.

The "Three Forms of RENDO = United" that form the core of enhancing corporate value

RENDO: the Past and the Future

We will transform the technologies and corporate culture cultivated over our 90-year history into a force that contributes to the transformation of society

RENDO: Corporate Strategy and Human Resources Strategy

We will align corporate strategies such as business portfolio management with human resources strategies leveraging our diverse human resources

RENDO: Financial and Pre-Financial Aspects

We will convert active investments in pre-financial capital into financial value, such as cash flow generation capacity

"Uniting Internal and External Parties = United"

RENDO with Stakeholders

We will unite with stakeholders, including customers and capital markets. Insights gained through dialogue are fed back into the three core forms of "RENDO"

RENDO of Interorganizational Organization

We will unite our five regions, including the newly established Asia-Pacific region, and create unity between our BCs/BGs and corporate headquarters

* BC Business Company
BG Business Group

A Unique Organizational Culture as the Driver of "RENDO"="United"

TDK Venture Spirit

The TDK Venture Spirit is TDK's corporate culture—a tradition passed down since our founding as a venture company focused on the industrialization of ferrite magnetic materials—characterized by bold challenges in creating new technologies and launching new businesses.

Respect diversity TDK United

TDK United is intended to represent the organizational culture toward which TDK aspires, namely: A fusion of abundant individual characteristics, which promotes mutual understanding while developing the strengths and capacities of individual team members and companies and creates value through teamwork.

Functional Equality

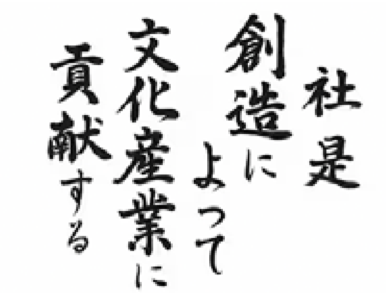
Functional equality is an organizational culture that is based on the belief that there are no hierarchies among the functions and roles of the individual divisions, everyone, regardless of position, can respect one another on an equal footing, and can say what needs to be said.

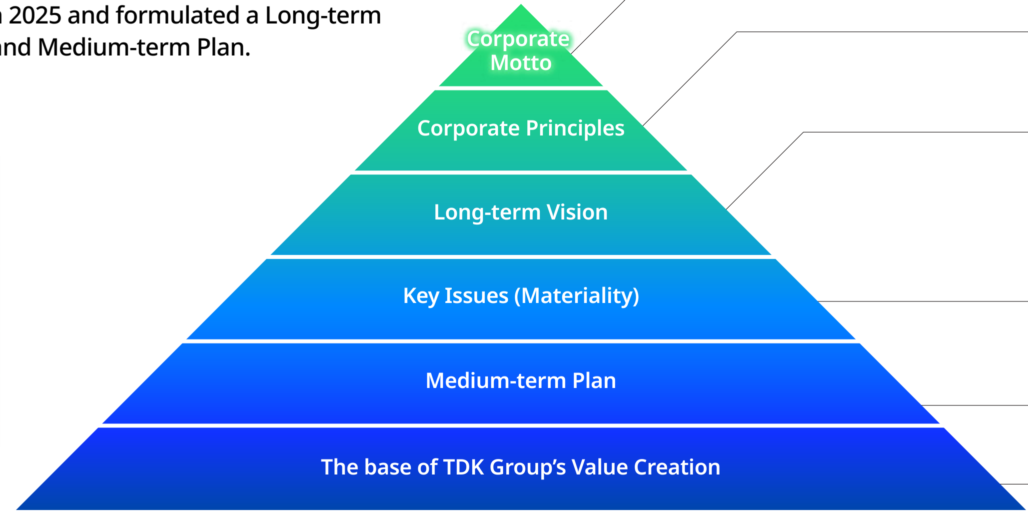
* RENDO(連動) is a Japanese word that roughly translates as "linkage" or "alignment." It refers to the deepening of the linkage and alignment among various organizational activities.

TDK Value Structure

"Contribute to culture and industry through creativity" is TDK's Corporate Motto, and "Vision, Courage, Trust" are the Corporate Principles. Based on this unchanging spirit, we revised the existing TDK Value Structure in FY March 2025 and formulated a Long-term Vision, key issues (materiality), and Medium-term Plan.

Corporate Motto





Corporate Motto

Contribute to culture and industry through creativity

Corporate Principles

"Vision, Courage, Trust"

Long-term Vision

TDK Transformation

Accelerating transformation for a sustainable future

Key Issues (Materiality)

Key issues (materiality) which should be addressed toward the realization of Long-term Vision

Medium-term Plan

Action plan for the next 3 years to realize the Long-term Vision

The base of TDK Group's Value Creation

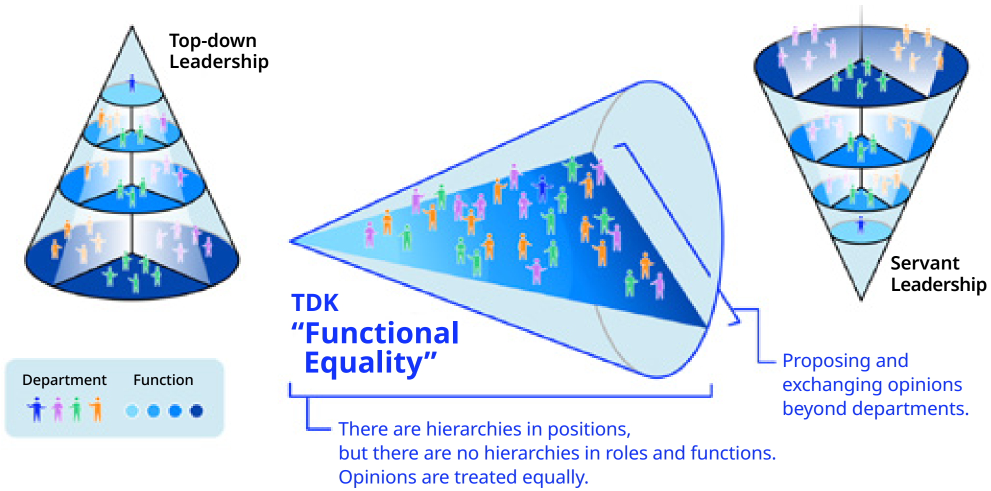
Values/codes/rules that serve as the base of TDK Group's Value Creation

TDK's unique corporate culture : Functional Equality

Functional equality is one of our values to encourage discussions in an open and equal atmosphere, based on functions (roles) rather than hierarchy. In general, organizational management leadership, as shown in the diagram on the right, there are concepts such as top-down leadership and servant leadership.

On the other hand, TDK has an organizational culture that removes vertical and horizontal barriers and encourages open discussions. In other words, while there is a hierarchy in positions, there is a spirit of 'vertical functional equality,' meaning there is no hierarchy in roles or functions.

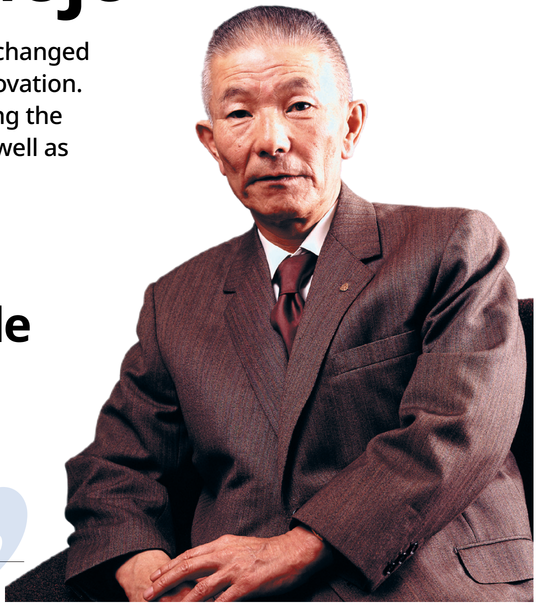
Additionally, there is also a spirit of 'horizontal functional equality,' where proposals and exchanges of opinions are conducted openly across departmental boundaries. This spirit greatly drives the stimulation of diversity and Venture Spirit, the continuous creation of innovation, and the realization of Transformation.



The Linkage of Our Philosophy on People

"A company is like a training **dojo**"

At the core of TDK's value creation lies an unwavering commitment to people that remains unchanged throughout its history, and human resource development based on free thinking to foster innovation. The philosophy woven by successive leaders is now united as the strong driving force advancing the "RENDO: aligning of corporate strategy and human resources strategy" in the modern era, as well as the "RENDO: aligning pre-financial capital and financial capital."



An organization must be a place where **people** can grow. It is **people** who make up the organization and the company. My personal belief is that a company is like a training dojo.

Fukujiro Sono 3rd President (Time in office: 1969–1983)

Sono argued that a company is a "dojo of life"—a place where employees refine themselves through work and learn how to contribute to society, and how to conduct themselves as human beings.

In management, he prioritized the building of "intangible assets." Although this is similar to the modern concept of "pre-financial capital," he maintains that "ultimately, it amounts to nothing other than improving employee capabilities." This is because it is "people" who create and implement new businesses and products.

For this reason, he argues that business managers must not skimp on investing in people—including investments to create an environment where employees can devote themselves to their work—and should not chase short-term profits, but rather first return profits to the employees.

Under such an environment and a corporate culture based on the belief that "you have to let people try, even if they fail," the attitude of boldly continuing to take on the challenge of creating original technologies has been passed down as today's "venture spirit."

People are everything. The sum of each individual's value creation is corporate value.

Noboru Saito 9th President (Time in office: 2022–present)

United with modern human capital management

Human Capital Report

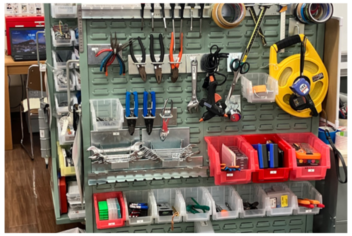
We will publish a "Human Capital Report" to communicate to our stakeholders how investments in human capital translate into financial results. We will continue to show the linkage between pre-financial and financial performance, guided by the principle that "people are everything."

Spotlight

The modern dojo: TDK MAKER DOJO

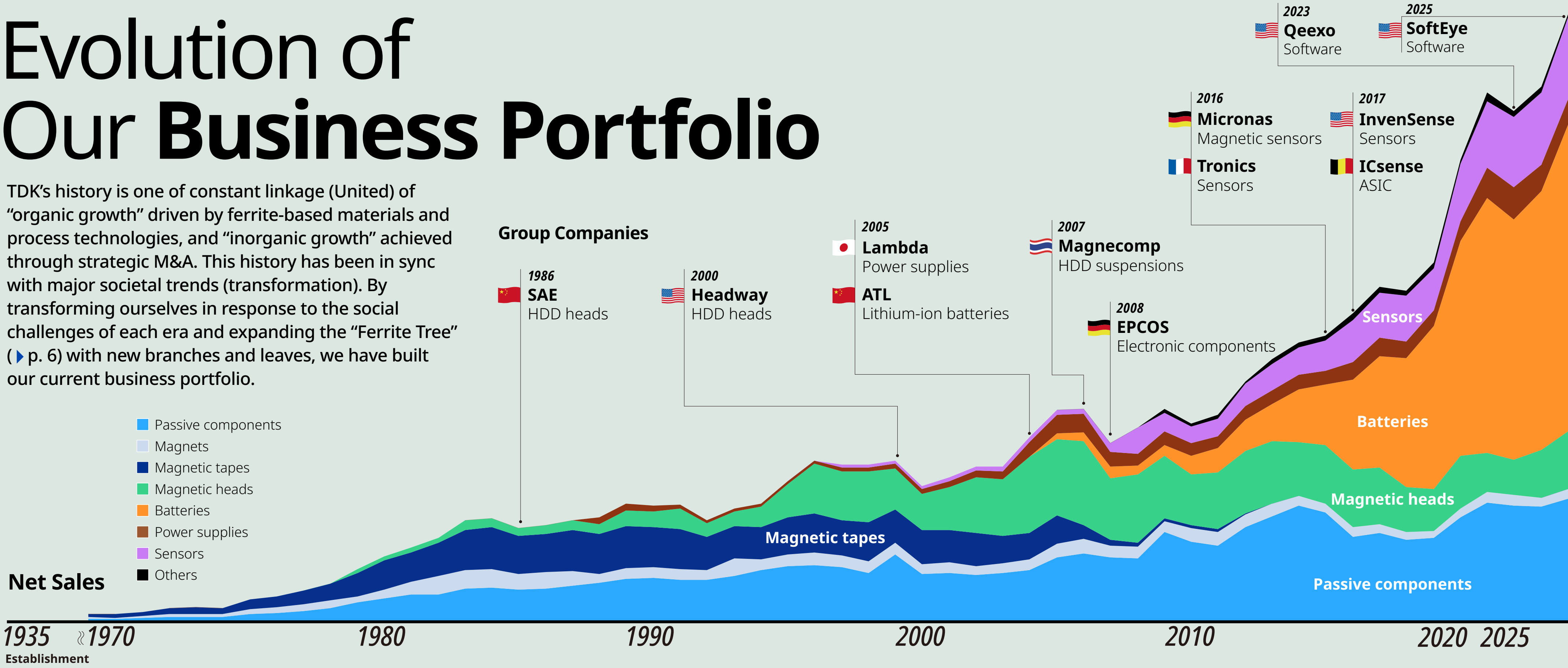
TDK MAKER DOJO is a maker's space where any TDK employee can drop by at any time to engage in creative activities. It serves not only as a space for technical staff but also for sales and administrative staff to engage in practical work, creating things using digital fabrication tools. It functions as a place where everyone can inspire and elevate one another, playing a vital role in human resource development.

Details will be available in the Human Capital Report.



Evolution of Our **Business Portfolio**

TDK's history is one of constant linkage (United) of "organic growth" driven by ferrite-based materials and process technologies, and "inorganic growth" achieved through strategic M&A. This history has been in sync with major societal trends (transformation). By transforming ourselves in response to the social challenges of each era and expanding the "Ferrite Tree" (▶ p. 6) with new branches and leaves, we have built our current business portfolio.



Change of the times

1930's – 1980's
Diffusion of electric products

1970's – 1990's
Diffusion of cassette tapes

1990's – 2000's
Diffusion of personal computers
Continued expansion of memory capacity

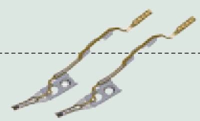
2000's – 2020's
Accelerated electrification of automobiles
Diffusion of smartphones and upgrading of functions

2020's – FUTURE
Increased performance of AI

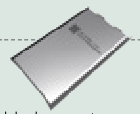
TDK's History

1935
Tokyo Denki Kagaku Kogyo (TDK) established
Kenzo Saito founded Tokyo Denki Kagaku Kogyo K.K. for the purpose of industrializing a magnetic material called ferrite. It was invented by Dr.Yogoro Kato and Dr Takeshi Takei at Tokyo Institute of Technology (now Institute of Science Tokyo), The innovative spirit of the company's founding—creating value that did not yet exist in the world, starting at the material level—continues to be passed down to this day.

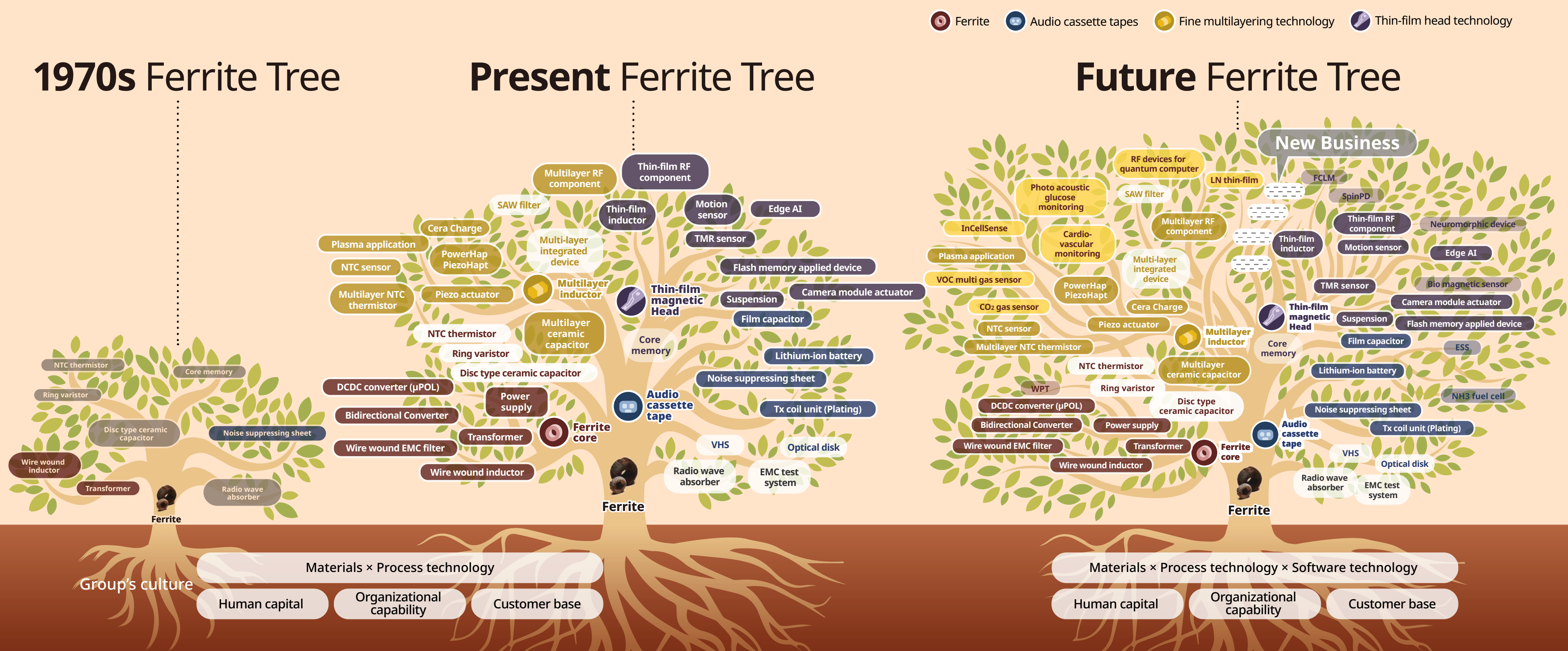
1970's – 1980's
Music cassette tape
TDK made sweeping impact on the world with its music cassette tapes. Eyeing the rapid growth of the music industry, we became determined to transform the compact, affordable cassette tape into a true music medium, replacing reel-to-reel tapes. Led by music cassette tapes, the era of recording media saw TDK's global business expansion accelerate significantly.



1990's – 2010's
Magnetic head
By the 1990s, as hard disk drive (HDD) capacities increased, computers increasingly became smaller and more powerful, leading to the widespread proliferation of personal computers. A key enabler of this shift was TDK's thin-film magnetic head, developed in 1987. Today, TDK's magnetic heads are extensively employed not only in desktop and laptop PCs but also in servers and data centers.



2010's – 2020's
Small capacity batteries
Since the 2010s, smartphones have enabled users to do everything from making calls and sending emails to taking photos, watching videos, playing games, listening to music, and using social media. TDK's compact rechargeable batteries are driving the rapid advancement of smartphones toward smaller, lighter designs with higher storage capacities.



TDK History

Evolution of the **Ferrite Tree**

The Ferrite Tree is a representation of TDK's growth trajectory. TDK's generations of products are shown linked by the technology connections of its four major innovations—ferrite, audio cassette tapes, fine multilayering technology, and thin-film head technology.
From materials to process, and through the development of derivative technologies and the expansion of our portfolio through M&A, we have nurtured the branches and leaves of the tree with technologies. Even if we divest or withdraw from businesses, the technologies are accumulated at TDK and applied to current products.

Spotlight

The TDK Museum has been renovated

We reopened the TDK Museum in April 2026 following a renovation, as part of our 90th-anniversary celebrations. We have incorporated exhibits designed to help the younger generation—who will lead the next generation—experience the excitement of science and TDK's latest technologies firsthand. Based on the concept of "Discover, Create, and Connect," we are strengthening our outreach efforts to communicate information, particularly to young people, with the aim of linking it to our recruitment activities.

Please see the website for more information. **https://www.tdk.com/museum/en/**

TDK at a Glance (FY March 2026)

A global electronics technology company and a world leader in electronic solutions for the smart society

TDK leads the world in magnetic technology and operates in the four business segments of Passive Components, Sensor Application Products, Magnetic Application Products, and Energy Application Products, as well as Other business. We focus on three markets: automotive, ICT, and industrial equipment.

Establishment

1935

Percentage of overseas employees

Approx. **90%**

Number of employees: 106,545

Overseas sales ratio

Approx. **90%**

Net sales: ¥2,504.8 billion

Financial capital ensuring TDK's growth

Operating profit (OPM)

¥272.4 billion (10.9%)

Free cash flow

¥129.9 billion

ROIC

7.5% [FY March 2027 Target: 8%]

Shareholders' equity ratio

49.5%

D/E ratio

0.28x

Pre-financial capital supporting TDK's growth

Techno-logical capability

Research and development expenses (% of net sales)

¥289.7 billion (11.6%)

Number of CVC investments*1

54 companies

Human capital

Female manager ratio*2

22.9%

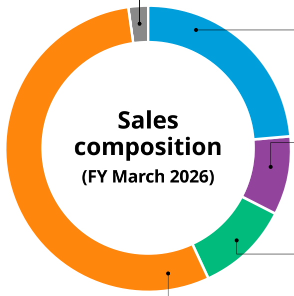
Evaluation by external organiza-tions

Named a 2026 Clarivate Top 100 Global Innovator

Received the highest rating of "platinum" from Ecovadis, an international sustainability rating agency

*1 As of June 2026 *2 TDK Group

Business overview



Other
2.1% / ¥53.8 billion

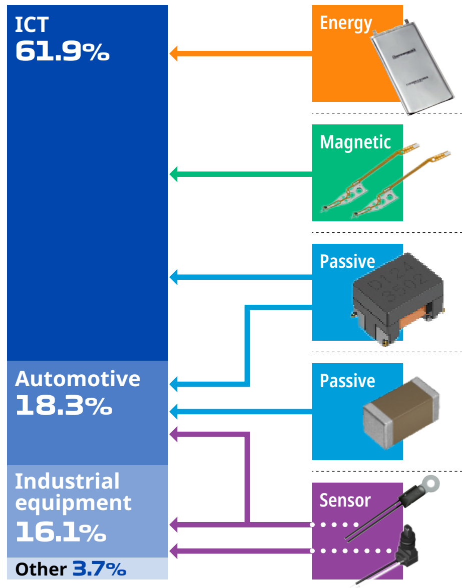
Passive Components
23.7% / ¥593.2 billion
- Capacitors (ceramic, aluminum electrolytic and film capacitors)
- Inductive devices
- Other passive components

Sensor Application Products
9.0% / ¥224.6 billion
- Temperature and pressure sensors
- Magnetic sensors
- MEMS sensors

Magnetic Application Products
10.5% / ¥262.9 billion
- HDD heads
- HDD suspension assemblies
- Magnets

Energy Application Products
54.7% / ¥1,370.3 billion
- Energy devices (rechargeable batteries)
- Power supplies

Sales by market / Main high market share products



Small capacity batteries
No. 1 (50%–60%)

HDD suspension assemblies
No. 2 (40%–45%)

Signal EMC filters
No. 1 (45%–50%)

Ceramic capacitors for automobiles
No. 2 (35%–40%)

Temperature sensors
No. 2 (30%–35%)

* Please refer to TDK's Current Businesses for business performance trends by segment. (p. 30)

Contents

Editorial Policy
From the 2021 edition TDK changed its Annual Report to the Integrated Report, and from the 2025 edition we are publishing it under the new title of the TDK United Report, as a dialogue tool to convey a more accurate understanding of our comprehensive growth story including financial and pre-financial aspects on the part of stakeholders and enhance stakeholder engagement. Starting with the 2024 edition, the structure of each page has been organized by making reference to the Guidance for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry of Japan.

Reporting Scope
Coverage period: FY March 2026 (April 1, 2025–March 31, 2026) (Information on some activities in and after April 2026 is also included.)
Organizations covered: TDK Corporation and the TDK Group
Accounting standard: TDK Corporation and the TDK Group Accounting standard: Unless otherwise noted, US-GAAP until FY March 2020 and IFRS from FY March 2021

Cautionary statements with respect to forward-looking statements
TDK's plans, strategies, and future business prospects set forth in this report are judged to be reasonable by TDK at the present point in time based on information available at present. They are subject to risks and uncertainties. Please be aware of the possibility that depending on various factors, actual business results may differ from the contents of this report.

Enhancing the TDK Transformation |

From Fusion to "RENDO (連動)"

▶ CEO Message Movie

Noboru Saito
Representative Director, President & CEO

Embracing the motto of “In Everything, Better,” we will continue to enhance our own capabilities

Since I took over as CEO, I have continuously stated that a company’s value is the sum of the value created by each employee. This reflects my belief that people are everything and the idea that the sum of the value created by 100,000 team members (employees) will lead to tremendous corporate value. Over the past four years, I have constantly encouraged an approach of taking ownership and thinking about what actions are needed now. My hope is that this way of thinking will promote an awareness that the collective our own capabilities of all of TDK’s members is linked to TDK’s corporate value.

Geopolitical risks and other uncertainties in our external environment only continue to increase. Even in such an environment, there are endless opportunities to enhance our own capabilities. In FY March 2026, we recorded new highs for net sales and all profit items. We also achieved our plan targets outlined at the beginning of the fiscal year for all financial KPI. I view these successes as a result of our global team members comprising TDK United working towards the enhancement of their own capabilities in their respective roles.

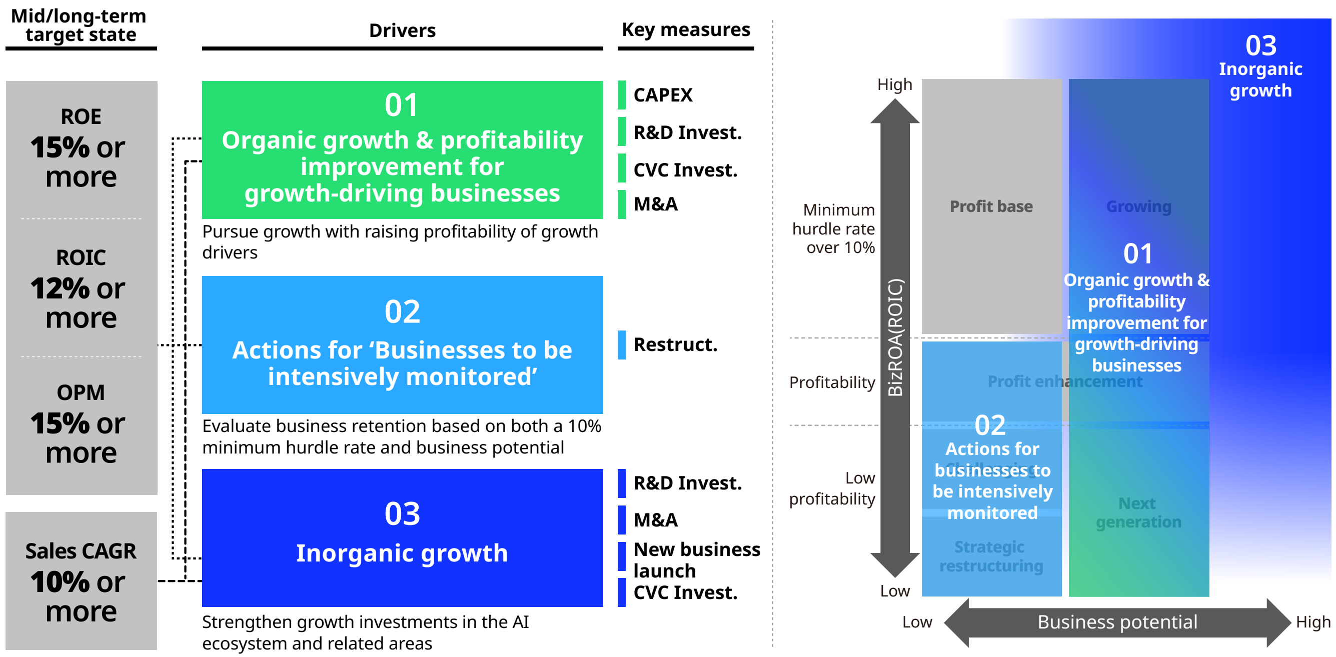
I feel like we have made progress on the three points raised in the Medium-term Plan. Looking at the first point, strengthening management focusing on cash flows, we had forecast cumulative operating cash flow of ¥1 trillion for the three-year period of the Medium-term Plan. However, thanks to an upward increase in profit before tax, we are forecasting the three-year total to outperform initial plans by roughly ¥300.0 billion.

Looking at the second point, enhancing business portfolio management (emphasizing ROIC), we promoted proactive initiatives primarily focused on advancing growth strategy with the medium- to long-term goal of achieving an ROE of 15% or higher and an ROIC of 12% or higher. These initiatives are linked to our desire to move TDK towards a new growth stage. We are promoting business portfolio management from three perspectives: organic growth & profitability improvement for growth-driving businesses, actions for businesses to be intensively monitored, and inorganic growth. An example of a growth-driving business would be contributions to the AI ecosystem market, which I will touch on later. This year marks the third year of taking actions for businesses to be intensively monitored. Our policy for businesses with both low BizROA (ROIC) and low business potential will be to clarify direction by the end of the current Medium-term Plan and take decisive action. As for inorganic growth, we will enhance investments in the AI ecosystem and other related areas.

With the third point, strengthen pre-financial capital, as well, we are steadily coming closer to achieving the target values for communication score and other indicators set as important KPI. Pre-financial capital, however, involves numerous elements, such as technological capability, human capital, and organizational capability, that are difficult to quantify or represent numerically. In this sense, there is still a gap between our ideal situation and actual results.

I view the gap between our ideal situation and actual results as something that can never be completely filled. However, this is not a negative. In fact, it is the opposite. This is also why I avoid using the word “best.” Once you believe something is the best, then progress stops. This is why I will always pursue “better.” The TDK Transformation we outline in our Long-term Vision is, to put it another way, indeed the endless pursuit of “better.” This belief is also linked to

Toward realizing our mid- to long-term target state



our adopting "In Everything, Better" in 2025 as the tagline associated with our brand identity.

Strengthening human capital to drive My Transformation

When it comes to strengthening pre-financial capital, the most important capital is human capital. To ensure that the company proactively addresses this issue, we publish our communication score, the most important aspect of the engagement score, both internally and externally as a KPI.

This is something I have made a point to continuously convey to all our worksites since formulating TDK Transformation as our Long-term Vision, but one team member asked me, "Mr. Saito, what is your Transformation theme?" "My Transformation" theme is communication. I replied that I want to lead the continuous effort of transforming our internal and external communication.

As part of that desire, I began holding global townhall meetings targeting members from all around the world.

Through these meetings, I convey information regarding TDK's financial position and topics we are tackling on a companywide level. Rather than one-way information dissemination, we also leave time for a Q&A session to promote more communication. My hope is that these meetings will encourage each member to take actions that lead to enhancing corporate value.

Transitioning TDK United from Fusion to "RENDO (連動)"

I have proactively disseminated TDK United both internally and externally as the phrase that represents the corporate culture of TDK. This does not refer to some uniform integration but, rather, reflects our desire as an organization to achieve the gentle fusion of various members from diverse backgrounds using teamwork to create value. This desire remains unchanged. However, moving forward, I want to further deepen this fusion while also transforming into "RENDO (連動)". This means maintaining this gentle fusion while exploring which parts should be linked together and then more tightly linking the functions that should be combined together.

Enhance and align (RENDO) human resources strategy as a core component of corporate strategy

For human resources, which serves as the most important capital within the framework of strengthening pre-financial capital, I think it is critical that we align corporate strategy and human resources strategy. This will require that we strengthen human resources strategy as a core component of our overall Group strategy.

Truthfully speaking, I do not think the past approach of matching the human resource development plans of each department with company policy was sufficient. Looking at the company overall, there were aspects of both sides lacking a sense of alignment. Learning from the past, in April 2025 we re-positioned the Human Resources HQ as a core function in the promotion of corporate strategy and appointed Andreas Keller, who was serving as General Manager of the Human Resources HQ, as the Chief Human Resources Officer (CHRO). This move was made to clearly align human resources strategy as a core component of corporate strategy. This fiscal year, I think it will be necessary to further advance detailed policies. One of those policies is strengthening human resources in the software domain.

To convey to our stakeholders how investments in human resources are aligned with financial results, TDK issued its first ever Human Capital Report. We also indicate trends in our human resources ROI (▶ p. 41). While the issues affecting each global region differ, efficiently promoting initiatives such as education and AI utilization to enhance our competitiveness and increasing returns on our investments in people will serve as a driving force for corporate value. As someone who believes that people are everything, I believe it is important that we provide a visual representation of the RENDO between pre-financial and financial capital.

The AI ecosystem market as a growth strategy driver

We have positioned the AI ecosystem market (▶ p. 28), which includes various applications related to AI, as a growth-driving business related to enhancing business portfolio management, and are making investments targeting this market.

Social issues in the AI ecosystem market include the massive electricity consumption associated with the dissemination of AI. Current TDK businesses such as passive components, sensors, products for the HDD market, and batteries can all make significant contributions to reducing power consumption.

In addition to these existing domains, we will also contribute to business performance in new business domains. In particular, in businesses related to semiconductor manufacturing equipment, in addition to sales of load ports and flip-chip bonders, we also plan to mass produce semiconductor bonding materials. We will expand this business by combining highly reliable, high thermal dissipation materials that contribute to reduced power consumption.

In the medium to long term, we forecast a compound annual growth rate (CAGR) of 25 to 30% for net sales of products for the AI ecosystem market. At present, progress for these initiatives is largely on par with plans. With sales of these products comprising over 10% of total company net sales in FY March 2026, we are forecasting this to increase to roughly 15% in FY March 2027.

