



Attracting Tomorrow



Integrated Report 2022

Positioning of the Integrated Report



Editorial Policy

To continuously improve its corporate value, TDK places importance on active information disclosure to and mutual communication with stakeholders. “Integrated Report 2022” includes strategies by segment that are based on our current Medium-Term Plan, value creation stories, sustainability information, and our governance setup. Our aim is to convey our medium- to long-term efforts to enhance corporate value in an easy-to-understand manner. On the other hand, we are attempting to provide optimal information disclosure according to the information needs of each stakeholder, including enhancement of our website and other information in response to the need for high levels of comprehensiveness and immediacy.

Cautionary statements with respect to forward-looking statements

TDK’s plans, strategies, and future business prospects set forth in this Integrated Report are judged to be reasonable by TDK at the present point in time based on currently available information. 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 Integrated Report.

Contents

Contents	01
Message from the President and CEO	02
Special Feature 1 Taking on the Challenge of Becoming Global No. 1 in the Medium Capacity Rechargeable Battery Market	09
Special Feature 2 From Initial Stage to Growth Stage for the Sensor Business	12
Special Feature 3 Enhancing the Reliability of Electronic Components and Strengthening Their Competitiveness	14

Chapter 1
What Kind of Company Is TDK?

Value Creation Process	18
TDK’s Founding Spirit	20
The Value Creation Path	22
TDK’s Current Businesses	24
Global Network	26
Core Competencies	28

Chapter 2
How Will TDK Grow?

Message from the Corporate Officer of Finance & Accounting	36
Looking Back on Past Medium-Term Plans	40
Long-Term Vision & Strategy Seven Seas	42
Medium-Term Plan Value Creation 2023	43
Progress of Medium-Term Plan	44
Strategy by Segment	46
TDK Group’s Materiality	50
Human Resource Strategy	56
Climate Change Initiatives	60
Response to TCFD	62
Other Environmental Impact Reductions	64
Respect for Human Rights	65

Chapter 3
How Is TDK’s Governance Evolving?

Message from the Chairman	68
A Talk with Outside Directors	72
Corporate Governance Structure Basic stance and structure	76
Corporate Governance Structure Remuneration system linked to medium- to long-term corporate value	80
Corporate Governance Structure Ceaseless efforts to enhance effectiveness	82
Directors, Audit & Supervisory Board Members, and Corporate Officers	84

Consolidated Business Results Highlights	86
Corporate Information	90



Accelerating the Second Growth Stage and Increasing Corporate Value

Noboru Saito

Representative Director, President and CEO

On assuming the position of president

Building on the strength of the TDK team

When I was first approached about becoming TDK's new president in January 2022, Shigenao Ishiguro, the previous president, told me, "We'd like to see you take advantage of your broad experience to help TDK reach the next stage of growth." I originally came out of sales, so I have no technical background or specialization in accounting or finance. That said, I do have some experience in bringing together diverse members and leading them as a team. I spent about 20 of my 33 years with the company working overseas and was involved in expanding our business and launching new organizations in places including Germany, Hungary, and the United States. Domestically, in my position as General Manager of the Corporate Strategy HQ, I also led the strategic planning process for the company as a whole.

Through those experiences, I learned that TDK is a company with many talented, diversely individual human resources around the world. At the end of the day, companies are all about people. And around the world, this company has a vast number of people (members) capable of forming outstanding teams. That was the deciding factor in my accepting the position of president.

In terms of leading a team, an especially important experience for me was the five years I spent from April 2017 working as CEO of the Sensor Systems Business Company. Shortly after I took up the post of company CEO, InvenSense, Inc. (InvenSense), a MEMS sensor company brought into the Group the previous year through acquisition, saw a significant downturn in performance. In response, I hurriedly moved the headquarters of the sensor business to North America, where InvenSense was located, and stationed myself there as well in an effort to rebuild the business. The primary cause of this worsening performance was their understanding of quality; more specifically, there was an issue with the process of moving from design to mass production. To solve this issue, we brought together TDK's collective expertise in Monozukuri

(manufacturing excellence), and by working to improve quality through TDK United across development, production technology, analysis and other areas, InvenSense began to see its performance improve. In addition, results improved for the sensor business as a whole, primarily around TMR sensors, whose business had been growing for some time, and in fiscal 2022, we finally fulfilled our long-time wish of returning to profitability. This turnaround came into sight just around the time I was approached about becoming president, as I mentioned at the beginning.

The sensor business is composed of seven Group companies doing business in 13 countries and regions, making it a kind of "mini TDK." Leading this richly diverse global business, working together as one to achieve our quality goals, and reaching profitability earlier than expected with the revision of our results for fiscal 2021 have all given me a great deal of confidence—not so much in my ability as a leader, but in the strength of the TDK team and its enormous potential. Over the six years of former president Ishiguro's tenure, we have laid a solid foundation for achieving our goal of becoming a two-trillion-yen company. I recognize that my most important mission is to stand on this foundation and, as TDK's leader, propel the TDK Group to a new stage of growth.

Medium- to long-term vision for growth

Focus on three key issues toward the next stage of growth

I believe that broadly, there are three key issues as TDK works toward the goals of its new growth stage—its "second chapter" of growth.

The first issue is strengthening our business in the field of medium capacity batteries. While TDK has established the top position in the world in small capacity batteries for ICT devices such as smartphones, as the second chapter of our battery business we have decided to enter the market for medium capacity batteries for electric motorcycles and residential energy storage systems. As part of this, we plan to

Message from the President and CEO

move forward with joint ventures (JVs) with CATL, the world's largest firm in the field of batteries for automobile (see page 10). The medium capacity battery market is four times as large as the market for small capacity batteries. After looking over the business as a whole—including the balance between the investment required to take the top position in the market and the potential earnings, as well as our ability to procure raw materials—and after a series of internal discussions, we came to the conclusion that it would be best for us to partner with CATL rather than go it alone. Since closing the JV agreement in 2021, we have engaged in repeated dialogue with CATL through which we shared our desire to capture the top share in the medium capacity cell market. We expect that promoting the JVs with CATL will have a variety of positive effects for the small capacity battery business.

The second issue is the growth of the sensor business. While the business finally succeeded in reaching profitability in fiscal 2022, its contribution to companywide profit is still to come. Turning a profit was the first chapter; we have positioned the next phase as the start of the second chapter. The sensor business faces wide-open opportunities for growth. We still have ample room to expand in applications, and while our customer base has grown, we have yet to fully explore the diverse needs of those individual customers. Above all, the market is being driven by a powerful tailwind from the digitalization of society as a whole. The use of digital data is advancing across every industry and in people's day-to-day lives, and "sensing" is essential in acquiring that data. In short, sensors are the starting point of all data utilization. As digitalization advances, requests related to data acquisition are expected to become increasingly diverse, complex, and sophisticated. Accordingly, sensors are also expected to play an even wider role going forward.

Finally, the third issue is the regrowth of the passive components business. When I was working as General Manager at the start of the 2010s, the passive components business had fallen into the red, and having determined that the multilayer ceramic chip capacitor (MLCC) business would be particularly

difficult to revive using an all-encompassing strategy, we decided to focus our management resources on the automotive sector. This proved a major turning point, and since that time, the business has accumulated a range of material and process technologies capable of meeting the stringent requirements of the automotive industry, thus increasing its competitiveness in the market. Leveraging this advantage, we intend to steadily capture the needs of the rapidly growing eco-friendly car market going forward. The large-scale investment in boosting MLCC production we announced in May 2022 is part of that effort. Although the impact of that investment will likely not become apparent until sometime during the next Medium-Term Plan, we will continue to make advance investments with a firm eye toward the next growth stage.

Progress with the Medium-Term Plan

Implementing selection and concentration to achieve a balanced earnings structure

The Group has embarked on Value Creation 2023, our three-year Medium-Term Plan for the period beginning in fiscal 2022. Our target under this plan is to achieve net sales of ¥2,000 billion and a 12% or better operating profit margin in fiscal 2024.

Looking back at the first year of the Medium-Term Plan, social and economic activities that had stagnated during the COVID-19 pandemic began returning to normal, and an ongoing recovery trend in production activities resulted in generally firm demand for electronics. With this, every segment of the company's business saw net sales grow, and as a result, consolidated net sales for fiscal 2022 reached ¥1,902.1 billion (based on the International Financial Reporting Standards: IFRS), a significant 28.6% year-on-year increase and a record high, putting us on track to becoming a two-trillion-yen company. Consolidated operating profit also reached a record high of ¥166.8 billion (IFRS), another major increase of 49.2% year-on-year.

By business segment, the passive components

Forming an even stronger portfolio by focusing on three key issues and accelerating toward further growth



business is performing at a pace exceeding plan in terms of both sales and profitability, and the business for medium capacity rechargeable batteries is also growing as planned. The head business also saw earnings recover, and we were successful in bringing next-generation microwave assisted magnetic recording (MAMR) technology to market. And as noted earlier, profitability in the sensor business improved at a faster pace than expected, achieving the long-awaited return to profit for the full year. From the perspective of our business portfolio, too, I would say we have made progress in forming a more balanced earnings structure compared to before, when we were highly dependent on the battery business.

Thus, while we are making solid progress with Value Creation 2023, I think achieving our targets will require yet another level of effort. Although our results forecast for fiscal 2023 has us reaching our Medium-Term Plan targets even before the final year of the plan, with net sales of ¥2,200 billion, due to the impact of soaring energy and material prices we cannot expect operating profit (at ¥185.0 billion) or operating profit margin (at 8.4%) to grow as significantly as sales have. Given our final year target

for operating profit margin of 12% or better, a considerable gap still remains.

My understanding is that to achieve our target for operating profit margin, we must expand our growth business even further over the next two years, while at the same time properly addressing any problematic business (loss-making business). We have already reached an operating profit margin of 12% or better in the energy application products and passive components businesses, which are currently our mainstays, and going forward, we expect to see increased profitability in the sensor business as well. At the same time, we also need to improve the profitability of loss-making businesses. To that end, we will be working to form an even stronger business portfolio, allocating resources in a balanced manner based on business ROA and other factors.

Human resources

TDK's origins lie in the culture of challenge on which it was founded

To achieve sustained growth, we have established a number of key issues (materiality) that should be

Message from the President and CEO

given the highest priority. One area that I place particular emphasis on is quality control. Quality is not only the top reason customers choose the TDK brand, I believe it is the element that underlies our credibility as a manufacturer. Earlier, I touched on the improvements at InvenSense in the sensor business, and as a manufacturer we want to continually refine not only functionality and performance, but also quality in the truest sense, in anticipation of mass production.

Another materiality issue I emphasize is HR management. As I mentioned at the outset, people are a company's most important asset, and while TDK is a technology company, I am also aware that one of our greatest strengths is in the area of human resources.

One reason for this strength in people is that we are filled with a willingness to take on challenges. There is a positive attitude that is demonstrated throughout the company, one that says "Let's do what it takes for the customer! Let's rise to the challenge!" This attitude is something I have sensed among our employees throughout my 33 years with

the company, regardless of which department I moved to or which country I worked in.

TDK originally began as a venture company, one whose founder would later look back on his life as "two successes and 98 failures." In that sense, this willingness to take on challenges, what might be called the TDK spirit, may be part of our DNA as a company, something passed down since our founding. I believe it is because of this attitude that customers of all kinds remember to call on TDK when faced with difficulties, and it is what gives them a sense of expectation that TDK will find some way to respond to their needs. I would like to continue to appreciate and carry on this TDK spirit going forward.

Another strength that I think distinguishes TDK's human resources is diversity. Today, the TDK Group is a global company that does business in over 250 locations across more than 30 countries and regions, with non-Japanese representing more than 90% of our approximately 117,000 employees. In order to fully utilize as assets the individuality and capabilities of these diverse human resources, we have established a Global Human Resources HQ in

Germany consisting of key personnel from the HR departments of all of our Group companies. We have also built and are running a Global HR Management System, consolidating everything from hiring and training, to benefits, skills development, and goals management.

In terms of taking full advantage of diversity, I think our practice of respecting the corporate cultures of the companies we acquire contributes to our strength. At TDK, creating an autonomous and decentralized organization based on the concept of empowerment and transparency is basic to how the Group operates. As part of the post-M&A integration process, we have established a set of basic rules—the Global Common Regulations (KITEI)—to be complied with as a member of the TDK Group, and require that these rules be closely followed. At the same time, we are working to create an organizational structure that takes advantage of these companies' individual characteristics, retaining, as much as possible, their management philosophies and corporate cultures. I believe this makes dynamic decision-making on the front lines possible, and leads to fostering a culture of challenge in companies that join the Group through M&A.

To our stakeholders

Sharing our philosophy throughout the entire Group to create new value

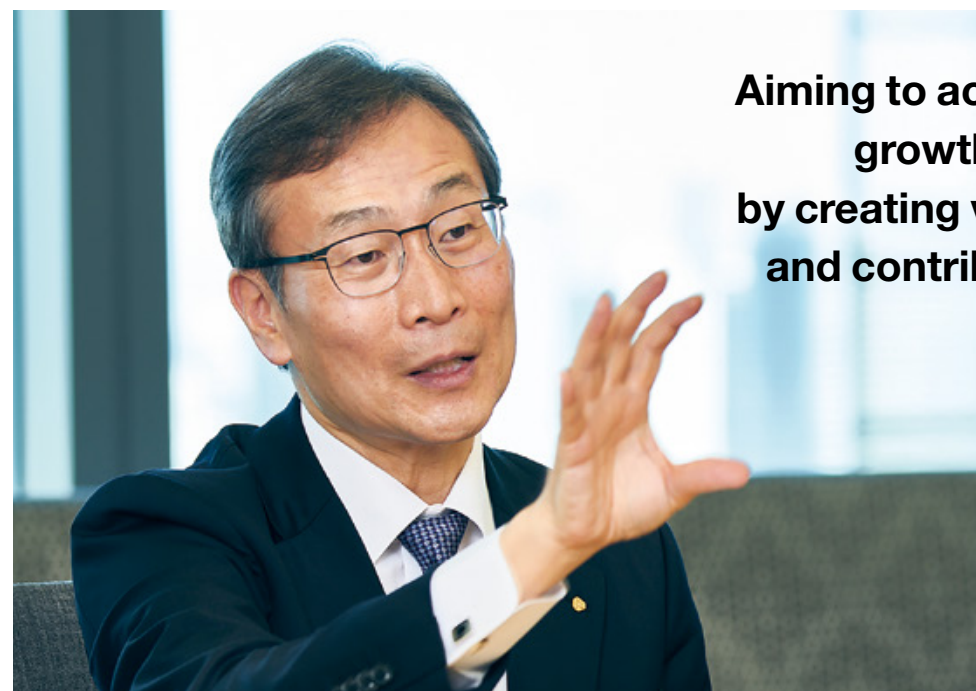
Our Corporate Motto is "Contribute to culture and industry through creativity." Since becoming president, I have had more frequent opportunities to communicate with a variety of stakeholders outside the company, as well as more opportunities to reexamine these words. TDK has continued to exist because we create value for society and have contributed to culture and industry, and I feel strongly about the need to reiterate and share with the entire company the understanding that we are capable of aiming for sustained growth going forward. This is because "contributing to culture and industry through creativity" is itself deeply tied to our motivation to work. We intend to move

forward to create a global system that will allow each employee to have a deeper awareness of their individual missions while also making their jobs more rewarding.

The starting point for the sustained enhancement of corporate value is the creation of social value, in other words, contributing to solving the various social issues exemplified by the sustainable development goals, or SDGs. Among these social issues, TDK has positioned Energy Transformation (EX) and Digital Transformation (DX), two major trends that are advancing rapidly around the world, as business areas we are focusing on to grow the company. Our basic management approach is to create value in these two domains that will contribute to achieving a sustainable society, thereby expanding opportunities for growth which, in turn, will lead to an enhancement of corporate value.

The near-term business environment involves at least a few uncertainties, including heightened geopolitical risks, tight supply against demand for raw materials, and soaring energy prices. Seen from a long-term perspective, however, there is no doubt that EX and DX will continue to advance as major trends going forward. TDK has strong organizational capabilities in these two domains, where we have accumulated a great deal of experience, and I sense society's expectations of us have become increasingly heightened.

Going forward, we will continue to share our Corporate Motto, "Contribute to culture and industry through creativity," across the entire Group. I am confident that by ensuring that each and every employee is highly motivated in their work and firmly committed to our growth strategy, we will be able to make our potential visible to all of our stakeholders. We hope you will look forward to what lies ahead for TDK.



Aiming to achieve sustained growth going forward, by creating value for society and contributing to culture and industry

Noboru Saito

Representative Director, President and CEO

Next Stage

Toward the Second Chapter of Growth

With our eyes set firmly on the changes in the global economy including two major trends, energy transformation (EX) and digital transformation (DX), TDK has formulated strategies for further growth in both markets with growth potential and domains where our strengths can be utilized. Here, together with messages from the top management of business companies, we explain how the seeds sown in various business domains are budding and what fruit is growing there.



Special Feature 1

Taking on the Challenge of Becoming Global No. 1 in the Medium Capacity Rechargeable Battery Market



Special Feature 2

From Initial Stage to Growth Stage for the Sensor Business



Special Feature 3

Enhancing the Reliability of Electronic Components and Strengthening Their Competitiveness

Special Feature 1

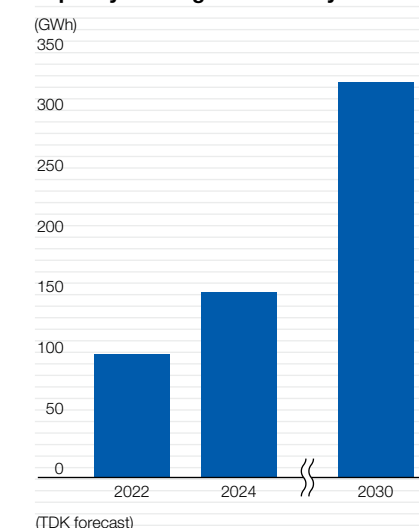
Taking on the Challenge of Becoming Global No. 1 in the Medium Capacity Rechargeable Battery Market

In the area of rechargeable batteries, best represented by lithium-ion batteries, TDK has secured a top share of the small capacity battery market for ICT uses and so on. The next target is the medium capacity battery market, where growth can be expected that will exceed small capacity batteries in terms of both speed and scale. Our aim is to secure the global top share in this market. Let us introduce TDK's new challenge here.

Medium capacity battery market expected to grow rapidly against background of decarbonization

In response to the worldwide trend toward decarbonization, the electrification of not only automobiles but also motorcycles have been accelerating in recent years. The electric motorcycle market is expanding especially in Asia, where motorcycles are used as an everyday means of transportation. In addition, for the effective use of solar power generation and other renewable energy, the demand for residential energy storage systems (RESS) is increasing as well. Against this background, the market for medium capacity rechargeable batteries carried in electric motorcycles, RESS, and other products is expected to achieve significant growth. According to TDK's estimates, the market scale is going to increase threefold over the next eight years, from the current level of about 100 GWh to about 150 GWh in 2024 and about 300 GWh in 2030.

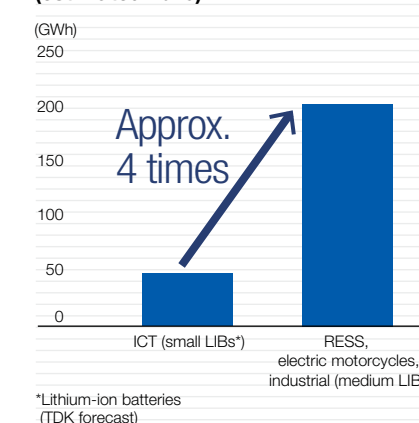
Estimated growth of the medium capacity rechargeable battery market



Aiming to steadily expand our share by concentrating technical and management resources in growth markets

In TDK's rechargeable battery business, until now thin lithium-ion batteries, produced with our original materials and electrode design structure, have achieved a high level of growth together with expansion of the smartphone market. The ICT market is already entering a phase of maturity, however, and growth is expected to slacken from now on. The medium capacity battery market, though, is expected to expand rapidly, with its scale growing to an estimated four times the size of the small capacity battery market by 2025. As with small capacity batteries, TDK is steadily increasing its share of this medium capacity battery market through the timely acquisition of technical and management resources.

Lithium-ion battery market size (estimated 2025)



Steadily promoting joint venture business with CATL and aiming for sales of approximately ¥500 billion in 2030

Establishment of joint ventures with CATL, the world's largest maker of rechargeable batteries for automobiles

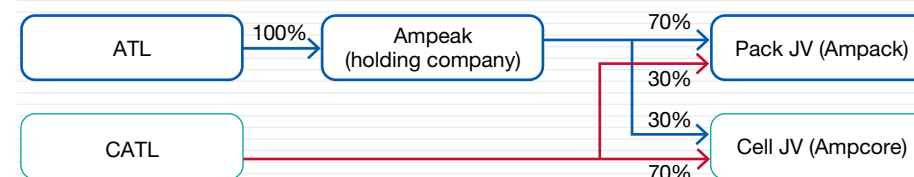
In April 2021 Amperex Technology Limited (ATL), a TDK subsidiary engaged in the rechargeable battery business, and Contemporary Amperex Technology Co., Limited (CATL), the world's largest maker of rechargeable batteries for automobiles, concluded a business alliance, including a cross-licensing agreement and the establishment of two joint ventures (JVs), which were established in June 2022. The objective is to fuse the technology and know-how nurtured by the two companies in their respective fields and to display the results in the medium capacity rechargeable battery market.

Of the two JVs, Xiamen Ampcore Technology Limited (Ampcore) is handling the development, manufacture, and sale of rechargeable battery cells, and Xiamen Ampack Technology Limited (Ampack) is engaged in the development, manufacture, and sale of rechargeable battery packs. Integrating customer sales services in the cell company will boost the efficiency of business operations. In addition, regarding the production equipment of the two JVs, the existing equipment of ATL and CATL was used to facilitate a speedy launch. Furthermore, to conduct more active management, a holding company for the two JVs was established under ATL.

Business alliance between CATL and the TDK Group (ATL)

Business domain (product type)	CATL EV, grid ESS (large LIBs)	Establishment of JVs RESS, electric motorcycles, industrial (medium LIBs)	TDK ICT (small LIBs)
Technologies Strengths	CATL Materials and packs for large/medium LIBs Scale and material procurement capacity Cell manufacturing technology and production capacity		ATL Materials and packs for small/medium LIBs Speed to respond to the ICT market, pouch type Track record of packs for RESS, electric motorcycles

Composition of the two JVs and the holding company



ATL Ningde



Packs for electric motorcycles

Maximum utilization of synergy in various directions through JVs

The medium capacity battery market is still in its infancy, and as yet there are no powerful companies. For that reason, the business alliance between two companies with top shares in the small and large capacity battery markets has considerable impact and can be expected to have a sizeable effect. Through the JVs, the two companies will be able to complement each other's inadequacies. And through the integration of their strengths, they will be able to display a synergic effect. In terms of products, for example, by adding prismatic cells and cylindrical cells, which are CATL's strong point, to pouch-type cells, which are ATL's forte, we will be able to respond to a wider range of needs. In terms of operations, we will be able to pursue the advantages of scale through the integration of the medium capacity battery businesses of the two companies and enhance cost competitiveness by manufacturing that capitalizes on the production technology capabilities of the two companies. Furthermore, in terms of technology, our aim is to supply even more competitive products by collaborating in the securing of human resources to lead business in the future and mutually complementing each other in the area of intellectual property. TDK has been engaged in personnel exchange with CATL for some time, and our corporate cultures are close. As partners, therefore, we believe that we can speedily display a synergic effect.

Expected synergy with CATL from the JVs

Synergy from the JVs

- Expansion of product portfolio
- Strengthening of technical resources
- Advantages of scale in operations

Expected Results

- Achieve global top share in the medium capacity rechargeable battery market.
- Enhance competitiveness in multiple directions, including quality, performance, and cost.
- Achieve efficient returns by dispersing investment burden.

Toward the further growth of energy products

Since the acquisition of ATL in 2005, TDK's battery business has grown over almost two decades to today's scale by specializing in small capacity rechargeable batteries. Going forward, however, it is expected that the growth of ICT uses, such as smartphones and laptops, will stagnate, and the medium capacity rechargeable battery market will expand at a faster speed and to a larger scale than the small capacity rechargeable battery market in the past. To become a winner in this new market, enormous technical and management resources will be necessary. Until now TDK has acted alone in beginning to enter the medium capacity rechargeable battery market. But in view of the market's growth potential, we decided that it was necessary to expand our business in a more speedy and efficient manner. We also judged the situation from such perspectives as the long-term procurement of materials and evolution of technology. Hence the decision to form an alliance with CATL.

As a result of the above-mentioned scheme and synergy effect, our aim is to realize not only "1 + 1 = 2" advantages for both sides but also something extra and in the medium to long term acquire a 30%–40% share of the medium capacity rechargeable battery market to become the global No. 1.



Fumio Sashida
CEO, Energy Solutions
Business Company

From Initial Stage to Growth Stage for the Sensor Business

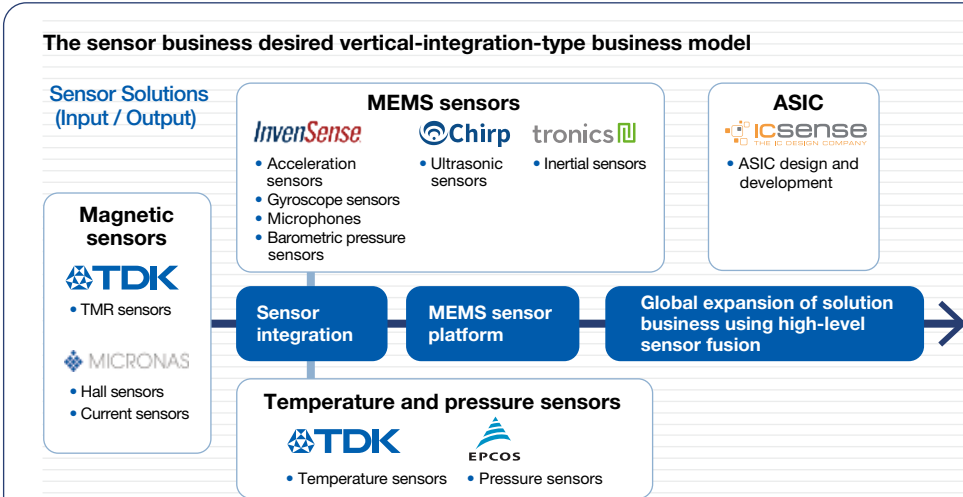
In order to display a definite presence in the sensor market, which is expanding against the background of the arrival of the IoT society, TDK has been expanding its product portfolio through aggressive M&A. Despite the continuation of a harsh business environment due to advance investment and other factors, the sensor business has entered a growth stage, registering a profit in fiscal 2022. Here we introduce the sensor business's growth strategy for the next stage.

Expanding product portfolio in the sensor business through aggressive M&A

In order to strengthen our ability to respond to the expanding sensor market, TDK has been aggressively promoting M&A since around 2015. As well as purchasing Micronas (Germany), which handles Hall element sensors, we acquired Tronics (France), which handles inertial sensors based on high-precision MEMS technology; InvenSense (United States, for about US\$1.3 billion), a leading company globally in the field of MEMS sensors; and Chirp (United States), which handles ultrasonic MEMS ToF sensors. Adding these acquisitions to TDK's strength in temperature sensors and TMR sensors, we have expanded our product portfolio. Another addition has been ICsense (Belgium), which handles the design of the application specific integrated circuits (ASICs) essential for processing the data obtained from sensors. This move has enabled the development of our sensor-centered solution business.

Achievement of profitable sensor business by strengthening Monozukuri (manufacturing excellence)

TDK has implemented M&A in the sensor business under the scenario that linking the high levels of technical strength of acquired companies to the customer base and Monozukuri possessed by TDK will lead to significant growth. For example, InvenSense adopted a fabless-model production style, which had a high level of designability. But there were problems in the process of transition from design to mass production. Thus, integration with TDK's Monozukuri achieved higher yield and cost improvement. Thanks to this strengthened Monozukuri, in fiscal 2022 the sensor business saw sales soar to the highest level since its founding and moved into the black.

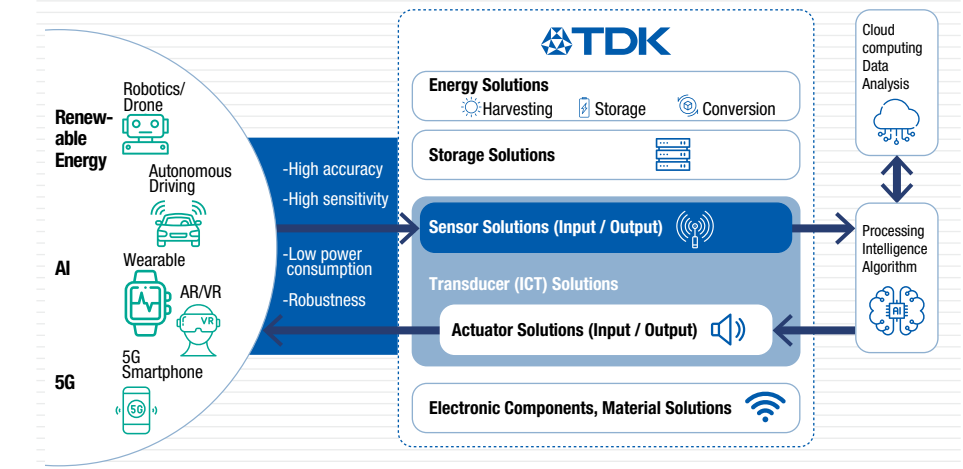


Kotozukuri as the driving force to expand our customer base and applications

In addition to the progress of digitalization and networks, the diffusion of AI is making data analysis easier. The arrival of the digital society will lead to the gathering and analysis of various kinds of data and the proposal of optimum solutions. The uses of sensors, which digitalize the real world, are expected to increase at an explosive rate. The important thing here is to not simply supply products but to propose solutions required by customers that combine sensors and fuse software technology and communication technology.

For this purpose, the key word is Kotozukuri (integrated solutions). We must supply not only physical products, such as sensors and modules, but nonphysical solutions that customers think they really need. And sometimes we need to think, together with customers, about things that the customers themselves have not noticed and come up with solutions. We will create value so that customers think "We want to work with TDK again!" and thereby expand our customer base and applications.

The TDK Group's business cooperation model centered on the sensor business



Turning the sensor business's potential into a growth engine for the entire group

The sensor business had continued to face a severe environment, but in fiscal 2022 it managed to make a profit. Having inherited this situation, my mission now is to promote the sensor business's next stage by making sure that specific measures are implemented as planned so as to achieve the sales and profit targets in the current Medium-Term Plan.

At the same time, it is necessary to think further into the future. Until now, because of our strong technological intentionality, TDK has tended to adopt a product-out approach. But going forward, I think we should adopt a market-driven and concept-out approach. First of all, our business company, which handles a business that previously did not exist at TDK, must become the driving force to practice TDK's ideal stance of Kotozukuri throughout the entire Group. Through Kotozukuri, we will promote the sensor business so as to become an engine for the further growth of TDK.



Takao Tsutsui
CEO, Sensor Systems Business Company

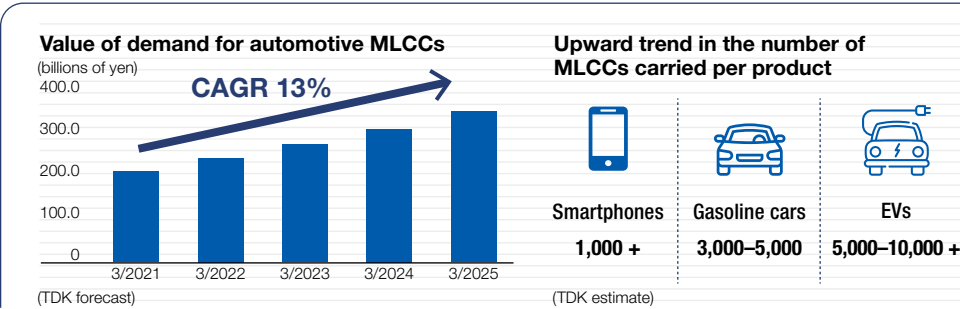
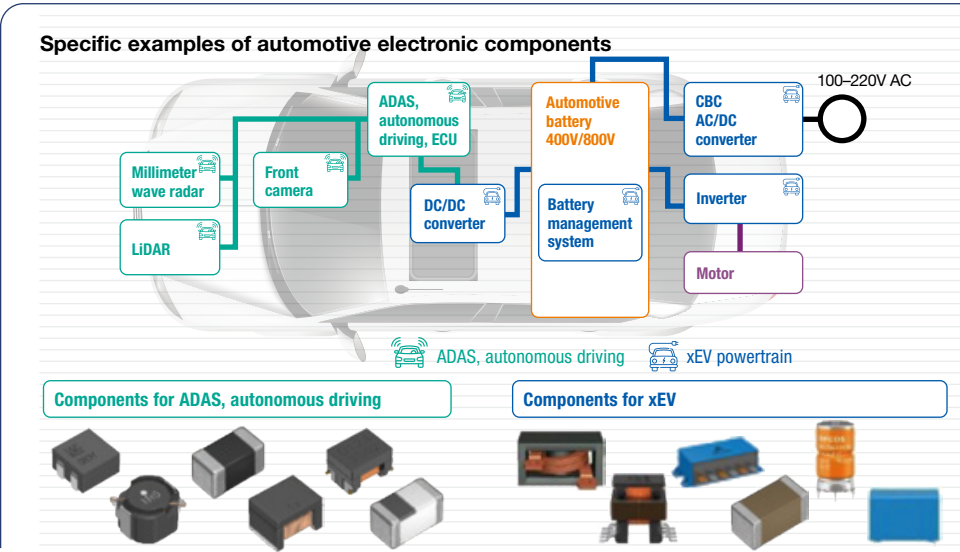
Enhancing the Reliability of Electronic Components and Strengthening Their Competitiveness

Against the background of the electrification of automobiles and the permeation of 5G and AI, the demand for electronic components is increasing throughout society. Here we introduce TDK's strategy to pursue definite reliability and enhance market competitiveness centered on electronic components, such as capacitors and inductors.

Electrification and multifunctionality of automobiles accelerate with xEVs, ADAS, etc.

As a result of the worldwide diffusion of electric vehicles and other types of xEV, and the accelerated electrification of automobiles through advanced driving assistance systems (ADAS) and so on, the number of electronic components carried in a single vehicle continues to increase. In addition, the use of vehicles in harsher environments, such as high temperatures and high voltage, is increasing too. Electronic components, which influence the reliability of the automobile in general, are required to have compactness and high performance and to enhance reliability as well.

To respond to these market demands, TDK offers a wide range of highly reliable automotive electronic components, including multilayer ceramic chip capacitors (MLCCs) that have low property change ratios even in high-temperature environments; soft-termination products that respond to substrate bending stress and heat shock; antinoise components that guarantee network connectivity; and power inductors that control power supply voltage relating high-performance semiconductors.



Establishment of setup to aim for sustainable growth of electronic components

TDK has implemented three measures in recent years to bolster the manufacture of passive and other electronic components.

First, we increased the production capability for MLCCs, demand for which is increasing. At a total cost of about 50 billion yen, the largest-ever investment for electronic components alone, TDK is building a new MLCC building at the Kitakami Factory in Iwate Prefecture, Japan. As a result, the scale of MLCC production capability in fiscal 2025 will be 1.9 times greater than in fiscal 2021.

Second, we are building a new factory. It was decided to construct the Inakura Factory (West Site) in the city of Nikaho in Akita Prefecture, Japan, to strengthen the development and mass production of innovative electronic components based on the core competencies of magnetic material technology and plating technology, which are TDK's forte. The new factory is scheduled to begin mass production in September 2023.

Third, we integrated three domestic manufacturing subsidiaries. By integrating the technology and know-how cultivated by these manufacturing subsidiaries in Akita, Yamagata, and Yamanashi and building a consistent setup, we are endeavoring to further strengthen work efficiency and Monozukuri at each site. TDK Electronics Factories Corporation, which was founded in April 2022 as a result of this integration, will handle all electronic components manufacturing in Japan. As a large corporation supporting the world's electronics industry, the new company will strive to increase employee engagement and strengthen its recruitment capability to retain employees.



Inakura Factory (West Site)



Kitakami Factory

Propelling the electronic components business into a regrowth stage by strengthening Monozukuri

The demand for electronic components is expanding to a wide range of uses, including 5G communications, automobiles, and renewable energy. To enhance our market competitiveness, we must speed up necessary investment to enable us to respond to this growing demand and concentrate on high quality and reliable manufacturing. Regarding MLCCs, we are focusing on products for such uses as automobiles, industrial equipment, and mobile phone base stations, which are required to have high quality and large capacity, and striving to further strengthen reliability.

In bolstering Monozukuri, we emphasize the opinions of employees on the frontlines. At TDK, efforts have been continuing for a long time now to raise quality awareness through small-group activities. For example, through slight adjustments, such as improving unreasonable posture in the production process, we have enhanced workability and quality and realized the effective utilization of equipment and space. I believe it is ideas and wisdom gained from the frontlines that leads to better competitiveness and further business growth.



Taro Ikushima
CEO, Electronic Components Business Company

Chapter 1

What Kind of Company Is TDK?



Our Driver

Corporate Motto

Contribute to culture and industry through creativity

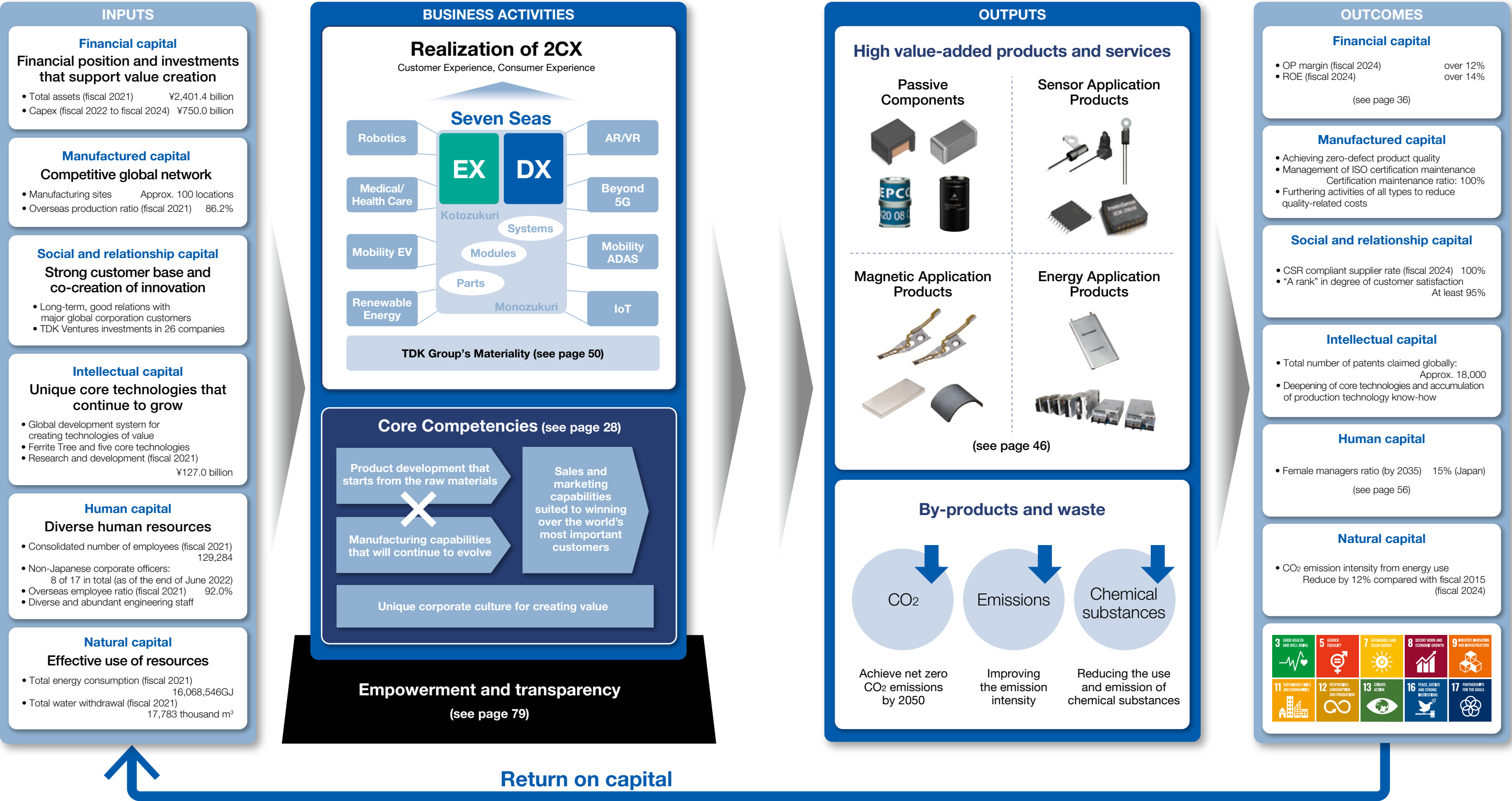
Corporate Principles

“Vision” “Courage” “Trust”

Sustainability Vision

Technology for the well-being of all people

Our Business Model



Corporate Motto

Contribute to culture and industry through creativity

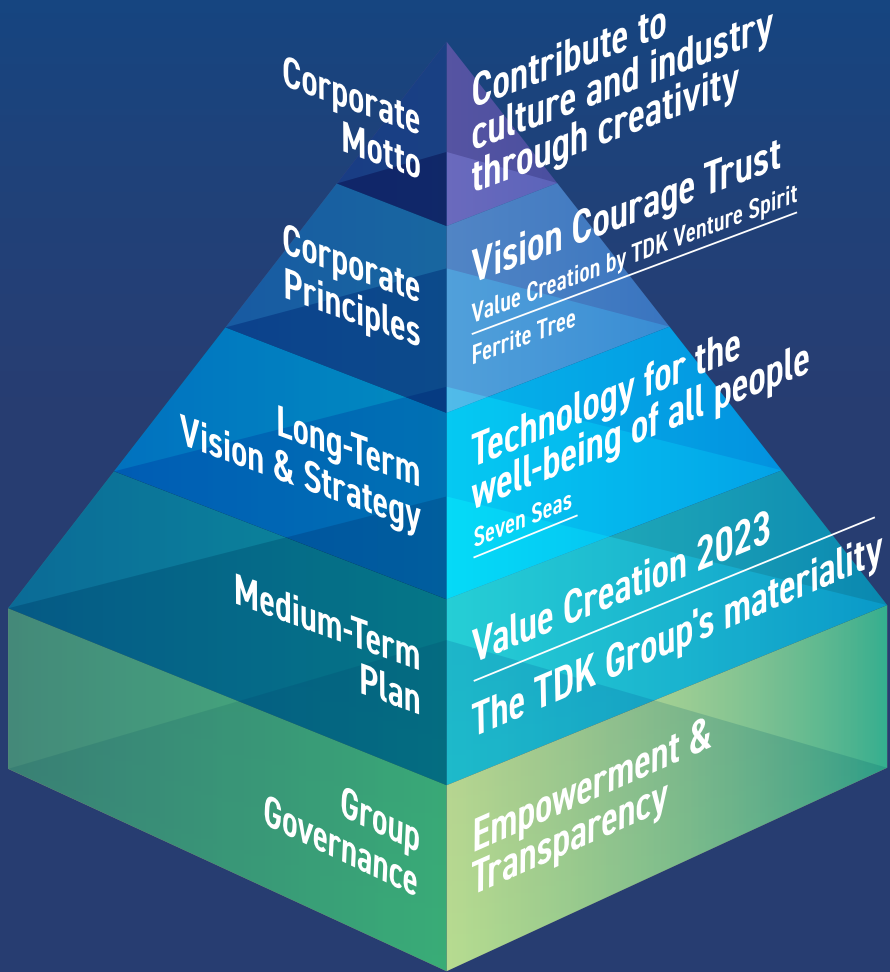
The history of TDK began with the encounter between the founder, Kenzo Saito, and ferrite, the world's first oxide magnetic material. Saito had been born in a remote village, and he aspired to create a new industry in his impoverished hometown and enrich people's lives there. As he repeated a cycle of challenge and failure, Saito happened to make the acquaintance of Dr. Yogoro Kato and Dr. Takeshi Takei of the Tokyo Institute of Technology and to get to know about ferrite, which they had invented. Although ferrite had a powerful magnetism, its specific uses were as yet unknown. The material was purely technological. But Saito was impressed by Kato's statement that "Ferrite is an original invention created in Japan and will become a Japanese industry," and he became determined to commercialize ferrite. In 1935 Saito founded a company called Tokyo Denki Kagaku Kogyo, later to become TDK.

TDK's Corporate Motto of "Contribute to culture and industry through creativity" represents nothing less than the vision of our founder and the founding spirit of the company.

TDK Value Structure

Since its foundation in 1935, TDK has conducted business with the aim of solving social problems. As of March 2022, it has grown into a global business enterprise with Group sales of ¥19,021 billion (IFRS) and about 117,000 members worldwide. As a leading manufacturer of electronic components, TDK continuously creates innovative and state-of-the-art technologies and products.

To continue creating value even more than a century after its foundation, we formulated a long-term vision and strategy looking 10 years into the future and established a Medium-Term Plan "Value Creation 2023" and the TDK Group's materiality. We have also created governance systems to support the realization of these. We refer to this as the TDK Value Structure, have reaffirmed its status as a pillar of all activities by employees, and will hand it down to the future generations who will be responsible for TDK in the future.



Together with the Changing Times, TDK Has Continued to Create New Businesses

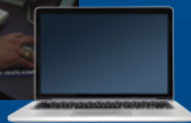
The electronics industry has achieved dramatic evolution by constantly pursuing newness and staying abreast of the times. To supply products that meet the needs of the changing times and society, TDK has promoted technological innovations applying and developing our core technologies, such as material technology rooted in ferrite and process technology. With our eyes on future social requirements, we have also actively addressed such things as our main business portfolio transformation. Throughout this history of more than 85 years, TDK has responded to the constantly changing market and continued to supply valuable products.



Popularization of electric products



Popularization of cassette tapes



Popularization of personal computers and continued expansion of memory capacity



Accelerated electrification of automobiles





Popularization of cloud computing

Popularization of smartphones and continued upgrading of functions



TDK's Current Businesses

(Fiscal 2022, IFRS)

Net sales ¥1,902.1 billion		Passive Components Share of net sales 26.6% ¥505.2 billion		Sensor Application Products Share of net sales 6.9% ¥130.8 billion				Magnetic Application Products Share of net sales 13.1% ¥248.4 billion		Energy Application Products Share of net sales 50.7% ¥965.3 billion		Other Share of net sales 2.7% ¥52.4 billion	
Data	Operating profit*1	¥77.3 billion		¥3.2 billion				¥4.5 billion		¥123.2 billion		(¥5.6 billion)	
	Capex	¥41.6 billion		¥10.9 billion				¥52.5 billion		¥175.7 billion		¥4.2 billion	
	Number of companies	66		18				17		26		20	
	Number of employees*2	34,218		7,783				13,580		54,288		4,469	
		Capacitors Soft-termination multilayer ceramic chip capacitors, aluminum electrolytic capacitors, etc. Inductive devices SMD inductors with guaranteed high-temperature ratings, common mode filters for automotive-use LAN, etc. Other passive components Piezo actuators, etc.		Sensors Sensors (temperature, pressure, angle, current, acceleration, gyroscope, etc.)				Magnets Magnets for motors (cooling fan, door lock, etc.), magnets for xEV drive motors, etc.		Energy devices Lithium-ion batteries (for electric motorcycles) Power supplies DC-DC converters, onboard chargers, Programmable power supplies (for inspecting) etc.			
		Capacitors 3-terminal feed-through capacitors, etc. Inductive devices SMD inductors, thin-film common-mode filters, etc. Other passive components Ceramic high-frequency components, multilayer chip varistors, etc.		Sensors Sensors (acceleration, gyroscope, MEMS microphones, magnetic, barometric pressure, etc.)				Recording devices HDD magnetic heads, HDD suspensions, etc. Magnets HDD magnets, etc.		Energy devices Lithium-ion batteries (for smartphones, tablet devices, notebook computers, wearable devices, game consoles, etc.) Power supplies POL converters, etc.		Camera module micro actuators (VCM/OIS) for smartphones, etc.	
		Capacitors Film capacitors, aluminum electrolytic capacitors, etc. Inductive devices Transformers, EMC filters, etc. Other passive components Varistors, arresters, etc.		Sensors Sensors (temperature, pressure, acceleration, gyroscope, current, etc.)				Magnets Magnets for industrial equipment motors, etc.		Energy devices Lithium-ion batteries (for drones, residential energy storage systems, etc.) Power supplies Switching power supplies (AC-DC, DC-DC), bidirectional DC-DC converters, etc.		Load ports, flip chip bonding systems, flash memory application devices, anechoic chambers, etc.	
		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, ALPS ALPINE, Panasonic, AMOTECH (Korea), etc.		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.				HDD magnetic heads *3 Seagate Technology (USA), Western Digital Technologies (USA) HDD suspensions NHK SPRING, etc. Magnets Shin-Etsu Chemical, Hitachi Metals, ZHONG KE SAN HUAN (China), etc.		Energy devices Samsung SDI (Korea), LG Chemical (Korea), Murata Manufacturing, Panasonic, BYD (China), etc. Power supplies Delta Electronics (Taiwan), Advanced Energy (USA), XP Power (Singapore), MEAN WELL (Taiwan), Cosel, etc.			

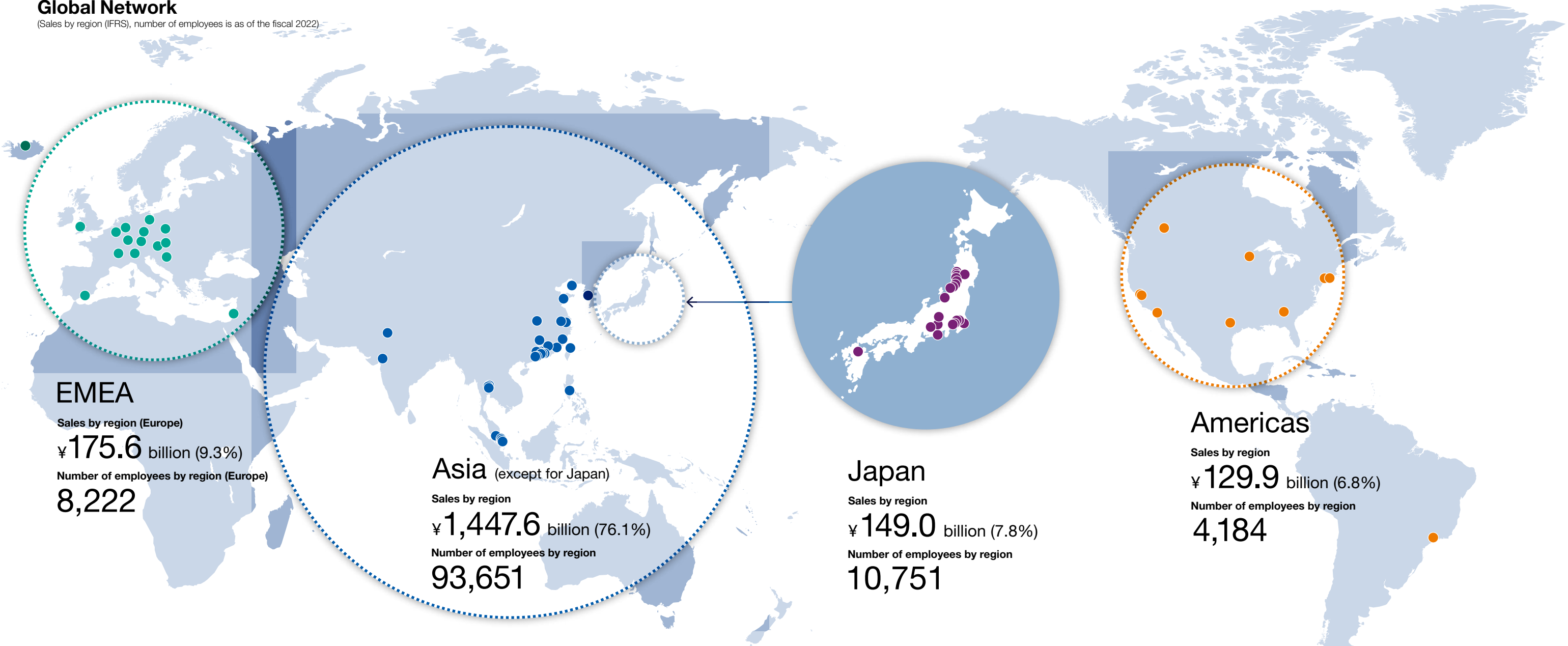
*1 Segment profit "Adjustment" (¥-35.8 billion) are not included.

*2 "Corporate (common)" (2,470 persons) are not included.

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

Global Network

(Sales by region (IFRS), number of employees is as of the fiscal 2022)



EMEA

- ICsense NV (Belgium)
- relyon plasma GmbH (Germany)
- TDK CROATIA d.o.o. (Croatia)
- TDK Electronics AG (Germany)
- TDK Electronic Components, S.A.U. (Spain)
- TDK Electronics GmbH & Co OG (Austria)
- TDK Electronics s.r.o. (Czech)
- TDK Europe GmbH (Germany)
- TDK Foil Iceland ehf. (Iceland)
- TDK Foil Italy S.p.A. (Italy)
- TDK Hungary Components Kft. (Hungary)
- TDK-Lambda Ltd. (Israel)
- TDK-Lambda UK Ltd. (UK)
- TDK-Micronas GmbH (Germany)
- TDK Sensors AG & Co. KG (Germany)
- Tronics Microsystems SA (France)

*EMEA: Europe, the Middle East and Africa

Greater China & Other Asia

- Acrathon Precision Technologies (HK) Ltd. (Hong Kong)
- Amperex Technology Ltd. (Hong Kong)
- Dongguan Amperex Technology Ltd. (Dongguan)
- Dongguan NVT Technology Co., Ltd. (Dongguan)
- Dongguan Poweramp Technology Ltd. (Dongguan)
- Guangdong TDK Rising Rare Earth High Technology Material Co., Ltd. (Meizhou)
- Hutchinson Technology Operations (Thailand) Co., Ltd. (Thailand)
- Magnecomp Precision Technology Public Co., Ltd. (Thailand)
- Navitasys India Private Ltd. (India)
- Ningde Amperex Technology Ltd. (Ningde)
- PT. TDK ELECTRONICS INDONESIA (Indonesia)
- Qingdao TDK Electronics Co., Ltd. (Qingdao)
- SAE Magnetics (H.K.) Ltd. (Hong Kong)
- TDK China Co., Ltd. (Shanghai)
- TDK Dalian Corporation (Dalian)
- TDK Dongguan Technology Co., Ltd. (Dongguan)
- TDK Electronics (Malaysia) SDN. BHD. (Malaysia)
- TDK Ganzhou Rare Earth New Materials Co., Ltd. (Ganzhou)
- TDK India Private Ltd. (India)
- TDK Korea Corporation (Korea)
- TDK-Lambda (China) Electronics Co., Ltd. (Wuxi)
- TDK-Lambda Malaysia Sdn. Bhd. (Malaysia)
- TDK (Malaysia) Sdn. Bhd. (Malaysia)
- TDK Philippines Corporation (Philippines)
- TDK (Suzhou) Co., Ltd. (Suzhou)
- TDK Taiwan Corporation (Taiwan)
- TDK (Thailand) Co., Ltd. (Thailand)
- TDK Xiamen Co., Ltd. (Xiamen)
- TDK (Xiamen) Electronics Co., Ltd (Xiamen)
- TDK (Xiaogan) Co., Ltd (Xiaogan)
- TDK (Zhuhai) Co., Ltd. (Zhuhai)
- TDK (Zhuhai FTZ) Co., Ltd. (Zhuhai)

Japan

- Akita
 - TDK Corporation / TDK Electronics Factories Corporation
 - Nikaho Factory (North site) / Nikaho Factory (South site) / Inakura Factory (East site) / Inakura Factory (West site) / Honjo Factory (East site) / Honjo Factory (West site) / Chokai Factory / Ouchi Factory / Iwaki Factory
- Iwate
 - TDK Corporation / TDK Electronics Factories Corporation
 - Kitakami Factory
- Yamagata
 - TDK Corporation / TDK Electronics Factories Corporation
 - Sakata Factory / Tsuruoka Factory / Tsuruoka East Factory
- Niigata
 - TDK-Lambda Corporation
 - Nagaoka Technical Center
- Tokyo
 - TDK Corporation
 - Global Headquarters
- Chiba
 - TDK Corporation
 - Narita Factory / Technical Center
- Kanagawa
 - TDK Precision Tool Corporation
 - SolidGear Corporation
- Nagano
 - TDK Corporation
 - Asama Techno Factory / Chikumagawa Techno Factory
 - TDK Electronics Factories Corporation
 - Iida Factory
- Yamanashi
 - TDK Corporation / TDK Electronics Factories Corporation
 - Kofu Factory
- Shizuoka
 - TDK Corporation
 - Shizuoka Factory
- Oita
 - TDK Corporation
 - Mikumagawa Factory

Americas

- Faraday Semi, Inc. (U.S.A.)
- Headway Technologies, Inc. (U.S.A.)
- Hutchinson Technology Inc. (U.S.A.)
- InvenSense, Inc. (U.S.A.)
- TDK Components U.S.A., Inc. (U.S.A.)
- TDK Electronics do Brasil Ltda. (Brazil)
- TDK-Lambda Americas Inc. (U.S.A.)
- TDK RF Solutions Inc. (U.S.A.)
- TDK U.S.A Corporation (U.S.A.)
- Trusted Positioning Inc. (Canada)



TDK’s four core competencies to drive sustained growth

From its founding to the present day, the source of TDK’s growth has been “product development that starts from the raw materials” and “manufacturing capabilities that will continue to evolve.” In addition, we can cite “sales and marketing capabilities suited to winning over the world’s most important customers,” proposing original products derived from the fusion of the above two factors to the market. And then, supporting these activities from the roots, there is our “unique corporate culture for creating value.” By continuing to polish these four core competencies, we will realize sustained growth going forward.