Evolving RENDO of Interorganizational Organization to accelerate Ferrite Tree growth

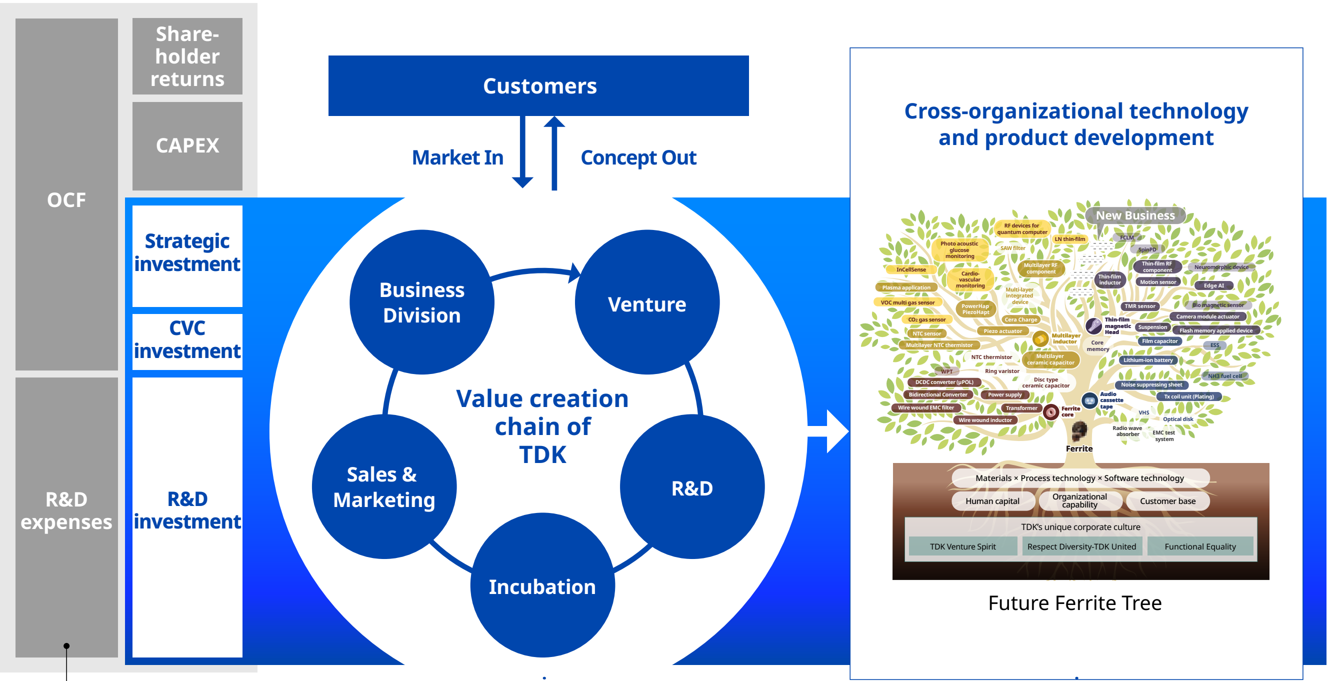
Our Long-term Vision outlines the initiative of strengthening our capability to envision the future. Even in just the past two years, I feel that we are transforming in that sense. We were already creating a value creation chain aimed at enhancing dynamic Groupwide initiatives. This framework involves TDK Ventures serving as a corporate venture capital (CVC) function and acting as an antenna for the early identification of new business seeds and the Corporate R&D and Corporate Marketing & Incubation (CM&I) evaluating how such seeds would lead to value for TDK. Our success in developing a solutions business like TDK SensEI, which combines hardware with software, is due to this value creation chain functioning so well.

At the same time, rather than view this as the best, we implemented an organizational restructuring in April 2026 with a long-term perspective through which we are aiming for Episode 2 or the next “better” in our evolution. Specifically, we proactively dissolved the CM&I HQ and established a new Sales & Marketing HQ (▶ p. 42) by integrating the marketing functions previously handled by CM&I HQ with the sales functions for the passive components and sensor businesses. The objective was to combine the frontline insights gained through direct customer interaction with a medium- to long-term marketing perspective.

Additionally, we transferred the incubation function previously handled by that HQ to the Incubation Center within the Technology & Intellectual Property HQ. The aim here is to leverage a perspective that encompasses both R&D and business operations, enabling a seamless, end-to-end process that spans everything from technology development to the launch of new businesses.

At TDK, we depict the links and growth trajectory of our technology and business as a tree we call the Ferrite Tree (▶ p. 6). Elements playing an extremely important role in the growth of the Ferrite Tree are the roots, which are comprised of pre-financial capital such as human capital, our customer base, organizational capabilities and technological capabilities. By extending its roots widely and deeply into the earth, a tree gains the vitality to sprout new branches and leaves. Recognizing that technological capability is a crucial form of pre-financial capital, comparable in importance to

Long-term technology strategy: Accelerate and strengthen investment in growth areas



Strengthening both profitability and R&D investments for a sustainable growth

Accelerating the Value Creation Cycle with a new organizational structure

At the Investor Day on Sep. 1, Explain human capital and software technology

human capital, we have consistently allocated 10% or more of annual net sales to R&D investments. In addition to this robust foundation of internal technological capability, TDK Ventures, our CVC (▶ p. 43) , plays a pivotal role in strengthening our incubation capabilities. Established to generate synergy with promising startups that are tackling social challenges and possess cutting-edge technologies with the potential to become core businesses for the company, TDK Ventures has reached a total investment scale of ¥50.0 billion, with a portfolio exceeding 50 companies. By evolving our RENDO of Interorganizational Organization and transforming our value creation chain in this manner, we will drive the sustainable growth of the Ferrite Tree.

Unique corporate and organizational culture creating a competitive advantage

I believe that our greatest competitive advantage at TDK lies in our unique corporate culture, as it serves as the fertile ground for cultivating the human resources who drive that competitive advantage.

On this subject, the first strength I want to highlight is our respect for diversity. Among our 100,000 team members, nearly 90% are non-Japanese and approximately 75% joined the company through M&A. This diversity fosters the ability to adapt to changing environments. However, diversity alone does not automatically equate to strength. What is important is that the entire group shares the understanding that we grow by respecting and acknowledging our respective differences and learning from each other. Our governance policy of Empowerment & Transparency reflects our commitment to empowering to a diverse range of team members while ensuring full transparency. Another key strength is our culture of functional equality, the principle that while job titles may imply a hierarchy, the roles (functions) themselves do not. This approach fosters connections and active communication among diverse team members, which ultimately promotes new value creation.

There is another aspect that I consider a strength of TDK. Perhaps an odd way to put this, but I believe we have a certain healthy looseness or flexibility about us. Much like the play in a car's steering wheel, TDK fosters a culture that allows for a degree of freedom rather than rigidly controlling every single detail. I view TDK as a great venture enterprise, and think that this quality of having a balanced flexibility may be what fuels our venture spirit.

Shareholders and investors might argue that we don't need such flexibility and that, instead, we should focus on maximizing earnings and investment efficiency. However, what cannot be denied is that our organizational culture has enabled us to take on challenges freely and generate diverse forms of value. One example is the TMR sensor, which is now the driving force behind our sensor business. This sensor actually began as research pursued by an engineer out of personal interest, rather than as an official work assignment. Pursuing an endeavor that others approach with a mixture of annoyance and skepticism led to a product that has become the cornerstone of our sensor business.

I believe that TDK is able to extract the true value in respect for diversity and functional equality because of our group's culture that embraces free experimentation and accepts failure. This is the result of a long line of management teams recognizing this value and passing it down to the present day. I also believe that my goal, to be United rather than aim for uniform integration, is driven by a desire to pass this unique strength on to the next generation.

Conveying TDK's limitless potential

I strongly believe that TDK possesses limitless potential. To bridge the gap and convey that potential, we must pursue core theme of strengthening communication with all stakeholders, including our customers, shareholders, investors, and our own employees.

We are striving to foster a deeper understanding of our pre-financial capital, an area of potential that previously

we have not sufficiently communicated to external audiences. To address this, in September 2025, we held our first-ever briefing session titled "To Enhancement of Corporate Value through Pre-Financial Capital," where we explained our initiatives regarding human capital and technological capabilities. We plan to hold a similar briefing this coming September as well.

As outlined in our Long-term Vision, we will accelerate the TDK Transformation and increase our corporate value by contributing to the social transformation. We embrace the corporate motto of "Contribute to culture and industry through creativity" and the corporate principles of "Vision, Courage, Trust." I strongly believe that enhancing corporate value requires pursuing pre-financial value, something that cannot be attained through numbers alone, and linking it to financial value. Conveying this perspective calls for a further transformation in our communication, and I look forward to further enhancing dialogue with everyone.

Accelerate the corporate value improvement cycle by continuously increasing the profitability of invested capital and **converting pre-financial capital into financial value**

Tetsuji Yamanishi
Representative Director, Senior Executive Vice President, and Chief Financial Officer

In a turbulent operating environment, we achieved results approaching Medium-term Plan final year targets

FY March 2026 was a year of dramatic change in an operating environment that can only be described as dynamic. The fiscal year began with increasing global trade friction and conditions in the Middle East regions had intensified by the fourth quarter. Facing such an environment, we started out the fiscal year facing potential significant decreases in sales and profit based on risk scenarios outlining decreased demand in the US. However, in reality, we ended up performing upward revisions twice during the fiscal year and nearly achieving the targets for the financial KPI outlined for the final year of our Medium-term Plan, including net sales, operating profit, operating profit margin, ROE, ROIC, and free cash flow (▶ p. 27).

Factors leading to FY March 2026 results that significantly outperformed initial plans include strong growth in AI data center-related demand and firm smartphone-related demand. A major shift towards yen depreciation heading into the end of the fiscal year also had the effect of boosting performance. However, it was not only external factors supporting this favorable performance.

Determined to minimize, rather than be swayed by, changes in our external environment such as demand fluctuations and tariff hikes, we embraced the concept of "Control the Controllable." Based on this approach, we worked steadily to control the things we can control, including improving costs by increasing quality and optimizing capital expenditures. For example, among our three primary markets, automotive market demand has remained stagnant over the past year. This trend had a significant impact on products such as passive components and sensors, for which the automotive market accounts for a high proportion of sales. In response to these market conditions, we somewhat reduced capital expenditures compared to initial plans to improve investment efficiency. Conversely, we made additional capital expenditures in businesses related to AI data centers, which are expected to see medium- and long-term demand growth. In this way, we achieved these results by implementing balanced growth strategy, including re-directing excess production capacity or capital expenditure budget to growth domains, rather than be swayed by demand fluctuations.

Proactive business portfolio management to solidify management conscious of cost of capital

I have been involved in the work of the Finance & Accounting HQ for a long time since joining the company, and I think the approach business divisions take to cost of capital has changed significantly compared to the past. I think we have steadily adopted an approach that is centered on cost of capital management. For example, rather than simply manage profits and losses, business divisions are examining whether or not investments are actually producing returns that exceed cost of capital and evaluating policies that will lead to profit levels that exceed the hurdle rate.

This can be linked to the company's early attempts to incorporate management that is conscious of cost of capital. I personally believed that management conscious of cost of capital was necessary not only among corporate management divisions, but also at the business division level. In fact, I was the person who, in 2000, led the charge to adopt TDK Value Added (TVA), a management metric unique to the Group for indicating the status of profit relative to invested capital. However, during that period, TDK was an organization that strongly leaned on the conventional approach of profits and losses. In such an atmosphere, promoting and implementing management conscious of cost of capital proved difficult. While TVA did serve as one metric for evaluating results within business divisions, it failed to function as a standard for business decision-making.

However, the company saw a significant shift in its thinking in recent years as a result of an increasing emphasis on business portfolio management. In FY March 2022, all cash flow business units (CBUs) were organized into six tiers across two categories, “BizROA (ROIC)” and “business potential.” Ranking investment allocation based on these tiers was conducted to organize and optimize our business portfolio. From the start of the current Medium-term Plan, we also adopted the approach of not only considering investment allocation, but also conducting intensive monitoring for CBUs where the ROIC was below the minimum hurdle rate of 10%, even if the business was profitable. This approach promotes the rapid implementation of turnaround initiatives and enables proactive business portfolio management.

Thanks to these initiatives, in more recent years we are seeing a rapid increase in a conscious of cost of capital at the business division level. As a next step, I want to further accelerate this transformation in awareness by evolving into an organizational culture that adopts and acts from the primary perspective of identifying what each member of each business division can do to exceed the hurdle rate and further expand the ROIC-WACC spread. Within our business portfolio management process, we create opportunities for the managers of CBU where turnaround is necessary to directly explain their improvement plans to senior management. The purpose of these presentations is not only to carefully examine plan details, but also to promote an enhanced understanding of management conscious of cost of capital and foster the development of human resources with a mindset for autonomous management.

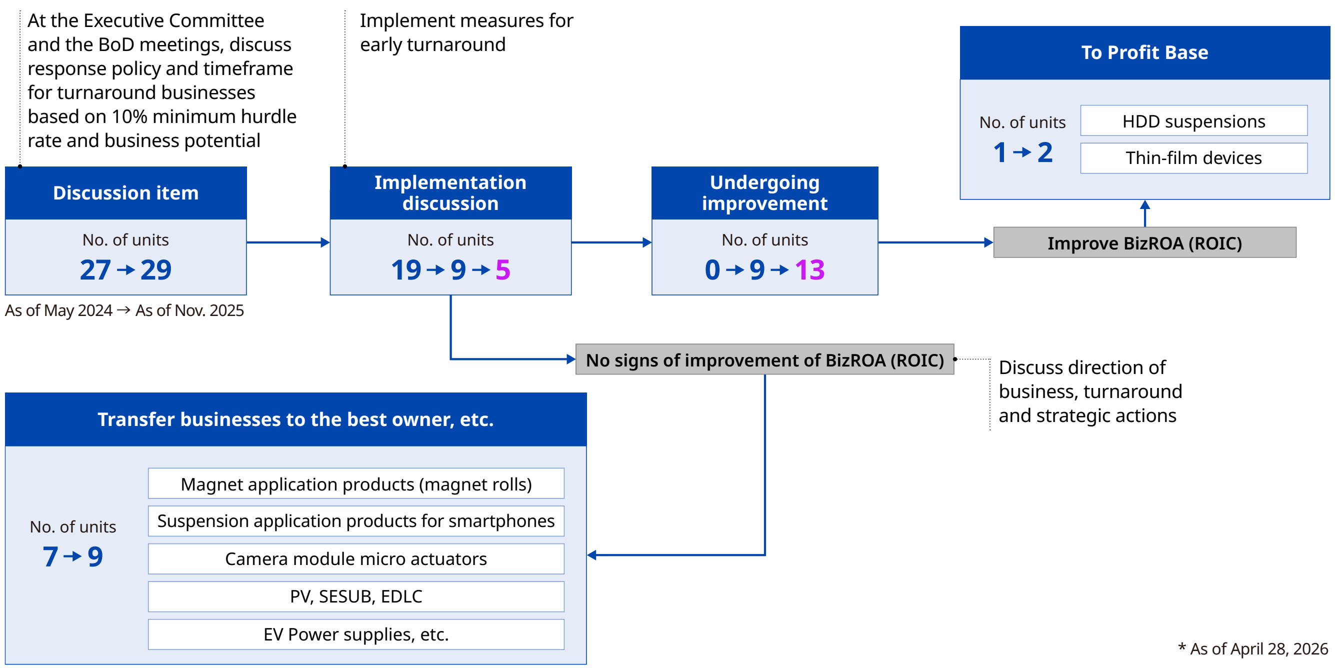
When managing business based on profitability, one unavoidable reality is that the pursuit of efficiency can lead to diminishing equilibrium. At TDK, business portfolio management is one part of our growth strategy. We are aiming not only for efficiency, but also efficient growth in business scale and improvement in value. To that end, one thing I emphasize to the CBU managers in charge of improvement plan proposals is the importance of prioritizing a focus on business growth and value improvement.

Reevaluating hurdle rate goals to achieve long-term goals of an ROE of 15% and an ROIC of 12% or higher

In TDK Transformation, our Long-term Vision, we outline our medium- to long-term financial goals as an ROE of 15% or higher, an ROIC of 12% or higher, and an operating profit margin of 15% or higher. These are not easy targets, and we still have numerous hurdles to overcome if we are to achieve these targets. Our biggest challenge will likely be achieving continuous improvements in profitability. For a well-performing CBU, capital expenditures can lead to business growth. However, with a CBU struggling with a decline in profitability, a failure to achieve a return on investment on par with plans can lead to a downward spiral in which impairment losses trigger further declines in ROE. To avoid such a negative loop, it is critical that we end any downward spiral and shift the business onto a positive trajectory.

To this end, we are also considering reevaluating the hurdle rate, which is currently set uniformly at 10% for the entire company. The current hurdle rate is comprised of 7% WACC

Progress of proactive business portfolio management



* As of April 28, 2026

and the additional 3% required to cover head office costs of roughly ¥50.0 billion. While we plan to maintain this rate during the period of the current Medium-term Plan, we intend to reevaluate the hurdle rate from the following three perspectives.

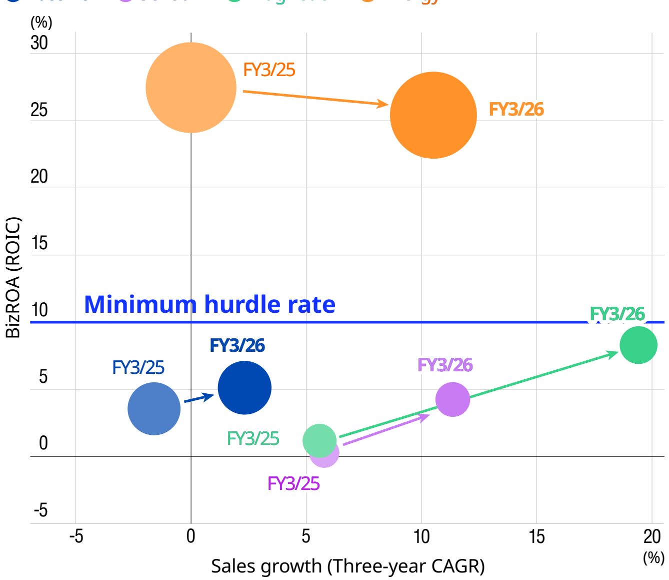
The first is accelerating improvements and controlling investments in businesses struggling to improve profitability by setting a hurdle rate that accounts for risk premiums. The second consideration is to drive overall profit improvements by conducting an upward revision of the target rate for well-performing businesses that are already sufficiently surpassing 10%. Rather than aim for all businesses to uniformly exceed 10%, I believe we need to set targets that encourage highly profitable businesses to generate even greater profits. Lastly, the third perspective is our response to changes in our operating environment. Three years have passed since we set the hurdle rate at 10%. However, as I mentioned at the onset, current geopolitical risks have changed dramatically compared to then and foreign currency rates have also changed. During the next Medium-term Plan, we plan to reevaluate the hurdle rate from a perspective that accounts for such factors.

In addition to reevaluating the hurdle rate, we also need to optimize head office costs. When head office costs are high, there is an equivalent increase in the burden on each business division. To address this, financial planning and analysis (FP&A) personnel are leading cost optimization efforts centered on AI adoption and DX utilization.

Moving forward, to achieve our target ROE of 15% or higher, it is essential that we reevaluate the hurdle rate and improve profitability by optimizing head office costs to continuously grow earnings per share (EPS), which is the numerator in our ROE formula.

Progress on ROIC by segment

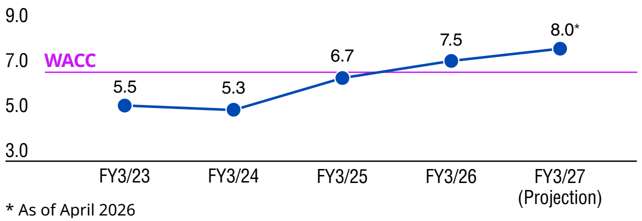
Chart for growth and capital efficiency by segment



Net sales, BizROA by segment

(¥ billion)	FY3/25	FY3/26
Net sales	2,204.8	**2,504.8**
Passive Components	559.6	593.2
Sensor Application Products	189.5	224.6
Magnetic Application Products	223.6	262.9
Energy Application Products	1,176.5	1,370.3
OP margin	10.2%	**10.9%**
BizROA (ROIC)	6.7%	**7.5%**
Passive Components	3.3%	4.8%
Sensor Application Products	0.2%	4.7%
Magnetic Application Products	1.0%	8.4%
Energy Application Products	27.3%	25.7%

ROIC(%)



* As of April 2026

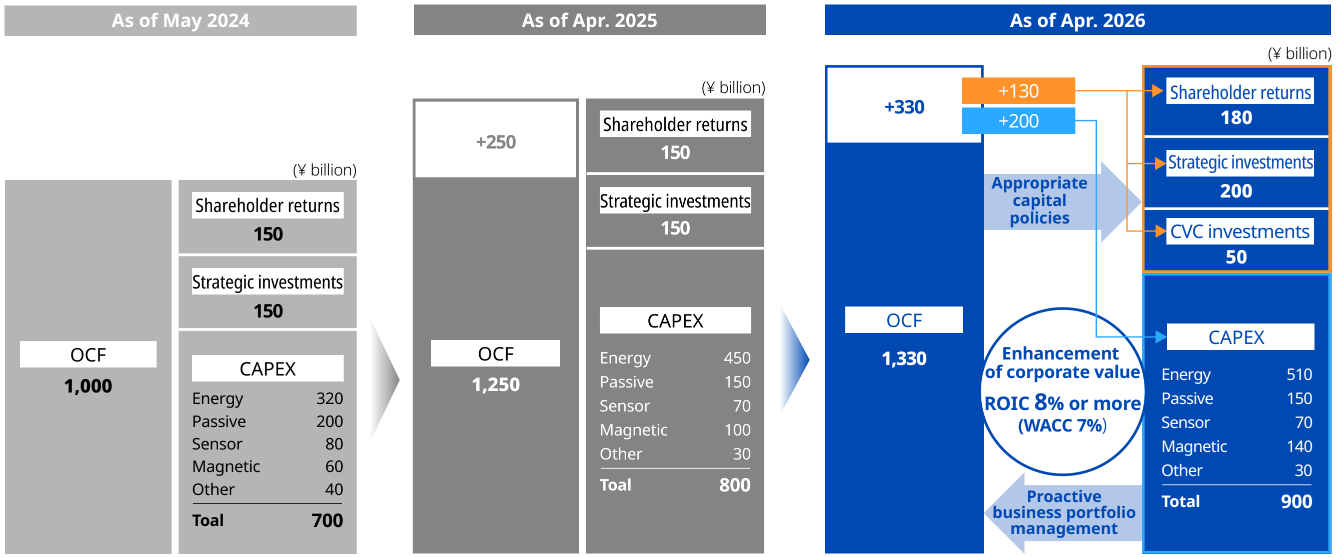
Prioritizing allocation of the ¥330.0 billion surplus in operating cash flow towards capital expenditures and strategic investments

Operating cash flow during the three-year period of the current Medium-term Plan is forecast to reach ¥1,330.0 billion, outperforming initial plans by ¥330.0 billion. We will allocate ¥200.0 billion of this surplus towards capital expenditures and ¥30.0 billion will go towards increased dividends to promote EPS growth. We plan to apply the remaining ¥100.0 billion towards strategy investments. In our initial plans, we set the budget for strategic investments at ¥150.0 billion with ¥50.0 billion to be allocated towards CVC and other investments. Adding this surplus ¥100.0 billion to originally planned ¥100.0 billion will result in ¥200.0 billion in capital to be used towards strategic investments. A major theme for TDK moving forward will be how to effectively utilize this ¥200.0 billion towards achieving growth during the next Medium-term Plan and beyond.

In principle, our policy will be to prioritize allocation towards growth investments that will contribute to the realization of TDK Transformation, our Long-term Vision. Our plan now is to outline a highly detailed next-generation growth story that is centered on the AI ecosystem domain. We will then conduct backcasting to formulate a growth strategy for the upcoming Medium-term Plan and evaluate specific investment targets that are aligned with that strategy.

One major prerequisite to aggressively engaging in investment activities is the ability to maintain financial soundness and stability. In that sense, we have already achieved our target levels for shareholders' equity ratio (50%) and D/E ratio (0.3x to 0.4x), meaning we currently have no need to allocate surplus capital towards reducing interest-bearing debt. As for dividends, our basic policy is to make steady increases to dividends in line with EPS growth, thus we currently have no immediate plans to increase the dividend payout ratio. On the other hand, the ¥200.0 billion allocated for strategic investments will be used towards strategic projects that will materialize during the current Medium-term Plan and that we are positioning as part of our

Change of capital allocation plan (FY3/25 to FY3/27 accumulated)



medium- to long-term growth strategy. However, if changes in our market environment result in a situation where we retain cash on hand, then we will dynamically allocate those funds towards shareholder returns such as share buybacks.

RENDO pre-financial capital and corporate strategy to create positive spiral for improving corporate value

The commitment President & CEO Saito spoke of during the announcement of TDK's Long-term Vision in May 2024 was, without a doubt, a declaration of TDK's commitment to engaging in management focused on corporate value. TDK's concept of corporate value management is a comprehensive management style aimed at maximizing medium- to long-term corporate value, which includes the management conscious of cost of capital I've discussed thus far as a means using the profitability of invested capital to assess how well we are improving the quality of our investments and business management.

President Saito also stated that, through TDK's commitment, "We will enhance our business portfolio management, increase the ROIC-WACC spread, increase cash flows, improve capital efficiency, and strengthen business management to increase financial capital." He further added that "We will evolve the Ferrite Tree and reinforce management to increase pre-financial capital, which is a source of future cash flow." As CFO, I recognize that it will be my mission to realize these enhancements to corporate management from an accounting and finance perspective.

Particularly important will be the creation of a positive spiral for improving corporate value by RENDO pre-financial capital and corporate strategy for generating future cash flow. Steadily converting pre-financial capital, including technology, human resources, and intellectual property, into financial value is what will enable us to maintain and strengthen our medium- to long-term competitiveness.

FP&A will play a critical role in forming those links. As an organization reporting to the CFO, this dedicated team will unite with business divisions to run a PDCA cycle for value creation and drive management from a financial perspective. Not stopping at management accounting, this team will collaborate with the Corporate Strategy HQ and other divisions to identify future trends in markets and technology while working to provide visual representations of the returns we make on R&D activities, which we position as a part of our investment activities. At the same time, a specially appointed team will provide appropriate support for the startup phase of promising new businesses to realize improvements in corporate value by converting pre-financial value into financial value.

FP&A is also expected to play a major role in fostering the development of human sources for business divisions and corporate roles. For example, FP&A will support skills advancement related to finance and capital markets for CBU managers and other business division human resources by helping members take ownership of management conscious of cost of capital and proactively engage in initiatives aimed at improving corporate value. Rather than being limited to the accounting and finance domains covered by FP&A, I think that experiencing a broad range of positions, including in business division management support and planning, will help foster the development of management human resources, including future CFO candidates (▶ p. 18).

To our shareholders and investors

TDK is striving to create a positive cash flow spiral by further increasing conscious of cost of capital among all Group team members (employees) and RENDO with business divisions and corporate divisions towards continuously improving profitability. We will also accurately identify future trends in markets and technology to further enhance our pre-financial capital and work to convert that into financial value. In doing so, we will continue to maintain and strengthen our business competitiveness while achieving medium- to long-term improvements in our corporate value. I would like to ask our shareholders and investors for your continued support.

Business Portfolio Management Supporting Management Conscious of Cost of Capital and the Evolution of FP&A Functions

Akihiko Tsuchiya
General Manager, Finance & Accounting HQ

Enhancing business portfolio management and strengthening FP&A functions

The TDK Group manages its key financial challenges in an integrated manner through its business portfolio management framework, to ensure that the financial targets set out in its Long-term Vision and Medium-term Plan, together with its annual plans, are met. As the basis to support these efforts, the Group is enhancing its FP&A functions, quickly identifying changes in the environment through regular reviews across its global structure, and translating the analysis and insights gained into concrete action. In particular, BizROA, a metric controllable at the business unit level that supplements Group-wide ROIC, has been positioned at the core of management decision-making. Existing businesses (excluding new and growth businesses) with a BizROA below the minimum hurdle rate of 10% are identified as “businesses to be intensively monitored,” with headquarters and the business units working together to improve the accuracy of improvement plans. In conjunction with these efforts, we implement turnaround strategies, constrained investment and business transfers to the best owner in an agile fashion to improve capital efficiency. These initiatives have steadily driven improvements to overall portfolio profitability.

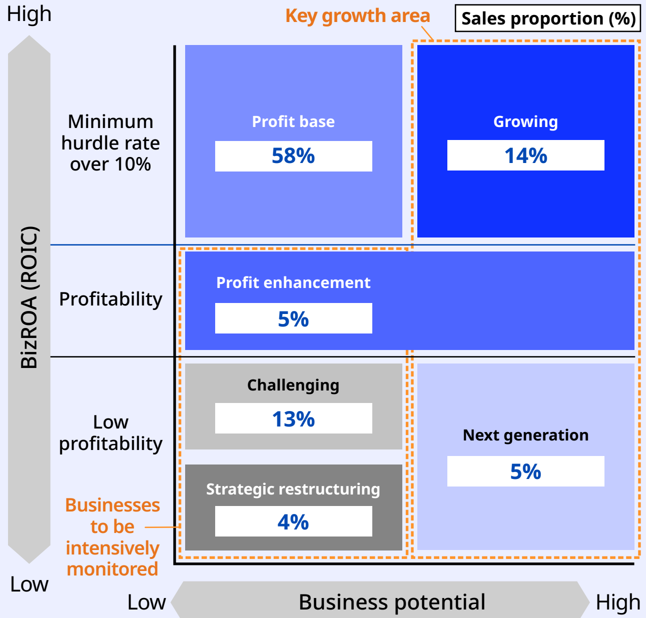
Improving the likelihood of returns on growth investments and strengthening cash generation capabilities

We continuously monitor growth businesses in terms of both business potential and BizROA to maximize problem solving and growth opportunities. We deploy dedicated FP&A teams to new businesses to support well-disciplined management through startup-appropriate KPI design and quarterly reviews. In addition, through the enhanced financial review of investment projects and improved monitoring of the cash conversion cycle (CCC), we have worked to steadily improve capital efficiency and raise the level of our cash generation capabilities. As a result, we have successfully expanded sustainable free cash flow by driving both investment discipline and cash generation.

Transforming HQ functions and creating value through pre-financial capital investment

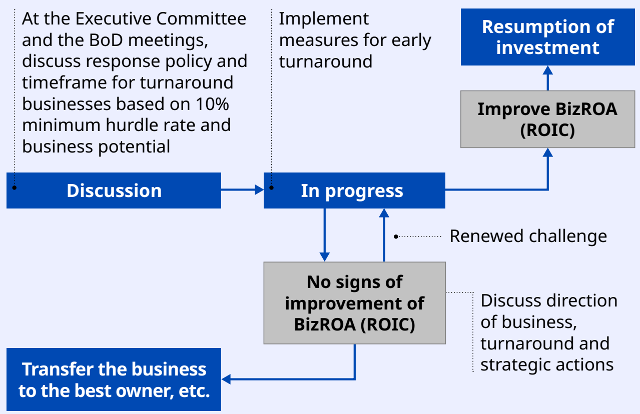
HQ functions balance cost optimization with functional enhancement, taking into account the impact on the cost of capital. We are streamlining routine operations with the use of AI and DX, while enhancing our expertise in functions such as FP&A, governance and strategy, evolving them into functions that create high added value. In particular, we are strategically expanding our investments in pre-financial capital that supports new technology development and new businesses, namely human capital and technological capital, recognizing it as the source of future cash flow. Going forward, we will pursue deeper management conscious of cost of capital, through portfolio management, while steadily pursuing improved corporate value by cultivating FP&A personnel and enhancing their functions.

Business portfolio map



• BizROA = Business OP after tax and before distribution of corporate expenses divided by business assets.
• The 10% minimum hurdle rate is calculated, considering the 7% corporate WACC and corporate expenses.

Proactive portfolio transformation



Chapter 1

TDK’s Long-term Vision

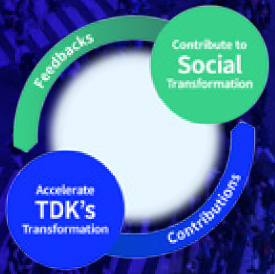
TDK Transformation, Our Long-term Vision

TDK has established a Long-term Vision “TDK Transformation”, from FY March 2025, as what we want to be over the next 10 years. This Long-term Vision embodies our will to accelerate contribution to the transformation of society and continuously transforming TDK itself to contribute to the realization of a sustainable future.
In accordance with this Long-term Vision, we will accelerate the transformation of society and advancements in technology enabled by electronic devices developed through leveraging cutting-edge innovation in materials, processes, and software technology, contributing to the transition toward a sustainable future. We will also continue our own transformation to become the No. 1 partner growing alongside our worldwide customers.