Core Competency 1
Product development that starts from the raw materials (see page 30)



Core Competency 2
Manufacturing capabilities that will continue to evolve (see page 31)

Core Competency 3
Sales and marketing capabilities suited to winning over the world’s most important customers (see page 32)

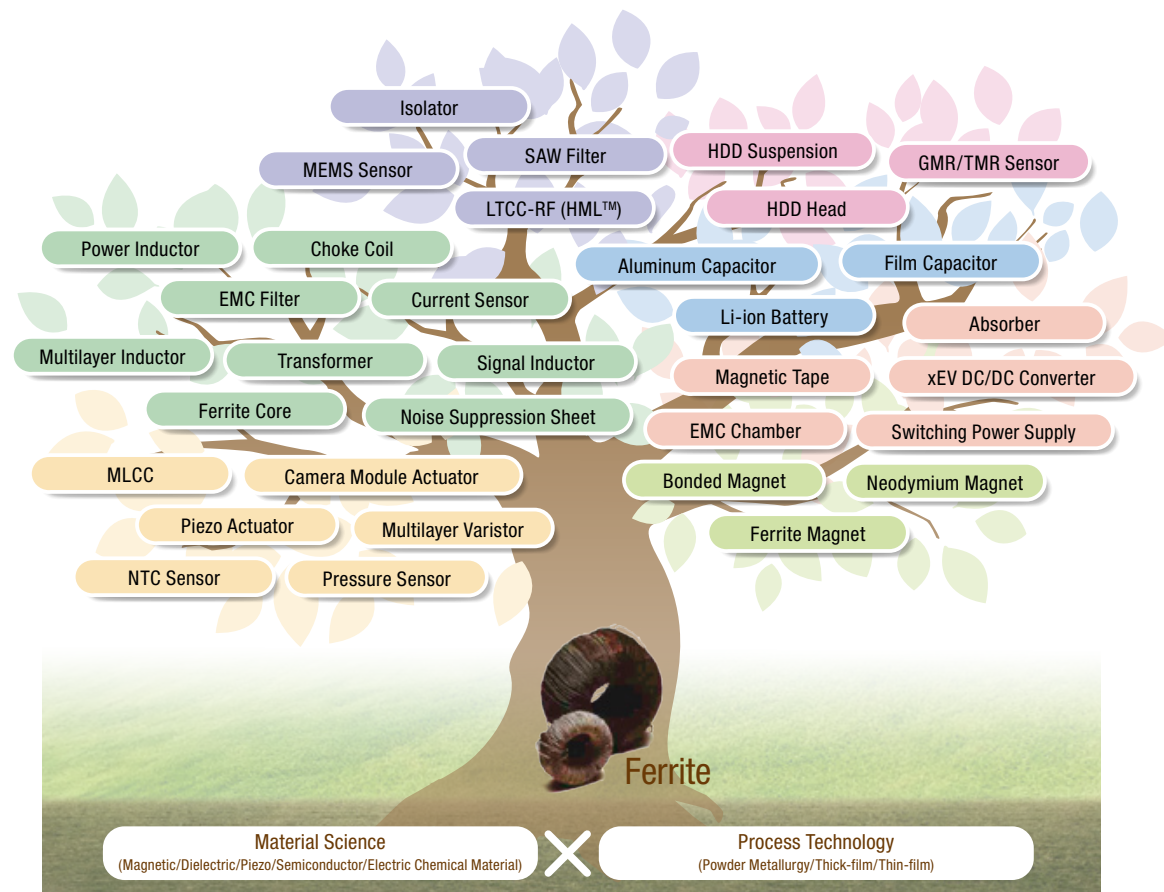
Core Competency 4
Unique corporate culture for creating value (see page 33)

Product development that starts from the raw materials

If we look back on the history of TDK, we see that the starting point of our business growth has always been our ability to bring out the properties of materials and design new products. Beginning with the magnetic material ferrite, TDK's original materials have spread from magnetic materials to dielectric materials, piezoelectric materials, and semiconductors, each of which has led to diverse product development. The development of

needle-like magnetic materials led to the realization of the world's first music cassette tape, which brought about a revolution in music life. The development of TMR elements applying magnetic material technology greatly improved the recording density of HDDs and contributed to the progress of the ICT society. The Ferrite Tree will continue to grow as we nurture new technologies and products and keep on proposing new value to society.

Ferrite Tree represents the expansion of ferrite applications

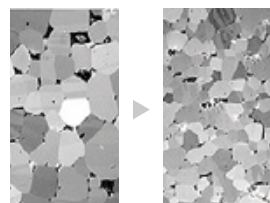


TDK's original materials technology

By pursuing the properties of materials from the atomic level, TDK has created original electronic components and devices to meet advanced needs. These technologies include material design, power control, and microstructure control. They capitalize on know-how accumulated through an enormous amount of experiments and research conducted over more than 85 years.



Materials design technology
Realizing required characteristics through the blending of main materials and control of trace additives.



Powder control technology
Improving materials' characteristics through crystal grain miniaturization and uniformity.



Microstructure control technology
Realizing required characteristics through control of crystal grain internal composition and grain boundaries.

Manufacturing capabilities that will continue to evolve

Manufacturing capability to actually design and mass produce is essential for delivering these electronic components born from our original materials technology to the market. In addition to materials technology derived from ferrite, there is process technology to bring out the properties of materials, evaluation and simulation technology to promote development design, production

engineering to support stable mass production, and product design technology, which seeks to enhance performance and boost multifunctionality by integrating multiple electronic components. It is these five core technologies that have supported TDK's growth from its founding to the present.

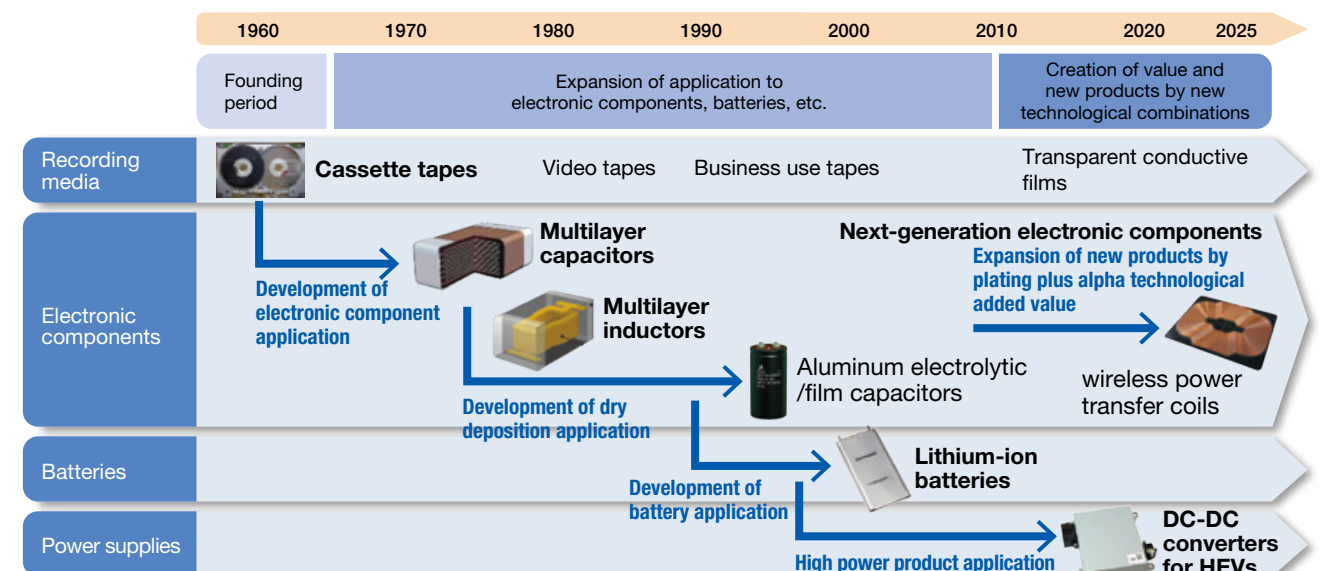
The five core technologies supporting TDK manufacturing



Evolution of the roll-to-roll coating technology applied in wide range of products

The world's first music cassette tape was made possible by what is known as the roll-to-roll coating technology, a process technology by which a magnetic substance is coated uniformly on a roll-shaped resin film. This technique was also applied in the field of electronic devices as a means of printing circuit patterns on roll-shaped substrates, thereby greatly improving production efficiency. Since then the technique has continued to evolve, and its application in new ways has progressed, from multilayer electronic components such as

capacitors and inductors, to aluminum electrolytic and film capacitors, lithium-ion batteries, and next-generation electronic components such as wireless power transfer coils. In 2015 TDK set up the Monozukuri Center in the Production Engineering HQ to link such techniques to new products and value creation. By developing process technology, which is the core of manufacturing, and applying it to products, we will endeavor to make products that contribute to the solution of social issues.



Sales and marketing capabilities suited to winning over the world's most important customers

Born from the crossing of “product development that starts from the raw materials” and “manufacturing capabilities that will continue to evolve,” TDK’s new products have achieved success in the optimal application markets for each of them through marketing activities focusing on the world’s most important customers. Based on relations of trust with the world’s most important

customers built up in a wide range of fields, such as automotive, ICT, and industrial equipment and energy, TDK is expanding its customer base by accurately anticipating future market trends and technological trends and steadily meeting the requirements of customers by means of products and solutions utilizing state-of-the-art materials, process, and elemental technologies.

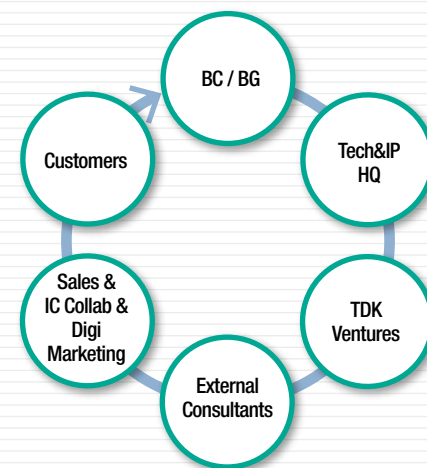
Strengthening of sales and marketing by the new CM&I HQ

In April 2021 TDK established the Corporate Marketing & Incubation (CM&I) HQ as a new organization with company-wide cross-sectional functions toward the further strengthening of our sales and marketing capability.

One of the roles of the CM&I HQ is to search the needs of a wide range of customers and industries as an antenna of the entire TDK Group. Another role is to have a broad, company-wide view so as to bring together diverse technological seeds and study the potential of future combinations.

Going forward, by collaborating with the corporate departments, the R&D departments of each business divisions, and TDK Ventures Inc., which handles the corporate venture capital (CVC) function, the CM&I HQ will thoroughly instill the market-in rather than product-out concept and connect this idea to product development that responds swiftly to market movements.

Responding to market potential/needs in a cross-sectional manner

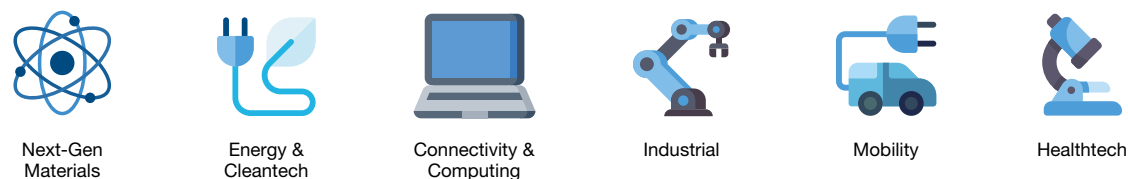


Grasping technological trends in state-of-the-art fields through TDK Ventures

TDK established TDK Ventures in the US state of California in July 2019 as a CVC firm. In addition to the primary role of a CVC firm of accelerating technological development and strengthening growth strategy, TDK Ventures is also active as an antenna for grasping state-of-the-art technological trends. In collaboration with the CM&I HQ, it looks at everything from immediate demand to future potential, thereby promoting a more effective marketing strategy.

Investee companies are selected from fields that are expected to make a social contribution through

Investment focus



innovation, such as materials, energy, and cleantech. As well as receiving financial support from TDK Ventures, they can utilize the advantage of scale provided by the TDK Group, such as our broad range of customers and sales channels and our global ecosystem, to accelerate speedy commercialization. Through its support for these investee companies, meanwhile, TDK can quickly catch the world’s most advanced technological trends and market trends and, using this information, verify and improve technological roadmaps for the future and make plans to enter new markets.

Unique corporate culture for creating value

Based on our Corporate Motto of “Contribute to culture and industry through creativity,” TDK’s corporate culture is our stance of delivering value to customers through the collaboration beyond national borders of employees with diverse personalities working around the world. Even today, when the TDK Group has expanded to more than 30 countries and regions, this corporate culture remains unchanged. Regarding M&A, rather than controlling acquired companies, we adopt a policy of post-merger integration (PMI) by which we maintain equal relationships and respect one another’s corporate culture. In this way, we position acquired companies as partners and accept their technologies, strengths, and values, thereby creating synergy on a global scale.

Examples of major acquisitions in recent years

- 2000 Headway (U.S.)
- 2005 Lambda Power Group (now TDK-Lambda, Japan)
- 2005 ATL (Hong Kong, China)
- 2007 Magnecomp (Thailand)
- 2008 EPCOS (now TDK Electronics, Germany)
- 2016 Micronas (now TDK-Micronas, Germany)
- 2016 Hutchinson (U.S.)
- 2017 ICsense (Belgium)
- 2017 InvenSense (U.S.)

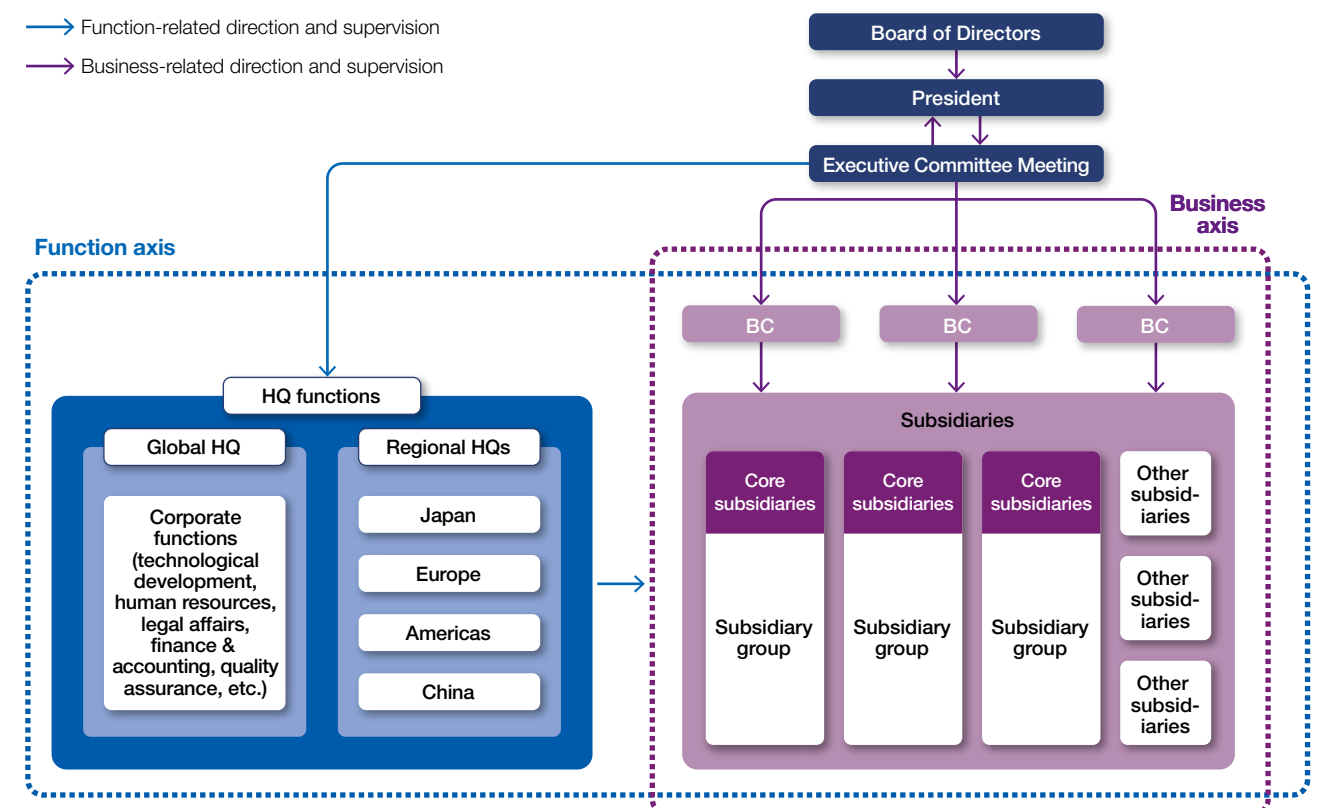
Organization building to display diverse strengths

In order to turn the diversity of the TDK Group into a strength in the true sense, in recent years we have devoted much effort to building an organization that binds the potential and energy of employees around the world. As one aspect of these initiatives, we are promoting the KITEI Project to establish a global governance structure. This project envisions the building

of an autonomous and decentralized organization centered on the concept of empowerment and transparency. While establishing basic rules that every member of the TDK Group must follow as the Global Common Regulations, we are building a structure that enables dynamic decision making on the frontlines by delegating authority to Group companies.

Group management structure with the policy of “Empowerment and Transparency”

- Function-related direction and supervision
- Business-related direction and supervision



Chapter 2

How Will TDK Grow?



Steadily improving problematic businesses and simultaneously realizing a positive cash flow and growth investment

Tetsuji Yamanishi

General Manager of Finance & Accounting HQ
Executive Vice President
Representative Director

Overview of the fiscal 2022

Improvement of cash flow delayed due to implementation of strategic measures to ensure stable procurement of raw materials

In fiscal 2022 consolidated net sales reached ¥1,902.1 billion, a 28.6% year-on-year increase and record high, and consolidated operating profit was ¥166.8 billion, up 49.2% and also a record high. As the first fiscal year of Value Creation 2023, our current Medium-Term Plan, the year got off to a good start in terms of sales and profit (P&L), but we are aware that it was also a year that ended with a number of unresolved issues from the perspective of finance.

The most significant issue was the lack of progress in improving cash flow. Value Creation 2023 sets the target of achieving a cumulative positive free cash flow after shareholder returns over three years by actively investing in the growth of core businesses to reliably capture the EX and DX trends and forcefully improving the revenue of problem businesses to enhance their ability to generate cash. However, operating cash flow in fiscal 2022 was ¥179 billion, a decrease of more than ¥50 billion from the previous fiscal year, while investment cash flow increased by approximately ¥50 billion from the previous fiscal year, resulting in a substantial negative free cash flow of approximately ¥100 billion.

The main factor behind this decrease in cash flow was the soaring price of raw materials. The higher prices for raw materials in the battery business had a

particularly large impact. In the background to this situation were rising resource prices due to disruption of global supply chains and a large increase in demand for electric vehicle (EV) batteries in conjunction with expansion of the market for EVs and other eco-friendly cars. Our battery business is currently focused on small capacity batteries for smartphones and other such devices. With the increase in demand for large capacity batteries for EVs and other applications, the supply-demand balance for cobalt and other battery materials has significantly broken down. This has resulted in a rapid surge in prices, and there is a possibility that the procurement of materials itself may become difficult.

To respond to these circumstances, we invested approximately ¥100 billion in strategic measures for ensuring the stable procurement of battery-related raw materials over the long term. Specifically, we took measures to secure supplies of the raw materials needed for a certain time by making advance payments. We also accumulated raw materials to ensure that there is no disruption of production in the short term, and this inventory increase resulted in a negative cash flow of approximately ¥100 billion.

The cash expenditure of approximately ¥200 billion resulting from these two factors caused a substantial decrease in free cash flow. These two factors, however, are commensurate with anticipated future demand in terms of quantity and do not pose any recovery risk as in the case of capital investment. Rather, we see them

as advance cash expenditure that will be steadily recovered through continuous and stable production.

Achieving profitability in the sensor business and improving profits in the passive components business to achieve a balanced earnings structure

Fiscal 2022 did leave such issues as this cash flow, but considerable progress was made in terms of improving the earnings structure. One factor behind this improvement was the achievement of complete profitability in the sensor business, including acquisition-related expenses. After fiscal 2018, when the acquisition of InvenSense was completed, the sensor business continuously posted operating losses in excess of ¥20 billion in each fiscal year, so achieving profitability in this business is a major positive factor for improving company-wide cash flow.

We also reaped the benefits of improved profitability in the passive components business. The operating profit margin in this business was limited to about 10% during the period of the previous Medium-Term Plan, but in fiscal 2022 the operating profit margin improved to more than 15%. In the background to this improvement was the expanded adoption of EVs in the automobile market. The ability to stably supply high-quality products that meet customer demands, particularly demand for multilayer ceramic chip capacitors (MLCCs), in response to steadily growing demand in the EV market led to improved profitability in the passive components business. As a result, this business can now be expected to develop into a pillar that supports the growth of the entire Group.

In the past, shareholders and investors pointed out the risk of relying on the energy and battery businesses for the majority of profits. But with the achievement of profitability in the sensor business and the improved profitability of the passive components business, we believe that we have achieved a business portfolio with a well-balanced earnings structure overall.

Future capital allocation

Capital allocation policy reviewed and allocation to capital investment in growth areas increased

In light of the issues and results described above, we closely examined changes in the market environment

for each business and decided to adjust future capital allocations. Under the original Value Creation 2023 plan, we planned to allocate ¥750 billion of the approximately ¥900 billion in expected operating cash flow over the three years of the plan to capital investment, of which about 60% (approximately ¥450 billion) would be allocated to the energy application products business. But this ratio has been reduced to about 40% (approximately ¥300 billion). Significant growth in the volume of smartphone production cannot be expected in view of the maturation of the market, so the need for investment has declined in comparison to earlier. In addition, we decided to develop business for medium capacity rechargeable batteries, which are seen as a growth market, through the joint ventures with CATL announced in April 2021. Accordingly, we plan to reduce future investment in medium capacity rechargeable batteries to below the original plan level.

Meanwhile, capital will be allocated to investment necessary to steadily take advantage of opportunities in growth areas. The passive components business and sensor business are particularly high priorities. As stated above, the profitability of the passive components business has improved in conjunction with the expansion of products for EVs, and investment will be increased to expand production of MLCC products for EVs in order to accelerate growth even further. We will also further reinforce capital investment in the sensor business, which is expected to enter a growth phase following its achievement of profitability. In the magnetic sensor field, where demand is notably increasing, we plan to boost investment to expand production, since we are using in-house facilities for production. In addition, in the magnetic application field mainly focused on magnetic heads, we plan to increase advance investment to respond to technological advances.

More rigorous management of asset profitability on a more minimum business unit

We will seek to flexibly allocate capital tailored to changes in the business environment while examining, under the Value Creation 2023 plan, growth potential and asset profitability in each business unit on a more minimum business unit than in the past. Based on the results of such examination, we will pursue stable generation of cash flow through the rigorous allocation

Message from the Corporate Officer of Finance & Accounting

of capital in a well-balanced manner.

More specifically, we will stratify the approximately 80 CBUs^{*1} into six categories using two axes—asset profitability and business potential—and allocate capital according to the positioning of each (see diagram). With regard to profitability, we have set business ROA^{*2} of 10% as a hurdle rate for asset profitability, and we are achieving profitability in excess of this level. We have positioned CBUs believed to have high potential from such perspectives as product lifecycle, market scale, and competitive advantage as “sustainable high-profit businesses” and will prioritize capital investment in those businesses. Necessary investment for growth will be maintained even in CBUs with business ROA of 10% or less if high growth in the future is expected, such as in the case of the sensor business, to reinforce

the top line and earnings capability.

Fundamentally, we will not reinvest in businesses with both low growth and profitability, and we will formulate specific measures through collaboration between business divisions and the head office to achieve a turnaround (business restructuring) at the earliest possible time. We will regularly monitor progress and make determinations on the feasibility of continuing business.

To evaluate profitability and cash generating capability, we will apply a logic tree based on TVA,^{*3} an indicator unique to TDK, as well as business ROA, which is a component factor of TVA. By holding regular briefings and having the persons responsible for each business explain their future free cash flow and business ROA plan, we will determine where on the logic tree we need to focus and any aspects that need to be strengthened while reforming mindsets.

^{*1} CBUs (cashflow business units): The smallest unit of business responsibility and business portfolio management within the TDK Group.

^{*2} Business ROA: This important indicator and component of TVA compares the net profit ratio (return on invested capital) with the business assets of each business.

^{*3} TVA: Stands for TDK Value Added. This added-value indicator, an original of the TDK Group, compares the minimum profit required (stockholders' equity cost) with earnings after taxes (but without deducting interest expenses) and the business assets of each business.

Seeking stronger companywide cash generating capability by allocating capital according to conditions in each CBU

Because of the substantial negative free cash flow in fiscal 2022, there is a possibility that the financial

target set in the Medium-Term Plan of achieving a cumulative positive free cash flow after shareholder returns over three years will be revised downward from the initial plan. All the factors leading to the negative free cash flow in fiscal 2022 were one-time cash outlays, however, and it is our understanding that overall earnings capability is steadily increasing in each business.

TDK's CBUs include a number of business groups with both high asset profitability and business potential. The fact that adequate operating cash flow is not being generated despite this is due to the combination of low profitability with problematic businesses. Nonetheless, it is necessary to objectively focus on the profitability and growth potential of each CBU that makes up a problematic business, rather than examining them uniformly, and to take optimal measures.

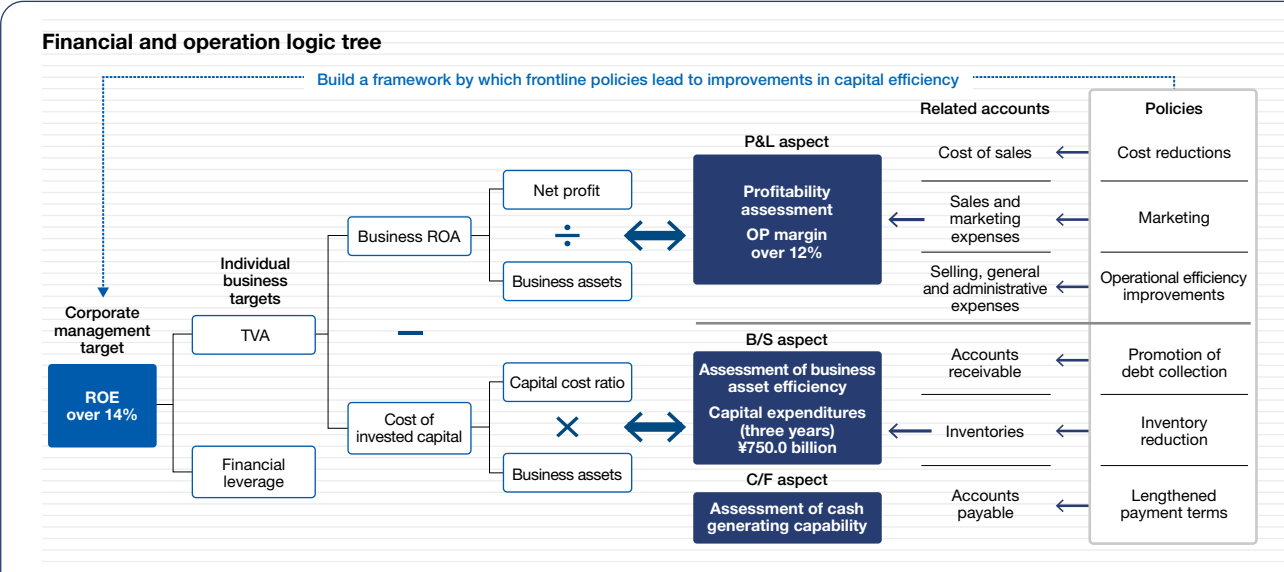
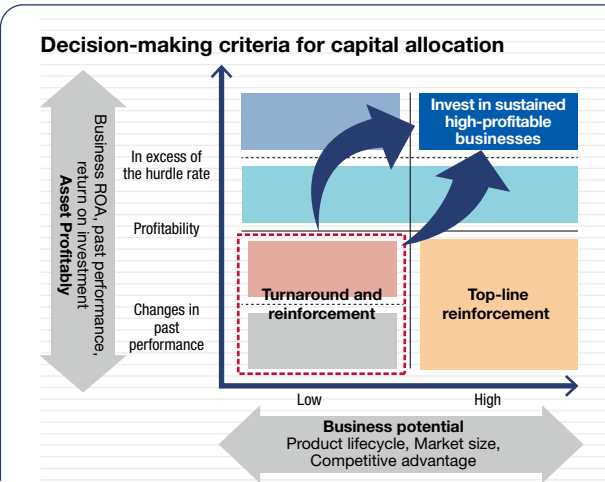
The magnet business, for example, has posted losses for many years, but it is changing course toward products for EV motors and is improving profitability. The business has already acquired product certification from some of automobile makers, secured production capacity through past advance investment, and is proceeding with mass production. In this type of CBU, additional investment that will lead to reinforced production capacity and improved production efficiency is necessary. By addressing these problem businesses from a medium- to long-term perspective, we will work to achieve a positive free cash flow companywide.

investment while pursuing financial soundness with targets of maintaining a shareholders' equity ratio of about 50% and a long-term D/E ratio of 0.2 to 0.3 times.