TDK Transformation

Accelerating transformation for a sustainable future

- Contribute to the transition towards a sustainable future by **accelerating the transformation of society and advancements in technology** enabled by electronic devices developed through leveraging cutting-edge innovation in **materials, processes, and software technology.**
- **Become the No. 1 partner** growing alongside our worldwide customers by **pursuing continuous “transformation.”**



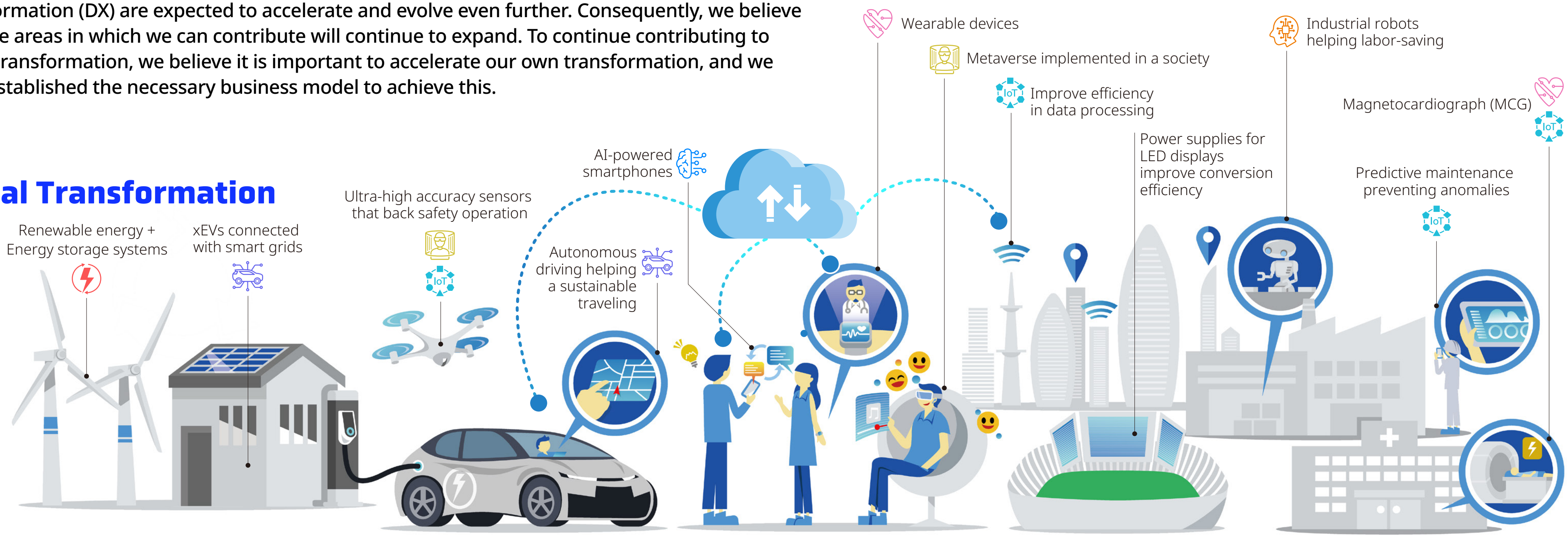
Long-term Vision

Going forward, social transformations such as green transformation (GX) and digital transformation (DX) are expected to accelerate and evolve even further. Consequently, we believe that the areas in which we can contribute will continue to expand. To continue contributing to social transformation, we believe it is important to accelerate our own transformation, and we have established the necessary business model to achieve this.

Image of social transformation TDK projects

Medical/Health Care | Beyond 5G | Robotics | Renewable Energy | IoT/Data Center | AR/VR | Mobility ADAS/EV | AI

Social Transformation



Advancement of Technology

Green Transformation × Digital Transformation

AI

TDK Transformation

Capability of management transformation—How to win

Constant securing of investment capacity and optimal investment

Capability to envision the future
Capability to foresight from the long-term (Tech. x Market)

×

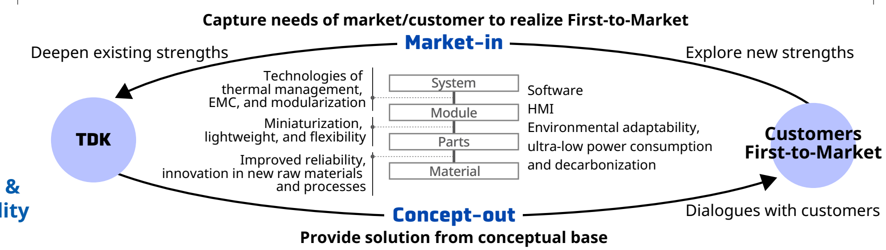
Capability to execute
Proactive business portfolio management
High level of quality
Optimization of production technology

Human resource transformation
Transformation through promoting and cultivating diverse pool of human resources to further enhance competitive advantage

×

Earning capability & Investment capability

Strategic position—Where to play



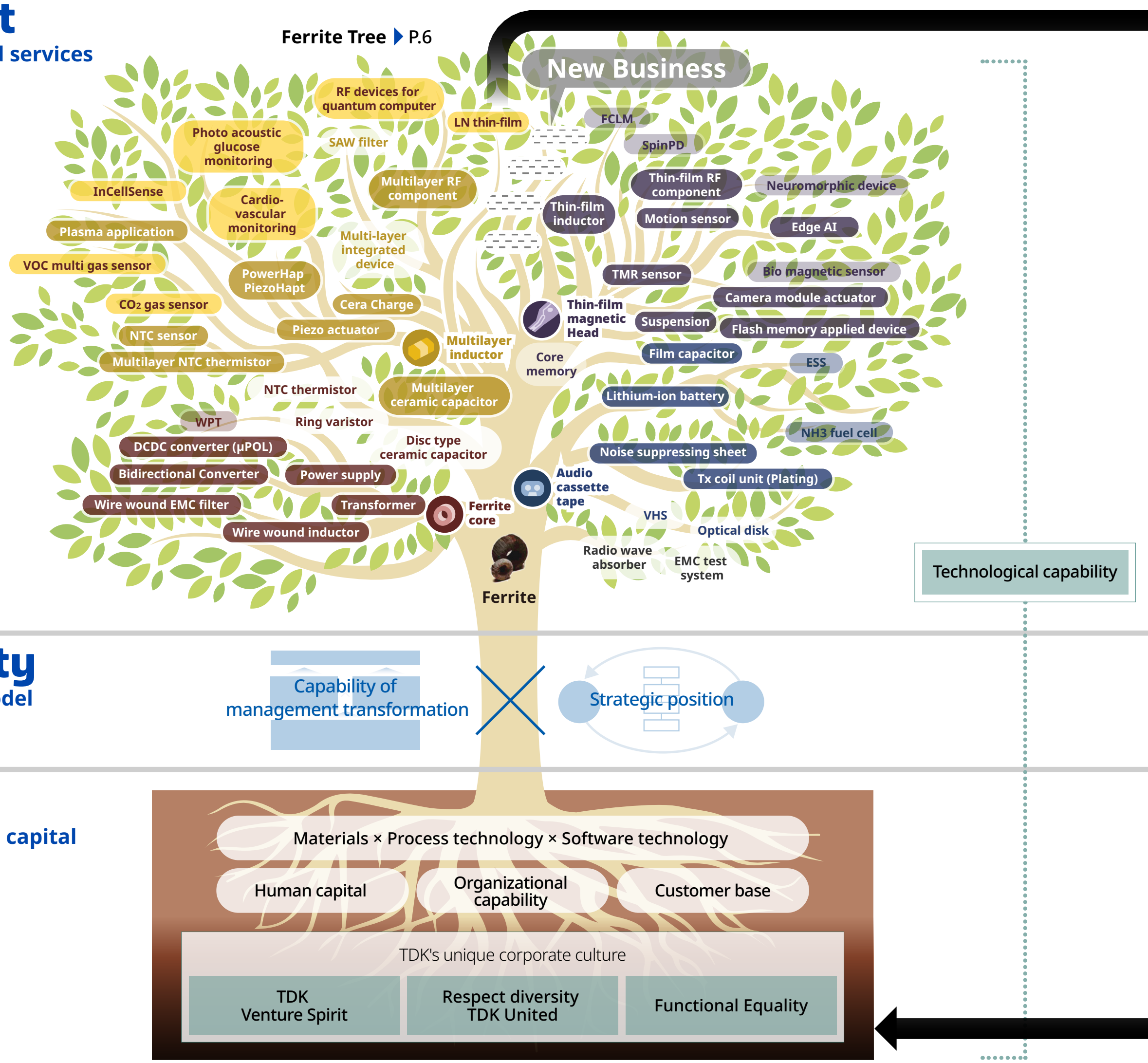
Value Creation Process to Realize the Long-term Vision

In order to realize our Long-term Vision "TDK Transformation," our value creation process begins with our pre-financial capital, which corresponds to the root of the Ferrite Tree (the Tree), then makes full use of our business model as the trunk, and finally grows our products and services as the branches and leaves of the Tree. Through this growth and transformation, we will contribute to the transformation of society, including the AI ecosystem.
The feedback from the transformation of society will further grow the roots of the tree and accelerate TDK's own transformation.

Output
Products and services

Activity
Business model

INPUT
Pre-financial capital



Outcome
Impact

- Realize a zero-carbon society
- Improve energy efficiency
- Industrial revolution of the skies
- Predictive maintenance preventing anomalies
- Close the digital divide
- New experiences through the social implementation of metaverse
- Improve data efficiency for a wealthy life
- Extension of healthy life expectancy

Green Transformation × **Digital Transformation**

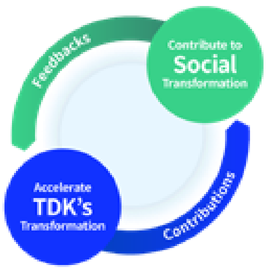
AI

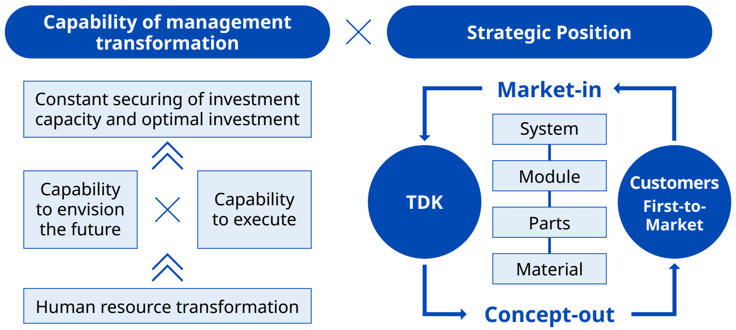
Key Issues (Materiality) of TDK

From the perspective of achieving our Long-term Vision based on our Corporate Motto and Corporate Principles, we took into consideration our long-term strategies as well as risks and opportunities and identified the key issues (materiality) that have a real impact on the value creation capability of the TDK Group. This materiality was extracted from our long-term strategy for enhancing corporate value, and the action strategy is reflected in our Medium-term Plan, which started in FY March 2025. The materiality of the TDK Group is premised on the long-term creation of value for not only investors, but all stakeholders including customers, suppliers, and team members (employees) and focuses on issues that help maximize TDK's corporate value.

Long-term Vision

Business model for realizing our Long-term Vision





Key Issues (Materiality)

Key issues (materiality) which should be addressed toward the realization of Long-term Vision

Value creation and establishment of competitive advantage through business activities

- Create customer value and build strong relationships
- Contribute to social transformation through R&D
- Stabilize supply of high-quality products and increase production efficiency

Strengthening of the management foundation that envisions and realizes the future

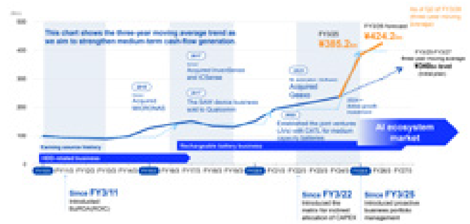
- Transformation through promoting and cultivating diverse pool of human resources to further enhance competitive advantage
- Advance group governance
- Address environmental and social issues

Medium-term Plan

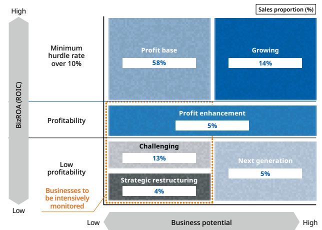
Action plan for the next 3 years to realize the Long-term Vision

Corporate value = Maximize FCF generation ↑ / (Cost of capital (WACC) ↓ − Expected growth rate ↑)

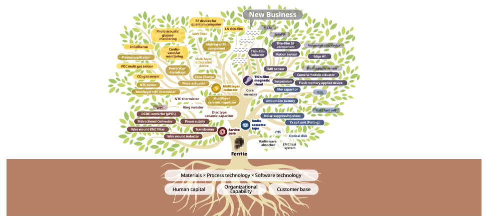
1 Strengthen management focusing on cash flows



2 Enhance business portfolio management
(Emphasizing ROIC)
▶p. 15



3 Evolve the Ferrite Tree
(Pre-financial capital)
▶p. 6, p. 21



TDK's key issues (materiality), which plot the enhancement of corporate value and adopt the concept of synchronizing the sustainability of both society and company, comprise financial materiality (important items for TDK) and impact materiality (important items for stakeholders). After deriving financial materiality and impact materiality, we closely examined the two and selected our materiality.

We monitor the degree of achievement of KPIs set for each materiality theme by contrasting planned figures and achieved figures. We place an emphasis on PBR as an indicator of corporate value, and believe that our efforts to address materiality will ultimately lead to an improvement in PBR.

Details about materiality identification process are available in the Sustainability Website

https://www.tdk.com/en/sustainability/tdk_sustainability/tdk-materiality/definition

Financial capital

Maximization of long-term corporate value

Corporate value
- PBR
  - Financial results: ROE [%]
    - ROIC [%]
      - Operating profit margin [%]
      - Cash conversion cycle [month]
      - Fixed asset turnover ratio [times]
    - Financial leverage
  - Pre-financial results: PER
    - Capital cost [%]
    - Latent growth rate [%]

Key issues (materiality)

Value creation and establishment of competitive advantage through business activities

Create customer value and build strong relationships
- Build, maintain and deepen trust with customers
- Access in-depth sources of customer needs

Contribute to social transformation through R&D
- Continue commercialization of advanced technology
- Realize intellectual property investment and utilization that contributes to business

Stabilize supply of high-quality products and increase production efficiency
- Maintain the capability to introduce products into market quickly and to ramp up mass production
- Improve predictability by sharing know-how
- Pursue zero defect and promote in-house production
- Maintain diversity in products, technologies and involved markets

Strengthening of the management foundation that envisions and realizes the future

Transformation through promoting and cultivating diverse pool of human resources to further enhance competitive advantage
- Promote diversity, equity and inclusion driven by inclusive leadership practices
- Develop organizational capability to enhance innovation and efficiency
- Improve team member (employee) health and engagement

Advance group governance
- Improve the business portfolio continuously
- Empowerment & Transparency

Address environmental and social issues
- Respect human rights
- Address climate change

Key Issues (Materiality) List

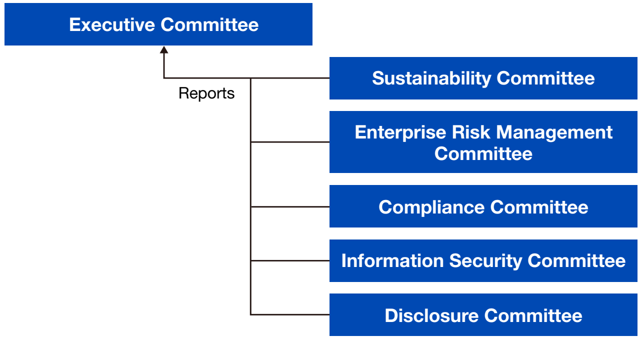
The following have been set as KPIs for materiality.

Area		Theme	Background of materiality setting and vision	Main KGIs/KPIs* for long/mid- term	Progress as of FY March 2025	Progress as of FY March 2026	Target* for mid-term KPI
Human Resources	Transformation through promoting and cultivating diverse pool of human resources to further enhance competitive advantage (▶pp. 37, 40, 41)	Promote diversity, equity and inclusion driven by inclusive leadership practices	Ensure the diversity of the TDK Group's human resources and promote leadership practices that enable each individual to fully develop their abilities and strengths.	L Improve diversity in management team M Female ratio of participants in Global Management Development Programs	26%	26%	30%
		Develop organizational capability to enhance innovation and efficiency	Develop business entrepreneurs who can identify market needs and propose value to our customers to maximize the use of the TDK Group's assets and enhance the organization's ability to create new businesses.	L No. of business entrepreneurs developed** M Number of overall participants in Global Management Development Programs	179 participants per year	367 participants per 2 years	500 participants or more per 3 years
		Improve team member (employee) health and engagement	Promote an environment in which team members (employees) can work enthusiastically to ensure the diversity of the TDK Group's human resources by enhancing team members (employees) engagement and health so that each individual can fully demonstrate their abilities.	L Improve Engagement survey score M 1) Engagement survey measurement (communication) 2) Participant rate of engagement survey	1) 68 points 2) 90%	1) 71 points 2) 92%	1) 75 points or more 2) 80% or more
Governance	Advance group governance (▶p. 51)	Improve the business portfolio continuously	Optimize the corporate-wide business portfolio by identifying areas that need to be put in place.	L Weighted average score of business portfolio M The amount of loss reduction in a business with operating losses that is to be intensively monitored.	Target achieved: 32%	Target achieved: 71%	Target achieved: 100%
		Empowerment & Transparency	Strengthen risk management by strengthening group governance and introducing a new ERM system, which TDK's governance is based on a policy of Empowerment & Transparency.	L No. of significant Global Common Rule (GCR) violations M No. of follow-ups for significant GCR violation	– (For the first year, follow-up targets were identified.)	100%	100%
Environmental and Social Issues	Address environmental and social issues (▶pp. 52, 54)	Respect human rights	Respect the human rights of our stakeholders based on the values of the Code of Conduct, recognize the potential impact of all corporate activities on human rights, and promote activities to mitigate such impact.	L Mitigated/corrected significant risks from supplier audits M Ratio of progress in planning annual onsite audits	100%	100%	100%
		Address climate change	Strengthen our activities to reduce greenhouse gas emissions and promote measures to address climate change in order to realize a net-zero CO_2 emissions society by 2050.	L net-zero CO_2 M 1) Scope 1+2 emissions reduction 2) Basic unit for energy reduction	1) 47.7% (Progress toward FY March 2031 target as of FY March 2022) 2) 30.5% (Progress toward FY March 2027 target as of FY March 2021)	1) 45.9% (Progress toward FY March 2031 target as of FY March 2022) 2) 31.9% (Progress toward FY March 2027 target as of FY March 2021)	1) 42% (Progress toward FY March 2031 target as of FY March 2022) 2) 15.7% (Progress toward FY March 2027 target as of FY March 2021)
Customer	Create customer value and build strong relationships (▶pp. 42, 43)	Build, maintain and deepen trust with customers	Aim to increase customer satisfaction and expand our market share by building, maintaining, and deepening relationships of trust with our customers, taking advantage of our extensive track record of business with industry-leading customers.	L Customer satisfaction survey score** M Resolved and feedbacked rate for issues identified from the survey**	100%	100%	100%
		Access in-depth sources of customer needs	Through strengthening our ability to envision the future, enhance our ability to create businesses from both technology and market perspectives, and expand sales in new applications.	L No. of future pillar businesses to be created through collaboration with related divisions M Launch of new business divisions	Target achieved: 50%	Target achieved: 100%	Target achieved: 100%
R&D	Contribute to social transformation through R&D (▶pp. 44, 46, 47)	Continue commercialization of advanced technology	Create future core businesses through collaboration with related divisions to search for technological seeds that will create new markets and cultivate new customers for the realization of social transformation.	L No. of themes transferred for the creation of future pillar businesses by promoting collaboration with related divisions M No. of theme selected and started	2 cases per year	3 cases per 2 years	4 cases per 3 years
		Realize intellectual property investment and utilization that contributes to business	Create value by linking our intellectual property investment strategy to the goals of our business and R&D strategies: business success and R&D strategy success.	L Percentage of intellectual assets (patents) tied to IP strategy for business and R&D themes M Elaborating IP strategy	Target achieved: 100%	Target achieved: 100%	Target achieved: 100%
Design Production	Stabilize supply of high-quality products and increase production efficiency (▶pp. 49, 50)	Maintain the capability to introduce products into market quickly and to ramp up mass production	Maintain and improve the ability to bring products to market quickly and increase our competitive advantage by creating innovative ideas and ramping up mass production system based on an aggressive culture.	L Success rate for new product introduction** M Completion rate of quality improvement activities of new product samples**	100%	100%	100%
		Improve predictability by sharing know-how	Continuously improve predictability up to mass production to enhance manufacturing capabilities for launching new products and improve the new product launch rate.	L Percentage of new products launches achieved** M Progress on new product development plan**	Progress rate against the plan: 97%	Progress rate against the plan: 88%	Progress rate against the plan: 100%
		Pursue zero defect and promote in-house production	Improve our competitive advantage by making it difficult for other companies to enter the market and imitate us, through improvement activities aimed at achieving a zero defect rate and thorough in-house production of production tools and jigs, as well as in-house production of product components.	L Total failure cost ratio M No. of completed various types of quality compliance training	4 sessions per year	10 sessions per year	3 sessions per year
		Maintain diversity in products, technologies and involved markets	Aim to expand the range of our proposals by maintaining a wide variety of markets and product lineups, as well as the diversity of process technologies. Further promotes collaboration strategically and proactively.	L Market share of specific business** M Score of customer satisfaction survey**	Target achieved: 101%	Target achieved: 101%	Target achieved: 100%

* KGIs for L=Long-term, KPIs for M=Mid-term, Unless otherwise specified, long-term is assumed to for approx. 10 years and mid-term approx. 3 years. ** A certain business company only

Sustainability

The TDK Group has established Sustainability Committee (newly established in April 2025), ERM Committee, Compliance Committee, Information Security Committee, and Disclosure Committee as committees directly controlled by the Executive Committee to address and respond to various issues. A corporate officer serves as chairperson of each committee.



Corporate Governance Structure (▶ p. 62)

Establishment of the Sustainability Committee to synchronize the TDK Group's sustainability with the sustainability of society

The TDK Group has established the Sustainability Committee with the aim of synchronizing TDK's own sustainability (enhancement of long-term corporate value) with the sustainability of society through the TDK Group's business activities. Chaired by Corporate Officer General Manager, the committee consists of members comprising the heads of the Sustainability Management Group, Corporate Planning Group, Finance & Accounting HQ, Quality Assurance HQ, Human Resources HQ, Supply Chain Management Group, Digital Solutions HQ, and Technology & Intellectual Property HQ.

In principle, the Sustainability Committee meets four times a year to deliberate on (i) corporate-wide material issues (materiality) and related risks and opportunities, (ii) responses to sustainability-related regulations, and (iii) other significant ESG-related themes, while also providing necessary support for the promotion of initiatives.

The activities and issues discussed by the Sustainability Committee are reported to the Management Committee and the Board of Directors. The Management Committee manages the status of business execution by deliberating on these reports. Furthermore, the Board of Directors supervises the execution of duties by management through the reports and deliberations of the Sustainability Committee.

Key Agenda Items of the Sustainability Committee for FY March 2026

Number of meetings: 4 times per year

Agenda

- Climate change initiatives
- Human rights initiatives
- Compliance with sustainability disclosure regulations
- External ESG assessments
- Activity plans for promoting internal awareness of sustainability

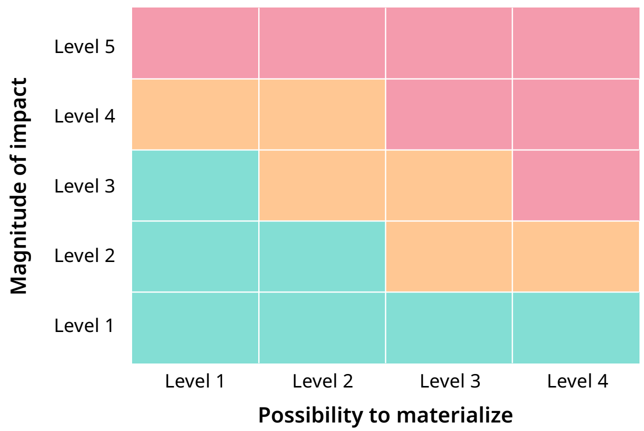
Risk Management

Risk management by ERM Committee

In aiming for sustainable growth, the TDK Group promotes company-wide measures against factors (risks) that hinder the achievement of organizational goals and implements company-wide risk management (ERM) activities to appropriately manage them and ERM Committee is established in which the chairperson is appointed by President and CEO from directors. In ERM Committee, we promote company-wide risk in a way we analyze and evaluate company-wide risk, identify risks which require countermeasures and decide a responsible function to be in charge of risks. As for each risk, the responsible function takes the lead in countermeasures and the progress is monitored in ERM Committee. We discuss the risk analysis evaluations and countermeasure situations at the Executive Committee and report them to the Board of Directors.

As a risk assessment, we first identify as key risks any risks that could hinder the implementation of measures to achieve the TDK Group's Critical Issues (Materiality). Furthermore, we review the risk assessment conducted in the previous fiscal year (the degree of impact if the risk materializes and the expected frequency of occurrence) in light of changes in the internal and external environment. We revise the assessment results as needed, update the risk heat map which consists of two axes: degree of impact and frequency of occurrence, and position risks that are assessed as having a high degree of impact and frequency of occurrence on this heat map as key risks, taking into account the magnitude of their impact on business operations.

"Residual risk" heatmap



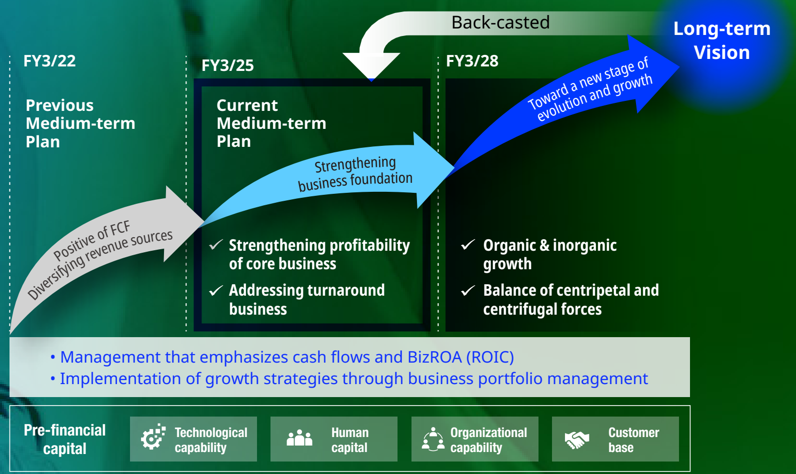
Chapter 2

Medium-term Plan and Strategy by Segment

Medium-term Plan

The Medium-term Plan from the FY March 2025 was formulated by outlining what we want to be and future vision in light of the long-term social transformation ahead, and bask-casting from that point. As we work towards achieving our Long-term Vision, we view the period of this Medium-term Plan as a time to strengthen our business foundation. We believe that issues that need to be addressed during this period include strengthening profitability of core businesses and addressing turnaround businesses.

Back-casted from the Long-term Vision



Medium-term Plan: Key Points / Progress

Medium-term Plan has set the pre-financial KPIs in addition to the conventional financial KPIs; it is based on the ways of thinking to enhance our corporate value through pursuing not only the financial value but the pre-financial value, the source of future financial value, and balancing between the achievement of the short to medium-term target and the activities to continuously generate value in the long term.

For the FY March 2026, we largely achieved the final target levels set in the Medium-term Plan for KPIs such as net sales, operating profit margin, ROE, and ROIC. For FY March 2027, the final year of the Medium-term Plan, we will strengthen both financial and pre-financial initiatives toward achieving our targets.

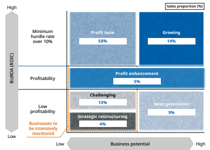
$$\text{Corporate value} = \frac{\text{Maximize FCF generation} \uparrow}{\text{Cost of capital (WACC)} \downarrow - \text{Expected growth rate} \uparrow}$$

1 Strengthen management focusing on cash flows

FCF in FY March 2026
An increase from ¥70.0 bn at the beginning of the period to **¥129.9 bn**.

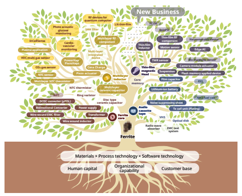
2 Enhance business portfolio management
(Emphasizing ROIC)

CFO Message (▶ p. 15)



3 Evolve the Ferrite Tree
(Pre-financial capital)

▶ p. 6



Ongoing initiatives aimed at strengthening pre-financial capital

Strengthen human capital	Promote improving team member engagement
Enhance technological capability	Progress in Analog Reservoir AI Chip development
	Tech partnership with Porsche Motorsport
	TDK SensEI EdgeRX integration with AWS (▶ p. 29)
	Acquired SoftEye; established ARP BD
Reinforce initiatives related to sustainability and DX	Record-high FTSE score: 4.8 / 5.0
	First-ever EcoVadis "Platinum" rating
	Selected as "DX Stocks 2026" by METI (First-time) (▶ p. 50)

It is vital for enhancing our corporate value to maximize free cash flow (FCF) generation, reduce the cost of capital, and increase the expected growth rate. Based on this thinking, the current Medium-term Plan, which is positioned as a period for strengthen business foundations, has three pillars.

			FY3/25 Result	FY3/26 Result	FY3/27 Projection*2	FY3/27 Plan	How we want to be in the medium-to long-term
Financial indicators	Growth	Net sales [¥ billion] (CAGR)	2,204.8	2,504.8	2,580.0	2,500.0 (approx. 5%)	(10% or more)
	Efficiency	ROE	9.5%	9.8%	10.3%	10% or more	15% or more
		BizROA (ROIC) (>WACC)	6.7% (<7.0%)	7.5% (>7.0%)	8.0% (>7.0%)	8% or more	12% or more
		Operating profit margin	10.2%	10.9%	11.4%	11% or more	15% or more
	Financial soundness	Shareholders' equity ratio	50.8%	49.5%	51.0%	50% level	—
		D/E ratio	0.34x	0.28x	0.3x	0.3–0.4x	—
Pre-financial indicators	KPIs	Team member engagement					
		Communication score	68 pts.	71 pts.	—	75 pts. or more	—
		Response rate	90%	92%	—	80% or more	—
		CO_2 emission reduction ratio*1 (SBTi Scope 1+2, vs. FY3/22)	47.7%	45.9%	—	23.3%	42.0%
		Exchange rate assumptions	¥152.66/US$	¥150.76/US$	¥150/US$	¥135/US$	¥135/US$

*1 SBTi is an initiative that supports companies in setting scientifically based environmental goals. In order to achieve the goal stated in the Paris Agreement of limiting the rise in global average temperature to within 1.5°C compared to pre-industrial levels, SBTi provides companies with criteria that can be used in goal setting. We have set the gradually required CO_2 emission reduction rate calculated based on these criteria as the target for FY March 2027 Plan. TDK received SBT certification by SBTi in June 2024.

*2 As of April 2026

Special Feature: AI Ecosystem

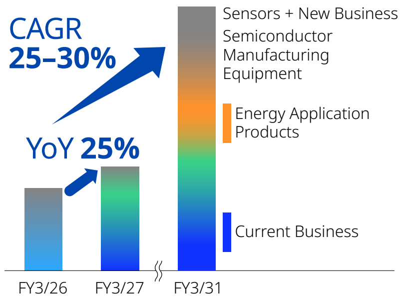
As TDK works to realize its Long-term Vision—TDK Transformation—the company views AI-related markets as a major growth driver.
We have defined the broad range of markets related to AI as the "AI Ecosystem." With the AI Ecosystem as our core growth driver, we are accelerating the evolution of our business portfolio and the creation of new values.
Many of the businesses related to this AI Ecosystem are already positioned as "growing areas" within our business portfolio management.
Going forward, we will make aggressive investments in these businesses while also utilizing our strategic investment budget.

Sales from the AI Ecosystem market accounted for slightly more than 10% of total company sales in FY March 2026 but is projected to increase by 25% year-on-year in FY March 2027, growing to approximately 15% of total company sales (as of the April 2026 announcement). In the medium to long term, we expect to achieve a compound annual growth rate (CAGR) of approximately 25–30%.

While sales of HDD heads and suspensions account for the majority of our current product lineup, we plan to increase sales of passive components to tenfold by FY March 2031 compared to FY March 2026 by actively expanding our lineup of products for both high-voltage and low-voltage applications. (▶ p. 32)

We anticipate significant growth in medium capacity batteries through the expansion of our product lineup for data centers. In addition to these existing businesses, we will leverage our strategic investment budget to strengthen our new businesses in sensors and semiconductor manufacturing equipment, as introduced on the next page.

Sales for AI Market
(FY3/26 Actual, FY3/31Target)



Products		Progress
Current business	Passive Components (▶ p. 31)	• Increase in supply capacity for aluminum electrolytic capacitors • Capacity expansion for thin-film and wire-wound inductors • Broaden product lineup for optical transceiver modules
	HDD heads and suspensions (▶ p. 34)	• Continue expansion of suspension production capacity • Prepare for mass production of HAMR
Medium capacity batteries		• Broaden product lineup for AI data centers
Semiconductor manufacturing equipment (▶ p. 29)		• Launch industry-first mass production of nanocomposite material
Sensors + New Business		• Collaboration of EdgeRX platform with AWS • Established ARPBD to strengthen sales synergies

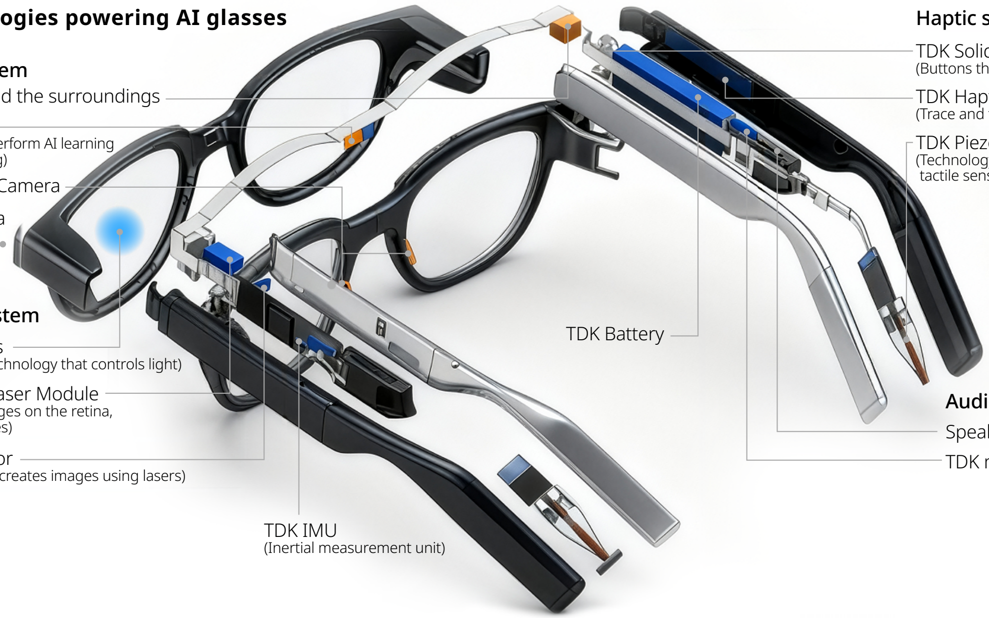
Products for Smart Glasses

TDK views smart glasses as a growth application within the AI ecosystem. For smart glasses, we will provide comprehensive solutions by combining existing products—such as batteries, sensors, and piezo haptics for bone-conduction speakers—with future technologies like full-color laser modules.