Our fundamental policy on shareholder returns is to actively reinvest generated profits into business activities while giving due consideration to appropriate ROE and DOE (dividend on equity) levels, changes in the business environment, and other factors.

During the period of the current Medium-Term Plan, we plan to provide returns with a payout ratio of about 30%. In fiscal 2022 we paid an interim dividend of ¥33.33 per share (calculated after the stock split) and a year-end dividend of ¥45 for a total annual dividend of ¥78.33 per share (calculated after the stock split). For the fiscal 2023, we plan to pay an interim dividend of ¥53 per share and a year-end dividend of ¥53 per share.

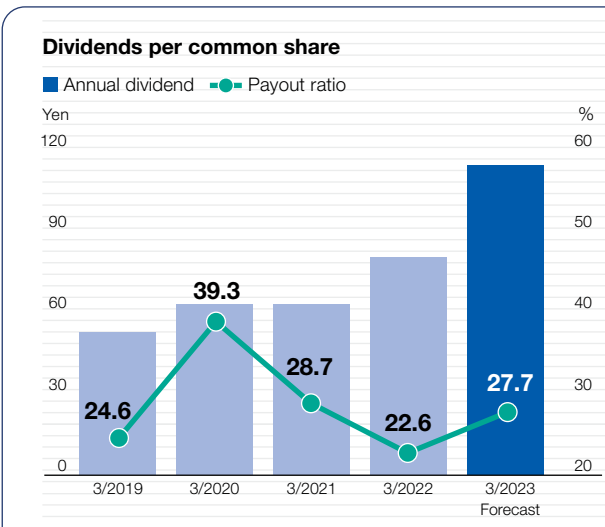
The electronics industry is facing a period of major transformation. As the two major trends of EX and DX pick up speed, our opportunities for growth should without doubt expand. Those of us in the financial division will also reinforce research and development to respond to steadily advancing market needs, make timely investments in competitive products, secure stable production capacity to meet demand, and implement financial measures to raise corporate value even further. I look forward to your continued support of the TDK Group.



To shareholders and investors

Promoting financial strategies that will optimize corporate value

The TDK Group conducts business within the electronics industry, which is a world of intense technological innovation. To respond accurately to this rapid technological innovation within the industry, we have worked to raise corporate value by continuously making growth investment at high levels, including M&A investment. We believe that fixed assets held for extended periods should fundamentally be covered by shareholders' equity. It is also necessary, however, to continuously and actively invest in growth. Accordingly, we also use external capital for necessary growth



^{*}TDK split one share of its common stock into three shares with the effective date of October 1, 2021. Figures prior to fiscal 2021 have been converted to align with the post-stock split standard.

^{*}Since fiscal 2022 the payout ratio is being calculated in accordance with the IFRS.

Looking Back on Past Medium-Term Plans

Fiscal 2016 to fiscal 2018

Fostering collaboration within the Group to realize further growth

- Both sales and operating profit registered record high figures in each term. (Operating profit was compared excluding a business transfer gain in fiscal 2017.)
- The battery business registered an efficient increase in income after accurately anticipating growth of the smartphone market and conducting timely capital investment.
- Since part of the high-frequency components business was transferred to Qualcomm, a transfer gain of ¥144.4 billion was registered in fiscal 2017.
- Utilizing this transfer gain and other capital, M&A was conducted from fiscal 2016 centering, in accordance with our growth strategy, on the sensor business.

	Targets	Results
OP margin	Over 10%	7.1%
ROE	Over 10%	7.8%

Value Creation 2020
Fiscal 2019 to fiscal 2021

Leap to new heights by providing solutions required by the market based on our electronic components business

Commercial Value

- Medium-term management targets of ¥1,650 billion in sales were not achieved due to such factors as intensified confrontation between the United States and China, a temporary stoppage of production activities due to the impact of lockdowns caused by the COVID-19 pandemic, and a slump in the automotive market, a priority market for TDK, up to the first half of fiscal 2021.
- The share of rechargeable batteries used in laptops and tablets increased as a result of the shift toward new lifestyles, such as remote work and online lessons.
- Sales of rechargeable batteries, passive components, and sensors increased due to the continued growth of 5G-related demand.
- New business development progressed in the field of power cells for drones, electric motorcycles, residential energy storage systems, etc.

	Targets	Results
Net sales	¥1,650.0 billion	¥1,479.0 billion
CAGR	Over 9%	5.2%

Asset Value

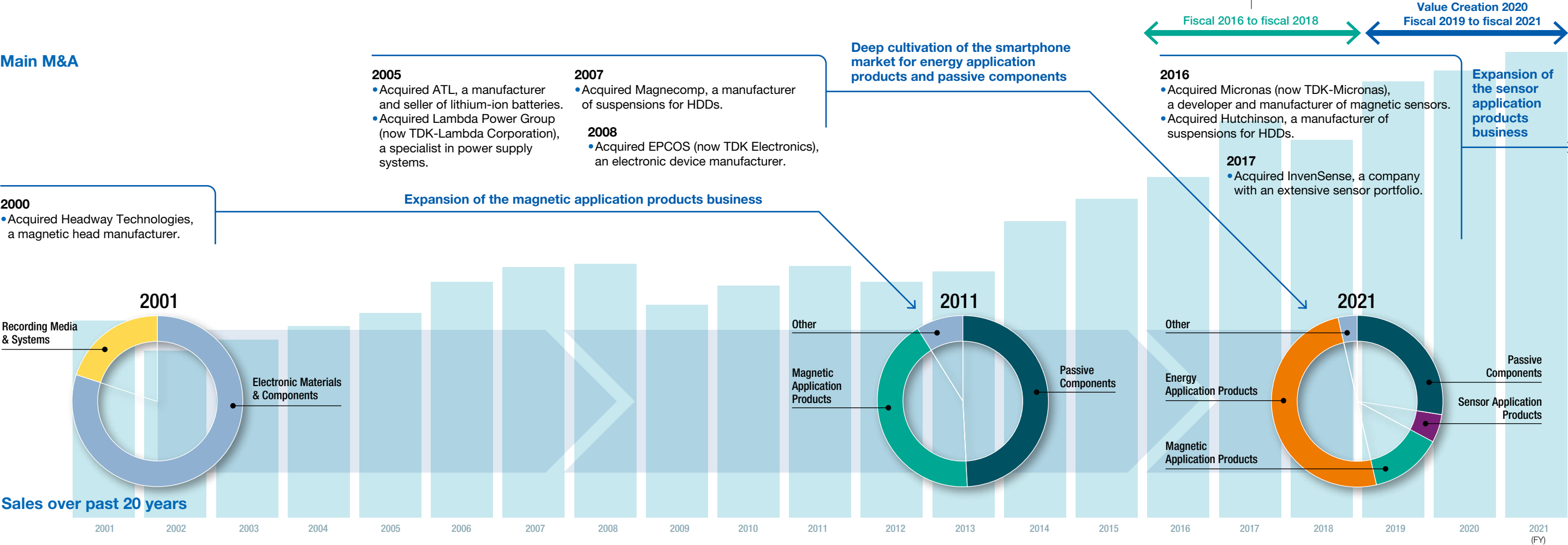
- The targets for OP margin and ROE were not achieved due to such factors as changes in the business environment, the impact of impairment, and restructuring expenses.
- Excluding cash-in-flow from the sale of shares of RF360 Holdings, a joint venture with Qualcomm, the free cash flow after shareholder return was negative, so our financial condition did not improve significantly.

	Targets	Results
OP margin	Over 10%	7.5%
ROE	Over 14%	8.6%

Social Value

- Established the Sustainability Promotion HQ and commenced full-fledged activities.
- The global human resource management system began full-fledged operations, strengthening activities to promote diversity.
- Introduced Global Common Regulations to further strengthen Group governance.

Main M&A



Seven Seas

Going forward, as energy transformation (EX) and digital transformation (DX) further advance as the main currents of society, we have stipulated policies and strategies that should be tackled in the medium- to long-term as the Seven Seas. Among them, as fields that should be addressed in a priority manner, we have cited AR/VR, Beyond 5G, Mobility ADAS/EV, IoT, Robotics, Medical/Health Care, and Renewable Energy. In these seven fields, interrelationships are deepening, and the functions and requirements of parts, modules, and

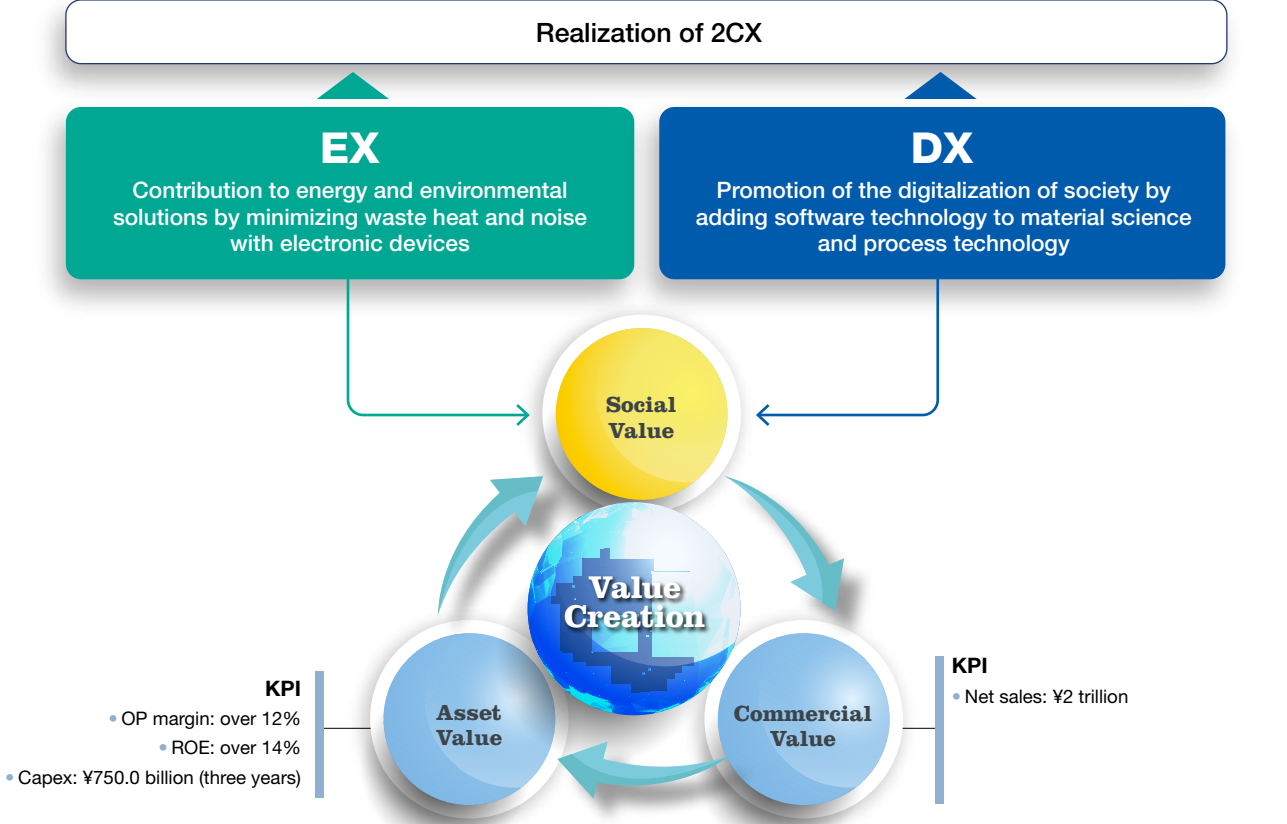
systems are expected to become increasingly sophisticated and complex. TDK's four business companies (BCs), the HQ R&D function, and the corporate marketing department will work together to promote product development, strategically develop product shapes for parts, modules, and systems, thereby enabling us to supply added value, and thus contribute to the solution of social challenges.



Value Creation 2023

Based on the long-term vision and strategy, the TDK Group is promoting the Value Creation 2023 three-year Medium-Term Plan, which began in fiscal 2022. In this Medium-Term Plan, the starting point is the creation of Social Value contributing to the solution of social challenges and realization of a sustainable society. Going forward, we will rotate a cycle in which, while increasing Commercial

Value (growth strategy) and Asset Value (capital efficiency), we will create further Social Value. Furthermore, we will supply solutions that satisfy customers and contribute in the areas of EX and DX toward the realization of 2CX (Customer Experience and Consumer Experience), which means providing experiences going beyond expectations, and also create value for the sustainable society.



Medium-term management targets (net sales)

Fiscal 2021 result		Fiscal 2022 result		Fiscal 2024 target	
¥1,479.0 billion		¥1,902.1 billion	Year-on-year change: 28.6%	¥2,000.0 billion	CAGR: 11%

Targets and results by segment

	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products
Fiscal 2024 target (CAGR)	7%	25%	12%	11%
Fiscal 2022 result (year-on-year)	24%	61%	24%	30%

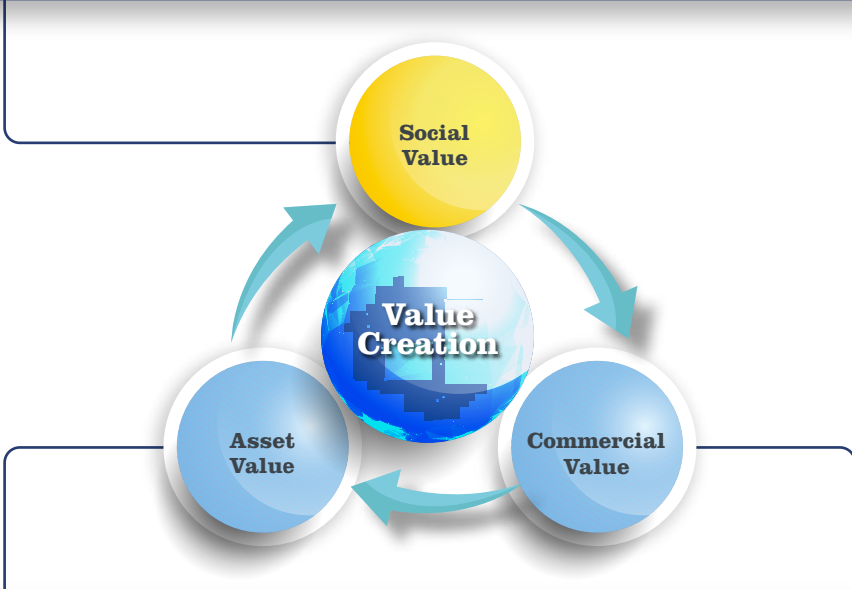
Progress of Medium-Term Plan

Progress of measures to increase social value

E (Environment): We issued TDK Sustainability-Linked Bonds of ¥40.0 billion in December 2021. Toward achieving the targets through fiscal 2025, we have started initiatives to reduce CO₂ emissions by focusing on both lower energy and renewable energy.

S (Social): Led by the Global Human Resources HQ established in Munich, Germany, in addition to the activities aimed at promoting succession plans and diversity, we have been promoting a project to promote women's advancement in order to achieve a female manager ratio of 15% in Japan in 2035.

G (Governance): We have established Global Common Regulations, which set out basic rules to be observed by TDK Group companies around the world, while encouraging each Group company and region to develop an autonomous decentralized organization based on the concept of "Empowerment & Transparency." We will further strengthen regional headquarters functions to facilitate prompt and adequate decision-making on the frontlines.



Progress of growth strategies/asset value

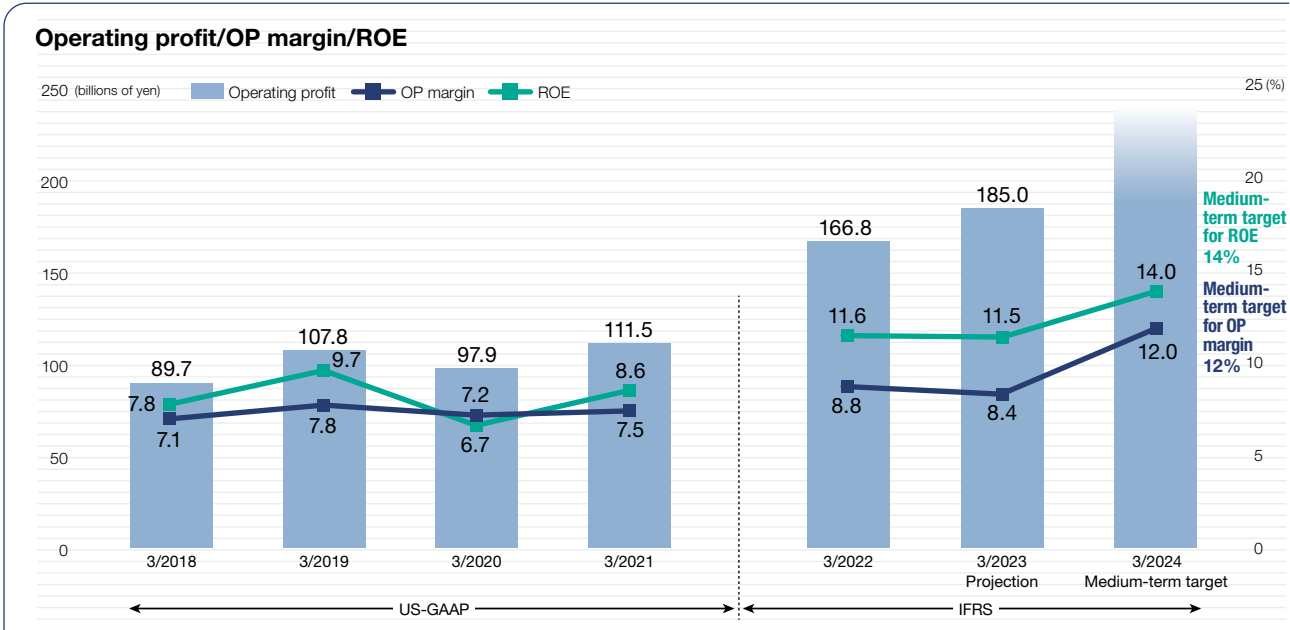
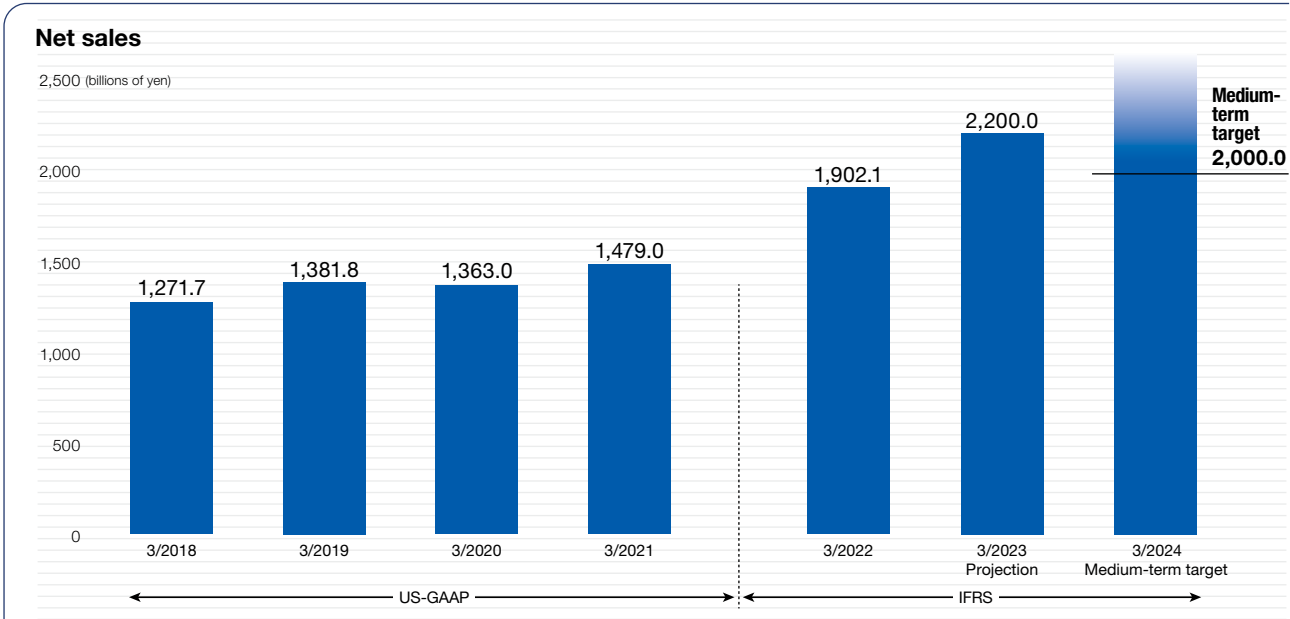
In fiscal 2022 both sales and profitability of the passive components business exceeded our plan. Full-year profitability of the sensor business was achieved as earnings improved at a pace slightly faster than initially anticipated. In rechargeable batteries, the power cell business expanded as planned. In addition, profit of the HDD head business recovered, and microwave assisted magnetic recording (MAMR) products featuring next-generation technology were launched in the market.

In the capital allocation plan, we initially planned to allocate about 60% of our capital expenditures of ¥750.0 billion in total for three years to energy application products, but we will reduce it to about 40% taking into consideration the medium- to long-term business environment and changes in business strategy. On the other hand, we plan to increase the allocation to passive components from about 20% to 30% with the aim of boosting production capacity. In addition, we will change the allocation significantly to ensure that growth opportunities in such growth areas as TMR sensors will be captured.

In terms of cash flows, we implemented strategic measures toward stable procurement of battery-related materials over the medium- to long-term by investing about ¥100.0 billion. As a result, there is a possibility that the level of achievement of the Medium-Term Plan's financial target of generating a positive free cash flow after shareholder returns for the total three years will be lower than initially expected. But we see the measures as advance investment to ensure sustained competitiveness.

Although there has been an impact on our financial position due to higher-than-expected rises in material prices and transportation costs, among other factors, we will strive to minimize such impact by cost pass-through measures and cost reduction. In addition, as there has been a delay in improvement in earnings of problematic businesses, we will take priority measures.

Progress of main KPIs



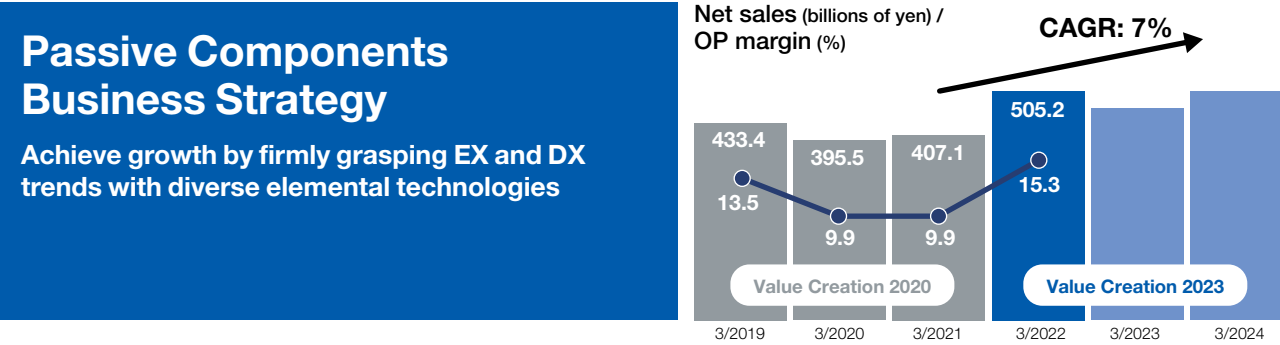
Review of capital allocation plan

Cash-IN	Cash-OUT	
Operating cash flow ¥900.0 billion	Strengthened financial position	D/E ratio: 40% range
	Shareholder returns	Targeted dividend payout ratio: 30% range
	Capex: ¥750.0 billion	Energy: 60% → 40%
	EBITDA ratio: 65%	Passive: 20% → 30%
		Magnetic: 16% → 20%
		Other: 4% → 10%

Stable and sustained improvement of dividends based on medium-term profit growth

Priority allocation of investment to growth areas

- Rechargeable batteries
- xEV, ADAS, 5G
- TMR sensors, etc.



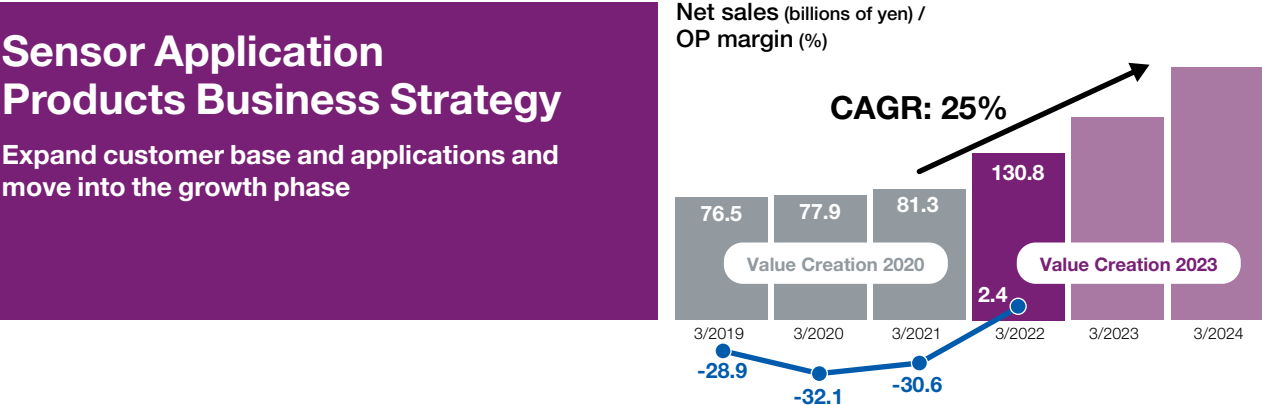
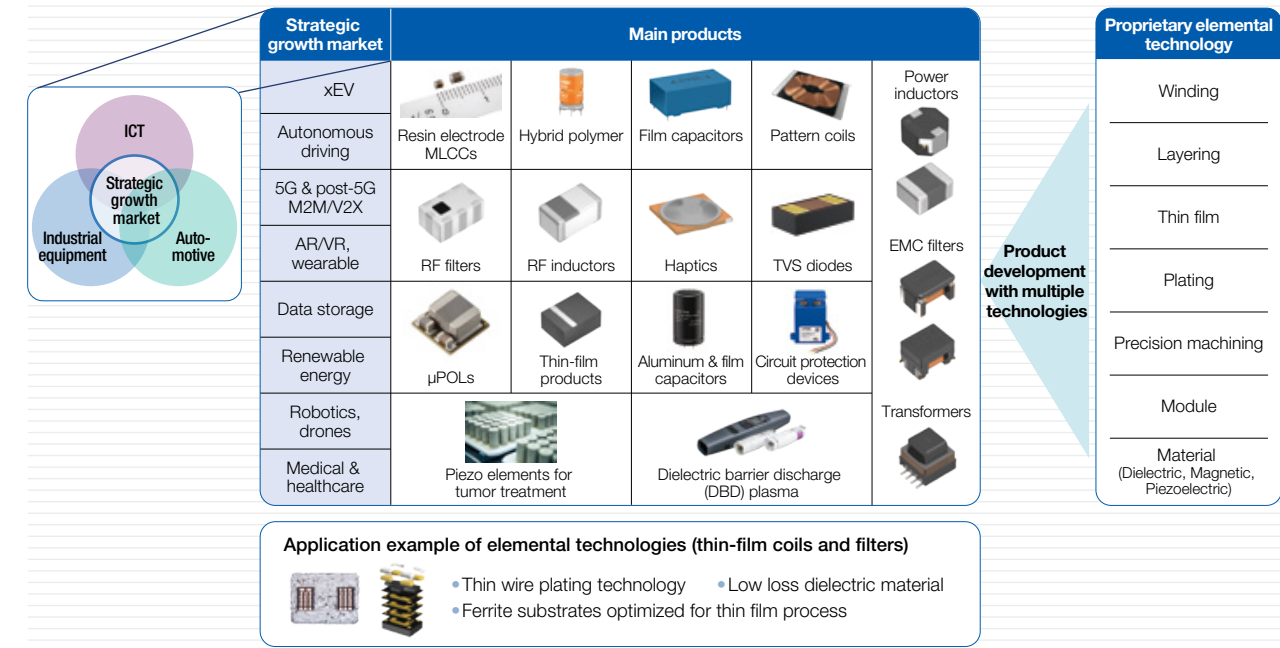
Market needs

- To function ICs and other active components, passive components such as capacitors and inductors are essential, and during the EX and DX era, they will support society from its foundations.
- The passive components market that have undergone rapid growth centered on ICT devices such as smartphones and have recently expanded to industrial equipment and the automotive field. There are also signs of expansion to the IoT, use of AR/VR and AI fields.
- In conjunction with the increased density of circuit boards due to advanced functions and multi-functionality, modularization that integrates ICs and multiple passive components is advancing. It is necessary that power electronic components become even more efficient so that a decarbonized society can be achieved.

Growth strategies

- Previously, since the applications and the products used were divided up by industry, we pursued development efforts that were focused on the fields of ICT, automotive, and industrial equipment. However, given that in recent years the barriers between fields have been rapidly breaking down and the fields are fusing together, a variety of new applications are being created. At TDK, we have seen these as a strategic growth market and are prioritizing product development for them. In our development efforts, we are bringing together our unique elemental technologies to put products into the market that have a high degree of originality.
- Coils and filters that use thin-film technology cannot be turned into products without plating technology and material development. TDK has a variety of elemental technologies and methods, so we can develop products appropriate to different markets and applications.
- We provides a diverse range of inductors extending from low to high power that use magnetic material technologies as well as wire winding, layering, and thin-film technologies. We are now focusing on supplying products for automotive applications such as advanced driving assistance systems (ADAS) and autonomous driving, markets that are expected to grow.
- With regard to multilayer ceramic chip capacitors (MLCCs), automotive applications, industrial equipment, base stations, and other devices need precise and complex sintering conditions. Making use of these conditions, we will focus on areas that require high quality and high reliability and pose high barriers to market entry by competitors.

Launch distinctive products for strategic growth markets using proprietary elemental technologies



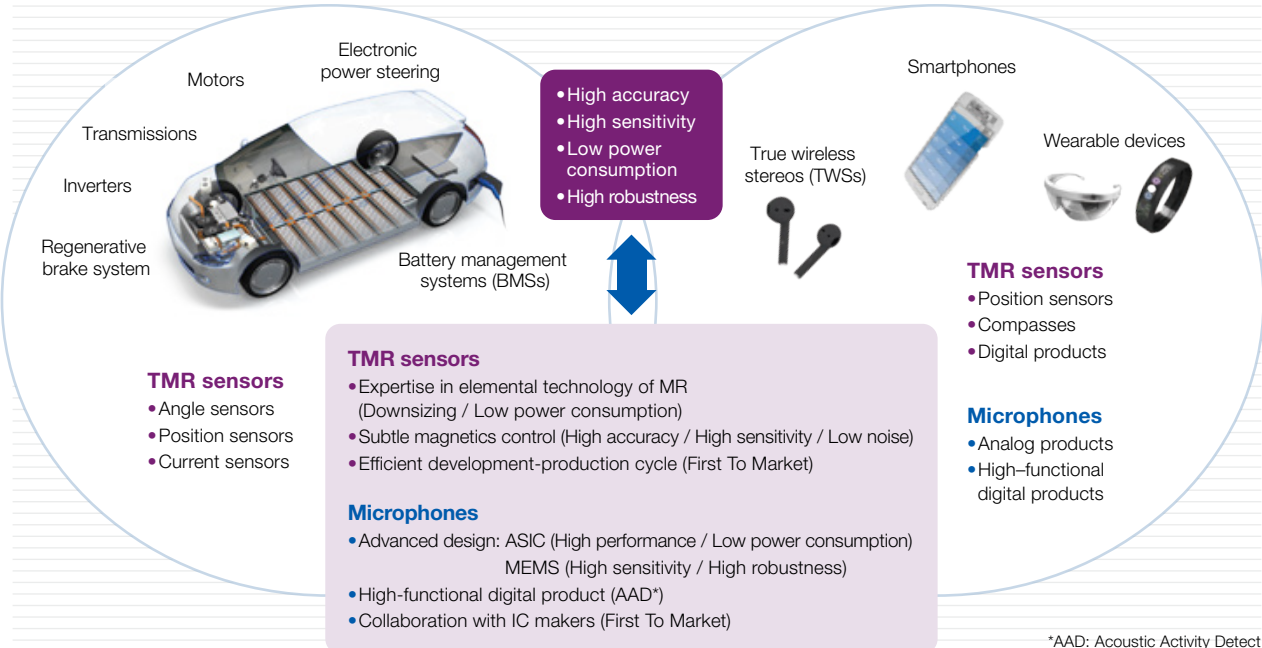
Market needs

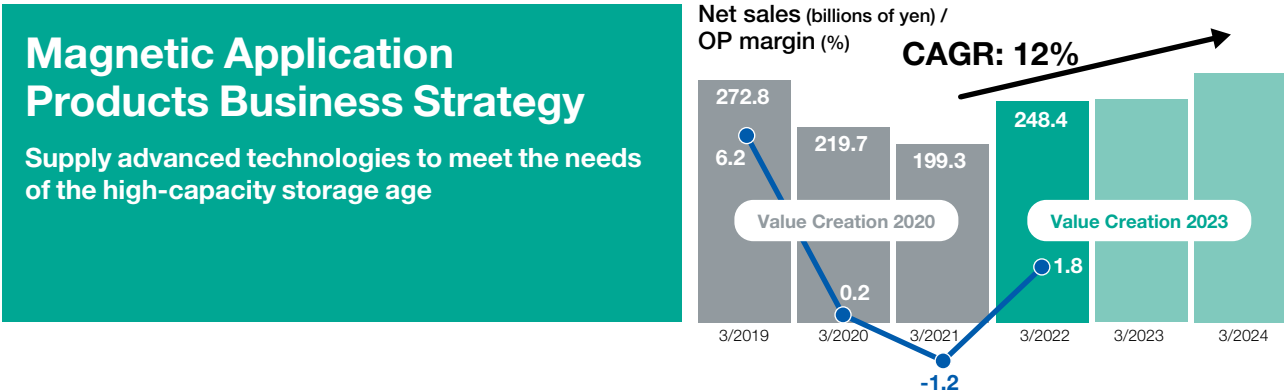
- As devices become increasingly automated, electrified, and smart, as the IoT and wearable devices become more widespread, and as AI and other technologies are spread, massive numbers of sensor networks will move into significant positions in social infrastructure. As a result, integration of sensors and the fusion with software and communications technologies will be crucial.
- The widespread adoption of xEV and ADAS will result in the diverse use of temperature, pressure, magnetic, motion, ultrasonic sensors and others.

Growth strategies

- Sensors and sensor solutions are areas where we anticipate growth in the future. Along with our software technology, we are capitalizing on our strengths with non-optical sensors in a wide range of technologies and products in our drive to further expand our applications and product lineup.
- TMR sensors, which were developed by using the thin-film and magnetic technologies, are a strategic product that TDK is focusing on. We are pushing forward on the development of products suited to a wide range of applications from ICT to industrial equipment and automotive uses.
- Our temperature sensors, pressure sensors, and Hall sensors are being used in products for automotive uses, and we are seeking to grow our business in particular in conjunction with the expansion of uses with xEVs. For example, we are working to further development efforts that should deliver sensor solutions that are both highly reliable and accurate by combining Hall and TMR sensors.
- We offer motion sensors, barometric pressure sensors, and MEMS microphones all based on our MEMS technology, and will further create a lineup of sensors of various types.

Focus sensor business domains





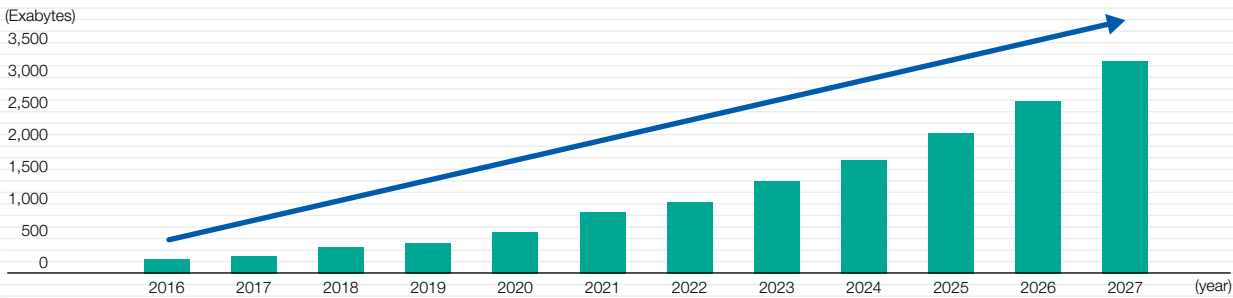
Market needs

- Thanks to the expansion in cloud and other services, investments in HDD servers for data centers are forecast to experience further growth. The technology requirements for HDD magnetic heads are likewise becoming ever more sophisticated.
- With xEVs gaining ground and the increase in wind power generators as a renewable energy source, applications that use metal magnets are expanding.

Growth strategies

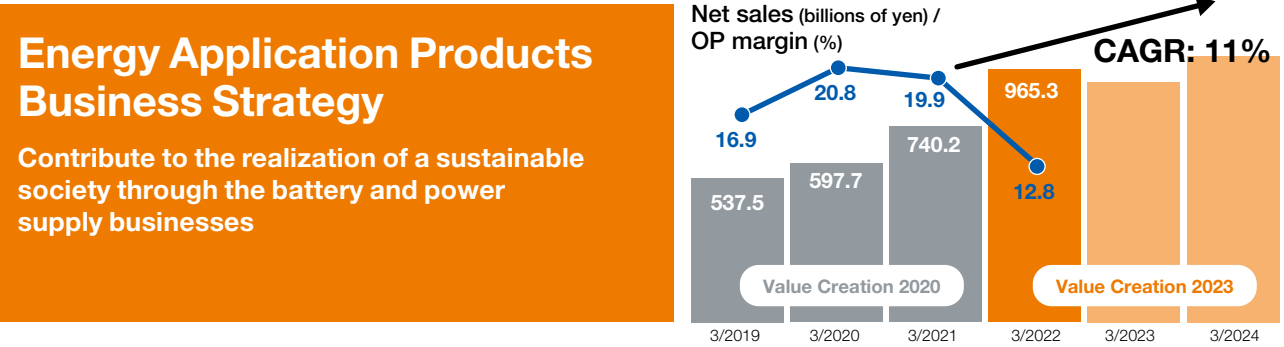
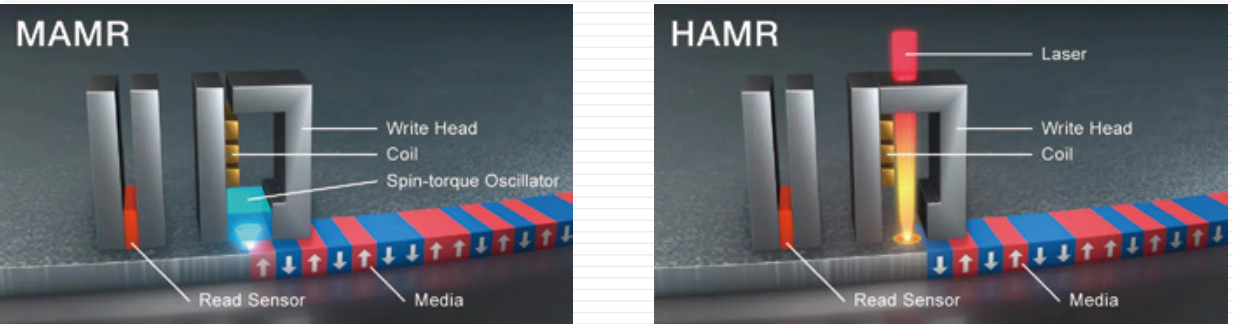
- We are commercializing HDD magnetic head products including TMR and PMR heads by consolidating magnetic and thin-film process technologies. As the world's only specialized manufacturer of HDD magnetic heads, TDK provides advanced technology to meet the needs of the high-volume data storage era and is focusing on development and mass production of new technology products including microwave assisted magnetic recording (MAMR) and heat assisted magnetic recording (HAMR) heads.
- In preparation for the increased demand for new-technology products, we will continuously promote automation and smart factories using AI and big data to optimize production capacity and operational systems.
- We will enter the market of the next-generation actuators for high-capacity nearline HDDs and expand the use of suspension application products that employ high-precision processing technologies in ICT markets.
- We will provide optimal solutions using neodymium magnets for the drive motors in xEV and work to minimize the use of difficult-to-procure rare earths to minimize procurement fluctuation risks.

Storage capacity of nearline HDDs shipped worldwide



Source: Techno Systems Research
*1 Exabytes (EB) = 1,000,000 Terabytes (TB)

Innovations in HDD magnetic heads and suspensions



Market needs

- Demand is increasing for power supply devices and rechargeable batteries due to the proliferation of xEVs, electric motorcycles, 5G communications, IoT and wearable devices.
- As the utilization of solar power, wind power, and other renewable energy increases toward the realization of a decarbonized society, demand is increasing significantly for batteries of residential energy storage systems and others.
- In such fields as smart cities and advanced medicine, demand is expanding for power supply and energy storage systems for the effective utilization of electricity.

Growth strategies

- We will maintain and expand our front-runner status in rechargeable batteries through the development of cutting-edge technologies and performance improvements in the ICT market, which looks to continue to grow in the future. At the same time, capitalizing on the cell technology that we have nurtured through small batteries, we will pursue business expansion in the field of highly safe, long-life, and high-output medium capacity batteries. Furthermore, with future business expansion in mind, we will strengthen our undertakings throughout our supply chain, including the upstream of raw materials.
- Regarding power supplies, we contribute to solve energy issues of society through the development and supply of, among other things, bidirectional converters for the highly efficient charging and discharging of storage batteries, which are essential for the utilization of renewable energy; programmable power supplies that are widely used in semiconductor manufacturing equipment and so on; and switching power supplies for various medical equipment requiring a high level of safety, such as MRI machines and PCR test devices.
- Regarding power supplies for xEVs, in addition to its technology of the compact and low-profile, and the light power supplies through the original design, we will contribute to solve issues in automobile society by the provision of added value enabling it to respond to the increasing demand for electricity due to the multifunctionality of automobiles and the need for rapid charging.

Energy solutions that contribute to EX in society



Accelerate EX and DX in order to realize 2CX and create value for a sustainable society



● ... 22 materiality themes

Since fiscal 2016, the TDK Group has worked to address four key CSR issues: contribute to the world through technology; develop human resources; consider the societal and environmental impact of the supply chain; and develop and prosper in harmony with the global environment.

In fiscal 2021, we reviewed our materiality in conjunction with preparing our Medium-Term Plan. In order to both achieve the goals of the Medium-Term Plan and balance sustainable society with sustainable corporate growth, we identified materiality by defining key issues as those which should be addressed by giving them top priority in investment of the organization's management resources.

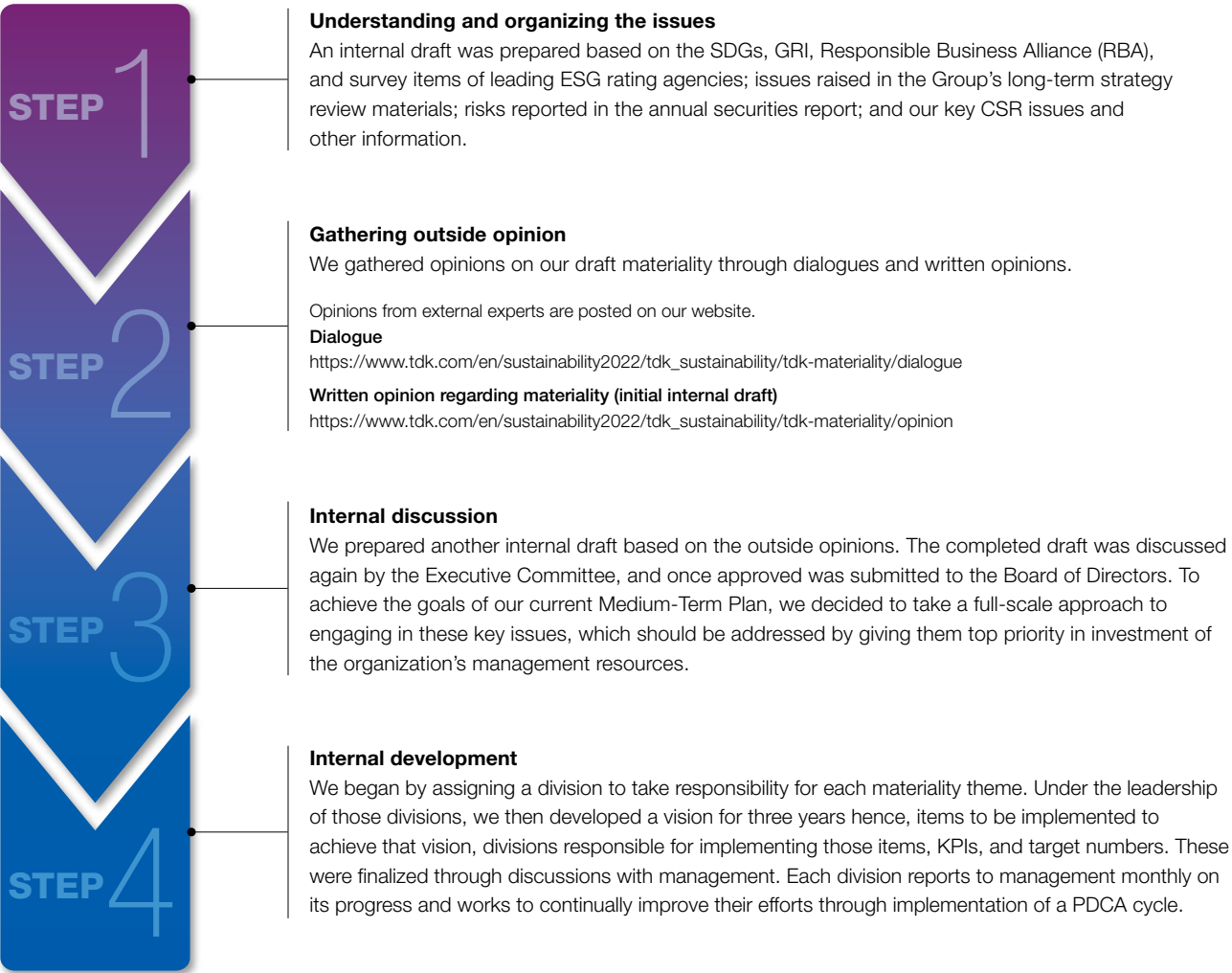
EX and DX, set forth in our materiality, are the business areas that TDK focuses on for social value creation and corporate growth, areas in which we can

create value for society through the Group's technology and products. We are striving to maximize Social Value primarily in these two areas by developing a system within the company to generate products based on the issues raised in the SDGs.

Quality management, human resource management, supply chain management, opportunity and risk management, pursuing both delegation of authority and internal controls, and asset efficiency improvement are the areas TDK has positioned as the basis for value creation in the fields of EX and DX.

These areas intersect on TDK group's materiality diagram, indicating that there is a correlation between the two.

The materiality identification process

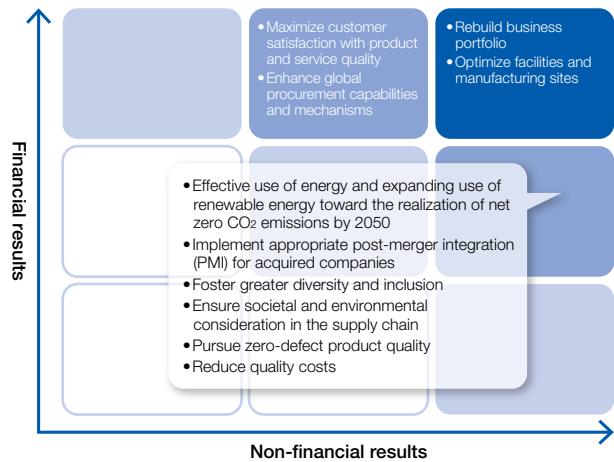


For more information on sustainability, please visit our Sustainability Website.
<https://www.tdk.com/en/sustainability/index.html>

Rigorous selection of materiality

Regarding the 22 materiality themes, we conducted hearings with related headquarters functions. After that, we carried out a qualitative assessment of the relationship of each theme to corporate value, centering on the two axes of financial results^{*1} and non-financial results,^{*2} and selected rigorous KPIs (diagram on right) from the perspectives of the effectiveness of materiality-linked KPIs and the impact on corporate value.

^{*1} Extent of contribution to capital efficiency through achievement of materiality (extent of contribution to enhancing business ROA within three years)
^{*2} Extent of contribution to reducing business risks or improving latent growth rate through achievement of materiality (effects not recognized within three years but expected to appear after that).



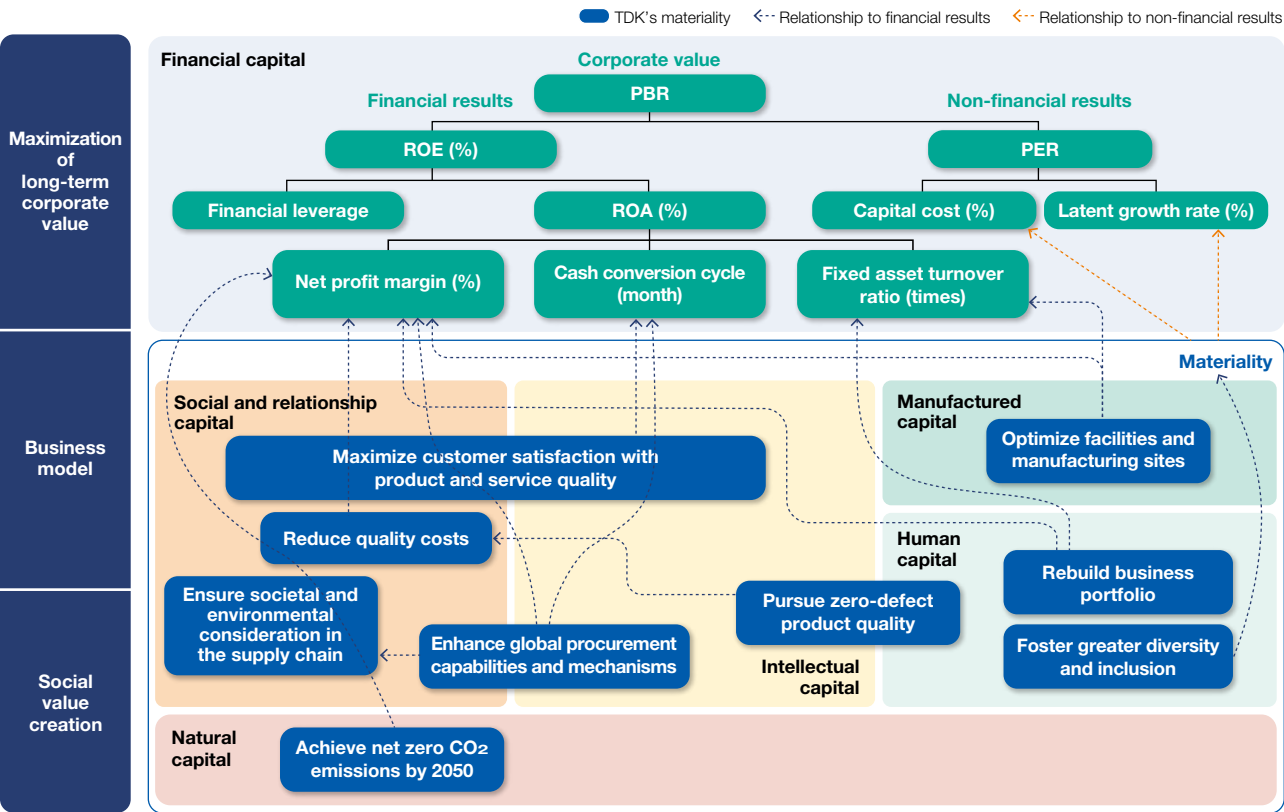
Relationship between materiality and corporate value

In endeavoring to maximize long-term corporate value, TDK emphasizes PBR as an indicator of corporate value. Following this approach, we studied and formulated a tree showing how activities linked to each materiality theme impact corporate value.

The tree also indicates which of the six capitals defined by the International Integrated Reporting Council

(IIRC) corporate activities linked to each theme contribute to. (These six types of capital are financial, manufactured, intellectual, human, social and relationship, and natural.)

In addition, we monitor the degree of achievement of KPIs set for each materiality theme by contrasting planned figures and achieved figures with a tool called a management dashboard that analyzes and visualizes data.



Enhancing Corporate Value by Qualitatively Analyzing Relations with PBR and Non-financial Indicators (ESG, etc.)

In promoting more effective non-financial activities, such as ESG, to further enhance corporate value, we are utilizing outside opinions and conducting demonstrative studies of non-financial activities. Specifically, using information released by 85 electric appliance companies listed in the First Section of the Tokyo Stock Exchange (as of March 2022) as a data source, we conduct causal estimates by the following analytical model and statistically evaluate and identify significant non-financial indicators against PBR, ROE, and PER. As a result, it can be said that such non-financial

indicators as the ratio of recycled waste to total waste do contribute to the enhancement of corporate value. These items are not included in the materiality set by the current Medium-Term Plan, but we are continuing to tackle them as activities. Going forward, we will increase the data and improve the analytical model so as to raise its authenticity. Furthermore, when formulating the next Medium-Term Plan, we will compile a value creation story and set materiality bearing these analytical results in mind and even more positively promote the enhancement of corporate value through non-financial activities.

1. Analytical Model

- Implemented causal estimates for each of three objective variables (PBR, ROE, and PER) using our original regression equation.
- In consideration of the nature of the objective variables, besides one non-financial factor to be analyzed, six financial factors and objective variables of the previous term's results are added to the explanatory variables.