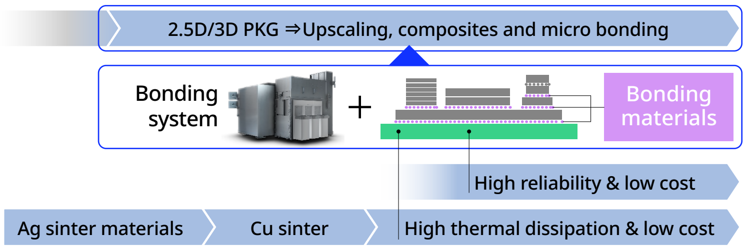
In addition, we will integrate the software technology held by SoftEye, a U.S. company acquired in 2025. SoftEye's eye intent detection technology enables advanced eye tracking and object recognition with low power consumption. With eye intent technology, AI can understand not only what the user is looking at but also their intentions, such as what they want to do.

Physical AI Augments Human Perception, Transforming Smart Glasses into Action Partners
https://www.tdk.com/en/featured_stories/entry_087-AI-glasses-TDK-AIsight.html

TDK technologies powering AI glasses



Products for Semiconductor Manufacturing Equipment



TDK manufactures load ports used in front-end processes and flip-chip bonders used in back-end processes for semiconductor manufacturing equipment. We combine the following nanocomposite materials—which offer high reliability and excellent heat dissipation properties—with flip-chip bonders optimized for 2.5D and 3D packaging, which enable higher density, thereby contributing to reduced power consumption.

Commercializing precious-metal-free semiconductor bonding materials

TDK aims to be the first in the industry to achieve mass production of material technologies relating to nanocomposite materials used as bonding materials for logic ICs and power ICs, which offer superior head dissipation characteristics compared to currently used precious metals such as silver.

These materials serve as fine-pitch, high-reliability bonding and plating materials suitable for 2.5D and 3D packaging and are expected to reduce power consumption in AI and power semiconductors due to their high heat dissipation properties.

Since the material composition is lead-free and contains no precious metals, it is also environmentally friendly. These materials are expected to find applications in markets beyond semiconductors as well.

	Convention materials		Nanocomposites
Material	Ag sinter	Sn-3Ag-0.5Cu	Nanocomposites
Heat Resistance	-200 degC (High melting point but soft)	-150 degC (Low melting point and soft)	-200 degC (Middle melting point and stiff)
Void	-10 % (due to micro pore)	-8% (due to Kirkendall void)	-5% (can reduce Kirkendall void)
Cracks			
Heat Dissipation	-50 W/m·K (due to micro pore)	-35 W/m·K (due to Kirkendall void)	-100 W/m·K (thinner)
Cost			

(TDK forecast)

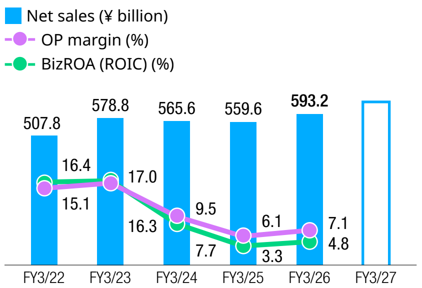
TDK SensEI

We announced that TDK SensEI's edgeRX™ platform, for industrial machine health, is now powered by AWS (Amazon Web Services) in 2025. This integration brings scalable, intelligent machine health monitoring and predictive maintenance to industrial customers globally. This marks a significant step in advancing industrial digital transformation by combining TDK's sensor, software, and AI expertise with AWS's cloud capabilities.

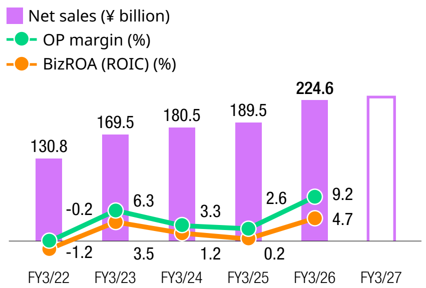
TDK's Current Businesses [FY March 2026]

Net sales, OP margin, BizROA (ROIC) trends

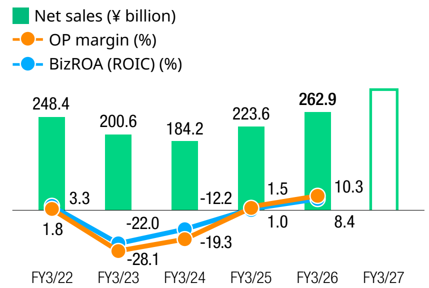
Passive Components



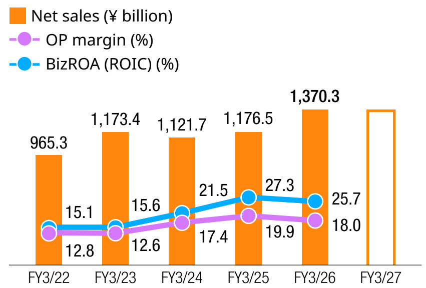
Sensor Application Products



Magnetic Application Products



Energy Application Products



Priority products and estimated market share

Passive Components

Product	Estimated market share	Share No.
Ceramic capacitors for automobiles	35–40%	2
Film capacitors	15–20%	2
Signal EMC filters	45–50%	1
Varistors	55–60%	1
PTC thermistors	50–55%	1

Sensor Application Products

Product	Estimated market share	Share No.
Temperature sensors	30–35%	2
Magnetic sensors	20–25%	3
MEMS motion sensors	20–25%	3

Magnetic Application Products

Product	Estimated market share	Share No.
HDD heads	15–20%	3
HDD suspension assemblies	40–45%	2

Energy Application Products

Product	Estimated market share	Share No.
Small capacity batteries	50–60%	1
Power supplies for industrial use	10–15%	1

Products

Passive Components

Capacitors
Multilayer ceramic chip capacitors, aluminum electrolytic capacitors, film capacitors, etc.

Inductive devices
SMD power supply inductors, signal EMC filters, transformers, ferrite cores, etc.

Other passive components
High-frequency components (high-frequency filters, etc.), Piezoelectric material products and circuit protection components (varistors, PTC thermistors, arresters, etc.)

Sensor Application Products

Sensors
Temperature sensors, pressure sensors, magnetic sensors (Hall sensors and TMR sensors)
MEMS sensors (MEMS motion sensors and MEMS microphones)

Magnetic Application Products

HDD-related devices
HDD heads, HDD suspension assemblies, etc.

Magnets
Ferrite magnets for small motors, neodymium magnets for xEV drive motors, neodymium magnets for industrial equipment motors, etc.

Energy Application Products

Energy devices
Small capacity batteries (for smartphones, tablet devices, notebook PCs, wearable devices, game consoles, etc.), medium capacity batteries (for residential energy storage systems, commercial energy storage systems, electric motorcycles, drones, power tools, etc.)

Power supplies
Programmable power supplies (DC, AC), switching power supplies (AC-DC, DC-DC), bidirectional DC-DC converters, automotive DC-DC converters, etc.

Competitors

Passive Components

Capacitors
Murata Manufacturing, TAIYO YUDEN, SEMCO (Korea), Yageo (Taiwan), etc.

Inductive devices
Murata Manufacturing, TAIYO YUDEN, SEMCO (Korea), Cyntec (Taiwan), etc.

Other passive components
Murata Manufacturing, Panasonic, SUNLORD (China), etc.

Sensor Application Products

Sensors
Bosch Sensortec (Germany), STMicroelectronics (Switzerland), Infineon (Germany), Allegro (USA), Melexis (Belgium), Asahi Kasei Microdevices, Shibaura Electronics, Amphenol Corporation (USA), Sensata Technologies (USA), Murata Manufacturing, etc.

Magnetic Application Products

HDD magnetic heads[*1]
Seagate Technology (USA), Western Digital Technologies (USA)

HDD suspension assemblies
NHK SPRING

Magnets
Shin-Etsu Chemical, Proterial, ZHONG KE SAN HUAN (China), etc.

Energy Application Products

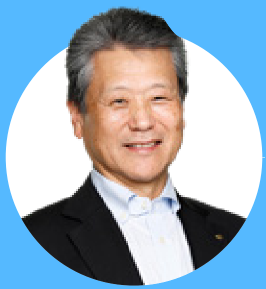
Energy devices
Samsung SDI (Korea), LG Energy Solution (Korea), Murata Manufacturing, Panasonic, BYD (China), etc.

Power supplies
Delta Electronics (Taiwan), Advanced Energy (USA), XP Power (Singapore), MEAN WELL (Taiwan), Cosel, etc.

*1 TDK is the world's only specialized manufacturer of HDD magnetic heads. HDD magnetic head production is currently concentrated at three companies: TDK, Seagate, and Western Digital.

Passive Components

Company CEO Message



Shigeki Sato
CEO, Electronic Components Business Company (ECBC)

Electronic Components Business Company (ECBC) structure capable of responding swiftly to technological and market changes, capturing the rapid expansion of the AI ecosystem and the steady growth of the automotive market. By thoroughly implementing "QCD+Speed" and ensuring close coordination between development, sales, and manufacturing, we will create unique added value within the AI ecosystem and expand our market presence.

In new fields such as photoelectric conversion and robotics, we will deeply understand the root causes of customer needs and establish a competitive advantage through rapid product launches.

We will also accelerate innovation by deepening co-creation with TDK Ventures' portfolio companies and integrating with internal R&D, while flexibly applying cutting-edge technologies.

We will link these efforts to robust profitability and enhanced corporate value, contributing to the realization of a sustainable society.

Strategy progress

- Strengthen competitiveness in high-reliability products for automotive powertrain
- Expansion of automotive devices into data center infrastructure
- Growth of sales for high-voltage capacitors (MLCCs, film capacitors, and aluminum electrolytic capacitors) for data center power supplies, and capacity expansion of aluminum electrolytic capacitors
- Establishment of a joint development venture with NIPPON CHEMICAL INDUSTRIAL CO., LTD. to accelerate MLCC material development*
- Development of low-profile, compact thin-film inductors with vertical power delivery for AI x PUs

* TDK and NIPPON CHEMICAL INDUSTRIAL establish joint venture to develop electronic component materials and manufacturing processes
https://www.tdk.com/en/news_center/press/20260402_01.html

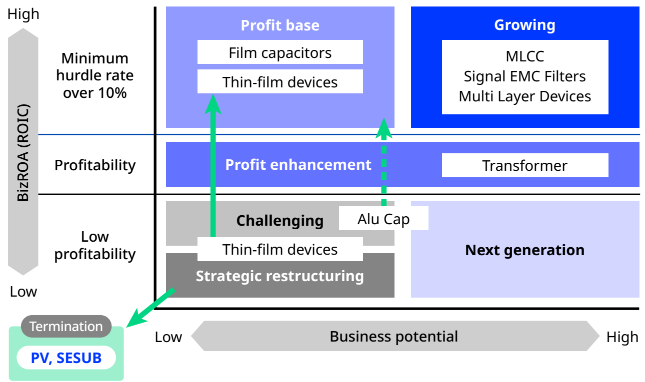
Business opportunities

- Growing demand for passive components in the AI ecosystem that support low power consumption, high voltage, high current, and optical communication
- Increased added value and quantity of electronic components driven by the advancement of automotive self-driving systems and in-vehicle entertainment
- Expansion of the inverter and power supply markets for renewable energy
- Growing demand for electronic components for physical AI (robotics)

Risks and issues

- Technological catch-up by passive component manufacturers in emerging markets
- Unpredictable price fluctuations in energy, raw materials, and distribution costs
- Securing the supply chain for raw materials

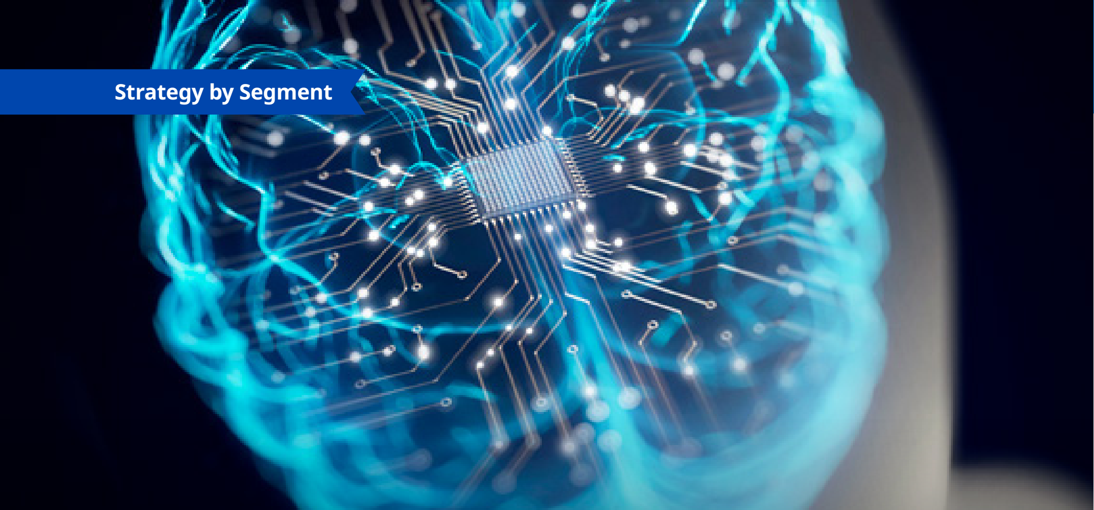
Progress in business portfolio management



- Turnaround of the aluminum electrolytic capacitor business
- Termination of the photovoltaic (PV) and Semiconductor Embedded in SUBstrate (SESUB) businesses

Future initiatives

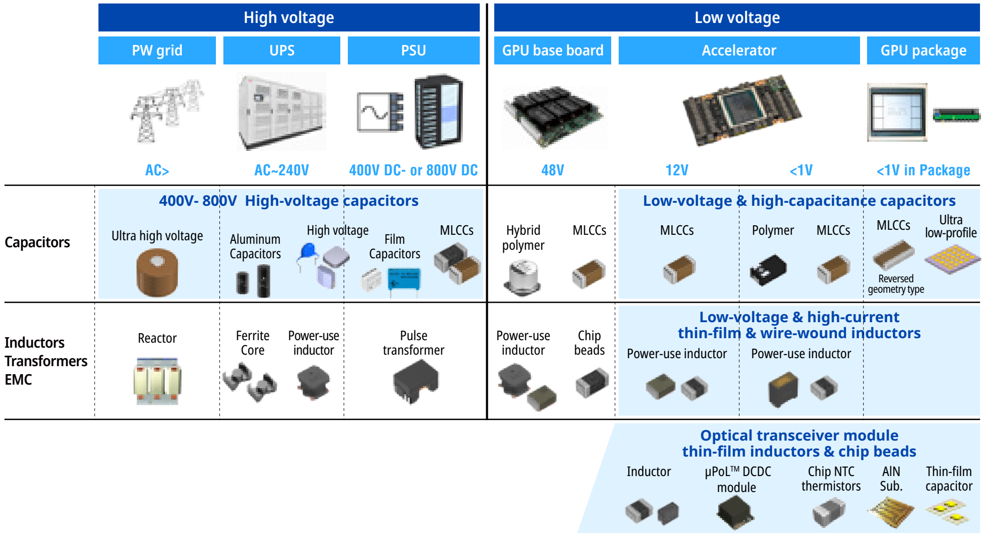
- Organic growth in the automotive market
- Further business expansion in growth markets such as the AI ecosystem
- Develop and launch new products to market for new markets such as photoelectric conversion and robotics
- Collaboration with TDK Ventures portfolio companies to apply cutting-edge technologies



Special Feature:

Passive Components for AI Data Centers

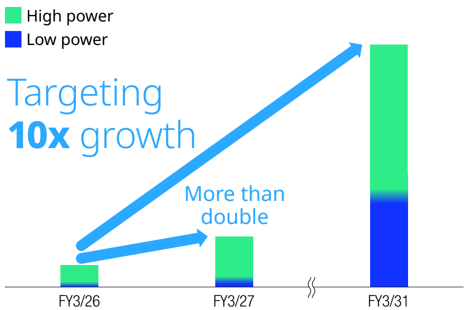
Sales expansion of high-voltage / low-voltage and high current components for AI data center-related applications



Sales growth of passive components for AI data center related applications

TDK plans to increase sales of passive components for AI data center related applications approximately tenfold by FY March 2031 (compared to FY March 2026).

Sales forecast for passive components for AI data center related applications



We also anticipate more than double the growth for FY March 2027. We will drive sales growth by strengthening our presence in the low-voltage sector in addition to the high-voltage sector.

Strengths of TDK products in the high-voltage

Looking ahead, data center power supply units (PSUs) are expected to shift to higher voltages in the 400–800V. In the high-voltage, we can leverage the technologies we have cultivated through our expansion into the electric vehicle (xEV) market, and we view this as an opportunity for growth in products such as MLCCs, film capacitors, and aluminum electrolytic capacitors.

With the rapid spread of AI in recent years, server power consumption in data centers has increased dramatically. Accordingly, the importance of high-efficiency, high-power-capacity power supplies (PSUs) to support stable server operation has grown.

We offer a lineup of high-voltage, high-performance capacitors and other solutions that contribute to high-efficiency power designs for data centers to meet the needs for higher power and higher density in PSUs.

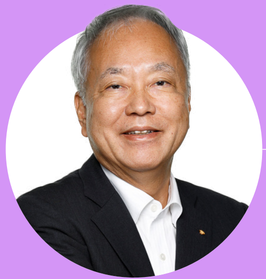
Strengthening the low-voltage

To strengthen for low-voltage, we will accelerate R&D through the establishment of a joint venture with Nippon Chemical Industrial Co., Ltd., aiming to shorten the lead time from prototyping and evaluation to market launch. We will accelerate the development of low-voltage, high-capacity MLCCs used in data centers.

We will also strengthen our inductor lineup. We will provide low-voltage, high-current inductors for vertical power supply applications to address the challenge of reducing power consumption across all data centers. With regard to thin-film inductors, which apply thin-film process technology cultivated in HDD heads, we will expand our production capacity ahead of our initial schedule.

Demand for thin-film inductors and chip beads for optical transceivers is also strong, and they will begin contributing to sales starting this fiscal year. With the widespread adoption of AI, demand is increasing for optical transceivers capable of high speeds and high capacity for data centers.

Company CEO Message



Takao Tsutsui

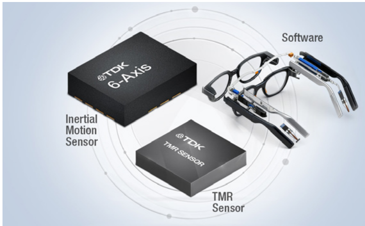
CEO, Sensor Systems Business Company (SSBC)

The spread of AI technology is rapidly expanding into the “physical AI” domain, encompassing robotics, smart infrastructure, and automation systems. As a result of this, the importance of sensors—which acquire real-world data with high precision and in real time—is increasing further, and the AI ecosystem market, including sensors, is expected to expand over the medium to long term. At the same time, the role of sensors is evolving from that of mere components to “gateways to intelligence,” connecting to AI as the starting point for data processing and decision-making.

Sensor Systems Business Company (SSBC) leverages its integrated capabilities—spanning basic technologies such as magnetics, MEMS, and temperature/pressure, as well as IC design, module development, and software—to provide solutions for the challenges our customers seek to address. To this end, by transforming our business operations from a product-centric to a market-driven approach, we will achieve “First-to-Market” status to quickly respond to customers’ latent needs and contribute to the sustainable enhancement of corporate value.

Strategy progress

- Expanding sales and significantly improving profitability by shifting the microphone sensor business strategy to focus on the chipset model (MEMS and IC design)
- Creating new, high-precision, real-time position sensors through a sensor integration strategy (sensor + algorithm + software)
- PositionSense™: Started mass production of a new position sensor that integrates a TMR sensor with a MEMS motion sensor



Target applications
- **Smart glasses:** High-precision, real-time navigation
- **Robotics:** Smooth and fluid motion enabled by precise position detection

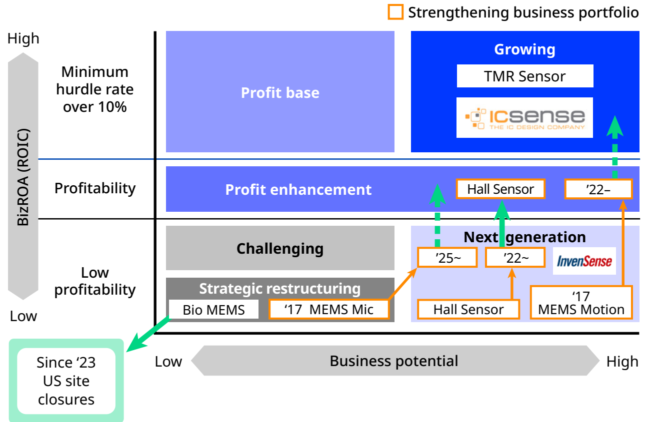
Business opportunities

- Growing demand driven by physical AI (robotics): magnetic sensors, MEMS motion sensors
- Growing demand for high-precision, low power consumption sensors for smart glasses: PositionSense™
- Growing demand in the thermal management system market due to the expansion of AI data centers: temperature sensors, current sensors
- Growing demand for sensors driven by automotive electrification and self-driving systems: pressure sensors, temperature sensors, magnetic sensors, motion sensors

Risks and issues

- Unpredictable price fluctuations in energy, raw materials, and logistics costs
- Supply chain instability from a geopolitical perspective

Progress in business portfolio management



- Expansion of the MEMS sensor business
  - Improved profitability of MEMS microphones: increased sales for smartphones
  - Adoption of MEMS motion sensors in new applications: smart glasses
- Profitability improvement in the hall sensor business

Future initiatives

- Driving the evolution of sensors from “measuring devices” to “decision-making hubs”: providing high-value-added solutions that include software, rather than just individual sensors
- Creating technological synergies: accelerating the development of new products by integrating proprietary core technologies
- Responding to increased demand: building a framework to expand the sensor business

Magnetic Application Products

Company CEO Message

Albert Ong

CEO, Magnetic Heads Business Company (MHBC)

At Magnetic Heads Business Company (MHBC), our mission is clear: to remain the world's leading independent manufacturer in magnetic head storage while addressing the needs of the high-capacity data era. We are committed to driving profitability and sustainability through technological innovation and deep customer collaboration.

As AI accelerates the demand for data storage, we will utilize our advanced technology to play a pivotal role in the digital transformation of society. With a global footprint spanning the USA, China, the Philippines, and Thailand, our diversity is our strength. We are dedicated to enhancing the linkage between our diverse workforce and our core corporate values through open dialogue and collaborative sessions. By ensuring seamless connectivity across our global operations, we will empower our organization to reach its full potential and achieve our ambitious goals.

Strategy progress

- Successfully launched leading HDD head for data center with MAMR (Microwave-Assisted Magnetic Recording) related technology
- Expand new products for date center HDD, such as HAMR (Heat-Assisted Magnetic Recording), Tri-SA suspensions

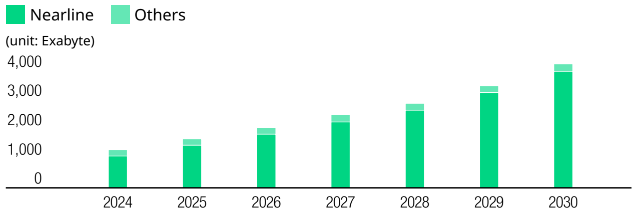
Business opportunities

- Rapid increase in demand for data storage due to the acceleration of AI adoption and the spread of cloud services

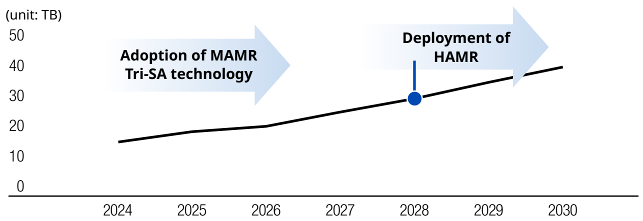
Risks and issues

- Potential overinvestment in data centers due to bobble effect
- Unpredictable fluctuations in energy, raw materials, and distribution costs

HDD exabytes shipment forecast

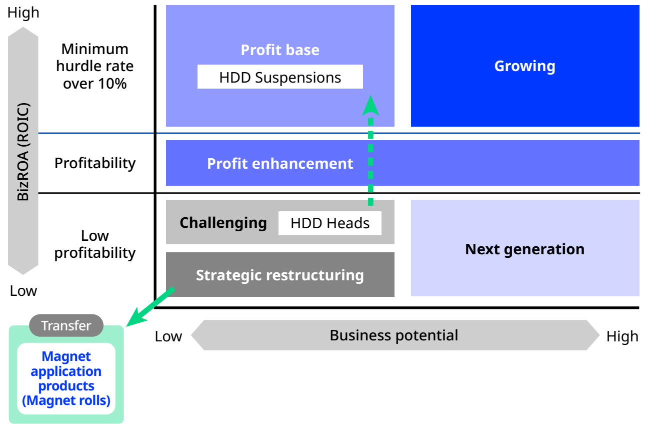


Capacity per nearline HDD unit forecast



Source: TrendFocus, HDD Information Service, CQ4'25 Update and Long-Term Forecast, February 2026

Progress in business portfolio management



- Secure position as an independent head manufacturers

  Resumed supply of heads to all HDD makers
- HDD suspensions has secured strong profit base due to recovery HDD industry

  Achieved Profit Base business due to increased demand, and improve the margin by effects of reorganizing business structure
- Strengthen business portfolio management in the magnet business

Future initiatives

- Ensure launch of competitive HDD Heads products including HAMR
- Optimize investment driven by continued growth in large-capacity storage demand to achieve ROIC targets
- Accelerate HAMR development and market launch

Company CEO Message

Fumio Sashida

CEO, Energy Solutions Business Company (ESBC)

Energy Solutions Business Company (ESBC) contributes to improving people's quality of life (QOL) and the transition of energy use from a "consumption-based model to a circular model" through value creation centered on its battery business.

Our competitive advantage lies in our "design-in" approach, which involves deep engagement with customers from the early stages of their product design—such as battery shape and material selection—to bring the essence of their needs to life. By closely coordinating this development process with our customers, we seek to maximize product performance and create high added value.

Even in an uncertain business environment marked by fluctuating market demand and soaring raw material prices, we will build a resilient business foundation by creating unique products with added value.

Going forward, we will accelerate our medium capacity batteries business—with a focus on batteries for AI data centers, where demand is expected to grow rapidly—and achieve sustainable growth in corporate value by transforming environmental changes into solid growth opportunities.

Strategy progress

- Timely market launch of small capacity batteries utilizing cutting-edge technologies
- Expansion of small capacity batteries for wearable devices
- Business expansion of high-output power cells for the AI data center market and other sectors
- Recovery of the industrial power supply business

Smart glasses

UPS used in AI data centers

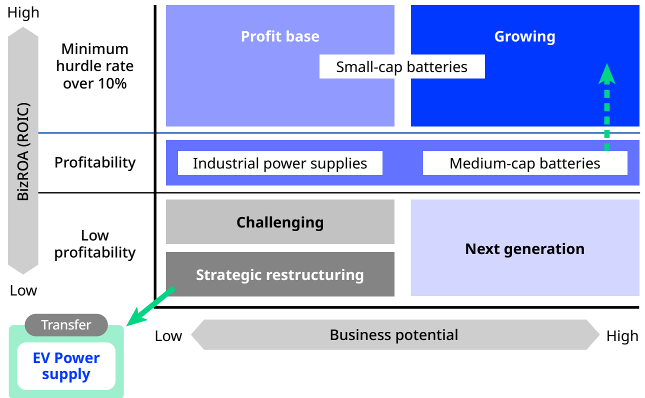
Business opportunities

- Increased demand for high-performance batteries driven by AI device market expansion
- Growing demand for storage batteries and related equipment due to the accelerated introduction of AI data centers and renewable energy
- Expansion of the electric motorcycle market, centered on the Asian region
- Increased demand for high-output power cells for applications such as power tools

Risks and issues

- Market contraction due to semiconductor supply shortages
- Risk of rising energy, raw material, and logistics costs
- Addressing geopolitical risks

Progress in business portfolio management



- Small capacity batteries: Maintaining profitability by expanding high-value-added products
- Medium capacity batteries: Business expansion and improved profitability through the expansion of the product lineup
- Industrial power supplies: Improving profitability through selection and concentration of the product lineup
- EV power supplies: Completed transfer of the new development business. Establishment of a sustainable supply system for existing products

Future initiatives

- Sustain and expanding our competitive advantage in small capacity batteries through the development of cutting-edge technologies
- Expanding the business of medium capacity batteries and industrial power supplies for AI data centers
- Expanding the medium capacity batteries business in line with market needs
- Establishing a flexible production system to meet customer needs

Chapter 3

TDK's Key Issues (Materiality)

Key issues (materiality) of TDK

Value creation and establishment of competitive advantage through business activities

- Create customer value and build strong relationships ▶ p. 42
- Contribute to social transformation through R&D ▶ p. 44
- Stabilize supply of high-quality products and increase production efficiency ▶ p. 49

Strengthening of the management foundation that envisions and realizes the future

- Transformation through promoting and cultivating diverse pool of human resources to further enhance competitive advantage ▶ p. 37
- Advance group governance ▶ p. 51
- Address environmental and social issues ▶ p. 52

TDK United:
Connecting business and human capital to drive transformation

Andreas Keller
Executive Vice President
Chief Human Resources Officer and General Manager,
Human Resources HQ

Transforming HR into a strategic partner for business value

From philosophy to strategic HR

At TDK, we have long believed that "people are everything." This philosophy has guided our development for more than 90 years and continues to shape how we approach transformation today. Over the past nine years, I have built on this foundation, while inheriting a strong culture from my predecessors, to strengthen HR from a support function into a strategic driver of business value, aligned with our Long-term Vision, "TDK Transformation," and our global growth strategy.

As our business has expanded globally and grown in complexity, the role of human resources has evolved significantly. My objective has been clear: to build a global HR foundation that enables us to compete, adapt, and grow in a rapidly changing, technology-driven environment. Today, HR is deeply involved in shaping corporate strategy, developing capabilities, and supporting organizational agility. This reflects a clear shift from a support function to one that actively shapes the business.

This transformation has required more than structural change. I have focused on redefining HR roles, strengthening global governance, and building capabilities within HR to engage directly with business leaders. Over time, we have moved from a largely country-based model toward a more globally integrated approach, supported by common frameworks, shared data, and aligned priorities. This has included the introduction of more consistent evaluation standards, clearer role definitions, and greater transparency in how talent is assessed and developed across regions. These changes have enabled more objective decision-making and stronger alignment between business needs and human resources strategy. In doing so, we have established a more consistent global HR framework, enabling clearer alignment between corporate strategy and human resources strategy. This required us to rethink not only structures, but also mindsets—within HR and across the business.

Culture as a foundation for transformation

This transformation has not meant abandoning what makes TDK unique. On the contrary, I have sought to build on our core strengths, such as our venture spirit, our technology-driven culture, and our deep respect for people and local business realities. The venture spirit—embodying challenge, innovation, and disciplined execution—has been embedded not as a slogan, but as a way of working reflected in decision-making, leadership development, and the creation of space for new ideas.

As the company has expanded through M&A, diversity has become a defining characteristic. Today, approximately 89% of Team members (employees) are based outside Japan, while only around 11% are based in Japan. Even as a Japanese company, this makes TDK highly unique. Rather than imposing a single way of working, I have been committed to ensuring that we do not uniformize, but instead respect and leverage this diversity. We often describe the organization as a jazz band, where individuals and companies with different strengths come together to create value through collaboration and mutual understanding.

This mindset is closely linked to our culture of functional equality. I believe there is no hierarchy among roles, departments, or functions. Ideas should be evaluated based on their merit, not position. This creates an environment of open discussion, where individuals across the organization can contribute to innovation and decision-making.

Initiatives such as TDK LaunchEngine (formerly TDK Kindergarten), an internal incubator program originating from our Global Executive Management Program (GEMP), reflect this approach. Open to all members regardless of role or background, it enables individuals to develop ideas into new businesses with expert support. In one case, an idea proposed by a participant outside the sensor business evolved into what is now TDK SensEI, demonstrating how innovation can emerge from anywhere within the organization.

TDK United and organizational alignment

At the center of these efforts is the concept of TDK United. Originally associated with integration, this concept has evolved to represent a broader sense of connection and alignment—across regions, functions, and businesses, as well as between strategy and execution.

In a global organization of our scale, alignment is not automatic. I see it as something that must be actively built and continuously reinforced through shared goals, transparent communication, and consistent leadership behaviors.

As a global company originating from Japan, and in an increasingly complex environment where competitiveness is driven by talent, I view strengthening the linkage between corporate strategy and human resources strategy through TDK United as a central priority. This enables us to create an organization that is both globally aligned and locally responsive, capable of delivering sustainable growth and long-term competitive advantage.

Human capital as a driver of transformation

Human resources strategy and materiality

In today's business environment, human capital is a decisive factor in determining corporate competitiveness and long-term performance. At TDK, we see it not simply as a resource, but as a direct driver of transformation.

Within our Long-term Vision, people transformation plays a central role in enabling broader business transformation. To support this, we have defined a clear human resources strategy aligned with our business priorities, as well as the risks and opportunities we face in a rapidly evolving environment. For FY March 2025, we reviewed our materiality in conjunction with the formulation of our Long-term Vision and strengthened the alignment of key issues—including human capital—with our long-term strategy and efforts to enhance corporate value. Building on this foundation, we are continuously advancing initiatives in priority areas that contribute to value creation.

Our human capital materiality is built on three core pillars: promoting diversity, equity, and inclusion through inclusive leadership; enhancing team member health and engagement; and strengthening organizational capabilities to drive innovation and efficiency.

To bring this strategy to life, we are investing in global workforce planning, talent development, succession planning, and reskilling and upskilling programs. Through these efforts, we aim to build a workforce that is more global, faster in execution, digitally enabled, and increasingly customer- and solution-oriented.

Engagement is a critical driver of this effort. We view engagement surveys not simply as measurement tools, but as mechanisms for identifying issues and driving action. When results fall below expectations, we treat this not as a failure, but as a signal for action, which helps facilitate early identification of issues and swift response.

Building capabilities for a changing business

Our HR headquarters, based in Germany, reflects this global approach. It is led by a core executive team of five members with diverse nationalities and professional backgrounds. While bringing together such a diverse group requires effort, it supports broader perspectives, more informed decision-making, and stronger overall outcomes. The open and constructive discussions this enables also strengthen our ability to operate as a truly global organization, balancing regional perspectives while maintaining overall alignment.

At the same time, the nature of our business is evolving. Customer expectations are shifting from individual products to integrated solutions. This requires us to anticipate future needs and develop capabilities beyond traditional boundaries. Initiatives such as TDK AIsight—focused on accelerating applications such as AR glasses and advancing the next stage of generative AI—illustrate how different parts of the organization are coming together to create new forms of value. This shift fundamentally changes how value is created, and how we need to develop our people.

This has led to a structure that is fundamentally different from the past, with teams across the organization integrating expertise in sensors, devices, and software to deliver solutions for both consumer and industrial applications.

Leadership, skills, and organizational transformation

In this context, strengthening leadership and individual capabilities is essential. TDK has always placed a strong emphasis on engineering talent as a driver of innovation. Today, we focus not only on attracting talent, but also on developing individuals into leaders and innovators. We expect leaders not only to manage, but to take ownership and deliver outcomes. By delegating authority, we enable faster decision-making, clearer prioritization, and stronger ownership.

We are also responding to broader workforce changes, including the impact of digitalization and AI. As roles evolve, it is critical to provide opportunities for reskilling and upskilling. Standing still is not an option in this environment. By increasing transparency around future roles and required

Core executive team of five members

capabilities, we support individuals in taking ownership of their development. At the same time, we are working to ensure that these development opportunities are closely aligned with business needs, so that individual growth directly contributes to organizational performance.

Our role in HR is not only to support growth, but to cultivate the capabilities, culture, and leadership mindsets required for long-term success.

In parallel, we are strengthening organizational capabilities through structural transformation. I am directly involved in initiatives such as integrating sales functions and optimizing business structures from both a human capital and process perspective. These are not incremental changes, they are structural shifts designed to improve efficiency and create capacity for higher-value activities.

Connecting human capital to long-term value creation

From human capital to financial value

As the business environment becomes more challenging—with intensifying competition for talent, rising labor costs, geopolitical uncertainty, and rapidly evolving skill requirements—the ability to translate human capital into long-term value is becoming increasingly critical. A key priority is to build resilience without slowing the pace of innovation. Resilience, in this context, is not about stability. It is about the ability to adapt without losing momentum.

With human capital report (upcoming releases,) we aim to provide greater transparency on how investments in people contribute to performance, innovation, and sustainable growth. If we cannot demonstrate this connection clearly, we are not meeting stakeholder expectations. In this context, we outline our human capital value creation process (▶p. 41), providing greater transparency on how these initiatives translate into measurable outcomes, including long-term financial performance.

To achieve our Long-term Vision, it is important to strike the right balance between global consistency and local flexibility while ensuring that talent is deployed where it creates the greatest value. Managing a workforce across more than 30 countries requires a clear framework; accordingly, we will further develop global standards and build a database for talent evaluation.

Speed, scale, and global talent deployment

Speed is another defining factor. In areas such as AI, automation, and advanced materials, the pace of change continues to accelerate. In many cases, speed itself becomes a competitive advantage.

We also recognize that different regions offer distinct strengths. In Europe, for example, where many of our group companies are based, we are leveraging this diversity to enhance innovation and strengthen strategic and HR leadership capabilities. We see this as a strategic advantage, not just a regional characteristic.

By strengthening capabilities, engagement, and mobility across the entire group, we are laying the foundation for improved long-term returns. In this way, human capital becomes not an indirect contributor to growth, but a direct driver of stronger leadership, faster innovation, and more effective resource allocation.

Mindset, data, and the future of HR

To support this transformation, we are advancing a more data-driven approach to human capital management. By improving visibility into skills, capabilities, and performance, we can make better decisions and optimize talent deployment. Over time, we will further digitize and integrate data across our global workforce to make capabilities more visible and enable more strategic alignment of talent across the organization. This will also support more forward-looking workforce planning, allowing us to anticipate future needs and respond proactively.

Looking ahead, the continued evolution of HR will be essential. Our ambition is to strengthen HR as a strategic partner that actively shapes business transformation.

In our experience, the greatest challenge is not strategy, but mindset. Strategy alone does not drive transformation. People and mindset do. We are addressing

this by aligning talent, business, and transformation around a shared purpose, while clearly articulating direction, providing practical tools, strengthening leadership, and supporting our people through transparent communication.

Ultimately, the success of TDK United will be realized when we translate connection into action and action into long-term value, as people move beyond the boundaries of corporate history, geography, organization, and business to act with a shared focus on enhancing corporate value.

Details will be disclosed in the Human Capital Report.

Human Capital Driving the Growth of the TDK Group

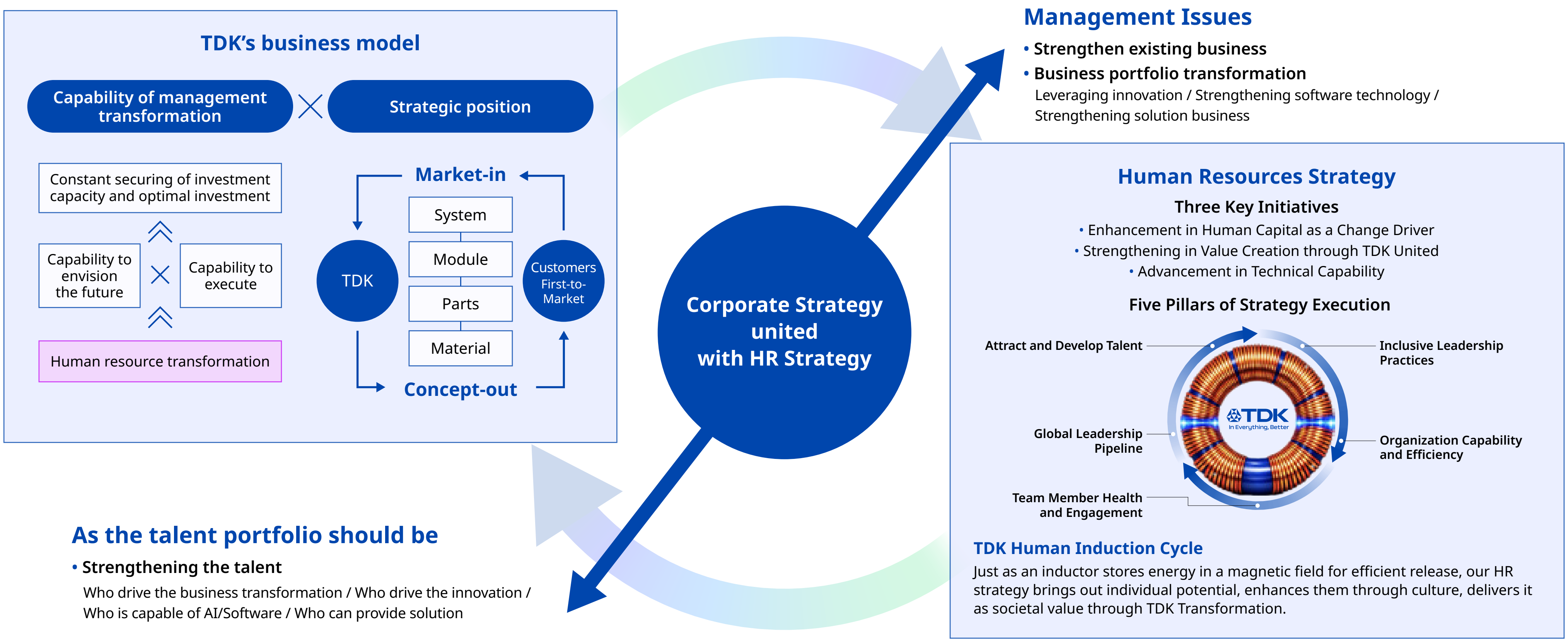
To achieve its Long-term Vision, TDK considers human capital not as a mere resource, but as the very driver of transformation, functioning as the core form of capital to implement corporate strategy and create value.

There are two broad challenges that TDK faces in the pursuit of management transformation. The first is the strengthening of TDK's existing businesses. The second is the transformation of our business portfolio through driving innovation, enhancing software technology and strengthening the solutions business.

The strengthening of human resource transformation is a key element in solving these challenges and advancing management. The key lies in securing and cultivating specific talent, namely human resources who will drive business transformation, human resources who will deliver innovation, human resources with competence in the AI and software fields, human resources with the ability to deliver solutions, and human resources with exceptional manufacturing expertise.

By actively recruiting and training human resources possessing these skills and by encouraging the self-directed growth of each individual through our global training programs, we aim to enhance the competitiveness and creativity of our entire organization. We will also continuously enhance quality assurance, productivity, technological capability and the capability to execute by combining the strengths of this diverse range of human resources. Through this strategy, we will advance the allocation of optimal investments in human resources in alignment with corporate strategy and the enhancement of organizational capabilities in an integrated manner.

Corporate Strategy united with HR Strategy



Aiming to achieve our future financial goals by strengthening our human capital

TDK considers that human capital is the source of medium- to long-term corporate value enhancement and has systematized the process of creating that value.

First, we take talent with diverse global backgrounds as our input and, through the "TDK Human Induction Cycle," transform each individual's potential into the energy for change.

By continuously driving this cycle, we generate outputs such as high employee engagement and the development of next-generation leaders, which in turn lead to concrete financial results, including increased operating profit per employee and a higher human capital ROI.

This entire process is underpinned by TDK's unique corporate culture, which consists of "Venture Spirit," respect for diversity, and functional equality.

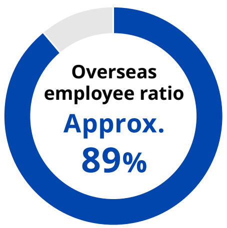
By promoting management from a long-term perspective grounded in this robust culture, we aim to link the strengthening of our human capital to solid corporate growth and achieve our future financial goals.

TDK human capital value creation model

Human Capital → **Financial Capital**

INPUT

Talent with diverse abilities, skills, and personalities



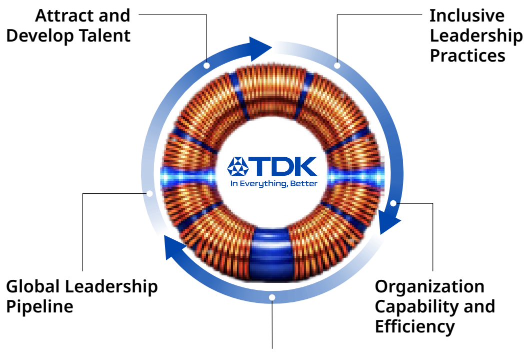
M&A Success with uniqueness of embracing culture and realizing dream with support of TDK's asset.

Human Resources Strategy

Three Key Initiatives

- Enhancement in Human Capital as a Change Driver
- Strengthening in Value Creation through TDK United
- Advancement in Technical Capability

Five Pillars of Strategy Execution



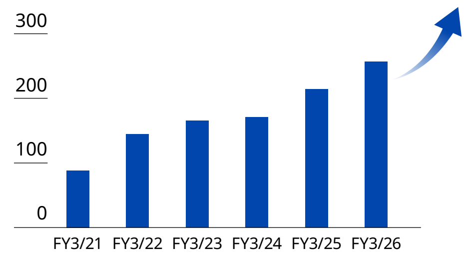
Internal Venture Building "Leveraging Experience"

Empowerment & Transparency

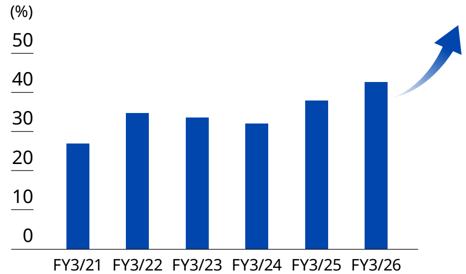
OUTPUT

	FY3/26 result	FY3/27 target
Engagement Score	**76 pts.**	**YoY+**
Response rate	**92%**	**80%+**
Communication score	**71 pts.**	**75+ pts.**
Number of GMDP*1 participants	367	500+
Ratio of female participants in GMDP	26%	30%
Successor readiness rate for Top Executives	212%	200%+
Number of Applicants*2	140%	YoY+

Operating profit/employee



Human capital ROI*3



TDK United — **TDK's Unique Corporate Culture**: Venture Spirit | Respect for Diversity | Functional Equality

*1 Global Management Development Programs *2 This applies only to new graduates for generalist positions at TDK Corporation.
*3 Operating Profit ÷ Human Capital Cost. Human capital cost is calculated based on employee benefit expenses. This report prioritizes data disclosure, with plans to consider benchmark-based targets going forward.

Sales & Marketing HQ Established

Ludger Trockel
Corporate Officer, General Manager, Sales & Marketing HQ

A New Chapter Together

FY March 2027 marks the beginning of a journey we are embarking on together. We officially launch the Sales and Marketing HQ. This represents a profound Sales and Marketing Transformation designed to deliver a world-class Sales and Marketing Experience - one that is simpler, stronger, and more deeply attuned to the success of our partners and ourselves. Guided by our vision, "Better Together – In Everything," our mission is clear: "Create sustainable revenue growth by delivering superior customer value".

Navigating a Fast-Changing World

The world is changing at a breathtaking speed. To stay ahead of our competitors, we must look at ourselves through our customers' eyes. In the past, our structure was fragmented; a customer might be visited by one salesperson for passives and separately by another for InvenSense or Micronas. This could lead to confusion. By merging the sales talents of the Sensor System Business Company (SSBC) with those of the Electronic Components Business Company (ECBC), we now show "One Face to the Customer" across seven global regions: Americas, ASEAN, Europe, Greater China, India, Japan, and Korea.

The Power of "1 + 1 > 2"

In Sales and Marketing HQ, we believe we are better when we stand together. When a customer starts a project, the Sensor is often at the "core" — in the first critical decisions involving roadmaps and software. Once that core is chosen, they need the "periphery" - the Passive Components that handle power and signals with efficiency and EMI protection.

By approaching customers as one team, we offer a total solution. This isn't just about sales; it's about providing exponential value. When we solve the entire challenge, we prove that 1 plus 1 really is more than 2.

A United Marketing Group

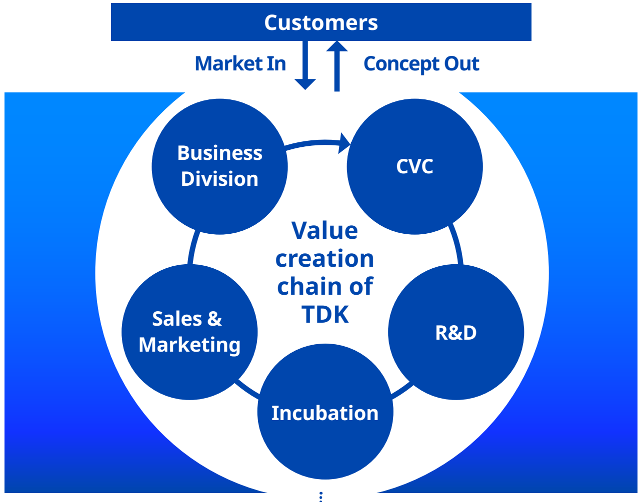
To support this "total solution" approach, we have completely reimagined how we market TDK. We are combining all activities—previously spread across different corporate and business groups into united Marketing Group.

-AM (Application Marketing):
Turns products into solutions for sales teams.
-CM (Corporate Marketing):
Turns new technology into market-ready products.
-DM (Digital Marketing):
Manages online presence and lead pipeline.
-PM (Product Marketing Coordination):
Synchronizes global efforts and fuels the R&D pipeline.

Driving Growth Through Global Collaboration

Our Strategic and Global Account Managers (SAMs and GAMs) are now empowered to represent the entire TDK portfolio. To support them, we are continuing the established Global Sales Development (GSD) group, which remains vital in coordinating our strategies at top accounts in our major market segments. We are also fostering internal alignment through "Strategic Account Presentations" where SAMs and GAMs bring Business Groups directly into the strategy process. Furthermore, we are investing in specialized training to ensure our account managers serve as superior interfaces at every management level.

Value creation chain of TDK



Accelerating the Value Creation Cycle with a new organizational structure

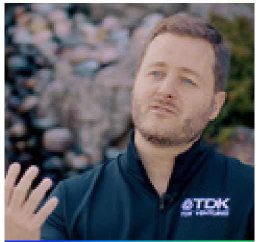
Implementation and Leadership

In every region, we have built specialized teams for the Automotive and ICT/Consumer/Industrial markets. We are already seeing a collaborative exchange of expertise: sensor experts are engaging with the component portfolio, while passive component experts are diving into sensor technology. Additionally, we have established SSBC Solution Centers in two regions to develop integrated solutions for complex applications.

The Road Ahead

These organizational restructuring and initiatives will also contribute to accelerating companywide "the value creation cycle". This transformation is a major undertaking – however initially also a path I sometimes describe as a "winding and bumpy road". Making these changes work requires the support of every person in the TDK family. But by our united strengths, we are ready to outpace the competition and deliver superior value.

Message from the President



Nicolas Sauvage
President

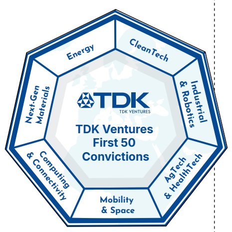
TDK Ventures accelerates TDK's future growth by identifying frontier technologies beyond today's core and engaging early with the entrepreneurs shaping tomorrow's markets. Through rigorous Deep Explorations, we invest with conviction and discipline, and work as one system with TDK to translate early insight into products, roadmaps, partnerships, and strategic options. Guided by Equal-Win and powered by TDK Goodness, we help exceptional entrepreneurs scale breakthrough technologies while creating meaningful value for TDK. This continuous loop of exploration, engagement, and execution strengthens TDK's ability to anticipate change, build future growth engines, and lead in an increasingly complex and fast-moving world.

TDK Ventures at a Glance

- $500M AUM across four funds | Seed to Series B
- 54 investments globally since 2019
- 6 unicorns, including Groq, Agility, AutoFlight, Silicon Box, and SPAN
- 400+ engagements across TDK
- Investment thesis: Backing "Impact Scalers," entrepreneurs solving global challenges with breakthrough technology
- Focus: Energy, AI, Materials, Mobility, Industrial & Robotics, Compute
- Follow-on discipline: Participation in top-performing companies
- TDK value: Translating early insight into products, roadmaps, partnerships, and strategic options

Extending TDK's Reach

TDK Ventures operates as an upstream engine of long-term growth, extending TDK's reach into emerging domains beyond the core business. Each investment reflects a clear view of how future systems will be built. These views are formed through rigorous Deep Explorations, first-principles thinking, and long-term relevance, rather than short-term signals, strengthening TDK's long-term growth pipeline. TDK Ventures operates as an integrated system, connecting relevant startups with TDK teams to test applications and create strategic options.



Main investment areas and portfolio

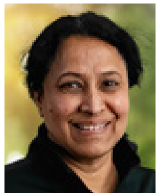
Next on the Horizon

TDK Ventures is building a system to engage earlier—identifying emerging technologies, partnering with founders, and translating insight into real-world impact. With a presence in Silicon Valley, Boston, London, Bangalore, Tokyo, and Munich, TDK Ventures invests globally in early-stage startups leveraging fundamental science to unlock an attractive and sustainable future for the world.

Main investment areas and portfolio
https://tdk-ventures.com/portfolio/

Team Members Spotlight

Fabric8 Labs reflects how TDK Ventures operates as an integrated system across teams. Geetha, from the Engagement Team, led the effort from the outset, working closely with multiple TDK teams to build a sustained, multi-year collaboration and translate early exploration into real applications.



Geetha Dholakia
Portfolio Program Director

In parallel, Yan, from the Investment Team, and as Board observer, supported the company on strategy, governance, and fundraising, helping guide its development as it scaled. Together, this cross-team effort illustrates how TDK Ventures connects insight, engagement, and capital to turn promising technologies into meaningful outcomes for both TDK and the entrepreneurs we partner alongside.

Yan Yan
Investment Associate

TDK Value Creation in Action

Groq

In 2020, TDK Ventures made an early, high-conviction investment in Groq, before AI inference became a mainstream theme. The investment was based on a first-principles view that inference would become a defining constraint in AI. The engagement also led to more than 50 TDK components being designed into Groq's first platform. Groq later entered into a $20B non-exclusive technology licensing agreement with NVIDIA, validating the early strategic insight.

Fabric8Labs

In 2021, TDK Ventures invested in Fabric8Labs after a Deep Exploration shaped by application and quality insights from a TDK team in Austria. Over 5 years, TDK Ventures, Fabric8Labs, and multiple TDK teams built technical conviction and developed real applications together. TDK's proposed acquisition shows how early venture insight can become a strategic growth platform and strengthen TDK's value creation chain.

TDK to acquire Fabric8Labs, Inc. to accelerate data center initiatives
https://www.tdk.com/en/news_center/press/20260610_01.html

Enhancing RENDO between various divisions to strengthen the roots of the Ferrite Tree and **contribute value to society**

Shuichi Hashiyama
Director, Corporate Officer
Chief Technology Officer, and General Manager of Technology & Intellectual Property HQ

Enhancing the three capabilities that will accelerate business transformation at TDK

It has been one year since assuming the role of CTO and taking on the important responsibility of overseeing technology at TDK. In that time, I have gained a renewed awareness of the importance of leading the competition in offering new technology and products. It takes significant time to develop products and technology that can trigger transformation in society. For this reason, it is too late to start development only after market needs become evident. Without a rolling start, the failure to engage in forward-looking development, it becomes impossible to offer value in a timely manner. This is why the capability to envision the future, the ability to identify medium- and long-term trends in technology and markets, is so critical.

For TDK to continuously contribute to transformation in society, we must accelerate transformation in our own business management. TDK Transformation, our long-term vision, positions three capabilities as the source of our management transformation: the capability to envision the future; the capability to execute the future we envision; and human resource transformation to serve as a foundation for the other capabilities. Since becoming CTO, I have used my position to strengthen these three capabilities by focusing on three themes: outlining a Groupwide technology strategy, strengthening TDK's capability to reliably commercialize R&D results, and creating an environment that allows engineers to feel the value of their work.

Establishing the CTO Office to outline technology strategy from a Group perspective

In April 2026, we established a CTO Office within the Technology & Intellectual Property HQ to support the formulation, updates, and implementation of a Groupwide technology strategy and roadmap. This framework promotes the implementation of mission-specific tasks that may require expertise such as trend analysis and strategy proposals without relying on the experience or intuition of any specific individual. This enables repeatability as an organization. When creating this framework, I had discussions with Outside Director Toru Katsumoto, whose background includes serving as CTO of the Sony Group, to gain numerous recommendations, including regarding how the CTO should function and the importance of dedicated human resources.

Of course, it is no easy task for a limited number of personnel to outline a Groupwide technology strategy considering the vast nature of TDK's technology portfolio. To address this reality, I want to form a community comprised of core engineering talent from within the Group to gather a wide range of expertise that can be applied towards updating TDK's technology strategy.

Also, cooperation with intellectual property divisions will be essential to proposing and implementing technology strategy. Similar to human resources and technology, TDK positions intellectual property as important pre-financial capital. To effectively link intellectual property to business results, we will work to strengthen our IP intelligence functions. IP intelligence involves conducting an integrated analysis of diverse information, including patent information and market technology trends and TDK business and product roadmaps, to effectively leverage results in strategy formation and management. To promote the global expansion of our IP strategy, since 2024 we have held the Global IP Summit, where IP staff from around the world gather to discuss intellectual property. The 2nd summit scheduled for this fiscal year will see participation expanded to include not only IP staff but also core members from business divisions as part of our effort to further strengthen collaborations between intellectual property divisions and business divisions.

Strengthening AI initiatives in four domains

A major target of our technology and business strategy moving forward will be AI. We are approaching AI in four domains, and plan to strengthen our initiatives in each domain.

The first is AI from a market perspective. TDK defines the broader markets related to AI as AI ecosystems, which we position as one of the most important markets of the future. Our HDD heads, passive components, batteries and other products already contribute to the stable operation of AI data centers. As the increasing electricity demands of data centers caused by AI becomes a societal issue, we are focusing on the development of next-generation technology that will contribute to resolving this issue. These solutions include neuromorphic devices, which efficiently process advanced calculations by designing electric circuits to mimic the neural circuitry of the human brain, and spin photodetectors, which achieve data transmission at extreme speeds with little energy loss. These devices leverage TDK's proprietary spintronics technology, which has been contributed to the creation of HDD heads and TMR sensors, and are garnering attention for their potential contributions to power savings at data centers in the future.

The second domain is AI for increasing the added value of products and services. One example is developing edge AI device solutions. Our Group company TDK SensEI developed a device with automated machine learning functions embedded in TDK sensor modules to provide high-added-value solutions such as predictive maintenance for plant facilities.

The third domain is AI for work optimization. We will aggressively leverage AI in corporate and business division workflows to pursue improvements in productivity. We will also incorporate AI into the previously mentioned IP intelligence to refine and improve the productivity of our information gathering and analysis and strategy proposals.

Lastly, the fourth domain is AI for R&D. We will integrate materials informatics to speed up and optimize new materials development as we seek to further refine our materials technology.

Promoting organizational reforms to improve the certainty and speed of new business development

TDK is focused on organizational development that will promote the seamless commercialization of R&D results. In April 2026, we integrated the incubation functions and internal venture development programs, initiatives that previously had been promoted at the individual organization level, into the Incubation Center, which we established within the Technology & Intellectual Property HQ. By having this Center involved in every phase of the commercialization process from start to finish, we will pursue improvements in the certainty and speed of new business development. To further accelerate activities, we revamped Kindergarten, our existing internal venture development program, and renamed it LaunchEngine to represent a greater focus on commercialization and speed. Through these initiatives, we will further promote new business development by organically linking two approaches: the commercializing internal R&D themes and launching new ventures from within the company.

To execute Groupwide technology strategy, including accelerating new business development, in addition to technology development it is also essential that we strengthen our team of human resources with the dedicated knowledge and experience to support those efforts. To address this issue, we established unique human resource functions within the Technology & Intellectual Property HQ to create a structure for strategically securing and developing talent with the traits required to execute our technology strategy. Collaborating with the Human Resources HQ, we will work on a human resources strategy that promotes the implementation of our technology strategy. Additionally, we will collaborate with the Sales & Marketing HQ, which was newly established in April 2026 (▶p. 42), to incorporate a market perspective.

Creating an environment in which engineers can feel the value of their work

Our R&D, particularly our corporate development divisions, often work on medium- and long-term themes that require five or 10 years to become products and businesses. During such long processes, sometimes engineers can lose sight of why they're engaged in certain R&D. I believe that linking new technological seeds to business creation requires that each engineer be working towards the shared goal of using technology to contribute to society and enhance the corporate value of TDK. Since becoming CTO, I have continuously conveyed the importance of this approach to everyone involved in development.

At the same time, we proactively create opportunities for dialogue between engineers and external stakeholders so that engineers can objectively see the value of their own work. Specifically, engineers attend the General Meeting of Shareholders and events such as the TDK Investor Day 2025 to give presentations and participate in Q&A sessions regarding current technology development themes. During these events, it is not uncommon to hear words of surprise and encouragement from shareholders expressing their excitement for future developments related to the unique technologies presented by the engineers. These occasions for dialogue provide engineers a first-hand sense of how much the market waits in anticipation of their work and serve as motivation towards working on their projects. I want to further accelerate new value creation by continuing to provide an environment in which engineers can feel the value of their work.

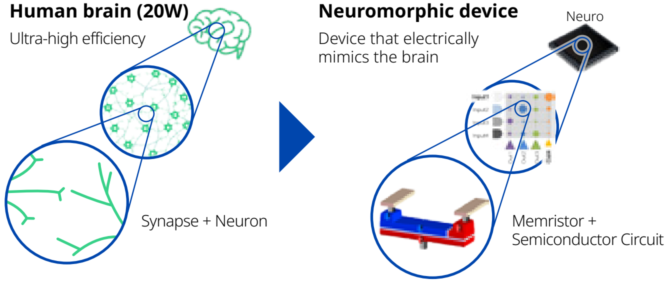
The Ferrite Tree is a systematic representation of our trajectory of technology development and value creation since our founding. Thus far, we have grown this tree by fusing materials and process technologies. Moving forward, we will also incorporate AI and other software to elevate our added value and achieve even greater growth. To expand this tree, it will be critical that we further strengthen the roots that are not visible from the ground: our pre-financial capital such as technology and IP, human resources, organizational capabilities, and our customer base. By strengthening existing initiatives and collaborations between divisions, we will make the roots of the Ferrite Tree thicker and more resilient. In doing so, we will accelerate the new technology development and value creation that contribute to society and enhance the corporate value of TDK.

Special Feature

Examples of Technology Development

TDK is working on development projects that apply spintronics. Here are the voices of the team members (employees) involved in this development.

Neuromorphic device



Neuromorphic devices enable AI computing that mimics the human brain, with super low power consumption. TDK has developed a “spin-memristor,” a basic element that uses spintronics technology. We are currently developing analog AI devices using spin-memristors in collaboration with The French Alternative Energies and Atomic Energy Commission (CEA). Characterized by their low power consumption, we envision these devices contributing to society as edge AI devices when combined with various sensors.

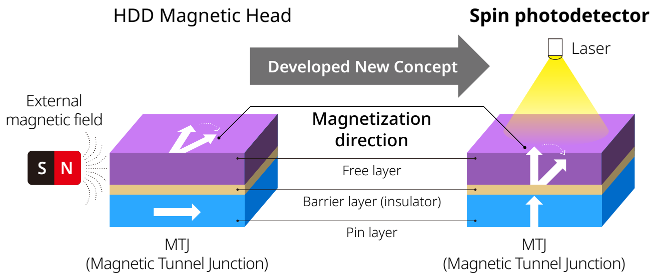
Mai Takeuchi
Technology & Intellectual Property HQ

I have been working on this research theme since 2023, and am currently stationed in France. My mission here is to bridge the technical and cultural gaps with our overseas partner—CEA—to accelerate the development, and to absorb CEA’s expertise and bring it back to the company. In this joint development project, I am experiencing firsthand the challenges that arise from differences in expertise and culture—such as the difficulty of assuming that you have communicated something clearly—as well as differences in communication styles and task management methods. To bridge these gaps, on the technical side, we are creating an environment where CEA personnel can handle our spintronics devices on-site to deepen mutual understanding. Additionally, we are working to strengthen collaborative efforts between CEA and TDK by learning and practicing dialogue methods tailored to the local environment.

Within TDK’s culture, where even engineers who have just joined the company can take on challenges, I have broadened my expertise since joining the company by finding roles where I can contribute, even in fields where I had no prior experience. My current activities at CEA are entirely new to me. But by drawing on the adaptability I have cultivated over the years, I will serve as a bridge between TDK and CEA and continue to take on the challenges of creating neuromorphic devices.

Spin photodetector

The spin photodetector is the world’s first device capable of capturing and visualizing ultra-high-speed phenomena—which conventional optical detection technologies could not fully capture—as electrical signals. It is a groundbreaking optical detection element that does not use semiconductors and is based on magnetic technology from HDD magnetic heads. We successfully demonstrated its principle in collaboration with Nihon University. We anticipate that this technology will contribute to a wide range of optical devices, including not only generative AI data centers but also smart glasses, ultra-high-speed image sensors, and spectroscopic analysis instruments for samples.



TDK has conducted development and prototyping of spin photodetectors by leveraging magnetic technologies from HDD magnetic heads and TMR magnetic sensors. However, to evaluate the ultra-high-speed response of the spin photodetector as a light-detecting element, we needed a partner with expertise in the ultra-high-speed response of magnetic materials to light during the early stages of development. For this reason, we began a joint research project with Nihon University. Since this was a collaboration between a company and a university, we initially struggled to achieve smooth coordination because our objectives and priorities did not always align. However, since we shared the common goal of creating a new product from scratch from the very beginning, we were able to proceed with development under an atmosphere of constant excitement. By exchanging frank opinions and engaging in repeated discussions, we were able to move forward with development united by a common goal: to create products that will have a significant impact on society, such as reducing power consumption at generative AI data centers.

Since I was previously in charge of developing HDD magnetic heads, I have a real feel for the possibilities of the magnetic technology itself, not simply as a product. So, a major motivation for me in this development is the desire to apply TDK’s core technologies to products in different fields and use them to benefit people’s lives.

Takekazu Yamane
Technology & Intellectual Property HQ

TDK Investor Day 2025 Pre-Financial Capital Briefing (Conducted on September 1, 2025) https://www.tdk.com/en/ir/ir_events/strategy/20250901/index.html

Intellectual Property Investment Based on TDK's Unique Value Creation Story

Ryosuke Koshiba
Deputy General Manager, Technology & Intellectual Property HQ
and General Manager, Intellectual Property Rights Center, Technology & Intellectual Property HQ

The TDK Group conducts intellectual property activities focused on the alignment of intellectual property strategies with business strategies. We focus on clarifying our value creation story as an intended causal pathway of how investment of capital in intellectual property and investment of time in IP activities lead to strengthened business competitiveness and, consequently, how this translates into returns in the form of business growth.

The Guidance for Collaborative Value Creation 2.0 published by Japan's Ministry of Economy, Trade and Industry (METI) advocates that companies position intellectual property within their company-specific value creation stories. We constantly ask ourselves what the strengths that enable TDK to succeed in the market are, where and in what form they exist, and whether these strengths are being strengthened (or, conversely, lost)—aiming to realize intellectual property investments that align with this story.