Regression equation applied this time:
$$y_{it} = \beta_i x_{it} + \beta_1 x_{1it} + \dots + \beta_6 x_{6it} + \beta_7 y_{it-1} + u_{it}$$

Non-financial factor (one) Financial factors relating to business performance selected in consideration of the characteristics of the industry (six) Impact of objective variables in previous term

2. Analysis Results

Classification	Non-financial indicators ^{*1}	Unit	PBR		ROE		PER	
			Regression coefficient ^{*2}	P value ^{*3}	Regression coefficient ^{*2}	P value ^{*3}	Regression coefficient ^{*2}	P value ^{*3}
Environment	Amount of recycled waste/total amount of waste	%	0.027	p<0.01	3.003	p<0.01	—	—
	No. of ISO 14001 certified facilities/no. of employees	No. of facilities/1,000 persons	0.182	p<0.01	—	—	910	p<0.01
Social	No. of female corporate officers (at term end)	Persons	0.614	p<0.01	—	—	—	—
Governance	Ratio of outside directors possessing shares	%	0.007	p<0.05	—	—	—	—
	Frequency of Board of Directors meetings	Times	0.130	p<0.01	—	—	—	—

^{*1} This shows partially extracted non-financial indicators recognized as being statistically significant in causal estimation with objective variables and for which qualitative interpretation was possible.
^{*2} This shows the rate at which PBR increases in this model when the non-financial indicators are increased by one unit, assuming that other explanatory variables remain fixed.
^{*3} This is an indicator to investigate whether there is any statistical relationship between objective variables and explanatory variables. The p value shows the probability of a calculated regression coefficient being observed. The smaller the value, the higher is the possibility of a statistical relationship between the objective variables and explanatory variables.
^{*4} Analysis method and data
Analysis method: Employed the panel data analysis method (fixed effect model)
Data source: Used data released by companies in the electric appliance industry (industrial classification of the Tokyo Stock Exchange)
Data population: 85 companies in the electric appliance industry listed in the First Section of the Tokyo Stock Exchange
Data period: Last eight years

Please see the Sustainability Website for related information and other themes.
<https://www.tdk.com/en/sustainability/index.html>

KPIs, medium-term targets, and achievements for rigorously selected materiality themes

Category	Themes	Responsible department	Goals in three years	Action items	KPIs	Medium-term target (fiscal 2022–2024)	Progress of fiscal 2022
EX	Effective use of energy and expanded use of renewable energy toward the realization of net zero CO2 emissions by 2050	Safety & Environment Group	CO2 emission intensity from energy use (Scope 1, 2) is reduced by 12% compared with base year (fiscal 2015)	Aim at halving CO2 emission intensity, as advocated in the TDK Environmental Vision 2035, through the following two activities: • Strengthen energy efficiency by improving productivity at manufacturing sites • Expand the use of renewable energy	CO2 emission intensity from energy use	Reduce by 12% compared with fiscal 2015	Reduced 32%
Quality Management	Pursue zero-defect product quality	Quality Assurance HQ	Manufacturing in business divisions is moving toward upstream management in order to eliminate quality defects in the four areas of design, material, process, and management	• Strengthen the quality education in design, development, and manufacturing departments • Manage and maintain the certification at all applicable sites • Promote activities to eliminate the four quality defects (design, material, process, and management) by improving quality awareness and improvement methods and using AI	Implementation of quality education at all applicable sectors	Promote the globalization of quality education utilizing DX	Started learning with digitalized educational content
					Management of certification maintenance at all applicable sites (ISO9001)	Certification maintenance ratio: 100%	100%
					Consideration of the development of systems by utilizing AI	• Develop a system for detecting signs of equipment failure • Consider the development of design screening by AI search	• Considered elemental technology for indicative detection • Introduced an automated monitoring tool by deep learning
Quality Management	Reduce quality costs	Quality Assurance HQ	Measures have been taken to strengthen design reviews during design phase and to improve 4M (man, machine, material, method) at manufacturing sites, and improvements are promoted autonomously in business divisions	• Promote 4M improvement in manufacturing aimed at reducing quality loss (improving yield) • Promote small-group activities	Quality improvement activities for each cause	Implement measures for each cause	• Promoted the visualization of foreign objects through in-process activities to reduce the presence of foreign objects • Introduced an analytical tool to counter the fragility of software implemented in products • Implemented new quality diagnosis (processes, equipment) by headquarters functions • Issued a manual for small-group activities and promoted them
Quality Management	Maximize customer satisfaction with product and service quality	Quality Assurance HQ	The speed of response to quality complaints is improved by enhancing and strengthening the semiconductor analysis functions and, in the case of especially serious complaints, a company-wide cross-functional activity is conducted to respond to the customer	• Accelerate measures to improve customer satisfaction through cross- functional activities	“A rank” in degree of customer satisfaction *Among the total of supplier evaluations obtained from customers, “A rank” means the ratio of customers expressing satisfaction	At least 95%	96.8%
HR Management	Foster greater diversity and inclusion	Human Resources HQ	Employees’ understanding of the significance and purpose of activities to promote diversity and inclusion are deepened, and a foundation and talent pool are created that will continuously produce female candidates for managerial positions	• Penetrate the significance and purpose of activities to promote diversity and inclusion • Foster female candidates for managerial positions • Share TDK (Japan) activities globally and vice versa	Attendance ratio of workshop for managers (Japan)	70%/year	98%/year
					% of female candidates for promoting to manager position (Japan)	4%/year	10.3%/year
					Female managers ratio (Japan)	3%	3.7% (as of April 2022)
Supply Chain Management	Ensure societal and environmental consideration in the supply chain	Procurement & Logistics Group	The working environment of suppliers is regularly monitored utilizing CSR check sheets and continuously improved through feedback or guidance to suppliers	• Appropriately manage the working environment of suppliers	CSR compliant supplier rate	100%	99%
Supply Chain Management	Enhance global procurement capabilities and mechanisms	Procurement & Logistics Group	• Continuous cost reduction is achieved by sharing and utilizing the latest information of common critical suppliers of the TDK Group • Procurement risks, including potential risks, are reduced through supply chain optimization • Compliance with Global Common Regulations (GCR) is achieved through regular monitoring and support for subsidiaries	• Analyze the Approved Supplier List (ASL), formulate cost reduction plans, negotiate with common suppliers, study information sharing platforms, and launch a Global Procurement Collaboration Committee (GPCC) • Analyze high-risk components and materials and consider countermeasures; restructure and optimize the supply chain through negotiations with suppliers • Consider monitoring mechanisms, collect feedback from subsidiaries, support formulation of individual regulations, and conduct regular monitoring	Visualization and utilization of supplier information and purchasing data	Build a platform to uniformly visualize the TDK Group’s supplier information and purchasing data and utilize it in procurement strategy	Visualized supplier data of main subsidiaries
					Reduction of procurement risks for high-risk parts and materials	Conduct supply chain risk analysis and implement countermeasures	Identified high-risk parts and materials
					Conformity with global common rules	100%	Built a monitoring mechanism and began checking the state of establishment of individual rules
Pursuing Both Delegation of Authority and Internal Controls	Implement appropriate post-merger integration (PMI) for acquired companies	Corporate Planning Group	Pre- and post- acquisition processes are established and practiced, enabling acquired companies to display synergy and to grow and enhance their value under the TDK Group’s governance	• Implement pre-acquisition due diligence by each function • Compile pre- and post-acquisition plans and monitor activities to create synergy based on these plans	—	—	—
Asset Efficiency Improvement	Rebuild business portfolio	Corporate Planning Group	Through the implementation of various measures to improve asset efficiency, for example, the following indicators have been achieved: • OP margin: 12% or more • ROE: 14% or more • Capex (three years): 750 billion yen	• Reduce operating losses by promoting withdrawal/shrinkage and structural reform in priority challenging businesses based on business portfolio management • Effectively use R&D costs by setting new, continuation, and withdrawal criteria for R&D themes	OP margin	12% or more	8.8%
					ROE	14% or more	11.6% (IFRS)
Asset Efficiency Improvement	Optimize facilities and manufacturing sites			• Optimize capital investment to facilities and sites categorized in business portfolio management as “carefully controlled” or “improvement required”	Capex (three years)	750.0 billion yen	291.4 billion yen



Connecting Diverse Human Resources and Aiming for True Globalization as “TDK United”

The TDK Group’s human resource strategy

TDK has expanded and grown rapidly through our businesses such as M&A, and at present the TDK Group comprises more than 100 companies with over 250 sites in more than 30 countries around the world. The TDK Group has about 117,000 employees, and more than 90% of them work outside Japan. About 80% of these employees have joined the TDK Group through M&A.

To continuously come up with innovations, grow our business through business portfolio management, create economic and social value, and achieve our Medium-Term Plan, a new human resource strategy was necessary. This strategy involves building an environment in which diverse Group companies and outstanding members can fully display their abilities as members of the TDK Group and establishing a mechanism for human resource development based on

common Group-wide foundations to facilitate further growth. The following are our HR vision and mission statement based on this understanding.

Under this vision and mission statement, we launched our global human resources strategy in earnest in fiscal 2019. Its activities are directed and implemented by Andreas Keller, our Senior Vice President and General Manager of the Human Resources HQ in Munich, Germany.

Andreas Keller
Senior Vice President
General Manager,
Human Resources HQ

Vision

Transform TDK into a more resilient company, prepare as ‘trusted enabler’ for the future through highly engaged team members.

Mission Statement

We will connect TDK Group companies and members by utilizing their unique strength of diversity.

We are mainly working on following themes:

Unify our diverse human resources with global common foundations and strengthen reskilling

Link our diverse human resources and facilitate growth by appointing the right persons in the right places

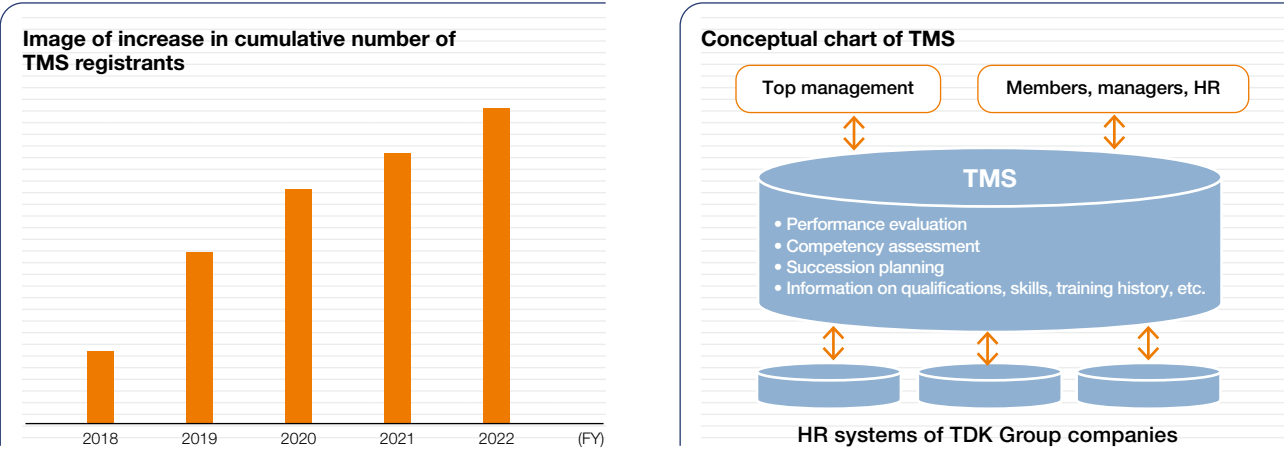
Build an environment to attract diverse individuals

1. Unify our diverse human resources with global common platform and strengthen reskilling

To build strong bonds among companies and employees who have joined the TDK Group through M&A and to create innovation, we are unifying HR management and training methods. Furthermore, to realize the development of human resources brimming with vitality, we will build a common learning platform for all employees.

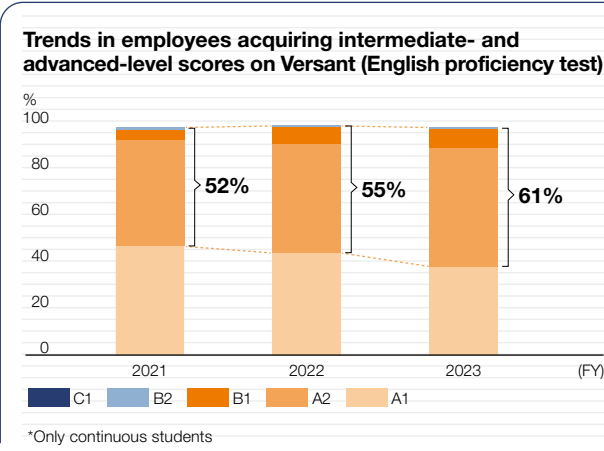
Visualization of the HR skills of Group employees

We are pressing ahead with the introduction of a system to unify and visualize HR management and training, centering on managers in the TDK head office and Group companies. In this system, which is called the Talent Management System (TMS), we have prepared such modules as “Performance evaluation,” “Competency assessment,” “Succession planning,” and “HR training plan” so that we can comprehend the abilities of each individual. This system is an important initiative to fully display the individual qualities of our human resources on a global scale. Going forward, our aim is to introduce it for all sites and Group employees.



Global unification of HR study and training methods

We are implementing the Global Communication & English (GCE) educational program for all employees with the aim of polishing communication skills in English, which are essential for global engagement within the Group. In addition, we have introduced the Weconnect platform, which enables the online study of digital teaching materials covering about 25,000 courses, including IT skills and management. We have built this environment enabling employees to study what they want and when they want so as to support their skill improvement.



2. Link our diverse human resources and facilitate growth by appointing the right persons in the right places

Business portfolio management is essential for TDK to achieve sustained growth. For this purpose, it is important for diverse human resources to be the right persons in the right places and to work actively regardless of their former career or nationality. Therefore, we will stipulate new regulations and maintain and bolster global management training to strengthen ties across generational and company boundaries.

Promoting the “right person, right place” activities of employees around the world

TDK is reviewing the differing personnel systems of Group companies with the aim of unifying HR management and training methods. Our basic HR management policy is to enable the right people to be active in the right places at the right time by comprehending the skills possessed by each team member and formulating unified rules to facilitate HR transfers among Group companies. We implement an HR strategy that is finely tuned to the respective positions of top management, midlevel managers, and employees.



Formulation of global mobility regulations

To promote the ideal placement of employees within the Group transcending country and company, we are formulating common regulations for Group companies on transfer not only from HQ functions (Global HQ and Regional HQs) to subsidiaries but also in the opposite direction and between Group companies.

Implementation of two-way overseas trainee system

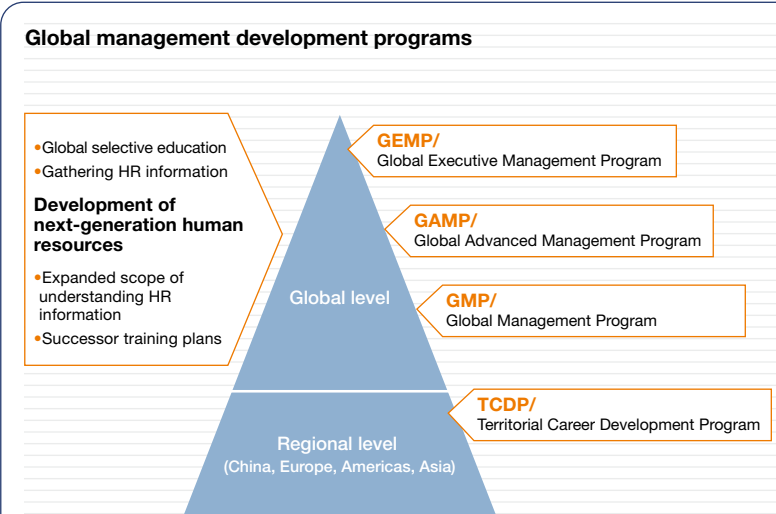
We are actively implementing not only the dispatch of trainees from Japan to other countries but also the acceptance of trainees from overseas to Japan.

Active invitation of outstanding foreign employees to Japan

TDK actively invites outstanding employees in our overseas affiliates to Japan to enable them to display their abilities to the full. This scheme not only helps the person concerned to grow but also serves as a stimulus for Japanese employees.

Implementation of exchange and training programs for next-generation leader candidates

The nurturing of successors capable of leading the TDK Group in the next generation is essential for ensuring TDK’s sustained growth. Therefore, TDK has launched four Global Management Development Programs aimed at developing future candidates for top management and director positions and building ties among them. Through the drafting of management strategy and workshops, we build an environment in which candidates can display their skills.



3. Build an environment to attract diverse individuals

To ensure that TDK continues to give birth to innovations and create new values, it is important to build a corporate culture in which Group employees share mutual respect regardless of such factors as gender, age, and nationality and can freely exchange opinions.

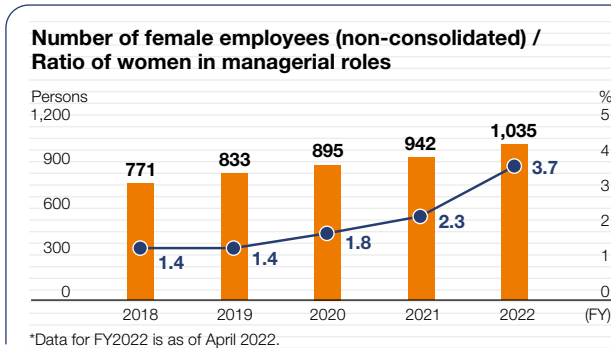
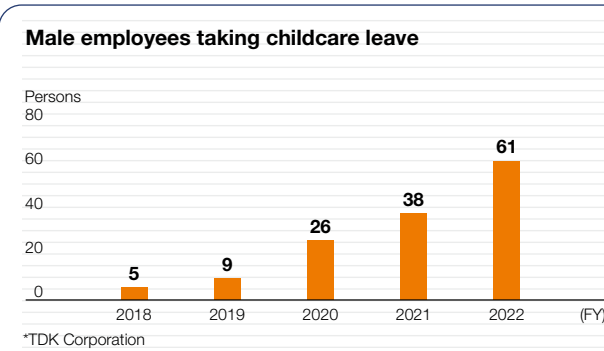
To this end, we will establish new workstyles and diverse workplace environments.

Creating a corporate culture brimming with diversity

To ensure that TDK continues to give birth to innovations and create new values, it is important to build a corporate culture in which Group employees share mutual respect regardless of such factors as gender, age, and nationality and can freely exchange opinions. TDK implements effective measures in each region to foster such a corporate culture.

As part of these efforts, we have set the target of raising the ratio of female managers in Japan to 15% by FY March 2036. Also, from March 2021 to February 2022 we held diversity workshops on 193 occasions for about 1,200 managers at TDK Corporation, the equivalent of 98% of all managers, to further deepen their understanding of the significance of activities to promote diversity. Furthermore, we have belonged to the nonprofit organization J-Win (Japan Women’s Innovative Network), which supports diversity management, since fiscal 2022, dispatching more than 10 young female employees there, and we have introduced a mentor system for the fostering of female employees.

TDK also encourages male employees to take childcare leave. Over the last five years the cumulative number of men taking childcare leave has reached about 60 persons. We will continue to make efforts to promote diversity in the workplace environment.



Building an environment enabling work anytime and anywhere

At present major changes are taking place in workstyles at TDK sites, including the introduction of telecommuting and super-flextime systems. TDK is promoting these activities further and making preparations to establish the TDK Smart Work system, which will enable autonomous workstyles unbound by working hours and workplace. Our aim through these initiatives is to enhance employee engagement and maximize both individual and company performance.

Endeavoring to enhance employee engagement with the aim of further growth

For TDK to realize sustained growth, it is important to improve the work environment of members, increase empathy with TDK’s future vision, and build an environment in which members themselves feel motivated to work. TDK conducts engagement surveys targeting Group employees worldwide and makes efforts to identify issues and raise engagement scores.



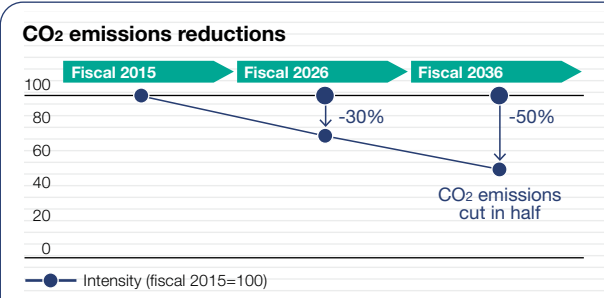
Toward net zero greenhouse gas emissions

Medium- and long-term goals

Anthropogenic greenhouse gas emissions, which contribute to global warming, are on the rise, and the sense of crisis about climate change is increasing, as represented by the Paris Agreement adopted at the COP21 in December 2015. Above all, CO₂ is a major emission source that makes up 76% (from the IPCC 5th Assessment Report) of greenhouse gases, so it is necessary to implement reliable CO₂ reduction measures in business activities.

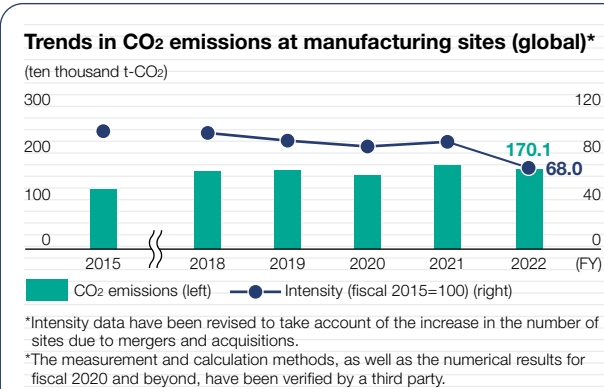
In the TDK Group, the environmental officer serves as the manager of the Group's environmental activities, including climate change issues, and the Safety and Environment Group of the Sustainability Promotion HQ leads the promotion of and support for the Group's environmental activities. We make decisions on important matters for management of the Group's environmental

activities based on deliberation by the Executive Committee and, if necessary, the Board of Directors. The TDK Environmental Vision 2035 was established as the goals of specific activities, and we strive to reduce the environmental load from a life-cycle perspective, from the use of raw materials to the use and disposal of products.



Reduction of CO₂ emissions at manufacturing sites

CO₂ emissions from energy use at manufacturing sites have been recognized as a major environmental load at TDK for a long time, and we continue to promote reduction activities. In fiscal 2022 CO₂ emissions decreased by 3.8% from the previous year to 1.701 million tons due to the expanded introduction of renewable energy. Going forward, we will promote reduction efforts rooted in manufacturing activities across the entire Group based on a policy, as advocated in TDK Group's materiality, of achieving the effective use of energy and the expanded use of renewable energy toward the realization of net-zero CO₂ emissions by 2050.



Reduction of CO₂ emissions from logistics activities

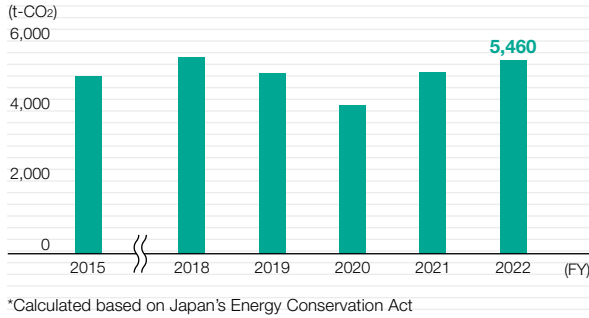
At TDK, we are working to reduce CO₂ emissions from logistics activities for the purpose of contributing to global warming countermeasures, improving transportation efficiency, and reducing transportation

costs. In Japan, a committee to improve energy conservation in logistics was established in fiscal 2007, when the revised Energy Conservation Act was enacted, and energy reduction activities related to logistics have

been carried out. As a result of increased product transportation due to a rise in production volume, CO₂ emissions in logistics in fiscal 2022 amounted to 5,460 tons, up 6.7% over the previous year. This represented a decline of 9.2% from the fiscal 2015 level, meaning that we did not achieve our target.

Going forward, the entire TDK Group will endeavor to promote reduction activities. We have begun efforts at overseas sites to reduce CO₂ emissions in logistics, and we are studying a mechanism to gauge emissions so as to properly reflect them in reduction activities.

Trends in CO₂ emissions from logistics activities (Japan)*



Expansion of contributions to reduction of CO₂ emissions by products

TDK has been conducting product assessments since 1997, in which we assess the environmental impact of a product over its entire life cycle. In the mechanism we adopt, only products approved by this product assessment are commercialized and distributed into the market. The excellent environment-conscious products (ECO LOVE products) accreditation system was introduced in 2008 as a measure to continuously create products with high environment-conscious effects based on the assessment results of the product assessment. We have been disclosing information about the products certified as excellent environment-conscious products on our website and promoting the creation and dissemination of products that contribute to reducing the environmental load.

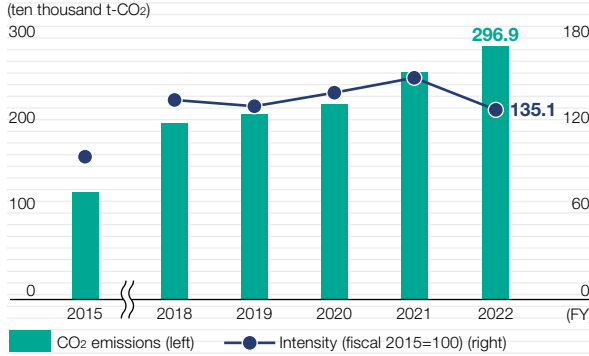
In addition to these activities, expanding the reduction of CO₂ emissions through products (product contributions) is one of the core initiatives within the TDK Environmental Vision 2035 and TDK Environment, Health and Safety Action 2025. To mount potent appeals for the social contributions by TDK products as the fruits of technical initiatives, these product contributions have been calculated and disclosed since the TDK Environmental Action 2020 (the company's previous medium- to long-term plan). Public awareness activities are also being advanced to gain understanding of the contributions of electronic components as intermediary parts, along with moves to formulate coherent industry standards for calculation methods positioned to serve as the basis for earning appropriate evaluations of product contributions performance, and the results were released in the form of guidance by industry groups.

Based on these results, TDK established the Guideline for Calculation of Product Contributions and is promoting the diffusion of global calculation work throughout the entire

TDK Group by adding the calculation of product contributions to assessment requirements at the product development stage. In fiscal 2021 TDK's sustainability activities, including the reduction of CO₂ emissions by its products, were highly acclaimed and commended by customers. Going forward, TDK will continue to establish calculation rules and endeavor to disseminate them throughout the Group.

The contribution to CO₂ reduction by products in fiscal 2022 amounted to 2.969 million tons. The intensity decreased by 12.3% from the previous year, meaning that our target was not achieved. Going forward, we will strive to develop eco-friendly products that contribute toward reducing the environmental load of customers and society and to popularize such products by publicizing their value.

Trends in CO₂ emission reductions by products



*The calculation method was reviewed by a third party.
*The product contributions have been calculated based on the internal guidelines compliant with IEC's "TR62726 Guidance on Quantifying Greenhouse Gas Emission Reductions from the Baseline for Electrical and Electronic Products and Systems"; The Institute of Life Cycle Assessment, Japan's "Guidelines for Assessing the Contribution of Products to Avoided Greenhouse Gas Emissions"; and JEITA's "Guidance on Calculating GHG Emission Reductions Contribution of Electronic Components."

Response to TCFD

In May 2019 TDK expressed its approval of the Task Force on Climate-related Financial Disclosures (TCFD), which makes recommendations to analyze and disclose information on the impact of climate change on corporate finances. Established in 2015 by the Financial Stability Board (FSB), an international body that aims to stabilize the financial system, the TCFD makes proposals that are expected to be a catalyst for promoting information disclosure within companies and organizations, and encouraging dialogue between financial institutions and business corporations.

Believing that assessing the risks and opportunities to our business due to climate change and appropriately disclosing information are going to be essential for both achieving corporate growth and building a sustainable society in the future, TDK is steadily addressing these matters.

In accordance with the TCFD framework, we disclose TDK’s initiatives to tackle the problem of climate change as follows.

Governance

Board’s oversight of climate-related risks

At TDK, the environmental officer carries out a management review more than once a year of the state of progress in environment-related matters, including climate change, as well as plans and risks. The results of the management review and matters requiring management decisions are deliberated in the Executive Committee and, if necessary, the Board of Directors.

Management’s role in assessing and managing climate-related risks

Positioning

Regarding risks relating to the environment, including climate change, TDK has clarified the responsibilities of the environmental officer, who is appointed by the CEO. In addition, to strengthen the risk management framework, TDK has established committees directly under the Executive Committee. Of them, the Enterprise Risk Management (ERM) Committee has been set up with the aim of ensuring a company-wide response to factors impeding the achievement of business targets and business operations, including climate change. The ERM Committee discusses important matters among environmental risks, including climate change. The chair of the ERM Committee is a corporate officer appointed by the CEO.

Responsibilities

Regarding a company’s social responsibility, TDK recognizes that coexistence with the global environment is an important issue in management and has established the post of environmental officer. Appointed by the CEO, the environmental officer takes responsibility for environmental management in general, including climate change. In addition, the head of the Safety and Environment Group of the Sustainability Promotion HQ, which has been established under the environmental officer, is given responsibility for implementing environmental management, including climate change. In the TDK Group, all business groups, departments, sites, manufacturing subsidiaries, and head office functions come together in unison to work toward realizing the goals of

the TDK Environmental Vision 2035 (operate under an environmental load within natural circulation and halve the life-cycle CO₂ emission intensity by 2035).

Among environmental risks, including climate change, important matters are reported through the ERM Committee to the Executive Committee and the Board of Directors.

Content of responsibilities

The Safety and Environment Group of the Sustainability Promotion HQ sets Group-wide targets for environmental matters, including climate change, and identifies environment-related risks for the Group. The ERM Committee identifies Group-wide risks in accordance with risk management regulations and handles problems relating to climate change as one aspect of Group-wide risks.

Monitoring

The achievements of environmental activities, including activities relating to climate change, are reported in the management report, and more than once a year the environmental officer carries out a management review, discussing and deciding important matters in the promotion of environmental activities, such as the compilation of reports and medium- to long-term targets for major KPIs and energy-saving investment.

In addition, matters in this management review that are deemed to exert an important impact on management, such as visions and large-scale investment, are discussed in the Executive Committee and, if necessary, the Board of Directors.

Strategy

In the Medium-Term Plan “Value Creation 2023” that started in fiscal 2022, TDK advocates the basic policy of accelerating energy transformation (EX) and digital transformation (DX) in order to enhance customer experience and consumer experience (2CX) and to create value for a sustainable society. As well as setting the TDK Group’s materiality as management issues that should be tackled to realize the Medium-Term Plan, we have positioned EX (contributing to energy and environmental solutions by minimizing waste heat and noise with electronic devices) as a business domain on which TDK focuses for both social value creation and corporate growth, and we are addressing it as one aspect of our business strategy.

Specifically, we are promoting the effective use of energy and the expanded use of renewable energy toward the realization of net-zero CO₂ emissions by 2050. Furthermore, we are striving to provide products and solutions for creating clean energy to realize a zero-carbon society and to supply products and solutions for bringing about an efficient energy society through the storage, conversion, and control of energy. In these circumstances, TDK conducted scenario analysis with the aim of analyzing business risks and opportunities in problems related to climate change and reflecting the results in strategy.

Results of scenario analysis

In accordance with the Practical guide for Scenario Analysis in line with the TCFD recommendations issued by the

Ministry of the Environment, TDK implemented scenario analysis based on the following preconditions.