Protecting the Five Core Technologies and Intellectual Properties

TDK defines materials technology, process technology, evaluation and simulation technology, product design technology, and production technology as its five core technologies. These technologies serve as a critical platform for rapidly providing solutions that address the changing and increasingly sophisticated technical requirements of our customers, as well as for pioneering new product areas.

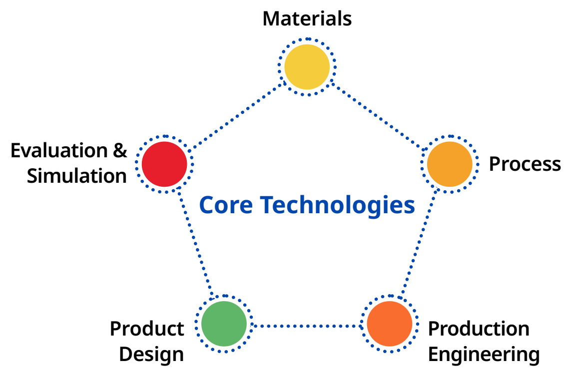
The protection of these core technologies as intellectual property varies depending on their nature. Since the "product design technology" and "materials technology" incorporated into products are technologies that come to the attention of customers and competitors through products in the market, protection via patents is effective. On the other hand, "process technology," "production technology," and the material formulation recipes within "materials technology" are technologies that are not visible in the market, so maintaining confidentiality through know-how is effective for sustaining competitiveness. We believe that in order to maintain and expand the unique value TDK provides to customers, it is crucial to raise barriers to entry using technologies that remain invisible to the market.

Evaluation and Simulation Technology: Deepening "Invisible Intellectual Properties"

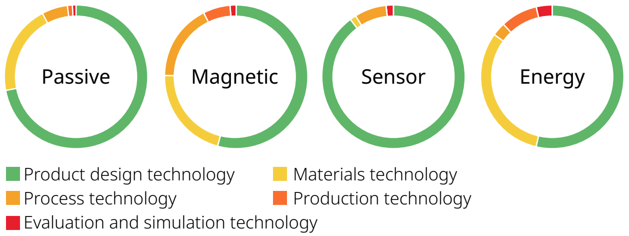
Evaluation and simulation technology symbolizes this strategy. Although we hold 400 patents in this field—fewer than in other technologies—this does not imply technological inferiority. Our true strength lies in our technological capabilities to meet advanced analytical demands from Group companies that deliver a wide variety of products worldwide. The process of deliberately refraining from patenting and instead continuing to keep our know-how confidential and strengthen it in areas invisible to the market is the core of our value creation story, which underpins TDK's unique value and builds barriers to entry that are difficult to replicate.

We maintain one of the world's leading analytical infrastructures, equipped with state-of-the-art electron microscopes, high-performance computers, and industry-leading anechoic chambers. Through evaluation and simulation utilizing cutting-edge equipment, we systematically accumulate analytical know-how that other companies cannot easily attain. Based on this accumulated knowledge, we have established our own new analytical methods and established a cycle in which our technical capabilities grow organically.

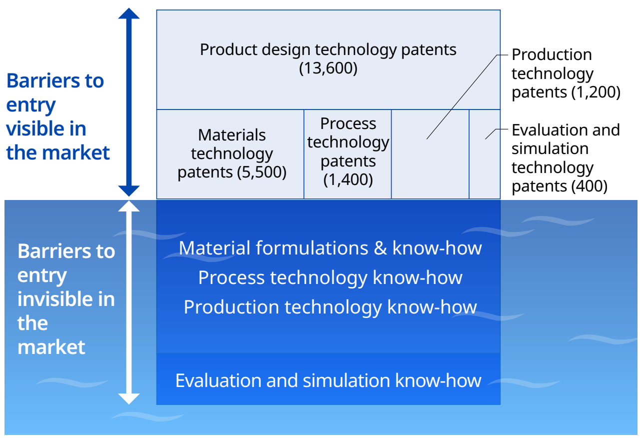
Five core technologies supporting TDK's Monozukuri



Core technologies by product area (based on patent share)



Barriers to entry created by core technologies



Interviews by region

Respective IP strategies

The TDK Group has adopted "Empowerment & Transparency" as its governance policy. With the Intellectual Property Rights Center at our headquarters serving as a hub, we conduct IP activities that respect the unique characteristics of each region. Rather than taking a uniform, centralized approach, we autonomously implement activities optimized for the market characteristics and technology trends of each region, thereby achieving "alignment between business strategy and IP strategy" that responds immediately to changes in the business.

Our headquarters takes an orchestrator role, identifying the diverse best practices emerging from each location and circulating them throughout the entire Group. In this section, we present the current state of IP activities tailored to region-specific winning strategies through the voices of IP personnel leading frontline efforts.


European R&D Center

Information regarding intellectual property is also included on the TDK website. We present details of various activities, including stakeholder dialogues.
https://www.tdk.com/en/about_tdk/intellectual_property/index.html

Implementing IP Strategies Based on Value Creation Stories Tailored to Regional and Product Characteristics

Silicon Valley is defined by relentless competition and compressed innovation cycles in the systems and software business. In this environment, the challenge is not merely securing intellectual property rights, but to do so with speed and precision before innovations are replicated or rendered obsolete. Our IP function is, therefore, structured as a strategic partner to the business units, embedding directly within their discussions to identify, shape, and capture innovations at their earliest stages. This proximity enables us to align IP protection with product roadmaps, ensuring that critical features, architectures, and use cases are proactively secured.

The intent of the team is to deploy IP not only as a defensive safeguard, but as an offensive business tool—creating barriers to entry, preserving freedom to operate, and strengthening our leverage in partnerships, cross-licensing, and market positioning. By integrating IP strategy into core business decision-making and executing protection initiatives with urgency, we transform innovation into durable competitive advantage in the rapidly evolving U.S. market.

John Yang
TDK U.S.A Corporation
Lead IP Counsel

Our China facility handles highly sophisticated manufacturing processes, such as the production of HDD magnetic heads. A key feature of our operations here is the close integration of management and intellectual property activities.

We work alongside management to strategically evaluate the innovative ideas generated daily, deciding whether to secure rights through patents or maintain them as confidential know-how to build robust barriers to entry. To further support this, we have recently enhanced our IP intelligence capabilities. By providing regular IP landscape reports, we facilitate strategic dialogue and contribute to improving the quality of business decision-making.

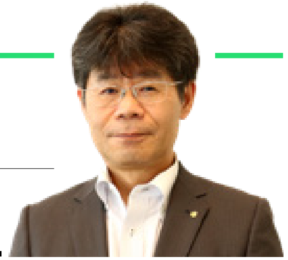
Through these initiatives, we are transforming the role of the IP department—moving beyond the traditional focus on rights acquisition toward a model that proactively contributes to and drives our business activities.

Taku Kosuge
SAE Magnetics (H.K.) Ltd.
Corporate IP
Senior Manager

In Europe, we operate a unique "Patent Coordinator" system. This mechanism involves selected and dedicated engineers with seniority and deep technical expertise, who oversee on-site intellectual property activities. We conduct thorough assessments of benefits, potential, and opportunities prior to filing and steer drafting and prosecution of our applications in close collaboration with external patent attorneys. Thereby we are building a robust and strategic portfolio - one that is difficult to circumvent and extends far beyond mere volume growth. By annual in-depth reviews together with top management of each BU and BG it is closely aligned with and tailored to business and product roadmaps as well as with the competitive landscape. This professional culture, in which engineers view intellectual property as "their own strategy" is TDK's strength in Europe.

Johan Pichler
TDK Electronics AG
Corporate Patent Coordination
Vice President

Enhancing On-Site Capabilities Through Cross-Departmental Collaboration to Improve Quality Assurance and Productivity



Kenichi Kawabata
General Manager, Production HQ and General Manager, Monozukuri Development Group, Production HQ

Under the vision of strengthening Monozukuri (manufacturing excellence) from a supply chain-wide perspective, TDK's Production HQ is advancing a three-pronged approach to manufacturing innovation—leveraging processes, equipment, and DX/IE—with the aim of further enhancing synergies in development. By prioritizing the allocation of resources to next-generation technologies and factory transformation, we are driving the evolution of our manufacturing.

At manufacturing sites, we collaborate with Quality Assurance HQ to identify latent issues through small-group activities (SGA), in which each employee takes the initiative, and on-site capability assessments, leading to fundamental improvements. In this way, by advancing efforts on two fronts—innovation and evolution in Monozukuri and improvements through the enhancement of on-site capabilities—we are strengthening our manufacturing foundation, which supports our sustainable growth by enhancing quality assurance and productivity.

Efforts to Achieve Zero Defects Through Small-Group Activities (SGA)

We conduct small-group activities (SGA), in which employees at the operational level independently identify issues in each manufacturing process (such as workability, yield, and productivity) and work to improve them. These activities cover a wide range of processes, from modifying jigs and tools to improvements using DX methods that leverage sensor data. Every member of the manufacturing site workforce is conscious of improving their own processes and pursues "zero defects" as the standard for better manufacturing.

To conduct these activities, Quality Assurance HQ and Production HQ hold small-group activity (SGA) conferences in each global region and recognize outstanding examples of these activities, thereby aiming to boost the motivation of participating team members (employees). Having team members bring reports on successful case studies back to their home plants following these conferences creates a cycle that leads to further improvements. In addition, by sharing information globally via our internal intranet, we have also established a system that enables more effective horizontal rollout to other sites and regions. Currently, these activities have been rolled out from Japan to China, the ASEAN region, and India, but we also plan to expand it across the entire TDK Group in the future, including Europe and the Americas.

Enhancing On-Site Capabilities Through Diagnostics

Guided by the quality policy that "quality cannot be guaranteed through final inspection!," we conduct quality diagnostics from multiple perspectives. From the horizontal rollout of quality assurance and manufacturing process measures based on past manufacturing insights, we conduct rigorous global diagnostic activities to prevent quality issues before they arise. In addition to quality assurance and equipment management, we conduct broad-ranging evaluations that include emergency response and human resource development systems and engage in initiatives aimed at achieving zero defects.

Starting in FY March 2027, we will launch on-site capability assessments that integrate not only quality assurance perspectives but also those of productivity, equipment maintenance, safety, the environment, and operators on the production floor. In these assessments, rather than having assessors unilaterally point out areas for improvement, we will foster a plant-wide shift in mindset by identifying issues and discussing and deciding on directions for improvement through dialogues involving everyone from manufacturing site workers to plant managers.

By linking the small-group activities (SGA) described earlier with the on-site capability assessments, and by carrying out coordinated efforts among the Quality Assurance HQ, Production HQ, and each plant, we aim to maximize productivity and achieve fundamental improvements in manufacturing. By rolling out this initiative across the entire TDK Group, we will solidify our position as a global leader in Monozukuri.

2nd ASEAN & India SGA Conference

In recent years, TDK has significantly advanced digital transformation (DX) initiatives in line with its Long-term Vision, "TDK Transformation." Through the evolution of business processes and enhancement of organizational capabilities, TDK continues to create value across both financial and pre-financial dimensions. This commitment to innovation earned the company recognition as a DX Stocks 2026 selectee by Japan's Ministry of Economy, Trade and Industry in April 2026.

We have been recognized with this designation due to our aggressive deployment of GenAI technology, workflow optimization, deployment of next generation cybersecurity functionalities (TDK Zero Trust) and establishing a dedicated organization to accelerate AI-Driven DX (AIX), demonstrating strong linkage with corporate value enhancement.

Global TDK GenAI Deployment & Workflow Optimization

- **Global Deployment:**

TDK GenAI, an enterprise-grade generative AI platform built in-house by global team members, is the core driver of our AIX. It offers features such as conversational AI services and image generation, AI Agent Building, Data Analytics, Visualization tools, etc. to support workflow operations. Currently, TDK GenAI is utilized by more than 12,500 employees globally. It is estimated to generate approximately 1.2 million hours of productivity improvement in TDK. With the introduction of Agentic AI Orchestration, the user base is expected to expand drastically increase.

Built for secure internal use, TDK GenAI incorporates rigorous security and privacy measures, while in-house implementation has enabled faster and more agile development and operations. We will focus on scaling our internal GenAI capabilities and integrating with our "Domain AI" that encapsulate TDK's unique expertise in material science and tacit knowledge.

- **Workflow Optimization:**

We establish a unique agile task-force-style methodology in order to accelerate workflow optimization using AI-Agents. In many use cases, we have utilized this agile process in both back-end applications and in factory floors.

One example is the IT help desk, where we implemented a TDK GenAI-powered chatbot entirely in-house in just about two months. This has reduced inquiry handling time by approximately 60%, while enabling 24/7/365 support and improving response quality.

Organization Development

Over recent years, TDK has continued to promote DX under the leadership of top management, with the CDXO (Chief Digital Transformation Officer) and Management System HQ playing central roles. In April 2026, we carried out an organizational transformation: Creation of Digital Solutions HQ, and a dedicated AI Group was established within the HQ. This enables TDK to evolve its DX approach from system-driven to solution-driven transformation, accelerating AI Transformation, TDK's AI-Driven DX (AIX). In this organization, a part of functionality development, we focus on upskilling and enhancing our workforce capabilities for AI & DX implementation (AI & DX Up-skilling).

Accelerating Companywide DX for Sustainability

One of the major companywide DX initiatives is enforcing best practice in sustainability, focusing on reduction of CO_2 emission throughout the value-chain. Supplier emission data is a critical component in estimating total CO_2 emission and has been a major bottleneck to understand and actively monitor/control emission sources. By introducing Agentic AI Orchestration, we were able to acquire all necessary data in only 30 hours which would have taken approximately 2 years by a dedicated person, manually. This proof-of-value shows that TDK's AIX initiatives are dramatically disrupting the way we work.

TDK Zero Trust

Based on the Zero Trust Network (ZTN) principle of "never trust, always verify," TDK has introduced its own security strategy, "TDK Zero Trust." This approach helps us stay ahead of emerging AI-driven threats while protecting our digital environment and critical assets. As a result of these security measures, we have consistently achieved Grade A, the highest rating, in an external disclosure environment evaluation system.

Taku Satoh
IT Group,
Digital Solutions HQ

AI & DX Up-Skilling

TDK's systematic DX training program—spanning foundational to advanced IT, cybersecurity, and Responsible AI—has reached 1,800 employees, supplemented by regular hands-on problem-solving workshops. The company advances enterprise-wide DX by fostering DX communities and celebrating DX-Award functions that recognizes outstanding internal DX initiatives to encourage and maintain high motivation. We also place emphasis on educating our employees in ethical and responsible utilization of AI and have designed and implemented training materials and plans for global deployment.

Akira Nomiyama
Digital Group,
Digital Solutions HQ

Empowerment & Transparency

One of TDK Group's strengths is our diversity. To further demonstrate those strengths, we are working to transform ourselves into an autonomous and decentralized organization based on a governance policy of "Empowerment and Transparency" that will also serve to guarantee transparency for our stakeholders, while also working to speed up decision-making by trusting the people who share our goals and principles and delegating them authority.

We are adopting a matrix management system based on two axes—the business axis, which is the chain of command for the execution of work, and the function axis, which involves the support of business operations and monitoring of the state of operations by headquarters functions. We are also setting up regional headquarters in Japan, Europe, the Americas, China and Asia-Pacific that, in cooperation with the global headquarters, will implement support and monitoring of our subsidiaries in each region. We have also established R&D and marketing functions in tune with the special characteristics of each region, thus forming setups capable of responding to regional needs and technological trends in a timely manner.

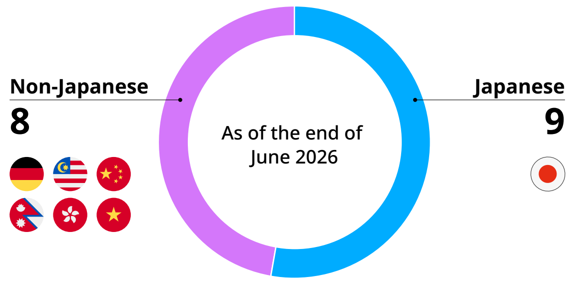
Furthermore, regarding M&A, rather than controlling acquired companies, we adopt a policy of post-merger integration (PMI) by which respect one another's corporate culture. In this way, we accept their technologies, strengths, and values, thereby creating synergy on a global scale.

Appointment of Non-Japanese Corporate Officers

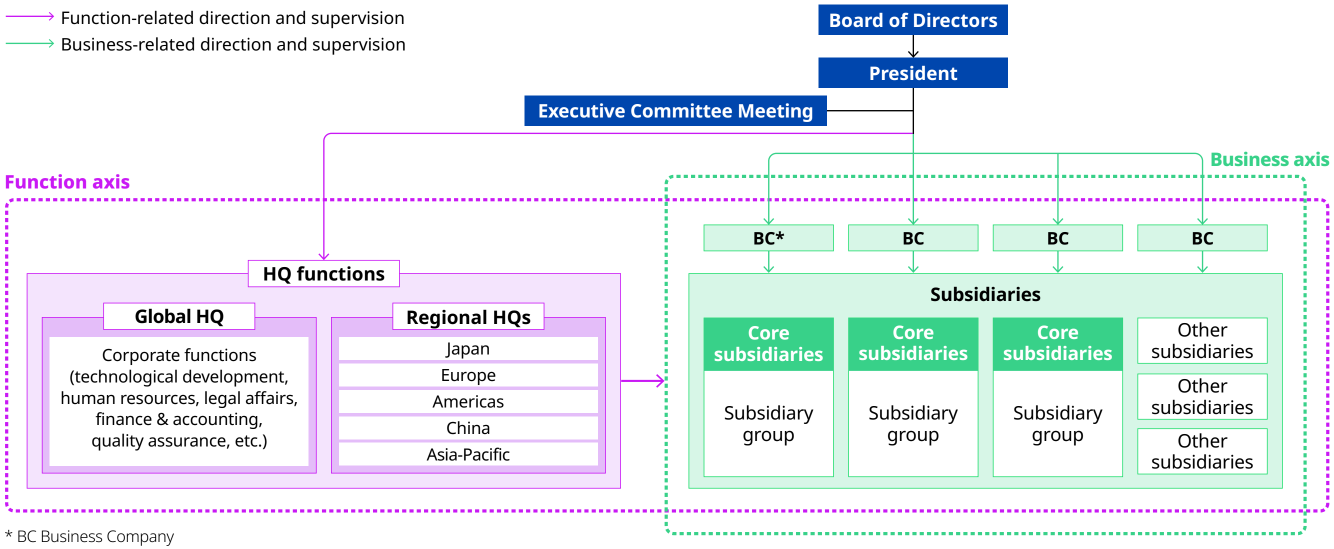
Having pursued the global expansion of our business from an early stage, we appointed our first non-Japanese corporate officer in 2004 and have since continued to increase the number of non-Japanese corporate officers while advancing the globalization of our management. Currently, nearly half of all corporate officers are non-Japanese.

Based on the Global Common Regulations, the Executive Committee, which is held twice a month as a general rule, discusses about policies and measures with respect to business execution of TDK and monitors the targets and implementation plans of operating departments and headquarters and the progress of each department in relation to such targets by regularly receiving reports from each department.

Composition of corporate officers



Group management structure with the policy of Empowerment and Transparency



* BC Business Company

Establishment of Asia-Pacific RHQ

The Asia-Pacific region is a key market where high economic growth is expected to continue. To firmly seize these growth opportunities and further strengthen its business foundation in the region, TDK established its Asia-Pacific Regional Headquarters in April 2026.

The Asia-Pacific Headquarters is our fifth regional headquarters, following those in Japan, Europe, the Americas, and China. Operating from two locations—Bangalore, India, and Singapore—it oversees more than 20 Group companies spanning India, Southeast Asia, and Oceania.

Through this, we aim to accelerate business expansion in growth markets, strengthen our R&D capabilities by leveraging talented engineers, and achieve sustainable development by balancing aggressive growth strategies with sound governance.

TDK Environmental Vision

Three ZERO for the planet

We are pursuing:

- **Zero GHG emission**
- **Zero resource loss**
- **Zero damage to the ecosystem**

across the entire lifecycle.

TDK Environmental Vision—Three ZERO for the Planet

Since 2016, TDK has been engaged in group-wide efforts to address climate change under TDK Environmental Vision 2035. As part of our efforts to advance TDK Transformation—the Long-term Vision established in 2024—we have achieved our CO_2 emissions intensity targets (for Scope 1 and 2) ahead of schedule as of April 2026. In addition to climate change, the future outlook for the global environment remains uncertain due to issues such as depletion of resources and loss of biodiversity. To achieve a transformation toward a sustainable society—taking into account these shifting social trends (such as the shift toward reducing absolute CO_2 emissions)—we have formulated a new environmental vision, "Three ZERO for the Planet," and resolved to further strengthen our efforts to advance it. Under this new vision, we will eliminate the negative impact of our business activities on the global environment and work to reduce the environmental impact of society for generations to come. We are also expanding the scope of our efforts to pursue the "Three ZEROs" across the entire life cycle: zero greenhouse gas emissions, zero resource loss, and zero damage to the ecosystem.

To realize the sustainable future outlined in our corporate philosophy, all Group members will share a common understanding of what TDK's environmental activities should look like and move forward with our initiatives.

Working to Achieve Net Zero by 2050

TDK has identified "address environmental and social issues" as a key issue (materiality) that it must act on and is taking company-wide action in response to environmental issues, including linking CO_2 reduction targets with remuneration of directors and Audit & Supervisory Board members.

TDK has set a goal to ensure that 100% of the electricity used at all of its manufacturing sites worldwide comes from renewable energy and to achieve CO_2 net zero by 2050.

Specifically, the aim is to improve CO_2 emissions intensity by 30% by 2025 and 50% by 2035 compared to FY March 2015, and to achieve net zero by 2050.

Additionally, to comply with the Paris Agreement, TDK sets reduction targets for total CO_2 emissions, and those targets were certified as science-based targets by the international Science Based Targets initiative (SBTi) in June 2024. The following targets have been certified.

Target 1	Reducing absolute scope 1 and 2 GHG emissions by 42% within FY March 2031 from a FY March 2022 base year.
Target 2	Reducing absolute scope 3 GHG emissions from purchased goods and services and use of sold products by 25% within FY March 2031 from a FY March 2022 base year.
Target 3	Encouraging 5% of its suppliers by amount spent covering purchased goods and services to have science based targets by FY March 2029.

Summary of TDK's CO_2 emissions-related targets

	Reference year	Target year	Target value
Scope 1, 2, 3 CO_2 emission intensity improvement target	FY3/15	FY3/36	50%
Scope 1, 2 CO_2 total emissions reduction target (SBTi certified)	FY3/22	FY3/31	42%
Scope 3 CO_2 total emissions reduction target (SBTi certified)	FY3/22	FY3/31	25%

Scope 1, 2

Reducing CO_2 emissions from manufacturing sites

To achieve its company-wide targets, TDK is reducing CO_2 emissions from manufacturing sites in particular. In addition to promoting a transition to renewable energy (RE), TDK has also pursued energy productivity (EP) activities to increase energy productivity and achieve its CO_2 reduction targets.

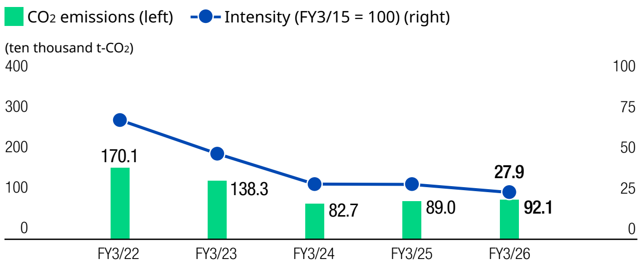
We are also proceeding with the adoption of renewable energy. In FY March 2026, emissions were 921,000 tons, a 3.5% increase from the previous fiscal year. Progress is being made as planned toward achieving the target of cutting CO_2 emissions by 42% (compared to FY March 2022) by FY March 2031.

Scope 1, 2

Concrete measure 1: Transition to renewable energy

TDK participates in the RE100 initiative as a measure for introducing renewable energy and seeks to use 100% RE-derived electric power at all manufacturing sites in Japan and overseas by 2050.

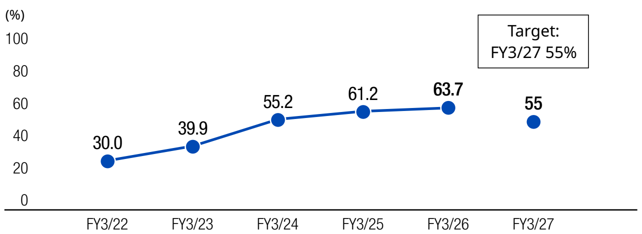
CO_2 emissions at manufacturing sites (global)*



* The measurement and calculation methods, as well as the numerical results for FY March 2020 and beyond, have been verified by a third party

This challenge is not only a response to demands from society and stakeholders, but also an effort to fulfill our social responsibilities. TDK is actively promoting the introduction of RE globally, and in 2023 successfully achieved 100% RE-derived electricity at all manufacturing sites in Japan. As a result of these initiatives, the ratio of electricity consumption to renewable energy sources used worldwide reached 63.7% in FY March 2026, achieving our interim target of 50%.

Percentage of electricity from renewable energy sources introduced

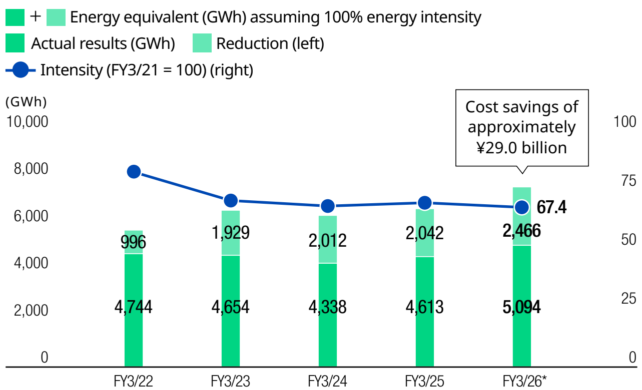


Scope 1, 2

Concrete measure 2: Energy productivity activities

TDK has been undertaking energy productivity (EP) activities with the target of doubling energy productivity (Figure below, halved as energy intensity), which is defined as net sales divided by energy used, over a 25-year period from 2020 to 2045. The actual energy intensity for FY March 2026 was -32.6%, significantly exceeding the target of -13.2% for that year. In monetary terms, this corresponds to cost savings of approximately ¥29.0 billion. To further accelerate energy productivity (EP) activities, TDK has been strengthening collaboration between business divisions and Group companies since FY March 2026. Through technology exchanges focused on energy-intensive processes such as sintering, drying, air conditioning, compressed air, and cleanrooms, we will engage in global energy productivity (EP) activities as TDK United.

Energy savings achieved through energy productivity (EP) activities



Scope 3

Reduction of CO_2 emissions through initiatives by Scope 3 category

Initiatives to reduce logistics CO_2 emissions

To appropriately reflect our ongoing efforts to reduce logistics CO_2 emissions, we are implementing a system that uses the ton-km method (converting logistics costs to CO_2 equivalents) to track logistics CO_2 emissions. We will continue to implement reduction activities across the entire TDK Group.

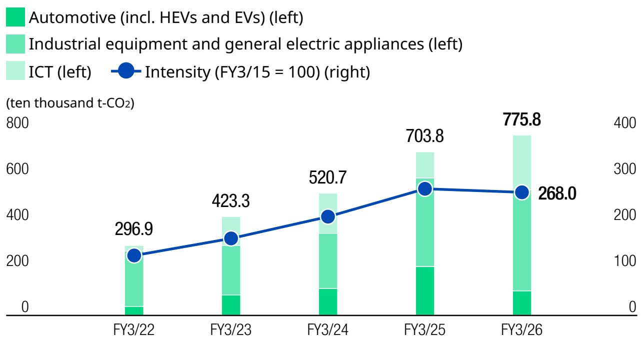
Scope 3

Expansion of contributions to reduction of CO_2 emissions through products

TDK calculates and discloses its contributions to the reduction of CO_2 emissions from the use of its products. This initiative is one of the important measures for promoting CO_2 reductions across the entire value chain while strengthening the international competitiveness of our products and contributing to the creation of a low-carbon society.

The contribution to CO_2 reduction by products in FY March 2026 was 7,758,000 tons, a year-on-year increase of 10.2%. On the other hand, in terms of energy intensity, the figure worsened by 3.0% compared to the previous fiscal year.

Contributions to CO_2 emission reductions by products



* The calculation method was reviewed by a third party.
* The product contributions have been calculated based on internal guidelines compliant with "TR62716 Guidance on Quantifying Greenhouse Gas Emission Reductions from the Baseline for Electrical and Electronic Products and Systems" formulated by the International Electrotechnical Commission (IEC); and the "Guidance on Calculating GHG Emission Reductions Contribution of Electronic Components" (Version 2) formulated by the Japan Electronics and Information Technology Industries Association (JEITA).

Our Policies for Respecting Human Rights

The TDK Group Code of Conduct states that "The TDK Group shall respect and uphold international norms regarding human rights. In addition, based on the recognition that it is important to understand the potential impact of all corporate activities on human rights and to conduct activities to prevent and mitigate adverse impacts, the TDK Group shall continuously administer human rights due diligence within the value chain to fulfill its responsibilities."

TDK Group Policy on Human Rights was formulated in 2016. We respect and support international norms on human rights including the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the Children's Rights and Business Principles. Based on the framework of the UN Guiding Principles (UNGP) on Business and Human Rights, TDK promotes the correct understanding of potential human rights issues and takes steps to address them, not only within the business operations of the TDK itself but also throughout the value chain. The TDK Group Human Rights Policy is published on our website and communicated to internal and external stakeholders. We expect all stakeholders, including our business partners and suppliers, to understand and support this policy, and we request that their responses be in compliance with the TDK Group Business Partner Code of Conduct.

Governance

TDK promotes human rights initiatives under the responsibility of the Sustainability Committee Chair (Corporate Officer). The Sustainability Promotion Group within the Corporate Strategy Headquarters works in close collaboration with relevant functions to advance these ongoing initiatives and day-to-day operations. Group-wide sustainability policies, including human rights initiatives, are discussed and deliberated by the Sustainability Committee under the direct control of the Executive Committee, and are subsequently submitted to both the Executive Management Meeting and the Board of Directors. The Board of Directors reviews these submissions and, when necessary, undertakes further deliberations and makes resolutions.

Risk Management (Due Diligence Process)

TDK undertakes human rights due diligence processes and promotes its due diligence activities in line with the procedures set out in the UNGP on Business and Human Rights. We also continue to dialogue with internal/external parties including human rights specialists and stakeholders to make our activities more effective.

Initiatives for Preventing and Reducing Human Rights Risks

TDK identified the three human rights risks listed to the right as priority issues to be addressed and is working to prevent and reduce these risks by making reference to the UNGP and the Responsible Business Alliance (RBA) Code of Conduct, evaluation items, and auditing frameworks.

- Responsible sourcing of minerals
- Respecting human rights of employees at our manufacturing sites
- Respecting human rights of employees at suppliers (including manufacturing sub-contractors and labor agencies)

For information on specific measures include metrics and goals, please see the Sustainability Website.

Responsible Sourcing of Minerals
https://www.tdk.com/en/sustainability/governance/responsible-minerals

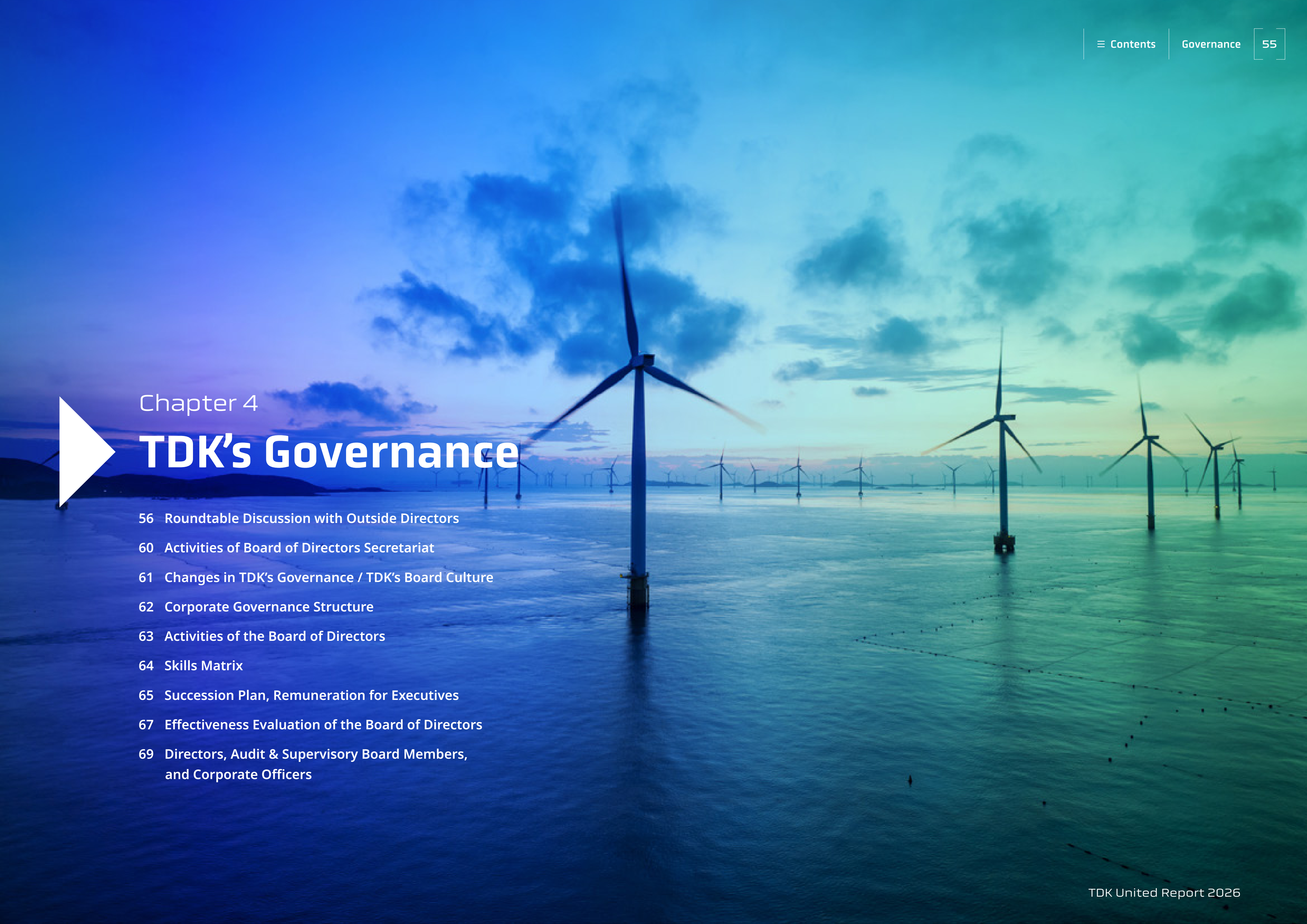
Social and Environmental Consideration at Manufacturing Sites
https://www.tdk.com/en/sustainability/governance/environmental-issues-manufacturing

Sustainable Procurement
https://www.tdk.com/en/sustainability/governance/sustainable-procurement

Respect for Human Rights
https://www.tdk.com/en/sustainability/social/human_rights

Human rights due diligence process of TDK Group

Policy Commitment	Risk Identification and Assessment	Prevention/Remediation Measures and Periodic Review	Reporting
Dialogue			
• TDK Group Code of Conduct • TDK Group Policy on Human Rights • TDK Group Business Partner Code of Conduct	• Identify potential human rights issues in the value chain • Evaluate risks by probability, human rights impact, and scale of our company's leverage • Prioritize key themes based on risk evaluation result • Assess detailed risks for each key theme • Assess potential human rights risks in potential new business relationships created through M&A and similar transactions	• Implement measures for each key theme and undertake periodic review • Training	• Sustainability Website • Human Rights Statement



Chapter 4

TDK's Governance

TDK is promoting growth strategy focused on AI ecosystem market. At the same time, the Board of Directors is discussing themes such as business portfolio management, human resource portfolio transformation, and communication with capital markets towards enhancing its medium and long-term corporate value. Four Outside Directors who have been directly communicating with investors at events such as TDK Investor Day 2025 engaged in a frank discussion regarding the current state of TDK and issues related to future growth.


Mutsuo Iwai


Shoei Yamana

Exploring the true value of TDK United Identifying the next "North Star" for growth


Kozue Nakayama


Toru Katsumoto

Outside Director

Mutsuo Iwai
Chair of the Board

Kozue Nakayama
Chair of Nomination Advisory Committee

Shoei Yamana
Chair of Compensation Advisory Committee

Toru Katsumoto

Problem awareness and how they are involved with the Board of Directors

Q1

From your respective positions, please discuss what you see as the issues facing TDK as it seeks to enhance its corporate value.

Iwai: As Chair of the Board, what I am most focused on is monitoring how the company's vision and long-term direction are being reflected as strategy in the Medium-term Plan and how that strategy is implemented. To that end, it is essential that Outside Directors have a deep understanding of company business and the risks inherent within each business. In particular, geopolitical risks are incredibly complex and, even from the perspective of the executive side, it can be difficult to ascertain the full picture. This is why I believe it is necessary to engage in discussions regarding risk countermeasures having gained an in-depth understanding of TDK business operations. At the same time, I think that the ability to accurately identify opportunities generated through changes in the operating environment is essential to enhancing corporate value.

Nakayama: I view monitoring as collectively sharing what we identify as our North Star (ideal direction) while continuously confirming TDK's current position. Ensuring that vision and long-term strategy are linked is incredibly important. In comparisons with competitors, I place emphasis on continuously questioning from an external perspective whether the company is accurately ascertaining its own position.

Having said that, what I see as an issue is identifying your competition. TDK has a diverse portfolio, meaning its competitors vary widely depending on the product. At every opportunity, I impress on the executive side the importance of taking a broad view to reassessing the company's competitive environment.

Yamana: To raise an issue from a different perspective, I believe that TDK explicitly identifying the domains in which it can win in the long run and its path to victory is essential to being accurately evaluated by capital markets. Solutions sales and business incorporating software are beginning to take shape, so the company needs to use these as a platform for building sales scope and constructing a resilient revenue base.

Katsumoto: As Yamana san indicates, I also think the transition to a solutions business is incredibly important. TDK started with ferrite and has used its technology seeds to generate success based on a product-out approach. However, with solutions-based businesses such as smart glass and TDK SensEI (production site solutions using edge AI), shifting to a market-in concept based on back-casting from the benefits to the end customer is essential. I think this topic is linked to the capability to envision the future highlighted in the business model based on the TDK Long-term Vision.

Yamana: It will also be important that the company leverage AI to improve the productivity of its human resources and move in sync with a growth strategy that generates added value. While the company is successfully making contributions to the AI ecosystem market, I do think there is a need to further accelerate efforts related to improving the productivity of its human capital.

Katsumoto: Recently, we are seeing an increase in cases of first to the market wins in the age of AI. Even with superior technology, a lack of speed may lead to lost opportunities. To share this sense of urgency with the executive side, I am leveraging my own experiences as a CTO to engage in internal and external dialogue with TDK CTO Hashiyama and other members of executive management.

Board culture and effectiveness of the Board of Directors

Q2

As Chair, what initiatives are you implementing to increase the effectiveness of the Board of Directors? Please also discuss your approach to cooperation with the secretariate and setting themes.

Iwai: The TDK Board of Directors is a gathering of diverse expertise and experience, and there is a superior board culture of engaging in frank discussions. As Chair, one of my roles is to protect that culture while promoting even more enhanced deliberations. In our effectiveness assessments for the Board of Directors, we go beyond simply filling out scores on a survey to engage in in-depth analysis of the background and context of comments by executives. We then share issues that require improvements based on those results. For discussions regarding long-term vision, strategy, and in particular, pre-financial themes such as human capital investments, we have proactively worked such themes into the annual schedule based on an awareness of the need to ensure thorough deliberations.

In terms of actual Board of Directors operations, we narrow down topics during preliminary explanations to avoid repeating the same explanations during the actual Board of Directors' meeting, which ensures that meetings serve as an opportunity for more meaningful exchanges of opinions. It is indeed because the secretariate is accurately functioning as a corporate secretary that the company has realized highly efficient operations.

Additionally, we hold quarterly offsite meetings comprised of outside executives only that we use as an opportunity to engage in the frank exchange of opinions. I then summarize the points and issues raised during these meetings, provide feedback to the president, and share them with the executive side through the secretariate. This type of positive cycle is steadily permeating within the company.

Q3

From the perspective of the Outside Director, what do you feel are the characteristics of TDK management?

Yamana: From the perspective of Board of Directors operations, there is an extremely high level of transparency and fairness, and deliberations are very energetic. Board of Directors' meetings run long each time not because there are a lot of agenda items, but because opinions are actively being offered by participants.

In terms of where there is room for improvement, I have seen numerous cases of the presenters reporting from the same stance as the Executive Committee, which is a part of the executive side. One of the unique characteristics of TDK is that business supervisors, and not just the corporate officers, have numerous opportunities to provide explanations directly. While this does lead to lively deliberations, this is also why it is important that points of discussion be thoroughly organized.

Nakayama: This point is also closely related to the succession plan. This is why I, as Chairperson of the Nomination Advisory Committee, ask the executive side to create opportunities for business supervisors to give presentations. The Board of Directors is functioning well as a place for identifying the qualities required of senior management: the ability to appropriately convey key points within a limited amount of time and the ability to unwaveringly respond to the types of unanticipated questions that external parties might ask. For the presenters as well, the experience of presenting to the Board of Directors provides an opportunity to enhance their management perspective.

Iwai: One theme on which we've focused throughout the year in our discussions, including on the topic of developing the next generation of leaders, is ascertaining a comprehensive image of human capital management. Internally, the company is pursuing various initiatives, including building a new HR system, but I think it will be important moving forward for the company to link high-level deliberations by senior management with the initiatives being undertaken by the employees in the workplace to create visible lines of how these are connected.

Katsumoto: On the topic of human resources, I was very impressed by the sight of engineers confidently giving presentations to investors regarding advanced technology at the TDK Investor Day 2025 held in September.

When I visited the manufacturing site in Akita, I was equally impressed by the talented engineers who've spent many years using the same processes and technology to make high-quality products. However, I felt like those members on the front lines of production do not have many opportunities to personally feel the dynamic shift occurring within TDK as a whole. I feel it will be important to pursue initiatives that help expand the global perspective of such employees and show them how their own work is expanding.

Functions of the Nomination Advisory Committee and Compensation Advisory Committee

Q4

Please discuss the current state of the succession plan and areas of focus.

Nakayama: One thing I consistently feel is that you cannot force the development of people. I have served as Chairperson of the Nomination Advisory Committee since 2021 but there is no magic for getting people to suddenly develop their talents. The only way is to provide various growth opportunities and watch how that development proceeds over time.

Essential within that selection process is incorporating the perspectives of multiple people when evaluating candidates. To avoid bias in judgments of specific individuals, we engage in assessments while ensuring both transparency and fairness. What is interesting is that, surprisingly, evaluations tend to align even when an individual is assessed by multiple people. Even though there may be minor differences in nuance, overall evaluations of where a person excels and where they have issues tend to be the same. I think that evaluating people from dynamic perspectives is helping increase the accuracy of assessments and leading to a consensus regarding the results.

Of course, selections are not just limited to Japanese individuals. The TDK Group has nearly 100,000 employees but Japanese people only account for roughly 10,000 members. Globally speaking, the company has a vast number of diverse human resources with significant potential. It is also important that the company does not establish fixed parameters for what it looks for in its human resources. It is important that the company maintain a stance of continuously evaluating what makes an ideal leader in times of dramatic change.

Yamana: I completely agree. In addition to a CEO succession plan, equally essential is the perspective of how the company goes about building a management team to support the CEO. When thinking about developing the next generation of leaders, it is important that the company also continuously focus on team building for management as a whole.

Q5

Please discuss the status of progress for designing and implementing a remuneration system, including future issues that require consideration.

Yamana: In FY March 2025, the company implemented major revisions to its executive remuneration system following deliberations by the Compensation Advisory Committee. Specifically, the company adopted a design that increased the percentage of stock-based remuneration, significantly increased the performance fluctuation ratio, and included pre-financial indicators and relative total shareholder return (TSR) in evaluation metrics. The company is currently in the phase of gradually incorporating this new system into actual evaluations and system management over the next one to two years. The expectation is that corporate officers will have an awareness that improving pre-financial value eventually leads to increases in financial value as they engage in their daily management duties. Overseas as well, the company is confirming that its compensation levels in each region are competitive while working to build a system that promotes the retention of elite human resources and enables necessary head hunting based on the appropriate timing. I feel that, through this process of deliberation and implementation, the gap between the company's corporate strategy and its approach to its remuneration system is steadily closing.

Nakayama: When discussing the remuneration system, adopting global grading is also a major step forward. Thus far, Japan employed a remuneration system that was based on position but, as a global company, TDK adopted standards compliant with global grading for Japanese executives as well. This system transition was truly back-breaking work but it was the establishment of this platform that has allowed TDK to truly boast implementing global human resource management that is uniform with the ideals embodied by the philosophy TDK United. Nomination and compensation are important theme that cannot be separated from each other.

Discussions related to market evaluation, stock price, and PBR

Q6

What types of discussions does the Board of Directors have regarding the company's current stock price and PBR? Also, how do you view the gap with the company's market evaluation?

Yamana: Feedback from IR activities is regularly shared at Board of Directors' meetings, and we have discussions with the executive side concerning points to appeal to markets. This fiscal year, we received a benchmarking report from management that included promising overseas companies. TDK should evaluate its optimal business portfolio, using the portfolio composition of companies receiving high PER evaluations as reference. I also think that continuously growing EPS while also increasing its PER evaluation multiplier is the approach that will enable TDK to reach the level of corporate value it should aim to achieve.

Iwai: Stock price is a representation of both market expectations for the future and an evaluation of the company's competence in terms of its ability to generate added value. As an Outside Director, someone who stands between shareholders and the executive side, I feel that there is room for improvement in terms of how TDK communicates future expectations to capital markets. Beyond merely identifying and organizing or optimizing problematic businesses, it is also important to link the company's vision for the future, for example, identifying the domains it expects to drive future growth, to the company's strategies and policies. The company must get the market to hold appropriate expectations for the company while also using its track record to back up the message that the company is steadily increasing its capabilities. Achieving both is essential. Personally, I have a deep-seeded belief that TDK barely scratched the surface of its potential.

Nakayama: I feel the same as Iwai san, and I often find myself thinking, "it's such a wasted opportunity!" TDK must work to convey its true capabilities to the capital markets. The company is advancing efforts to enhance branding but it still has significant room to make improvements.

Katsumoto: That's true. For example, the company could do better at more clearly conveying the idea that identifying and organizing problematic businesses is a stepping stone to the next stage of growth. Similarly, if the company can better present its efforts to transform its human resource portfolio towards securing capabilities it does not yet have, then capital markets are more likely to assess TDK as a company that has a clear vision for its future, which should lead to increased market expectations.

Yamana: Exactly. In that sense, the issue is securing and developing human resources who will serve as business producers; people capable of envisioning new concepts and converting those concepts into businesses. It is important that the company provide promising human resources opportunities for exploration and discovery within the company to enhance their instincts as it relates to customers and markets. At the same time, TDK needs to aggressively seek out external human resources who possess capabilities lacking within the company. Promoting this dual approach of internal development and external recruitment is critical to increasing both the company's expectations and capabilities.

How TDK will formulate and convey future growth strategy

Q7

What do you think will be the key to conveying state of TDK's medium- to long-term portfolio and indicating the company's stance on value creation in terms of the concept of TDK United?

Iwai: We receive quarterly reports on the state of business portfolio management and progress on measures, and engage in discussions that include the Outside Directors and Outside Audit & Supervisory Board members. Moving forward, there is a need to shift the focus from the process of identifying and organizing problematic businesses conducted thus far to discussions about future growth strategy. The Board of Directors is expected to move beyond progress management for individual businesses and engage in deliberations, including leaning on external expertise, regarding future medium- and long-term growth scenarios.

Katsumoto: It's possible that capital markets still see TDK as a company that is simply collection of four businesses—batteries, passive components, HDD heads, and sensors—and that the company is not being evaluated for the synergy that exists between those businesses. It is critical that the company demonstrate its stance on value creation as TDK United rather than as simply the aggregation of the results of four businesses. As an Outside Director, I think about how I can contribute to that process.

Yamana: Having TDK viewed as a unified entity will require a clear declaration of what the company is striving for. AI ecosystems are merely a starting point. I believe the task facing TDK is how it clearly demonstrates to the markets that it is looking to a future in which it pioneers new growth domains and leverages its technology portfolio and human resources in a United effort to drive the evolution of TDK.

Iwai: How the company maintains a balance between the centripetal force (unity) of TDK United and the centrifugal force (uniqueness) of each individual business is a truly difficult question. This is something the Board of Directors must discuss thoroughly to identify the optimal solution.

Nakayama: The actual direction in which the company must advance is already apparent. However, the company is currently being asked to demonstrate the true value of this story in terms of whether or not this is something everyone can be on board with as a path to victory. Once the confidence that this is a winning direction is shared by all, then the North Star guiding the company will manifest itself. From there, I think it is simply a question of what the company should position as points of appeal in its dialogue with markets.

Iwai: The Board of Directors will continue to pursue high-quality deliberations while leaning on the collective expertise of the Outside Directors as the company works to clarify its medium- and long-term trajectory and clearly communicate its goals to the capital markets.

The Corporate Secretary Group's Role in Supporting Governance

Yoshikazu Fujiwara
General Manager, Corporate Secretary Group

TDK has established a "Corporate Secretary Group" to support corporate governance. This group—consisting of the Board of Directors Office and the Secretarial Office—handles a wide range of matters relating to the Board of Directors and provides support to both internal and outside officers. It is a rare department that provides close support to the Board of Directors, the top-level management deliberative body.

Specifically, it handles secretarial duties for the Board of Directors; secretarial duties for the Corporate Governance Committee, which formulates TDK's basic governance policies; collection and provision of information required by Outside Directors; and secretarial duties that broadly support both internal and outside officers.

Evolution of the Board of Directors and Governance

Although TDK began its governance initiatives relatively early on, Outside Directors have consistently called for various improvements. There have also been periods where intense debates continue within the Board of Directors. To channel these lively discussions and requests into enhancing corporate value, we have made consistent efforts to sincerely accept the opinions raised by Outside Directors and reflect them in our governance measures. For many years, TDK has also conducted an annual evaluation of the effectiveness of the Board of Directors to identify common challenges recognized by Outside Directors and implement improvement measures. As a result, reforms were made to both the Board of Directors and the executive structure, deepening the relationship of trust between Internal and Outside Directors and Audit & Supervisory Board Members while maintaining an appropriate level of tension. To carry forward the shared commitment to enhancing corporate value based on this history of improvement, we have codified the "TDK board culture."

Changes in the Department's Role and Functions

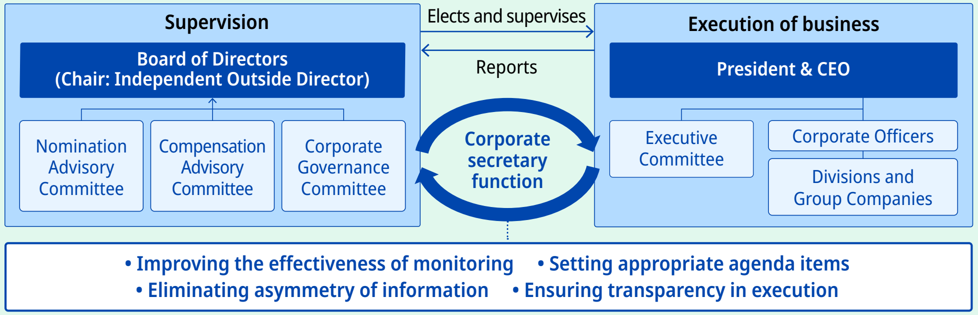
Initially, the role of Board secretariat was limited, and in the past, the head of Legal Affairs served in a dual role to oversee it. However, following the enactment of the Corporate Governance Code (CG Code) in 2015, and the increased emphasis placed on the role of Outside Directors, the role of the Board secretariat—which serves as a support function—began to change, and was expected to evolve. At TDK, in particular, the position of chair of the Board has traditionally been held by an Outside Director, so there have been strong calls for the appropriate provision of information to Outside Directors.

The 2026 revision of the CG Code emphasizes the importance of the Corporate Secretary function in supporting the Board of Directors. Rather than merely serving as an administrative office, the Corporate Secretary is expected to play a proactive role, with growing demand for functions such as acting as a bridge between the Board of Directors and executive management and serving as a hub for internal communication and coordination. This is precisely the role of our Corporate Secretary Group, and we will continue working to further enhance its functions.

Roles of the corporate secretary group

Board of Directors Secretariat	• Formulation of Board of Directors policies and annual agenda items, review of meeting materials, pre-meeting briefings, meeting management, preparation of minutes, etc. • Participation in the secretariats of the Nomination Advisory Committee and the Compensation Advisory Committee
Corporate Governance Committee Secretariat	• Formulation of TDK's basic organizational structure (governance, management, and executive structures) • Planning and implementation of evaluations of the effectiveness of the Board of Directors • Verification of the internal control system and its operational status, among other duties
Provision of information to Outside Directors	• Induction training for newly appointed Outside Directors, business briefings, study sessions, off-site meetings, visits to domestic and overseas locations, and Open Board activities (activities to foster engagement between the Board of Directors and employees)
Secretarial duties	• General secretarial duties for Internal and Outside Directors and Audit & Supervisory Board Members, in addition to serving as the President's secretary

Corporate secretary function



History of Governance Reforms

2002
Establishment of Compensation Advisory Committee (chaired by an Outside Director)
Number of directors reduced from 12 to 7
Appointment of first Outside Director

2004
Appointment of first non-Japanese corporate officer

2008
Establishment of Nomination Advisory Committee (chaired by an Outside Director)

2009
Appointment of two non-Japanese corporate officers
Appointment of one more Outside Director for a total of three

2012
Appointment of an Outside Director as chair of the Board of Directors

2015
Decision reached on basic policy that at least one-third of directors should be independent Outside Directors
First implementation of effectiveness evaluation of the Board of Directors

2018
Establishment of the Corporate Governance Committee

2020
Appointment of first female director

2023
Stipulation of TDK's Board Culture

2024
Decision reached on basic policy that at least half of directors should be independent Outside Directors
Majority of the Board of Directors became independent Outside Directors

2025
Decision reached on basic policy that the majority of directors should be independent Outside Directors

Governance reform utilizing Board of Directors evaluations

Transformation of the executive structure

- **2016** Reform of executive functions Establishment of the Corporate Strategy HQ
- **2017** Reform of the Executive Committee
- **2018** In addition to China, expanded to the Americas and Europe, launching a three-region headquarters system
- **2020** Establishment of Global Common Regulations
- **2024** Formulation of the Long-term Vision
- **2025** Establishment of the Sustainability Committee

Transformation of secretariat functions for the Board of Directors

- **Prior to 2016** Concurrently held by the General Manager of the Legal Department
  - Focus on preparing minutes, legal reviews, and meeting management
- **2016** Appointment of Chief Compliance Officer
- **2017** Establishment of the Board of Directors Office within the Corporate Strategy HQ
  - Strengthened coordination between the Board of Directors and the Executive Committee
  - Improved the provision of information to outside directors
- **2019** Board of Directors Office expanded to include a secretariat, forming the Corporate Secretary Group
  - Centralized support for both internal and outside directors
  - Strengthened support for board members
- **2024** Enhanced collaboration among committee secretariats
  - Coordinating deliberations of Board Advisory Committees
- **2025** Expansion of secretariat staffing

TDK's Board Culture

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 enhancing 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.

- Board members and the executive side build and maintain a relationship of deep mutual trust and a healthy tension.
- Board members and the executive side strive to achieve both the delegation of authority to encourage prompt and autonomous decision-making and the transparency in business execution (Empowerment & Transparency).
- 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.
- The executive side sincerely views the opinions of the Board of Directors as opportunities for management improvement and implements necessary measures. Directors and Audit & Supervisory Board Members supervise and audit from an objective standpoint, and through these efforts, they aim to further enhance corporate value.

TDK Basic Policy on Corporate Governance (Article 1-2 (6)) https://www.tdk.com/system/files/governance_pdf_basic_policy_2026_04_en.pdf

Basic Stance and Structure

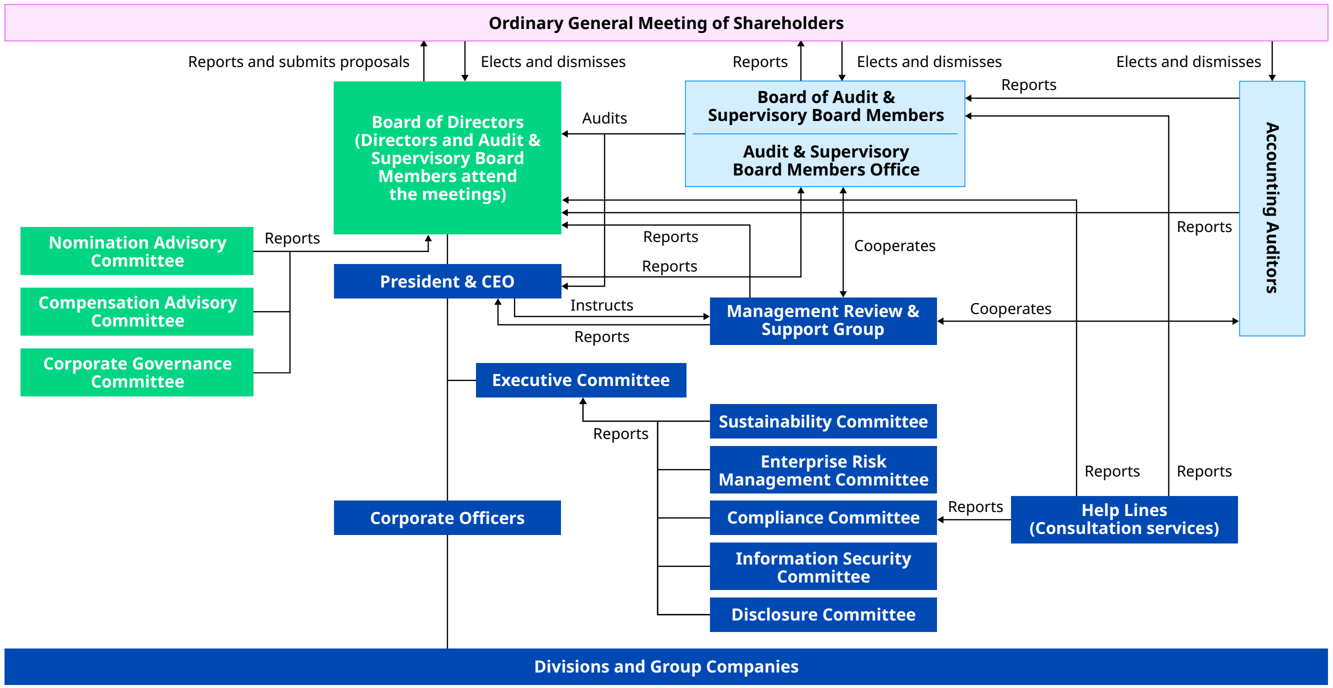
Emphasis on enhancing corporate value

As a company with an Audit & Supervisory Board, TDK strives to ensure the soundness, compliance, and transparency of management through the introduction of various mechanisms to strengthen corporate governance with the aim of enhancing long-term corporate value.

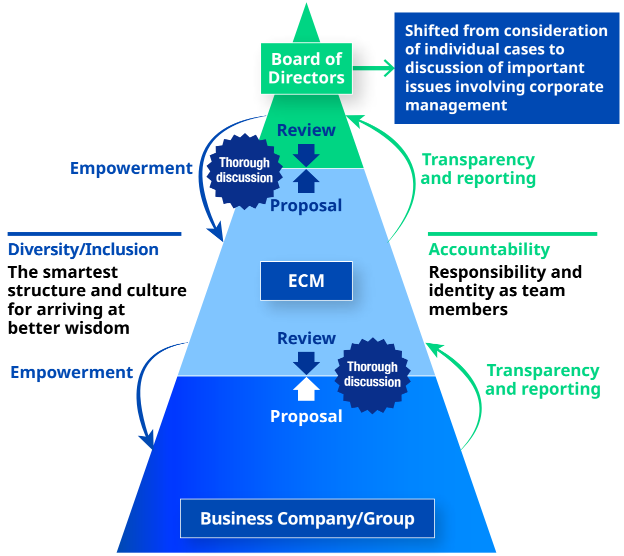
Regarding the Board of Directors, we strive for swift management decision-making by having a small number of members, and we actively appoint independent outside directors with no conflicts of interest so as to strengthen monitoring functions. Discussions are conducted from a long-term perspective. In addition, to strengthen supervisory functions over management, three committees have been established as advisory bodies to the Board of Directors (the Nomination Advisory Committee, Compensation Advisory Committee, Corporate Governance Committee).

Regarding the execution of business, TDK endeavors to ensure swift decision-making and to clarify responsibility and authority in business execution through the adoption of a corporate officer system. In addition, regarding global Group management, TDK trusts people who share the same goals and principles and delegates authority to them. Furthermore, to ensure transparency toward stakeholders, TDK advocates a policy of Empowerment and Transparency and are promoting value creation across the entire Group through the fusion and alignment of various regions and functions.

Corporate governance structure chart



Roles and Authorities of the Board of Directors, ECM, and BCs/BGs “Empowerment & Transparency”



Corporate governance at TDK is based first of all on conducting rigorous discussions within the ECM on the business execution side. The Board of Directors then issues its management decisions based on even more thorough discussion of the conclusions presented by the ECM that also incorporate outside perspectives. This not only increases management transparency and ensures trust, but also speeds management decision-making by advancing the delegation of authority to the business execution side. In this way, the Board of Directors and the executive side maintain an appropriate relationship of both tension and trust and an ongoing cycle of rigorous discussion, ensuring transparency, and delegation of authority, creating a balance between effective governance and management speed. Note that the number of members on both the Board and the ECM is limited to achieve active, effective discussions while also ensuring diversity. To ensure fairness in these discussions, both groups are comprised of members that do not include the individuals responsible for the respective businesses.

Operational Policy for Board of Directors
(FY March 2026)

T130 Basic Policy for the operation of Board of Directors
Directors, Audit & Supervisory Board Members, and executive officers work together towards the common goal of TDK's sustainable growth and the improvement of its medium to long-term corporate value.

During T130, the Board of Directors will hold discussions to implement the Group's long-term growth strategy.

T130 Key discussion items

1. Business Portfolio Strategy
2. Enhancement of Corporate Functions
3. Company-Wide Risk Management
4. Group Governance
5. Pre-Financial Capital (especially human capital)

Discussions outside the Board of Directors

Members	All Directors and all Audit & Supervisory Board members
Number of times held	2 times
Theme	Open discussions are regularly held with the aim of deepening and improving the effectiveness of discussions at meetings of the Board of Directors. For T130, discussions were held on long-term management strategy, sustainability management, geopolitical risks, and other topics.

Summary of annual agenda items of Board of Directors for T130 (April 2025 - March 2026)

April	Strategy	Business Portfolio Strategy
	Governance	Board evaluation (external publication)
	Governance	Revision of the internal control system and confirmation of its operational status
May	Governance	(Report) Group risk management
	Governance	(Report) Compliance activities
	Governance	Discussions on optimal governance structure
June	Strategy	Business Portfolio Strategy
	Governance	IR activities feedback
July	—	—
August	Strategy	(Report) Progress of pre-financial strategy
	Governance	IR activities feedback
	Strategy	Business Portfolio Strategy
September	Strategy	(Report) Technology Strategy
October	Strategy	Business Portfolio Strategy
November	Governance	Progress of Medium-term Plan
	Governance	Group governance and group risk management
December	Governance	IR activities feedback
	Governance	Business reports from each business company
January	Governance	Business reports from each business company
February	Governance	IR activities feedback
	Strategy	Business Portfolio Strategy
	Strategy	Human capital strategy
	Governance	Succession Plan
March	Strategy	Financial Strategy
	Governance	Next management plan
	Governance	Evaluation of the Board of Directors
	Governance	Optimal governance system

Activities Toward an Open Board

In 2023 the Board of Directors began so-called "Open Board" activities to strengthen engagement with team members (employees). These activities are deepening exchange between members of the Board of Directors and team members at TDK sites.

Board of Directors and town hall meeting held at the Asama Techno Factory

In selecting candidates possessing the respective skills, consideration is given to the overall balance and diversity of the directors and Audit & Supervisory Board Members taken as an integrated whole as the constituent members of the Board of Directors.

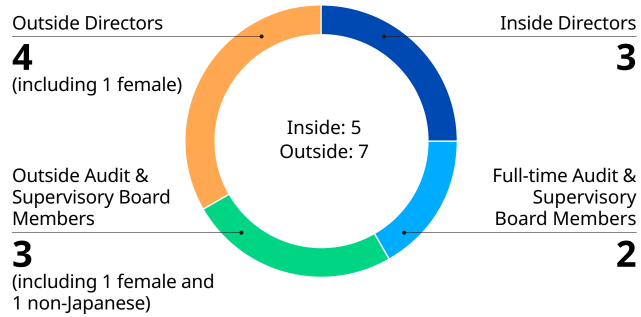
	Name	Position	Corporate management	Global business experience	Sales/ marketing	ESG/ sustainability	Technology/ research & development	Manufacture/ production technology	Finance/ accounting	Legal/ compliance/risk management
Directors	Noboru Saito	Representative Director, President & CEO	●	●	●	●				
	Tetsuji Yamanishi	Representative Director, Senior Executive Vice President	●	●					●	●
	Shuichi Hashiyama	Director, Corporate Officer	●	●			●	●		
	Kozue Nakayama	Outside Director	●	●	●	●				
	Mutsuo Iwai	Outside Director	●	●						●
	Shoei Yamana	Outside Director	●	●	●	●				
	Toru Katsumoto	Outside Director	●	●			●	●		
Audit & Supervisory Board Members	Masato Ishikawa	Full-time Audit & Supervisory Board Member		●				●		●
	Takakazu Momozuka	Full-time Audit & Supervisory Board Member		●		●			●	●
	Douglas K. Freeman	Outside Audit & Supervisory Board Member		●						●
	Chizuko Yamamoto	Outside Audit & Supervisory Board Member		●					●	●
	Takashi Fujino	Outside Audit & Supervisory Board Member	●	●					●	●

* "Global business experience" includes practical experience in global business as well as experience related to overseas business.

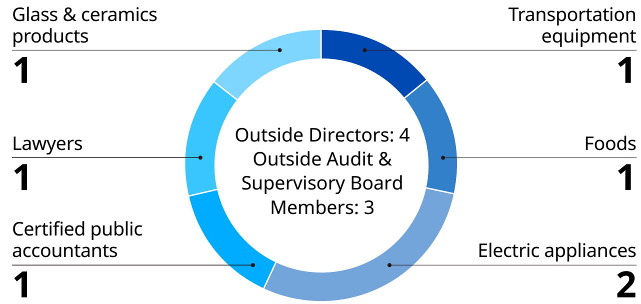
Fields where the Company especially expects Directors and Audit & Supervisory Board Members to demonstrate their skills

Skills the Company expect	Reasons for selecting the skills in question
Corporate management	To contribute to a sustainable society and enhance corporate value, the ability to perform in corporate management and to manage and supervise executive divisions is required.
Global business experience	Experience and knowledge in global business are essential in the TDK Group where over 90% of net sales is recorded outside of Japan.
Sales/marketing	Sales and marketing skills are necessary to understand market demands and create new business opportunities from the conception of both technology-out and market-in.
ESG/sustainability	In order to synchronize and advance both the sustainability of society and the sustainability of the TDK Group (i.e., the long-term enhancement of corporate value), an adequate understanding of ESG and sustainability is an essential element in the oversight of management.
Technology/research & development	As under the Corporate Motto "Contribute to culture and industry through creativity", the Company aims to be a company that contributes to the realization of a sustainable future by accelerating the advancements in technology and the transformation of society.
Manufacture/production technology	An adequate understanding and passion for Monozukuri (manufacturing excellence) is required as quality and reliability of products are the foundation of the TDK Group's business.
Finance/accounting	To aim for sustainable growth and carry out necessary investments, knowledge in finance and accounting, which supports a sound and solid financial basis, is required.
Legal/compliance/ risk management	Legal, compliance and risk management skills are necessary to respond to the trust of all stakeholders and to enhance corporate value in a sound and sustainable manner.