The main risks and opportunities identified based on the scenario analysis are shown in the table on the below. Under the 2°C scenario, in which countries’ regulations through decarbonization policies become stricter, we understood the possibility of transitional risks occurring with the introduction of carbon pricing and higher cost of renewable energy. The analysis estimated the financial impact of these risks in 2030 to be 5.9 billion yen in the case of carbon pricing and 17.6 billion yen for renewable energy. In the automotive market, which is one of TDK’s key markets, since the shift to electric

Preconditions

- Assumed period: fiscal 2031
- Applicable scope: Entire TDK Group
- Adopted scenarios: 2°C scenario (Sustainable Development Scenario [SDS] and New Policies Scenario [NPS] of the International Energy Agency [IEA]), 4°C scenario (the IEA’s Current Policies Scenario [CPS], Stated Policies Scenario [STEPS], and Representative Concentration Pathway [RCP] 6.0 scenario)

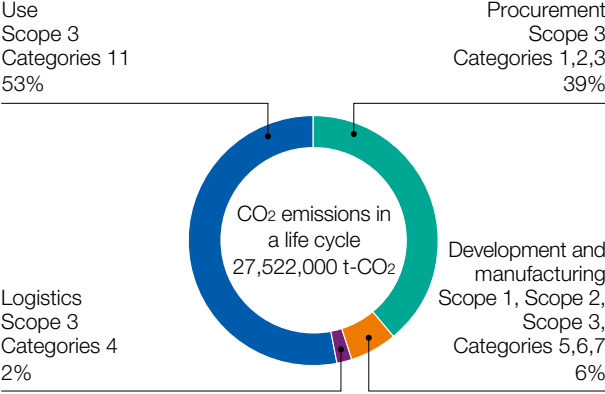
Main risks and opportunities

Classification		Risks and opportunities	Main countermeasures
Transition risks	Carbon pricing / carbon-emission targets of each country	Risk	• Promotion of the effective use of energy, expanded use of renewable energy, etc. at manufacturing sites toward the realization of net-zero CO ₂ emissions by 2050
	Increase of energy costs due to rise in renewable energy ratio	Risk Opportunity	• Promotion of the effective use of energy at manufacturing sites toward the realization of net-zero CO ₂ emissions by 2050 • Promotion of the development of products for renewable energy, etc.
	Increase in price of cobalt and lithium	Risk	• Monitoring of raw material price trends and implementation of risk hedging at time of procurement • Implementation of long-term supply contracts • Reduction of amount of cobalt and lithium used in products, etc.
	Increase of new business chances due to expansion of EV market	Opportunity	• Promotion of product development with an eye on EV market expansion
	Development of next-generation battery materials	Risk Opportunity	• Promotion of the development of all-solid-state batteries
	Increase of customer demands regarding RE100	Risk Opportunity	• Analysis of customer initiatives to respond to climate change • Compilation of plan to introduce renewable energy, etc.
Physical risks	Increase of business risks due to rise in flooding	Risk	• Implementation at sites of measures to counter flooding risks • Promotion of BCP response, building of BCM framework, etc.

Fiscal 2022 goals

Fiscal 2022 goals	Achievements
Reduction of CO ₂ emissions at manufacturing sites Improve CO ₂ emission intensity from energy use by 1.8% compared with the previous fiscal year	Improved by 25.2% compared with the previous fiscal year
Reduction of CO ₂ emissions from logistics activities Improve CO ₂ emission intensity in logistics by 1.0% compared with the previous fiscal year (Japan)	Worsened by 6.7% compared with the previous fiscal year
Expansion of contributions to reduction of CO ₂ emissions by products Improve the intensity of contribution to CO ₂ reduction by products by 2.7% compared with the previous fiscal year	Worsened by 12.3% compared with the previous fiscal year

Breakdown of environmental load (CO₂ emissions)



Other Environmental Impact Reductions

Water resources conservation

From the procurement of raw materials to the disposal of products, TDK strives for operations with little environmental load throughout the entire supply chain. Similarly, we promote the conservation of forestry resources and water resources. In line with the TDK Environmental Charter, we aim for “Develop and Prosper in Harmony with the Global Environment.” Every single employee will act positively by thinking about the impact of production activities on the environment and the relationship between corporate activities and the environment, endeavoring to conserve an affluent global environment, and constantly paying heed to contributions to preserve the ecosystem.

Furthermore, in consideration of business characteristics, TDK has specified the key SDGs that we will focus on and clarified our policy of solving issues, including water-related problems, through technological development in our main businesses. As a water-related example, we are promoting the development of various sensors in accordance with Goal 12 of the SDGs, which is titled “Responsible consumption and production.” In addition, we are reducing water withdrawal in manufacturing processes.

In fiscal 2022, we set a goal to improve water withdrawal intensity by 1.5% compared with the previous fiscal year. In consequence, we improved by 25.5% compared with the previous fiscal year.

Reduce risks of chemical use

TDK is moving forward on reducing the use and emissions of chemical substances in order to reduce their impact on the environment as well as mitigate the health risks to employees and risks of fires or explosions. In fiscal 2022, we set a goal to promote the integrated management of chemical substances globally and raise awareness in-house about the situation surrounding regulated chemical substances in the future, while we formulated uniform guidelines on the use of chemical substances. We also began to create a system for teaching development engineers about the management of chemical substances.

Approach to biodiversity

We recognize the importance of biodiversity and strive for operations causing little environmental load throughout the entire supply chain, from the procurement of raw materials to product disposal. In collaboration with local communities, we also promote ecosystem restoration activities and initiatives to realize a circular economy that does not harm the cycle of nature. All TDK employees are aware of the impact on the environment from production activities. We consider the relationship between business operations and the environment and strive to protect an affluent global environment. The TDK Environmental Charter, revised in April 2018, expressly provides that employees are to consider contributions to ecosystems and take proactive action at all times.

Supply chain performance data

(FY)

Category	Item	Unit	2018	2019	2020	2021	2022
Initiatives as a supplier	Number of manufacturing sites covered by CSR self-checks	Site	82	81	78	79	80
		%	100	100	100	100	100
	Number of manufacturing sites covered by labor, human rights and ethics risk assessment	Site	82	81	78	79	80
		%	100	100	100	100	100
	Number of manufacturing sites performed CSR voluntary audits by third-party organizations	Site	8	5	5	6	5
	Number of employees participated in CSR internal auditor training (accumulated)	Person	217	253	303	303	333
	% of customers covered by the satisfaction evaluation*1	%	7.2	7.0	7.3	6.6	5.8
Initiatives as a buyer	% of A rank customers*2	%	89.7	89.8	93.8	95.9	96.8
		%	89.7	89.8	93.8	95.9	96.8
	Number of dispatch companies covered by CSR self check (dispatch companies used by manufacturing sites in high-risk countries of Asia)*3	Company	27	81	73	78	68
Responsible sourcing of minerals	Ratio of suppliers confirmed conflict-free*4	%	92.3	92.6	93.1	94.5	93.6
		%	92.3	92.6	93.1	94.5	93.6
	Number of conflict minerals survey*5	Number	2,427	2,381	2,423	2,832	2,810

*1 % of sales amount (consolidated) *2 % of customers who evaluated their satisfaction as “A rank” (fully satisfied), calculated by aggregating satisfaction evaluations provided by customers
*3 The scope of survey was expanded in fiscal 2019 *4 The target mineral is 3TG *5 Number of responses that were generated by TDK Corporation

Respect for Human Rights

Our policies for respecting human rights

The TDK Code of Conduct states that “The TDK Group will continue to respect human rights, comply with relevant laws and regulations and international rules, and discharge its social responsibility with a strong sense of ethical values for the purpose of creating a sustainable society.” To this end, the TDK Code of Conduct requires respect for human rights, and we specifically prohibit any form of forced labor including human trafficking in our supply chains.

The 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 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 Group itself but also throughout the value chain. We expect our business partners and suppliers to understand and support the TDK Group Policy on Human Rights, and we also include the prohibition of forced labor in the TDK Supplier Code of Conduct and require our business partners and suppliers to comply with it.

Due diligence process

The TDK Group undertakes human rights due diligence processes and promotes its due diligence activities in line with the procedures set out in the UN Guiding Principles

on Business and Human Rights. We also continue to dialogue with internal/external parties and stakeholders to make our activities more effective.

Human rights key themes

The TDK Group periodically assesses the issues which could become potential human rights risks and the groups of people who might be vulnerable to such risks through dialogues with external parties, reports from international human rights organizations and conducting risk assessments and CSR self-checks. We conduct ongoing reviews of our operations in order to evaluate the potential human rights risks identified above by considering the risk of occurrence of human rights infringement, the impact on human rights should the infringement occur, and the scale of impact that our company can leverage, considering our ongoing due diligence activities such as CSR self-check, risk assessment etc. As a result, we have prioritized the following three human rights key themes, focusing on preventive/remediation measures and their monitoring. In addition, we periodically review these human rights key themes.

- 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)



Please refer to the Sustainability Website for details.
https://www.tdk.com/en/sustainability2022/social/human_rights#anchor_05

Chapter 3

How Is TDK's Governance Evolving?

Bringing a long-term, bird’s-eye view to deepening governance at TDK, with the goal of sustained improvement in corporate value

Shigenao Ishiguro
Chairman & Director



Expectations for the new President and CEO

Looking back at what I have accomplished as TDK’s leader in the six years since becoming president in 2016, I think the most significant work I have done was in the area of internal reforms, though of course I also advanced business strategies such as our global business development and a transformation of our portfolio. Particularly during the two and a half years since 2020, we took the emergency situation of the global COVID-19 pandemic as an opportunity to reexamine our own purpose, putting maximum effort into Group governance and other corporate structures and into building a global HR management system, which would allow us to achieve sustained growth for ourselves while creating value for society. I take pride in the fact that the TDK Group as a whole is now, for the most part, ready to take a major step forward toward the next stage of growth.

Based on this, I thought that our next leader should be someone with a slightly different intention from myself, someone with a solid outward focus who would actively explore the wider world. In that sense, I believe that our new president, Noboru Saito, is an ideal fit.

Having spent many years in the sales field, he has generated business by addressing the needs of a variety of customers, worrying about and thinking through the issues, and taking on new areas of business. I hope he will take full advantage of that experience to promote to the outside world not only TDK’s diverse products and services, but also the value of TDK itself as a company, creating new value that meets the expectations of society through collaboration and co-creation with a wide range of people.

I have great expectations for President Saito’s management capabilities as the leader of our organization. In his role leading our sensor business, perhaps the most multi-national of TDK’s many business segments, he worked with diverse staff both in and outside Japan to overcome numerous hardships and build the business, bringing it to profitability even earlier than planned. I truly admire his abilities in accomplishing this. While TDK has made great progress in the globalization of its business execution structure over the past six years, I am confident he will provide this “super multinational” team with dynamic leadership, drawing out its maximum potential, and taking the Group to even greater heights.

Governance reforms to date

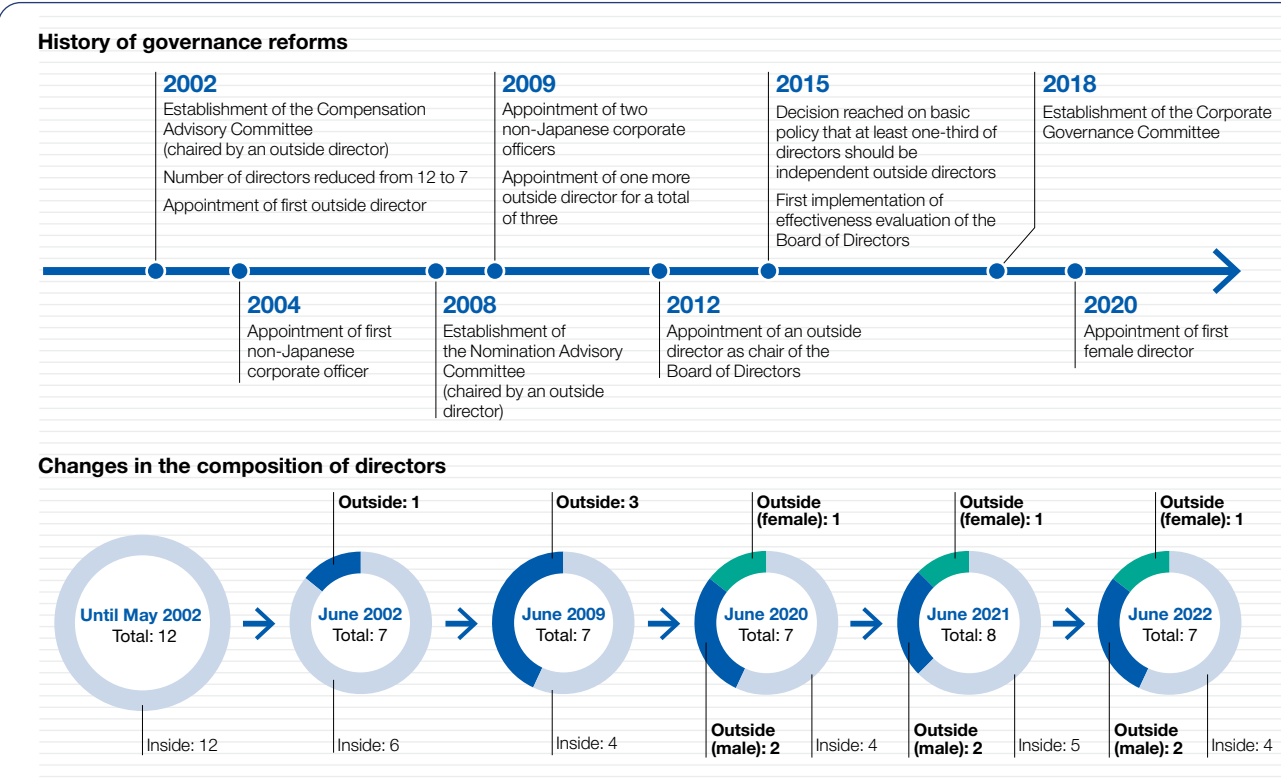
TDK as a company has adopted a governance framework that is quite advanced for a Japanese corporation, having appointed outside directors to join our Board for the past 20 years, and having been one of the first companies to establish the Nomination Advisory Committee and the Compensation Advisory Committee as advisory bodies to the Board of Directors. The first thing I thought of doing when I became president was to make this framework function more effectively.

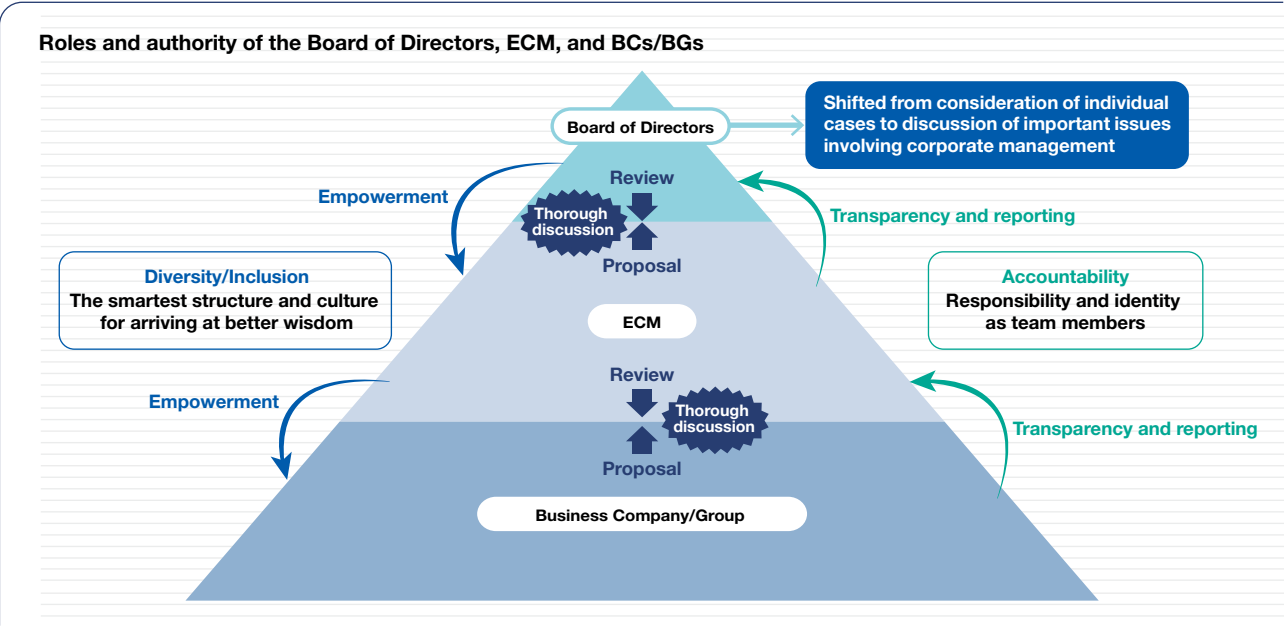
My personal theory is that corporate governance is not just about ensuring governance over the highest-level Board of Directors and its peripheral functions. The objective of strengthening governance should also be to ensure that, along with risk management, the company’s business execution functions can operate properly. Thus, the first thing I did was to implement structural reforms of the Executive Committee Meeting (ECM), the highest decision-making body in terms of business execution.

To ensure that this ECM, responsible for decisions over all types of important matters involving execution, would not be a mere rubber-stamp body, I started by

changing its common language to English, making it easier for multinational participants to participate in discussions. In addition, in order to rigorously review and validate from a non-biased perspective the wide-ranging issues raised by the front-line business companies (BCs) and business groups (BGs), including capital investments, M&A, and R&D, we changed the participants in the ECM from top-line BC and BG representatives to staff-level executives from corporate planning, finance and accounting, production engineering, R&D, and other areas. As a result of these reforms, the number of cases being sent back for further review increased, and online, ad hoc ECMs to re-examine those cases were held more frequently. We were thus able to establish a new decision-making flow in which the president is ultimately responsible for determining direction after a thorough review and active discussion of the suitability of each issue at the executive level; the president then submits the matter to the Board of Directors as required by our authority regulations.

Because issues are thoroughly discussed on the executive side before being submitted to the Board of Directors, the president and the executive officers can respond smoothly to any challenging questions





asked at meetings of the Board. This in turn has increased the Board's degree of trust in the executive function and has broadened the scope of empowerment. It has also speeded up decision-making by the BCs and BGs, increasing the probability of front-line business success. Meanwhile, transparency is ensured by having the BCs and BGs, with their expanded authority, report regularly to the Board of Directors regarding the actions they take and the results of those actions. Leveraging this "empowerment and transparency" structure, I have spent six years developing a governance system that allows for a greater grip on management across the Group as a whole.

The role of chairman

Following the June 2022 General Meeting of Shareholders, I assumed the new role of Chairman, a position without representative authority. This is a unique position in that it makes me an inside director, but not on the executive side. Representative authority was removed to make this position clear. The key here is that while not on the executive side, I know a great deal about business execution. As I noted above, I believe that how well one can ensure the effective functioning of the executive organization is an

important issue in corporate governance. I chose this position because I hoped to be of help to the company in this respect going forward.

Because until just recently I had overall responsibility for business execution, I know firsthand what the executive side has been thinking, what their concerns are, and what kind of discussions they have had prior to submitting their various proposals. As someone who understands their hardships and efforts, I believe one of my roles is to offer follow-up support for proposals and reports from the executive side at the Board of Directors, and work to stimulate and further deepen discussion.

I also think one of my missions going forward will be to offer proposals and advice from a big-picture perspective, a view that is more difficult for the executive side to maintain. As I know from my own experience, the interest of those on the business execution side tends to focus on the battles at hand. While that is certainly their first priority, that narrow focus makes it impossible to win on the next battlefield, and in the future will always create more hardship.

I often hear from people outside the company that TDK has done a great job in transforming its business portfolio. The company has constantly shifted its core business to stay with the times, from magnetic tape to magnetic heads, and again to

batteries. Today, our business in sensors is steadily being built to form our next pillar. This has only been possible because we have always been prepared with the "next thing", anticipating that the day will surely come when even a cash cow business will no longer play that role. The key here is to have the next thing ready while that core businesses are still generating profits. Waiting until it runs out of steam is too late. As a manufacturer, this is an extremely important concept, and in a sense is an eternal issue in our business, but it can be difficult to address when one is on the business execution side.

I think the greatest contribution the board of directors can make to the executive team is to suggest the direction the company should take, based on a medium- to long-term, bird's-eye view. Of course, our outside directors also provide advice and recommendations to the executive team from their respective professional standpoints, based again on this medium- to long-term, bird's-eye view. By injecting my own perspective—both as an insider and as an experienced executive—into these calm, objective opinions, I hope to make the Board of Directors an entity in which "outsider" and "insider" views mesh organically to move the proceedings forward. Naturally, the primary role in running the company goes to the executive team, especially the president. As his predecessor, I would like to support the executive team by ensuring they have autonomy in taking the right steps toward the next thing, even as I keep an eye on the business structure of the Group as a whole and on key turning points in each business.

Working toward long-term improvement in corporate value

The TDK Group's value creation cycle begins with the creation of social value, in other words our contribution to solving a variety of social issues. This is in keeping with our Corporate Motto, "Contribute to culture and industry through creativity." To aim toward sustained improvement in corporate value, it is essential that we continually work to deepen our contribution to solving these social issues.

This was, in fact, our objective in launching our Corporate Marketing & Incubation (CM&I) HQ in April

2021. The mission of this organization is to explore a broad range of customer needs, and to look at the entire company from a cross-sectional perspective, exploring the potential for combining a wide variety of technology seeds. I hope that under President Saito's new administration, we can expect to see the CM&I HQ, the corporate departments, and the R&D functions of the business divisions, and a diversity of internal and external organizations linked to create, in a timely manner, new products and solutions demanded by the market. In addition, the activities of TDK Ventures, a corporate venture capital firm established in the United States in July 2019, should also be of great use in scouting out cutting-edge needs. I would like to see a cycle of creation built for high-value technology, products, and solutions by linking information obtained from TDK Ventures' activities to the CM&I HQ and our global R&D functions.

With regards to governance, the fact that we have advanced a variety of reforms to date does not mean we are satisfied with the status quo. TDK is a company that has always grown by leveraging cutting-edge, unique technologies. To continue to achieve that kind of growth, I would like to further explore ways of engaging in proactive governance, in which cutting-edge technological and market information can be utilized in management.

The Board of Directors also still has room for improvement. Since last fiscal year, we have provided a venue for talks outside of Board of Directors meetings, where frank discussions are held around specific topics. Recently, members discussed changes in the global competitive environment, including the risk of dependence on the Chinese market and the risk of a division between East and West. I hope to further deepen our proactive governance by seeing that the understanding of issues arising from these dialogues leads to discussions at Board of Directors meetings.

In the context of the two major global trends of EX and DX, the areas in which TDK can create new value continue to expand significantly. Going forward, we aim to further improve corporate value by engaging in a cycle of value creation through solutions to a variety of social issues, and we hope our stakeholders will continue to have high expectations for the future of the TDK Group.

After vigorous discussions with an eye to long-term strategy, we selected the right leader for the next generation.

Characteristics and effectiveness of governance at TDK

What distinguishes governance at TDK?

Iwai: My primary impression is that discussions are always conducted with sincerity. The executive side takes our multifaceted questions sincerely and responds in kind. Further, we feel constantly invigorated by the fact they never pander to us, instead always responding by clearly stating their intentions, whether by saying “This is what we think”



Mutsuo Iwai
Outside Director
Chair of the Board,
Member of Nomination Advisory Committee,
Member of Compensation Advisory Committee

After working at Japan Tobacco and Salt Public Corporation and Member and Deputy Chairperson of the Board of JT, became an outside director of TDK in June 2021. Became Chair of the Board in June 2022.

or “This is what we wish to do.”

I believe that one of our roles is to take full advantage of these distinguishing features to ensure we are able to create new value.

Nakayama: As you say, given how our questions always receive a sincere response, I feel this is a company with solid integrity. We were just participating in a pre-meeting briefing on the agenda, and based on the fact that they answered each of our questions in detail, even when we asked them in rapid succession, I sensed they have established a firmly rooted, sincere approach.

Yet another thing I've realized is that the company has put in place some very high-level mechanisms. The Board of Directors Office plays a major role in this. Not only do we have a well-managed and coordinated board agenda and annual schedule, but the board closely follows up on and supports the various homework items it is given until we get the answers we need. And even before the Corporate Governance Code was announced, TDK had pioneered efforts to improve management transparency by establishing the Compensation Advisory Committee and Nomination Advisory Committee chaired by outside directors, as well as by naming an outside director as chair of the Board of Directors.

From these characteristics, I feel TDK is a company with integrity and structure—both essential elements of a corporation—and that these are functioning well, ensuring a clear distinction between execution and supervision.

Iwai: I feel the same way. I really appreciate the fact that, within the annual schedule, they have made it possible to divide those items that require monitoring and those involving substantive business strategy into separate discussions. And because they always hold pre-meeting briefings on individual agenda items, everything is quite easy to understand. The company not only provides a body for decision-making through

its Board of Directors, but also offers opportunities for preliminary discussions, which is meaningful in the sense of allowing us to understand the business and the company.

Nakayama: One other area in which governance is functioning well is that issues pointed out in the annual effectiveness evaluation of the Board of Directors are always clearly expressed in the agenda for the following year. I think this is truly remarkable. The fact that issues are clarified and opportunities provided for discussing them thoroughly is evidence that the company's PDCA cycle is functioning properly.

Iwai: Based on the results of the effectiveness evaluation of the Board of Directors, this year the company began a number of new initiatives. These included increasing opportunities for us to observe on-site operations and for more communication with the Audit & Supervisory Board members, as well as summarizing issues raised by outside Audit & Supervisory Board members and outside directors when they have questions from an outside perspective about medium- to long-term strategies and issues.

Nakayama: For example, I think it is wonderful that they are providing opportunities for discussion outside of the Board of Directors when questions come up at board meetings about things such as technology strategy or financial strategy.

What is the current status of discussions relating to growth strategy and the Medium-Term Plan?

Nakayama: Two years ago the company launched Seven Seas, a long-term strategy. The Medium-Term Plan was formulated based on that strategy, and the company is just now moving forward in accordance with that plan. Sometime around the middle of this fiscal year, I believe we will begin discussions regarding the next Medium-Term Plan. The Board of Directors is thus monitoring the current Medium-Term Plan to determine the extent to which its goals can be properly achieved.

Iwai: Last year, when I accepted the post of outside director, the board was already engaged in serious discussions of the company's long-term direction. I felt these were not simply topics for show or subjects separated from reality, but were unique to TDK in that they were consistent with the current situation. The

company keeps a close eye on startups with a view to creating long-term business opportunities. At the same time, it has been working to maintain consistency between the long term and the medium term, and between the medium term and short term, advancing discussions aimed at overcoming issues in the current business while also producing numbers.

Nakayama: In this era of volatility, uncertainty, complexity and ambiguity (collectively known as “VUCA”), we are facing an unpredictable situation in which the variables keep changing. That is why I constantly speak out about the importance, in the era to come, of moving forward with multiple scenarios in hand.

Iwai: I think you're right. In the energy application products business, for example, I think the company has seen growth proportionate to the many investments it has made. But I think that in these uncertain times, it needs to have a solid overall financial strategy in place



Kozue Nakayama
Outside Director
Chair of Nomination Advisory Committee
Member of Compensation Advisory Committee

After working at Nissan Motor Co., Ltd. and Yokohama City and as President and Representative Director of Pacific Convention Plaza Yokohama, became an outside director of TDK in June 2020. Became chair of the Nomination Advisory Committee in June 2021.

A Talk with Outside Directors

that takes into account capital efficiency and safety. To do that, it needs to do more than just monitor P&L indicators like sales and operating profit—it also needs to discuss how to take risks and grow based on capital efficiency and Social Value, in other words, on a solid balance among the three values included in the value creation cycle under the Medium-Term Plan.

As the new Chair of the Board, what are some of the things you would like to keep in mind in running the board going forward?

Iwai: I would like to carry on with the open, frank discussions that have been a positive aspect of the board to date. TDK's Board of Directors, including its previous chairs, has worked to create an atmosphere that encourages both inside and outside directors to engage in frank discussions with a clear intent. I want to work to ensure that this atmosphere is not suddenly upended when people are replaced or a new president comes on board.

In addition, I want to be briefed in advance and fully understand the content of those items we have determined require adequate time for discussion, in order for the Board of Directors to review and formally approve those contents. To do that, I would like to keep in close contact with Board of Directors Office.

CEO succession plan

Can you describe the process of succession planning at TDK?

Nakayama: Basically, the most important point is that human resources cannot be cultivated overnight. Thus, with the appointment of Mr. Saito as the new president, we need to start looking at developing the next successor. This does not mean simply selecting someone as a successor. Rather, because people often grow into their positions, we will start by selecting competent candidates from around the world and putting them through at least one or two job rotations to determine their capabilities.

For outside directors in particular, who are not involved in business execution and may not know everything about the individual personalities of the candidates, we will make our decisions based on various reports and by listening to the opinions of the executive side.

In terms of process, the head of each division will

recommend their candidates, who will then be screened using an external assessment. The Nomination Advisory Committee will then review a narrowed-down list of candidates. In 2021, when I was named chair of the Nomination Advisory Committee, we chose from among a list of candidates that had already been somewhat narrowed down.

Iwai: TDK's succession plan is something that has been established over the course of several years, and I felt it involved a very solid process. I am confident we were able to select the best person for the job, based on careful discussion of a full range of materials for consideration, including internal popularity and past accomplishments, and after a thorough external assessment.

Can you tell us why you ended up selecting Mr. Saito?

Nakayama: In addition to his leadership skills, his ability to win people's hearts and the fact that others trust him, we also spent considerable time discussing the question of whether he would be the optimal choice for the generation to come. Specifically, in addition to the question of his ideas and capabilities—how he might predict new trends—there was a lively discussion around whether it would be better to choose the same type of person as former president Ishiguro, or whether we should select a completely different type.

Further, because the individual's accomplishments to date are an important element, we felt Mr. Saito's record of having turned the sensor business around to profitability was more than deserving of recognition.

Iwai: I think by considering candidates from an exclusively internal perspective, we often just think of them in terms of an extension of the status quo, making decisions based on a consensus that lacks any discussion of the specifics. We avoided doing that this time, making our selection based on a comprehensive perspective that included outside viewpoints, and on a thorough discussion of questions such as what kind of person would be best as we look to the future, and what kind of qualities that person will need.