Composition of Directors and Audit & Supervisory Board Members (as of the end of June 2026)



Backgrounds of Outside Directors and Outside Audit & Supervisory Board Members

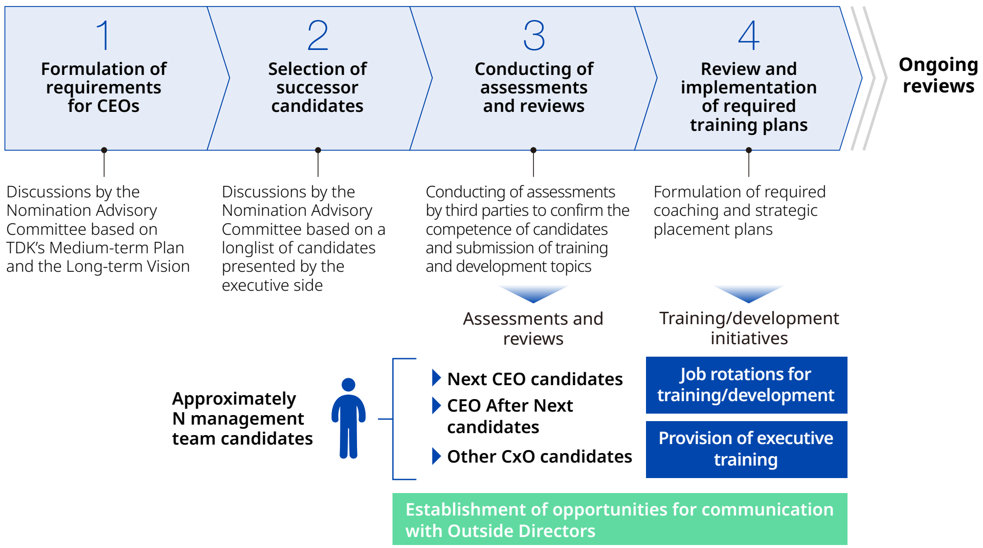


Succession Planning for the CEO and CxOs

As the business environment becomes increasingly complex due to technological innovations such as AI and geopolitical risks, we regard ensuring management continuity as a critical governance issue. The Nomination Advisory Committee continuously discusses succession planning and human resource development with a view not only to finding a successor CEO but also the entire next-generation management team. The candidate pool is broadly categorized into "Next CEO," "CEO After Next," and "Other CxOs," with multiple candidates selected for each category to ensure a robust pipeline. We also implement a rolling process under the supervision of this committee, covering requirement definitions, candidate selection, assessments and reviews, and the execution of training/development initiatives.

For evaluations of candidates, we combine external assessments with evaluations by the management team to ensure objectivity and transparency with regard to both potential and performance. Training and HR development initiatives are designed individually based on issues specific to each candidate. We combine global programs and action learning to strengthen specialized knowledge, leadership skills, and the capability to deliver results in complex situations. We also work to enhance each candidate's capability to drive transformation and increase the quality of their decision-making through experiences such as overseas posts and challenging assignments, while supporting each candidate in realizing their potential through coaching.

We regularly review the candidate pool and their development progress and make revisions as necessary. In addition, by providing opportunities for dialogue with Outside Directors, we aim to broaden candidates' perspectives and enhance the effectiveness of governance.



Governance for Remuneration

Decision-making process

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.

Clawback and malus provision

TDK has adopted a clawback and malus provision that allows the company to forfeit the right to be issued payment or shares, or to demand a reduction or recoupment of remunerated sums based on deliberations by the Compensation Advisory Committee and a resolution passed by the Board of Directors in the event of a sudden and dramatic deterioration in performance, malfeasance, or violations of the law.

Structure of remuneration for Directors and Audit & Supervisory Board Members, eligible for payment

Type of remuneration		Details of remuneration	Fixed/ Fluctuating	Eligible for payment			
				Directors concurrently serving as Corporate Officers	Directors not concurrently serving as Corporate Officers	Outside Directors	Audit & Supervisory Board Members
Basic remuneration		Monetary compensation paid monthly*	Fixed	●	●	●	●
Results-linked bonus		Monetary compensation paid at predetermined times each year with an emphasizing linkage with short-term performance. The amount fluctuates within a range of 0% to 200% of the standard payment amount, depending on the degree of achievement of targets based on consolidated results for the fiscal year under review (operating profit and ROIC) as well as indicators, etc., set for each department in charge.	Fluctuating (single fiscal year)	●	–	–	–
Post-delivery type stock remuneration	RSU	RSU is a stock remuneration which is issued based on continuous service. Subject to continuous service for a period of three years from the first day of the first year to the last day of the last year of the Medium-term Plan (or a period of three years or more as determined by the Board of Directors of the Company, the "Target Period"), a pre-determined amount of the Company's shares and monetary compensation is delivered after the end of the Target Period.	Fixed	●	●	–	–
	PSU	PSU is a performance-linked stock remuneration under which is issued based on results. In case of PSU, an amount of the Company's shares and monetary compensation money, calculated in accordance with the degree of achievement of performance targets, etc., of set by the Medium-term Plan, are delivered after the end of the Target Period. The payout ratio fluctuates depending percentage of payment fluctuates based on the degree of achievement of consolidated the performance targets, etc., of the Medium-term Plan.	Fluctuating (medium- to long-term)	●	–	–	–

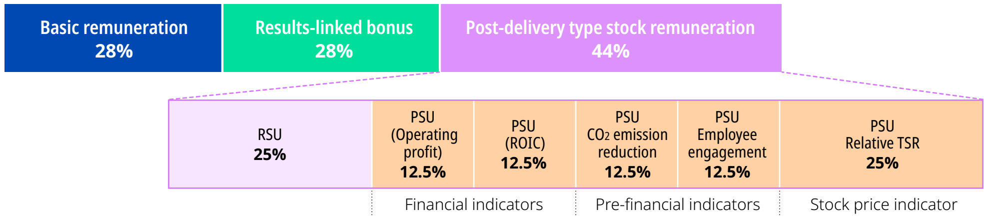
* Within the limit of the monthly basic remuneration amount approved at the General Meeting of Shareholders, medical examination expenses, etc., are paid as monetary compensation to some Directors in addition to basic remuneration.

Increasing the Ratio of Results-Linked Stock Remuneration

In June 2024, TDK revised its post-delivery stock remuneration system to increase the ratio of stock remuneration linked to business performance while maintaining the current level of basic remuneration (fixed compensation). As evaluation indicators for PSUs, the Company has introduced environmental and social indicators in order to increase the willingness to contribute to the realization of a sustainable society, and to introduce stock price indicators in order to further motivate management practices that are conscious of the cost of capital and stock price.

Breakdown of remuneration

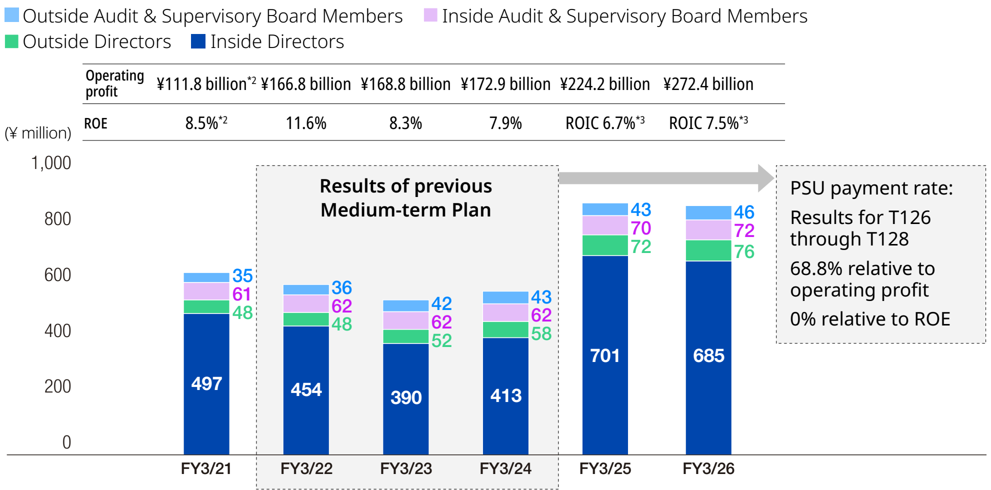
* In the case that the Representative Director, President & CEO achieves 100% of performance targets, etc.



Note: The percentage of basic remuneration in the above chart does not include remuneration paid for medical examination expenses, etc.

Trends in total amount of remuneration for Directors and Audit & Supervisory Board Members

	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26
Operating profit	¥111.8 billion*2	¥166.8 billion	¥168.8 billion	¥172.9 billion	¥224.2 billion	¥272.4 billion
ROE	8.5%*2	11.6%	8.3%	7.9%	ROIC 6.7%*3	ROIC 7.5%*3



*1 As for the results-linked bonuses and post-delivery type stock remuneration for Directors, the amounts shown above are those recorded as an expense for the fiscal year under review.
*2 TDK has adopted the IFRS on its consolidated financial statements in the annual Securities Reports from the FY March 2022 in place of the US-GAAP. The figures for the FY March 2021 are also presented in accordance with IFRS.
*3 TDK has adopted ROIC as an indicator for results-linked bonus from the FY March 2025.

Progress against PSU evaluation indicators

Classification	Evaluation indicators	Percentage of payment	Plan (FY March 2027)	Results of FY March 2026
Financial indicators	Operating profit targets in the Medium-term Plan	0–100%	(3 year cumulative) 668.4 billion yen	272.4 billion yen
	ROIC targets in the Medium-term Plan		8.1%	7.5%
Pre-financial indicators	Targets for CO_2 emission reduction ratio in the Medium-term Plan		23.3% (SBTi Scope 1 + 2, vs. FY March 2022)	45.9% reduction
	Targets for employee engagement in the Medium-term Plan		· Communication score 75 pts. · Response rate 80%	· Communication score 71 pts. · Response rate 92%
Stock price indicator	Relative TSR (vs. TOPIX)	0–200%	—	—

Formula for calculating the PSU payment rate based on relative TSR (vs. TOPIX)

The PSU payment rate is calculated using the following formula. If the calculated value is 200% or more, the PSU payment rate will be set at 200%, and if it is less than 50%, it will be set at 0%.

PSU payment rate = ① **TDK total shareholder return during the Target Period** ÷ ② **TOPIX growth rate (including dividends) during the Target Period**

① = (A – B + C) ÷ B + 100%

A: Simple average of the closing price of shares of the Company on the Tokyo Stock Exchange during the final month of the Target Period

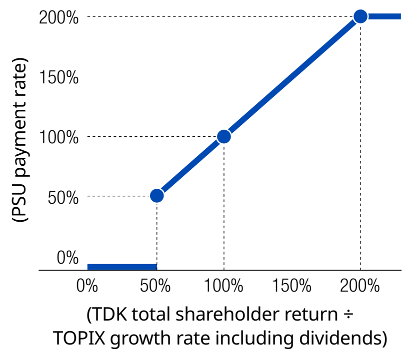
B: Simple average of the closing price of shares of the Company on the Tokyo Stock Exchange during the month prior to the start of the Target Period

C: Total amount of dividends per share of the Company related to dividends from retained earnings during the Target Period

② = (D – E) ÷ E + 100%

D: Simple average of the dividend-inclusive TOPIX on the Tokyo Stock Exchange during the final month of the Target Period

E: Simple average of the dividend-inclusive TOPIX on the Tokyo Stock Exchange in the month prior to the start of the Target Period



* Excluding days on which no trades were made
* Stock prices are calculated to two decimal places, and TOPIX to three decimal places (rounded to the nearest whole number for the fourth decimal place and beyond).
* In the event of resignation during the Target Period, the PSU payment rate is calculated for the period from the beginning of the Target Period until the time of resignation.

Continuous Improvement Based on Effectiveness Evaluation

TDK conducts an evaluation of the effectiveness of the Board of Directors each fiscal year in order to verify whether the functions expected of the Board of Directors are properly performed and enhance such functions. Also, the Company 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 a neutral and objective standpoint.

Since a third-party evaluation was conducted in FY March 2025, the Board of Directors evaluation for FY March 2026 was conducted through a primary evaluation by the Corporate Governance Committee (consisting of six Directors, including four Outside Directors, and one Corporate Officer [General Manager of Corporate Strategy HQ]). Following discussions by the Board of Directors, a final evaluation was conducted.

As for the issues identified in the evaluation for the previous fiscal year, the Company implemented remedial measures and verified their results, thereby creating a cycle for continuous improvement of governance.

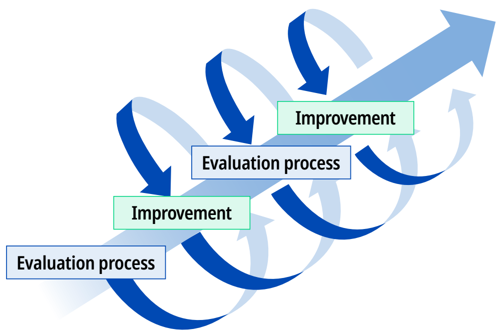
The Board of Directors evaluation process and governance improvement cycle

Evaluation process

Questionnaire	December	Questionnaire to all Directors and Audit & Supervisory Board members
Interviews	December–February	Individual interviews with all Directors and Audit & Supervisory Board members
Discussions	March–April	Analysis and summary reported and discussed in the Corporate Governance Committee and Board of Directors
Evaluation results	April	Resolution on evaluation results by the Board of Directors

Improvement cycle

- Reports relating to issues identified in the evaluation planned in the Board of Directors annual schedule
- Implementation of improvement measures
- Verification of results in the next Board of Directors evaluation
- The above cycle of evaluation, identification of issues, improvement, and evaluation (verification) is rotated every year to ensure continuous improvement of governance.



Questionnaire Items (Major Items)

(1) Long-term management strategy and management issues and risks (questions and free answers)
(2) Role and function of the Board of Directors (questions and free answers)
(3) Size and composition of the Board of Directors (questions and free answers)
(4) Operation of the Board of Directors (questions and free answers)
(5) Discussions at the Board of Directors meetings (questions and free answers)
(6) Composition and role of the Nomination Advisory Committee (questions and free answers)
(7) Operation of the Nomination Advisory Committee (questions and free answers)
(8) Composition and role of the Compensation Advisory Committee (questions and free answers)
(9) Operation of the Compensation Advisory Committee (questions and free answers)
(10) Composition and role of the Corporate Governance Committee (questions and free answers)
(11) Operation of the Corporate Governance Committee (questions and free answers)
(12) Support system for Outside Directors (questions and free answers)
(13) Role of the Audit & Supervisory Board Members and expectations of the Audit & Supervisory Board Members (questions and free answers)
(14) Relationship with investors and shareholders (questions and free answers)
(15) Governance structure of TDK and effectiveness of the Board of Directors in general (free answers)
(16) Self-evaluation by Directors and Audit & Supervisory Board Members (free answers)

* We conducted a multifaceted survey with detailed sub-items under the above major items. In the effectiveness evaluation questionnaire, some questions are fixed to allow for continuous comparison over time, while the content of the questions is reviewed annually to improve the quality of the evaluation. In addition, by providing many free-form fields, we actively incorporate diverse opinions and constructive suggestions that cannot be grasped by predetermined questions alone.

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

i) High effectiveness and continuous evolution

- The board culture is well established, and substantive and fulfilling deliberations are being conducted.
- The delegation of authority to the enforcement side and the ensurance of transparency are progressing, and further evolution in effectiveness is being observed.
- Engagement with employees has been improved through "open board" activities.
- Many honest opinions are given by board members to aim for even greater heights.
- There is a spiral up in governance due to PDCA.

ii) Effective engine design

- The current institutional design (company with a board of supervisors) is functioning effectively.
- Each organization (Board of Directors, Audit & Supervisory Board, and Advisory Committee) is functioning effectively.
- The size, composition, and membership qualifications of each institution are highly balanced and appropriate.
- The chairman, who is an independent outside director, contributes to the effectiveness of the board of directors.

iii) Active and substantive discussions

- Based on the annual policy of the Board of Directors, efficient and effective management is carried out.
- Active participation in discussions is carried out without distinction between internal and external directors and auditors.
- Substantive discussions are being held that will contribute to sustainable growth and the improvement of corporate value over the medium to long term.
- The discussions of the board of directors are reflected in business plans and measures, leading to the final improvement of management quality.

(2) Progress of efforts to address issues identified in the effectiveness evaluation of the previous fiscal year

The following issues reported in the previous fiscal year were listed as response items in the Board of Directors' management policy and annual plan, and efforts to improve them were recognized.

Challenge	Status of Initiatives
(1) Continued discussions on medium- to long-term strategies at the Board of Directors meeting It is necessary for the Board of Directors to continue discussions to materialize a long-term growth strategy that looks beyond the medium-term management plan. Specifically, we will delve into discussions on the following topics. In addition, we will pay attention to clarifying the points to be discussed at the Board of Directors meeting and clarifying the content of the report. • Business Portfolio Strategy • Strengthening corporate functions • Company-wide risk management • Group governance • Including management development and diversity promotion Particularly important pre-financial capital themes	At the Board of Directors, the management policy of the 130th Board of Directors and the annual agenda schedule of the Board of Directors (including off-site meetings) were formulated and implemented, incorporating the priority themes listed on the left. • The Board of Directors actively discussed the progress of the medium-term management plan, company-wide issues (business portfolio management), group governance and risk management, and succession plans. • At the off-site meeting, effective discussions were held from a broad perspective on the themes of geopolitics and SX management, as well as business portfolio growth strategies. In addition, the officer in charge of the HQ function report was to bundle the relevant functions and report and discuss from a corporate perspective, and the following was implemented. • Report on pre-financial capital strategy and sustainability committee activities by the General Manager of the Corporate Strategy HQ • Technology development strategy report by CTO • Human capital strategy report by CHRO
(2) Pursuit of an optimal governance system, including further strengthening of the audit system In order to further improve the governance function, we will continue to pursue the most suitable governance system and the composition of the Board of Directors for the Company. In order to respond to the expansion of global business scale and changes in social conditions, we will further strengthen the organizational audit system based on strengthening the internal audit department structure and strengthening cooperation with the Audit & Supervisory Board.	The Corporate Governance Committee and the Board of Directors discussed the optimal governance system on several occasions. In addition, with the aim of building an effective audit system at the global level, the Internal Audit Department took the lead in strengthening the "three-line model" to promote governance and risk management, and the establishment of an organizational audit system using regional headquarters (RHQ) was considered, and highly effective discussions were held at the Board of Directors.

Final Evaluation by the Board of Directors

(1) Results of the effectiveness evaluation (conclusion)

In this evaluation, the effectiveness of the Board of Directors is defined as "the Board of Directors appropriately fulfilling its expected roles and functions (management supervision, decision-making of important matters, etc.) in order to achieve sustainable growth of the Group and increase corporate value over the medium to long term." In addition to the status of the system in place to ensure these conditions, the evaluation was conducted from the perspective of whether appropriate deliberations and active and substantive discussions were being conducted, and whether the results led to an improvement in the quality of management.

Based on the primary evaluation by the Corporate Governance Committee, the Board of Directors of the Company confirmed that the effectiveness of the Board of Directors and its advisory committees (Nomination Advisory Committee, Remuneration Advisory Committee, and Corporate Governance Committee) is sufficiently ensured in terms of their size and composition, agenda and content of deliberations, status of discussions, and reflection in management.

Furthermore, we confirmed that we are continuously improving the effectiveness of the Board of Directors by making improvements based on the results of the evaluation by the Board of Directors in the previous fiscal year.

(2) Future issues

As a result of this evaluation of the Board of Directors, we have identified the following two main issues that need to be addressed in the future to further improve the effectiveness of the Board of Directors.

i) Deepening the grand design and strategy for value creation for sustainable growth

- Improving the resolution of long-term growth strategies to realize the long-term vision
- Advancement of sustainability management through growth strategies sourced from pre-financial capital such as human capital and technology capital

ii) Accelerating the enhancement of execution functions and the materialization of an optimal governance system through strengthening the monitoring function of the Board of Directors

- Deepening strategic discussions at the Board of Directors from a medium- to long-term perspective and strengthening monitoring functions related to management strategies and risks and opportunities
- Optimization of the global management system and improvement of the efficiency and function of corporate functions

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.

Directors

Noboru Saito
Representative Director

Jun. 2022 Representative Director of the Company
Apr. 2024 President & CEO of the Company
General Manager of Humidifier Countermeasures HQ of the Company

Tetsuji Yamanishi
Representative Director

Jun. 2018 Representative Director of the Company
Apr. 2024 Senior Executive Vice President of the Company
CFO of the Company

Shuichi Hashiyama
Director

Apr. 2021 Corporate Officer of the Company
Jun.2023 Outside Director of TODA KOGYO CORP.
Apr. 2025 CTO of the Company
General Manager of Technology & Intellectual Property HQ of the Company
Jun. 2025 Director of the Company

Kozue Nakayama
Outside Director

Jun. 2019 Outside Audit & Supervisory Board Member of Imperial Hotel, Ltd.
Jun. 2020 Outside Director of the Company
Jun. 2022 Outside Director of The Nanto Bank, Ltd.

Mutsuo Iwai
Outside Director

Jun. 2021 Outside Director of the Company
Mar. 2022 Member and Chairperson of the Board of JT (retired in Mar. 2026)

Shoei Yamana
Outside Director

Jun. 2022 Outside Director of the Company
Jun. 2023 Senior Advisor of Konica Minolta, Inc.
Outside Director of Zensho Holdings Co., Ltd.
Jun. 2024 Outside Director of JAPAN POST INSURANCE Co., Ltd.

Toru Katsumoto
Outside Director

Apr. 2022 Senior Executive Vice President of Sony Group Corporation (resigned in Jun. 2022)
Jun. 2024 Outside Director of the Company

Audit & Supervisory Board Members

Masato Ishikawa
Full-time Audit & Supervisory Board Member

Jun. 2023 Full-time Audit & Supervisory Board Member of the Company

Takakazu Momozuka
Full-time Audit & Supervisory Board Member

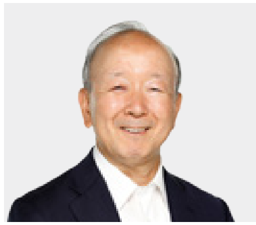
Jun. 2019 Full-time Audit & Supervisory Board Member of the Company

Douglas K. Freeman
Outside Audit & Supervisory Board Member

Sep. 2007 Principal of Law Offices of Douglas K. Freeman (current Freeman & Partners)
Apr. 2019 Professor of Keio University Law School
Jun. 2019 Outside Audit & Supervisory Board Member of the Company
Jun. 2026 Outside Audit & Supervisory Board Member of TOPPAN Holdings Inc.

Chizuko Yamamoto
Outside Audit & Supervisory Board Member

Jun. 2020 Principal of Chizuko Yamamoto CPA Office
Aug. 2020 Outside Audit & Supervisory Board Member of Ozu Corporation
Jun. 2021 Outside Director of Tokyo Rope Mfg. CO., Ltd.
Jun. 2023 Outside Audit & Supervisory Board Member of the Company
Jun. 2026 Outside Audit & Supervisory Board Member of KIOXIA Holdings Corporation



Takashi Fujino
Outside Audit & Supervisory Board Member

Jun. 2021 Outside Director of Kyokuto Boeki Kaisya, Ltd.
Jun. 2023 Outside Audit & Supervisory Board Member of the Company

* Only present post are listed in the career summary.

Corporate Officers

President & CEO
Noboru Saito

Senior Executive Vice President
Tetsuji Yamanishi

Executive Vice Presidents
Andreas Keller
Shigeki Sato

Corporate Officers
Albert Ong
Fumio Sashida
Ji Bin Geng
Werner Lohwasser
Taro Ikushima
Shuichi Hashiyama
Roshan Thapliya
Ludger Trockel
Takao Tsutsui
Ikuo Fukuchi
Joe Kit Chu Lam
Jim Tran
Takeshi Takahashi

Transformation of CEO Communication Dialogues with Team Members (July 2025–June 2026)

Since 2025, the TDK Group has been holding global town hall meetings open to all team members (employees) worldwide. These sessions feature speakers—including President & CEO Saito—who share the Company's strategic direction and promote two-way communication with team members. This initiative has also contributed to improving our communication score: a key indicator in engagement surveys. In addition to this, he is also communicating with many other members.

Town hall meetings
Held 4 times a year

Welcome ceremony for new team members (employees).

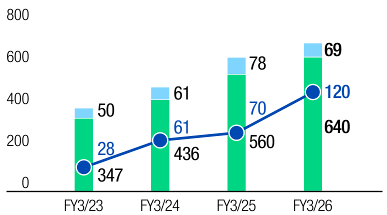
Dialogue with Investors

To enhance communication with investors and analysts, we held the following new IR events, in addition to our regular earnings briefings, during the periods listed below.

New IR activities conducted (July 2025–June 2026)

Event period	Event
August 2025	**Online Briefing for Individual Investors** 
September 2025	**TDK Investor Day 2025 Pre-Financial Capital Briefing (Human Resources Strategy & Cutting-edge technology)** https://www.tdk.com/en/ir/ir_events/strategy/20250901/index.html  Dialogue between the CHRO and investors  Dialogue between the CTO and investors
November 2025	**TDK Investor Day 2025 Medium-term Plan Update Dialogue with Outside Directors** https://www.tdk.com/en/ir/ir_events/strategy/20251128/index.html 
May 2026	**Small Sell-side Meeting** **Small Outside Directors' Meeting** **Dialogue Between Outside Audit & Supervisory Board Members and Investors** 
June 2026	**Online Briefing for Individual Investors** 

Annual number of dialogue sessions



State of implementation of dialogue with shareholders

State of feedback of shareholder opinions and concerns to the management team and Board of Directors

In-house feedback is being strengthened. For example, the numerous opinions and issues raised in the dialogue with shareholders and investors are sorted in the IR & SR Group and reported to the Board of Directors every quarter.

Number of reports in FY March 2026: 4

Matters introduced as a result of feedback

- Creating opportunities for dialogue between Outside Directors and investors
- Holding briefings on sustainability
- Disclosures on the progress of business portfolio management

Issues currently under consideration as a result of feedback

- Enhanced disclosure of progress in initiatives toward the AI ecosystem
- Dialogue between Outside Audit & Supervisory Board Members and investors

TDK has adopted the IFRS on its consolidated financial statements in the annual Securities Reports from the FY March 2022 in place of the US-GAAP. The figures for the FY March 2021 are also presented in accordance with IFRS. Account titles are presented in accordance with the IFRS.

Millions of yen

Consolidated business highlights	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21 (IFRS)	FY3/22 (IFRS)	FY3/23 (IFRS)	FY3/24 (IFRS)	FY3/25 (IFRS)	**FY3/26 (IFRS)**
Net sales	1,178,257	1,271,747	1,381,806	1,363,037	1,479,008	1,902,124	2,180,817	2,103,876	2,204,806	**2,504,820**
(Overseas sales)	1,073,024	1,158,004	1,268,437	1,252,634	1,361,803	1,753,086	2,004,381	1,919,245	2,030,391	**2,321,360**
Cost of sales	855,948	928,525	985,321	959,714	1,052,410	1,338,276	1,596,295	1,500,858	1,516,764	**1,721,416**
Selling, general and administrative expenses	239,446	257,630	287,561	289,771	328,217	410,568	434,803	452,520	494,029	**544,033**
Operating profit	208,660	89,692	107,823	97,870	111,814	166,775	168,827	172,893	224,192	**272,415**
Profit before tax	211,717	89,811	115,554	95,876	117,263	172,490	167,219	179,241	237,808	**276,810**
Net profit attributable to owners of parent	145,099	63,463	82,205	57,780	74,681	131,298	114,187	124,687	167,161	**195,663**
Purchase of tangible and intangible assets	167,631	178,612	173,592	173,429	212,196	291,337	275,709	218,589	225,290	**298,591**
Depreciation and amortization	87,491	92,171	106,631	124,984	148,356	177,031	206,285	190,546	196,228	**204,192**
Research and development expenses	91,254	102,641	115,155	117,489	127,409	165,250	179,467	188,860	253,586	**289,668**
Cash flows from operating activities	160,136	91,310	140,274	222,390	230,855	178,987	262,772	447,007	445,839	**507,672**
Cash flows from investing activities	(71,111)	(246,099)	(140,179)	(41,964)	(231,418)	(281,546)	(234,402)	(216,592)	(244,842)	**(377,751)**
Cash flows from financing activities	(37,753)	110,088	9,435	(121,769)	21,082	113,743	14,947	(146,368)	(143,333)	**(64,747)**
Free cash flow	89,025	(154,789)	95	180,426	(563)	(102,559)	28,370	230,415	200,997	**129,921**
Cash and cash equivalents at the end of period	330,388	279,624	289,175	332,717	380,387	439,339	506,185	649,998	697,307	**842,775**
Total assets	1,664,333	1,905,209	1,992,480	1,943,379	2,359,663	3,041,653	3,147,027	3,415,304	3,541,415	**4,415,175**
Total equity attributable to owners of parent	793,614	824,634	877,290	843,957	958,929	1,300,317	1,458,446	1,707,332	1,800,070	**2,187,234**
Interest-bearing debt	334,132	483,019	520,268	424,690	521,822	679,813	752,158	685,736	608,400	**615,970**
Working capital	388,542	296,899	208,165	247,577	202,547	470,814	603,000	711,085	738,398	**880,687**
Number of shares issued (thousands)	129,591	129,591	129,591	129,591	388,772*1	388,772	388,772	388,772	1,943,860*2	**1,943,860**
Per-share data										Yen
Net profit attributable to owners of parent (basic)	1,150.2	502.8	651.0	457.5	628.1*1	346.4	301.2	328.7	88.1*2	**103.1**
Total equity attributable to owners of parent	6,289	6,532	6,947	6,681	7,944*1	3,431	3,845	4,500	949*2	**1,152**
Dividends*3	8.0	8.7	10.7	12.0	12.0	15.7	21.2	23.2	30.0	**36.0**
Payout ratio (%)	10.4	25.9	24.6	39.3	30.4	22.6	35.2	35.3	34.1	**34.9**
Key financial ratios										
Overseas sales ratio (%)	91.1	91.1	91.8	91.9	92.1	92.2	91.9	91.2	92.1	**92.7**
R&D expenses to net sales ratio (%)	7.7	8.1	8.3	8.6	8.6	8.7	8.2	9.0	11.5	**11.6**
OP margin (%)	17.7	7.1	7.8	7.2	7.6	8.8	7.7	8.2	10.2	**10.9**
Return on equity (ROE) (%)	19.8	7.8	9.7	6.7	8.5	11.6	8.3	7.9	9.5	**9.8**
Return on assets (ROA) (%)	9.3	3.6	4.2	2.9	3.5	4.9	3.7	3.8	4.9	**5.0**
Return on invested capital (ROIC) (%)	13.4	5.2	5.7	4.3	5.2	7.4	5.5	5.3	6.7	**7.5**
Ratio of equity attributable to owners of parent (%)	47.7	43.3	44.0	43.4	40.6	42.8	46.3	50.0	50.8	**49.5**
D/E ratio (times)	0.42	0.59	0.59	0.50	0.54	0.52	0.52	0.40	0.34	**0.28**

*1 TDK split one share of its common stock into three shares with the effective date of October 1, 2021.
*2 TDK split one share of its common stock into five shares with the effective date of October 1, 2024.
*3 Figures have been converted to align with the post-share split standard of one for five share split, effective from October 1, 2024.

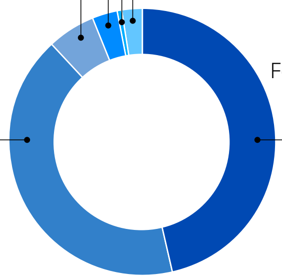
Corporate name	TDK Corporation
Corporate headquarters	Nihonbashi Takashimaya Mitsui Building, 2-5-1, Nihonbashi, Chuo-ku, Tokyo 103-6128
Date of establishment	December 7, 1935
Authorized number of shares	7,200,000,000 shares
Number of shares issued	1,943,859,885 shares
Number of shareholders	77,682
Common stock	¥32,641,976,312
Securities traded	Tokyo Stock Exchange
Securities code	6762
Number of employees (consolidated)	106,545
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233
Independent registered public accounting firm	KPMG AZSA LLC (the Japan member firm of KPMG International)

Principal shareholders (10 largest shareholders)

Name of shareholder	Number of shares held* (thousands of shares)	Percentage of number of shares held in the total number of issued shares (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	512,652	27.01
Custody Bank of Japan, Ltd. (Trust account)	222,689	11.73
THE CHASE MANHATTAN BANK, N.A. LONDON SECS LENDING OMNIBUS ACCOUNT	49,906	2.63
STATE STREET BANK AND TRUST COMPANY 505001	40,585	2.14
CITIBANK, N.A. -NY, AS DEPOSITARY BANK FOR DEPOSITARY SHARE HOLDERS	37,774	1.99
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	32,117	1.69
JP MORGAN CHASE BANK 385781	28,060	1.48
STATE STREET BANK AND TRUST COMPANY 505103	24,593	1.30
GOVERNMENT OF NORWAY	24,449	1.29
STATE STREET BANK AND TRUST COMPANY 505301	24,036	1.27

* Other than the above, the Company holds 45,706 thousand shares of treasury stock.

Status of ownership



External evaluation

Extel Japan Executive Team Survey Most Honored Company (2025, 2026)

Japan Investor Relations Association Best IR Award (2025)

SX Brands (2025, 2026)

DX Stocks 2026

Integrated report

WICI Japan Integrated Report Award Gold Award (2024, 2025)

NIKKEI Integrated Report Award Award for Excellence (2022-2025)

TDK Corporation
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https://www.tdk.com/en/index.html