Personally, I thought the most important thing was to choose someone former president Ishiguro could feel confident passing the baton to, and I felt we were

in a position to throw out a lot of questions designed to determine whether everyone was truly comfortable with our choice.

Nakayama: Our discussions were quite extensive. The selection of the next person to lead the company into the next generation is a truly momentous decision, so in addition to our formal discussions, informally we spent time going around to the individual members of the Nomination Advisory Committee to hear their thoughts. The fact that former president Ishiguro had left behind such a record of accomplishments made choosing a successor that much more difficult.

Iwai: As a result of the Nomination Advisory Committee's discussions, we made the unanimous decision to submit Mr. Saito to the Board of Directors.

What are your expectations of the new president?

Iwai: I think it is extremely important that he promotes the company's long-term strategy and Medium-Term Plan.

That is not to say, however, that it is President Saito's job to follow a predetermined policy. Since the source of TDK's vitality is the creative destruction it has undertaken since its founding, including reassessments of its portfolio, and the transformation of its technology for a new era, I hope that TDK will

also work to develop a new portfolio designed with the future in mind.

Further, with the COVID-19 pandemic, the situation in Ukraine and other issues, the global economy is going through a period of disruption unlike any before. This is why now, more than ever, I look forward to seeing Team Saito demonstrate positive leadership so that TDK, with its global and diverse human resources, can come together and continue racing forward as a single team.

Nakayama: I am also focusing on how Mr. Saito will present his own take on the Medium-Term Plan, and how he will incorporate his own touches in the long-term strategy while respecting the strategy itself.

Another thing I look forward to seeing from President Saito, with his lengthy sales experience, is a proactive approach to branding. Branding is an important element even in a B-to-B industry. A love for the brand will enhance employees' engagement with the company and their motivation with respect to their jobs. For example, even an outside director like myself was thrilled to see the TDK name come on screen as I was watching the World Athletics Championships held in Oregon in July 2022. In addition to these sponsorship activities, my personal desire is to see President Saito actively promote branding strategies across each of the company's business areas.



Basic stance and structure

Emphasis on enhancing corporate value

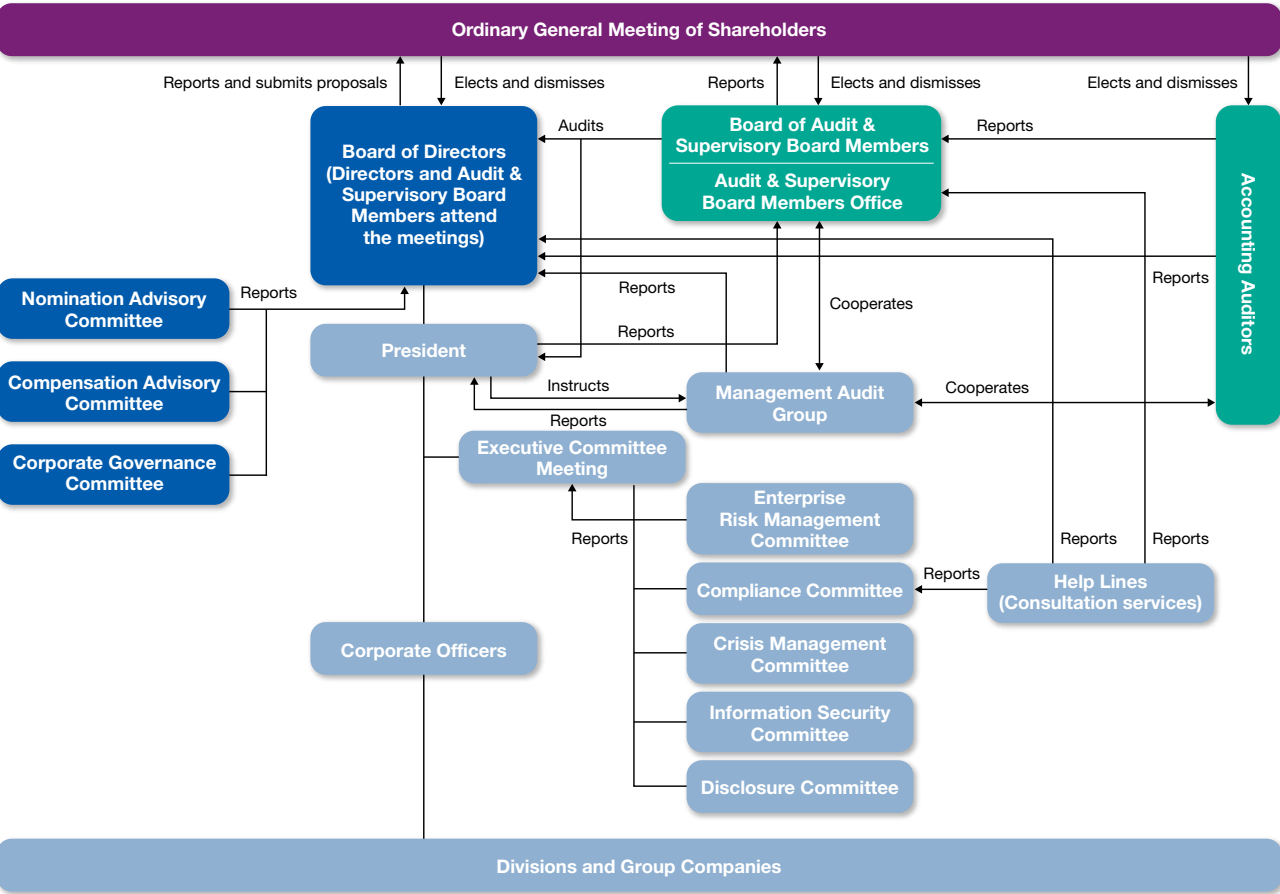
As a company with an Audit & Supervisory Board, TDK strives to ensure the soundness, compliance, and transparency of management through the introduction of various mechanisms to strengthen corporate governance with the aim of enhancing long-term corporate value.

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 the policy of “Empowerment and Transparency” and is promoting reforms to realize an autonomous and decentralized organization.

Corporate governance organization chart



Promotion of risk management in the ERM Committee

In aiming for sustained growth, TDK established the Enterprise Risk Management (ERM) Committee to promote company-wide measures to counter risks hindering the achievement of the organization's targets and to undertake proper management of them.

In this committee, we promote company-wide risk management by conducting risk analysis evaluation, identifying risks that need to be

addressed across departments, and introducing measures taken in close liaison with related departments. We discuss the risk analysis evaluations and countermeasure situations at the Executive Committee and report them to the Board of Directors.

For details about business risks, see the following website:
https://www.tdk.com/en/ir/tdk_management_policy/risks/index.html

Strengthening of the Board of Directors' monitoring function

Emphasis on external and medium- to long-term perspectives

TDK Basic Policy is to have a small number of members (up to 10 persons) on the Board of Directors so as to expedite speedy management decision-making. At present there are seven directors sitting on the board. In addition, in order to strengthen the management supervision function, TDK Basic Policy is that one-third or more of these directors should be independent outside directors with no conflict of interests. Currently three of the seven directors sitting on the board are outside directors. Furthermore, in principle an independent outside director serves as the chairperson of the Board of Directors. Of the four internal directors, while one of them is not concurrently a corporate officer, the other three are responsible for nonbusiness divisions, giving them an overview of the Company as a whole.

Also, the narrowing down of criteria for referral to the Board of Directors to important matters from a medium- to long-term perspective, such as management strategy and Group risk management, leads to deeper discussions and speedy decision-making.

Appointment of outside directors

Persons recruited as independent outside directors have a wealth of practical experience relating to corporate management and are able to provide advice from an independent perspective regarding general management for enhancing TDK's corporate value. To secure the independence of outside directors and outside Audit & Supervisory Board members recruited to the Board, TDK established "items to be verified regarding independence" by making reference to "Securing Independent Director(s)/Auditor(s)" of the Securities Listing Regulations and "the Guidelines Concerning Listed Company Compliance," etc., established by the Tokyo Stock Exchange, Inc. The directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding directors' performance every fiscal year.

Activities of the Board of Directors and other similar meetings

Main agenda items in the Board of Directors (fiscal 2022)

Management strategy	<ul style="list-style-type: none">State of progress/verification of the Medium-Term Plan and current-term management plan (entire company and main business sectors)Financial strategy, fund plan
Governance	<ul style="list-style-type: none">Effectiveness evaluation of the Board of DirectorsGroup governance, Group risk management, compliance managementInternal audit reportInternal control system and state of operation
Headquarters functions	<ul style="list-style-type: none">SustainabilityGlobal human resource strategyTechnology development strategy, production engineering strategy, intellectual property strategy, quality assuranceManagement system, supply chain management

As well as the above, the Board of Directors discussed business matters, capital investment, business tie-ups, etc.

Discussions outside the Board of Directors

Meetings of outside directors only
From the perspective of enabling outside directors to contribute positively to discussions in the Board of Directors, meetings of outside directors and outside Audit & Supervisory Board members only are held regularly. In these meetings, they exchange information and share understanding based on their independent and objective positions.
Off-site meetings (participated in by all directors and Audit & Supervisory Board members)

Off-site meetings, in which all directors and Audit & Supervisory Board members participate and engage in free discussions, are held regularly with the purpose of deepening discussions in the Board of Directors and enhancing its effectiveness. Discussion topics are decided based on opinions from outside directors.

Attendance record of Outside Directors (people who were Outside Directors as of the last day of March 2022)

	Board of Directors	Nomination Advisory Committee	Compensation Advisory Committee
Kazuhiko Ishimura	14 out of 14	12 out of 12	7 out of 7
Kozue Nakayama	14 out of 14	12 out of 12	7 out of 7
Mutsuo Iwai	11 out of 11	9 out of 9	5 out of 5

Note: Mutsuo Iwai's attendance involves meetings held after his appointment as a Director in June 2021.

Attendance record of Outside Audit & Supervisory Board Members (people who were Outside Audit & Supervisory Board Members as of the last day of March 2022)

	Audit & Supervisory Board	Board of Directors
Jun Ishii	14 out of 14	14 out of 14
Douglas K. Freeman	14 out of 14	14 out of 14
Michiko Chiba	14 out of 14	14 out of 14

Members of Advisory Committees (as of September 2022)

		Nomination Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee*
Noboru Saito	Representative Director	●	—	●
Tetsuji Yamanishi	Representative Director	—	●	—
Shigenao Ishiguro	Director	●	●	● (Chair)
Kozue Nakayama	Outside Director	● (Chair)	●	●
Mutsuo Iwai	Outside Director	●	●	●
Shoei Yamana	Outside Director	●	● (Chair)	●

* One more person

Skills matrix of Directors and Audit & Supervisory Board Members of the Company

	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 and CEO	●	●	●	●				
	Tetsuji Yamanishi	Representative Director Executive Vice President	●	●					●	●
	Shigenao Ishiguro	Director & Chairman	●	●		●		●		
	Shigeki Sato	Director Senior Vice President	●	●			●	●		
	Kozue Nakayama	Outside Director	●	●	●	●				
	Mutsuo Iwai	Outside Director	●	●						●
	Shoei Yamana	Outside Director	●	●	●	●				
Audit & Supervisory Board Members	Satoru Sueki	Full-time Audit & Supervisory Board Member		●			●	●		●
	Takakazu Momozuka	Full-time Audit & Supervisory Board Member		●		●			●	●
	Jun Ishii	Outside Audit & Supervisory Board Member	●		●	●				●
	Douglas K. Freeman	Outside Audit & Supervisory Board Member		●						●
	Michiko Chiba	Outside Audit & Supervisory Board Member				●			●	●

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

Corporate Management	“Corporate Management” that accelerates EX and DX and creates value for a sustainable society.
Global Business Experience	“Global Business Experience” that is essential for TDK, which is expanding its business globally.
Sales/Marketing	“Sales/Marketing” with foresight in the diverse and rapidly changing business environment.
ESG/Sustainability	“ESG/Sustainability” that contributes to a sustainable society by continuing evolution and making the most of technology.
Technology/Research & Development	“Technology/Research & Development” that inherits the spirit of originality since the establishment of the Company and continues to create new values.
Manufacture/Production Technology	“Manufacture/Production Technology” that promotes integrated production from materials to products and supports the Company’s originality.
Finance/Accounting	Sound and strong “Finance/Accounting” that is the basis for investment for sustainable growth.
Legal/Compliance/Risk Management	“Legal/Compliance/Risk Management” that supports increase in the corporate value and trust from the stakeholders.

Nominations and succession plan guaranteeing objectivity and effectiveness

Policy and procedures for the nomination of directors, Audit & Supervisory Board members and corporate officers

TDK has in place the Nomination Advisory Committee as an advisory body to the Board of Directors which is chaired by an outside director and of which a majority of the members are composed of outside directors. Regarding the nomination of directors, Audit & Supervisory Board members, and corporate

officers, after discussing the expected conditions, the Nomination Advisory Committee recommends candidates, thereby contributing to ensuring the appropriateness of director, Audit & Supervisory Board member, and corporate officer appointments and the transparency of the decision-making process. The committee also discusses the independence of outside directors and outside Audit & Supervisory Board members.

CEO nomination and succession plan

When nominating the CEO, the Nomination Advisory Committee forms an image of the ideal person suitable for the role of top executive and conducts deliberations that also cover such issues as systems and term of office. Efforts are also made to ensure objectivity through the utilization of an

outside expert organization.
Under the leadership of the current CEO, TDK is steadily promoting a succession plan with a view to the future, including the launch of a medium- to long-term program to actively foster future leader candidates.

Empowerment and Transparency in business execution

Bold delegation of authority and ensuring of transparency

TDK promotes reforms toward an autonomous and decentralized organization through a basic policy of “Empowerment and Transparency,” by which authority is delegated to reliable people who share our goals and principles, efforts are made toward speedy decision-making, and transparency to stakeholders is ensured.
In addition, in headquarters functions also, the Global HQ promotes collaboration with Business Companies (BCs) and Business Groups (BGs) around the world by supplying horizontal functions, such as technological development, human resources and legal affairs, and the Regional HQs in Japan, Europe, Americas and China actively delegate authority to the frontlines by building systems providing meticulous backup support.

Appointment of non-Japanese corporate officers

TDK began encouraging globalization at an early stage, appointing a non-Japanese person as a corporate officer in 2004 and promoting the globalization of management by increasing the number of non-Japanese corporate officers since then. Today, at a time when both the overseas sales ratio and the overseas employee ratio exceed 90%, 47% of TDK’s corporate officers are non-Japanese.
The TDK Group implemented numerous M&A of overseas companies, and the globalization and diversification of management structures has become an important issue. We are working to recruit talented human resources from around the world under the Human Resources HQ established in Germany in 2018.

(as of the end of June 2022)



Michael Pocsatko
Senior Vice President

General Manager, Corporate Marketing & Incubation HQ



Andreas Keller
Senior Vice President

General Manager of Human Resources HQ



Joachim Thiele
Corporate Officer

Deputy General Manager, Sales & Marketing Group, Electronic Components Business Company



Albert Ong
Corporate Officer

Chief Executive Officer of Magnetic Heads Business Company, and General Manager of HDD Components Business Group of Magnetic Heads Business Company



Ji Bin Geng
Corporate Officer

General Manager of Energy Devices Business Group of Energy Solutions Business Company



Werner Lohwasser
Corporate Officer

Chief Operating Officer of Electronic Components Business Company



Roshan Thapliya
Corporate Officer

Chief Digital Transformation Officer and Deputy General Manager, Corporate Marketing & Incubation HQ



Ludger Trockel
Corporate Officer

CSO, Electronic Components Business Company (ECBC) and General Manager, ECBC Sales & Marketing Group, Electronic Components Business Company

Remuneration system linked to medium- to long-term corporate value

Design of remuneration system for Directors and Audit & Supervisory Board members and the decision-making process

In designing the remuneration system for Directors and Audit & Supervisory Board members, TDK emphasizes linkage with short-term and medium- to long-term results. Also, to promote as much as possible behavior on the part of Directors geared towards enhancing corporate results and stock value and sustainably increase the corporate value of the overall TDK Group by constantly pursuing the formulation of a competitive remuneration system to secure diverse and excellent human resources.

Regarding the mechanism and level of remuneration for directors and corporate officers, the Compensation Advisory Committee, which is an advisory body to the Board of Directors, examines the appropriateness of remuneration from the point of view of company performance, individual

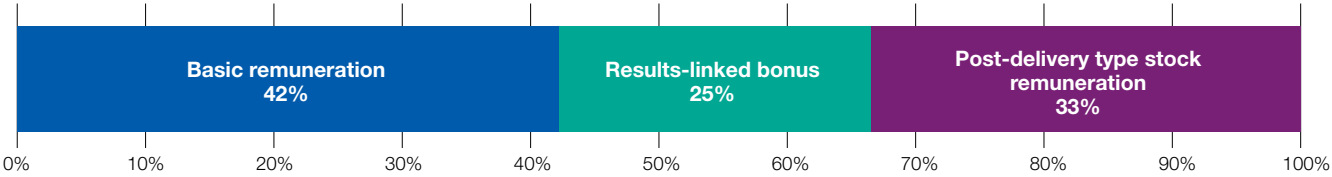
performance, general levels, and other factors and reports to the Board of Directors. Since a majority of the members of this committee are independent outside directors, and the chairperson also is an outside director, it ensures the transparency of the remuneration decision-making process and the appropriateness of individual remuneration.

Design of remuneration system to align benefits with those of shareholders

In fiscal 2021, TDK’s Board of Directors partly revised the remuneration system for directors changing the previous stock-linked compensation stock option plan to a post-delivery type stock remuneration plan toward the medium- to long-term enhancement of corporate value.

As a result, directors further share the benefits and risks of stock price fluctuations with shareholders as they pursue the improvement of business growth and corporate value.

Breakdown of remuneration for Directors concurrently serving as Corporate Officers (for standard payments)



Indicators related to performance-linked remuneration, reasons for selecting the indicators, and methods for determining the amount of performance-linked remuneration

In calculating results-linked bonuses, the amount is designed to fluctuate within a range of 0% to 200% of the standard payment amount depending on the degree of attainment of targets, using the consolidated results for each fiscal year (operating profit, ROE) and the indicators set for each division in charge. The reason for selecting these indicators is to use the same indicators as management targets with an emphasis on the linkage with short-term performance. The targets and results for the main indicators that relate to results-linked bonuses in fiscal 2022 under review are as follows.

Consolidated operating profit	¥155,500 million (target), ¥166,665 million (result based on the US-GAAP)
Consolidated ROE	10.9% (target), 15.6% (result based on the US-GAAP)

The amount of the stock and cash delivered through PSU are calculated based on the achievement condition under the Medium-Term Plan. The results achievement condition takes consolidated results under the Medium-Term Plan (operating profit, ROE) as an indicator, and varies the number of exercisable options within a range of 0% to 100% of the number of options granted, depending on the degree of attainment of targets. The reason for selecting this indicator is to use the same indicator as management targets under the Medium-Term Plan with an emphasis on the linkage with medium- to long-term performance and corporate value. The targets and results for the indicator that relate to stock-linked compensation stock options during the Medium-Term Plan, which ending in the fiscal 2024, are as follows.

Consolidated operating profit (cumulative amount for three years)	¥635,100 million (target)
Consolidated ROE (amount for the last year)	16.8% (target)

The Company plans to deliver its shares and cash from the fiscal 2024 onward for the RSU plan and from the fiscal 2025 onward for the PSU plan.

Structure of remuneration for Directors and Audit & Supervisory Board Members

Type of remuneration		Details of remuneration	Fixed/Fluctuating
Basic remuneration		Monetary compensation paid monthly	Fixed
Results-linked bonus		Monetary compensation which is paid at predetermined times each year with an emphasis on the linkage with short-term performance. The amount of the bonus fluctuates within a range of 0% to 200% of the standard payment amount depending on the degree of attainment of the consolidated results for the fiscal year under review (operating profit, ROE) and the targets set for each division.	Fluctuating (single fiscal year)
Post-delivery type stock remuneration	Restricted stock unit (RSU)	RSU is a type of stock remuneration which is issued based on continuous service. In case of RSU, 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 predetermined amount of the Company's shares and money is delivered after the end of the Target Period.	Fixed
	Performance share unit (PSU)	PSU is a type of stock remuneration which is issued based on performance. In case of PSU, an amount of the Company's shares and money calculated in accordance with the degree of achievement of performance targets set by the Medium-Term Plan is delivered after the end of the Target Period. The degree of achievement of performance targets shall vary from 0% to 100% depending on the degree of achievement of consolidated performance targets (operating profit, ROE) outlined in the Medium-Term Plan.	Fluctuating (medium- to long-term)

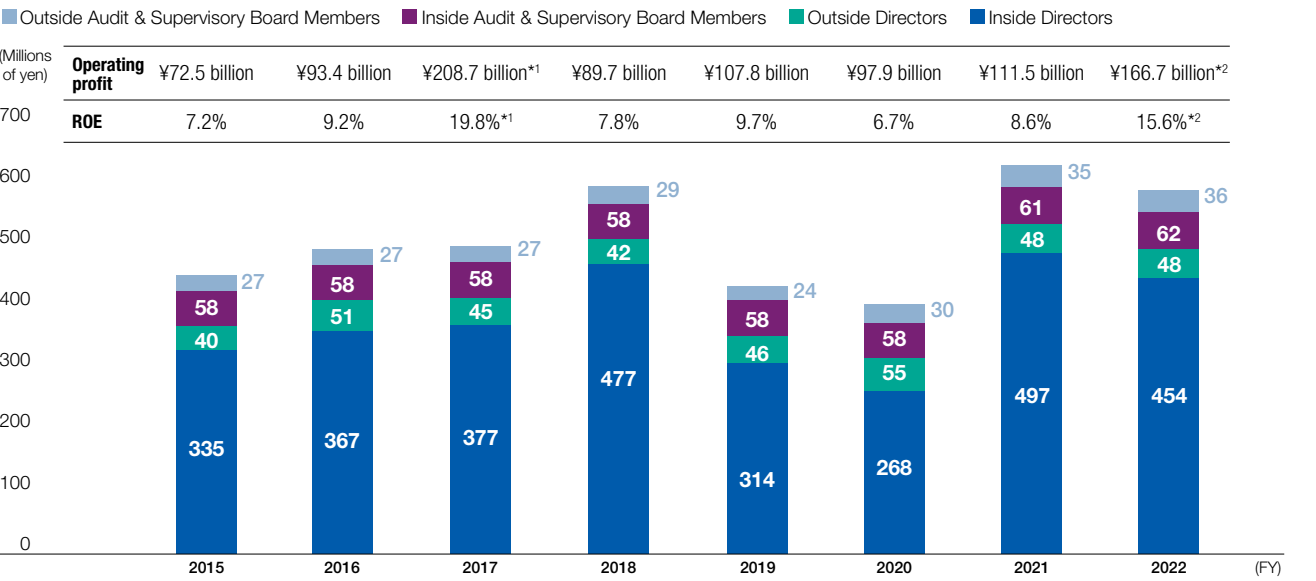
Notes: Directors and Audit & Supervisory Board Members remuneration classification for results-linked compensation, nonmonetary compensation and other remuneration is as follows.

Classification	Basic remuneration	Results-linked bonus	RSU*1	PSU*2
Results-linked compensation	—	●	—	●
Non-monetary compensation	—	—	●	●
Compensation other than the above	●	—	●	—
*1 Under RSU, the stock remuneration portion is classified as "non-monetary compensation" and the monetary compensation portion is classified under "compensation other than the above."				
*2 PSU is classified as "results-linked compensation" and the stock remuneration portion is also classified as "non-monetary compensation."				

Eligible for payment

Classification	Basic remuneration	Results-linked bonus	Post-delivery type stock remuneration RSU	PSU
Directors concurrently serving as corporate officers	●	●	●	●
Directors not concurrently serving as corporate officers	●	—	●	—
Outside directors	●	—	—	—
Audit & Supervisory Board members	●	—	—	—

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



*1 Includes ¥144.4 billion in gains from business transfer to Qualcomm
*2 Result based on the US-GAAP

Ceaseless efforts to enhance effectiveness

Continuous improvement based on effectiveness evaluation

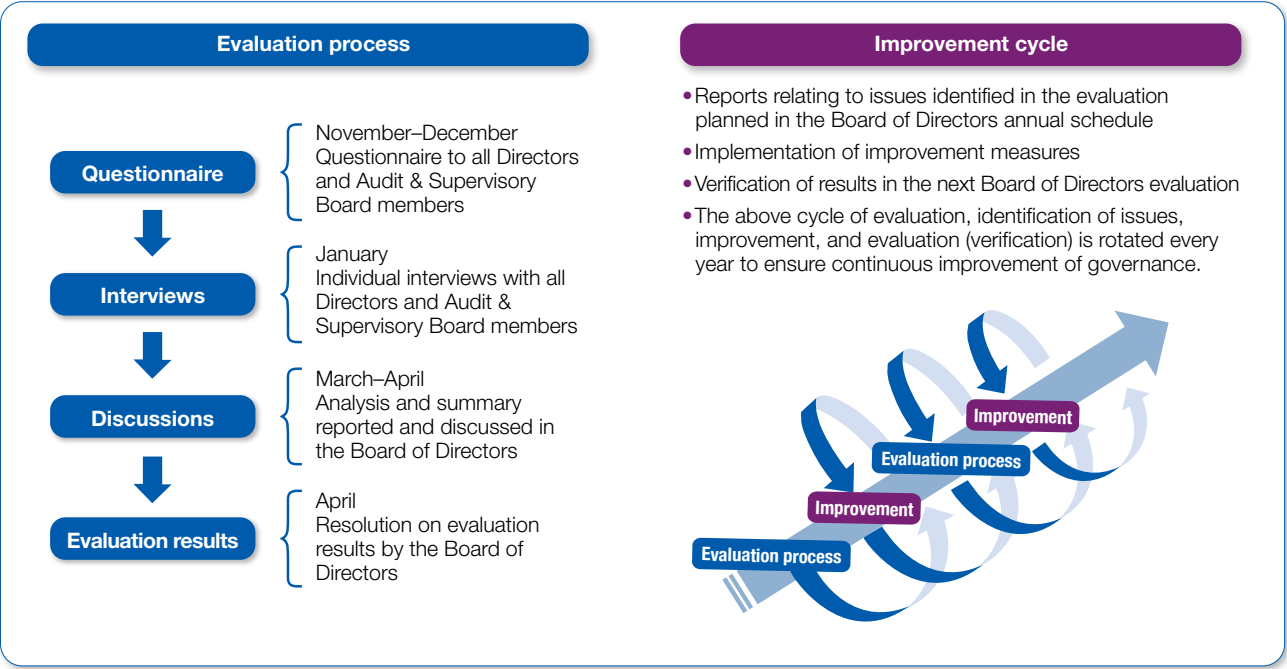
The Company conducts an evaluation of the effectiveness of the Board of Directors each fiscal year in order to verify whether the functions expected of the Board of Directors are properly performed and enhance such functions. Also, the Company requests a third-party evaluation institution to evaluate the effectiveness of the Board of Directors periodically (about once every three years) in order to verify it from a neutral and objective standpoint.

In the Board of Directors evaluation for the fiscal 2022, the

Company requested a primary evaluation of the Board of Directors and its advisory committees (the Nomination Advisory Committee and the Compensation Advisory Committee) from a third-party evaluation institution (questionnaires and interviews, and implementation of a third-party evaluation based on the results thereof), and after discussions by the Board of Directors, conducted a final evaluation.

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

The Board of Directors evaluation process and governance improvement cycle



Evaluation Process

- 1 The Corporate Governance Committee held preliminary discussions with the third-party evaluation institution, reviewed the method and schedule for evaluating the effectiveness this time, and reported to and deliberated with the Board of Directors about them (October 2021 Board of Directors meeting).
- 2 Prior to the questionnaire and interviews, the third-party evaluation institution held preliminary discussions with the Chair of the Corporate Governance Committee, the Chair of the Board of Directors, the President and Representative Director, the Director in charge of strategy, and the Secretariat of the Board of Directors, respectively, to confirm the status of the company, including management strategy, etc. (October 2021).

- 3 The third-party evaluation institution conducted an effectiveness evaluation questionnaire (anonymous form) for all eight Directors and all five Audit & Supervisory Board Members (November 2021).
- 4 The third-party evaluation institution compiled the results of the above questionnaire and identified common problems and issues. The Corporate Governance Committee made an interim report on the results to the Board of Directors and the Board of Directors deliberated the results (December 2021 Board of Directors meeting).
- 5 The third-party evaluation institution conducted individual interviews (with all Directors and all Audit & Supervisory Board Members), focusing on the key issues identified by the above questionnaire (January 2022).

- 6 The third-party evaluation institution compiled the opinions gathered from the questionnaire and interviews in an anonymous form and reported the results of its examination to the Board of Directors as the primary evaluation results of the third-party evaluation institution. The Board of Directors deliberated several times, taking the results into consideration, and finalized the evaluation (March and April 2022 Board of Directors meetings).

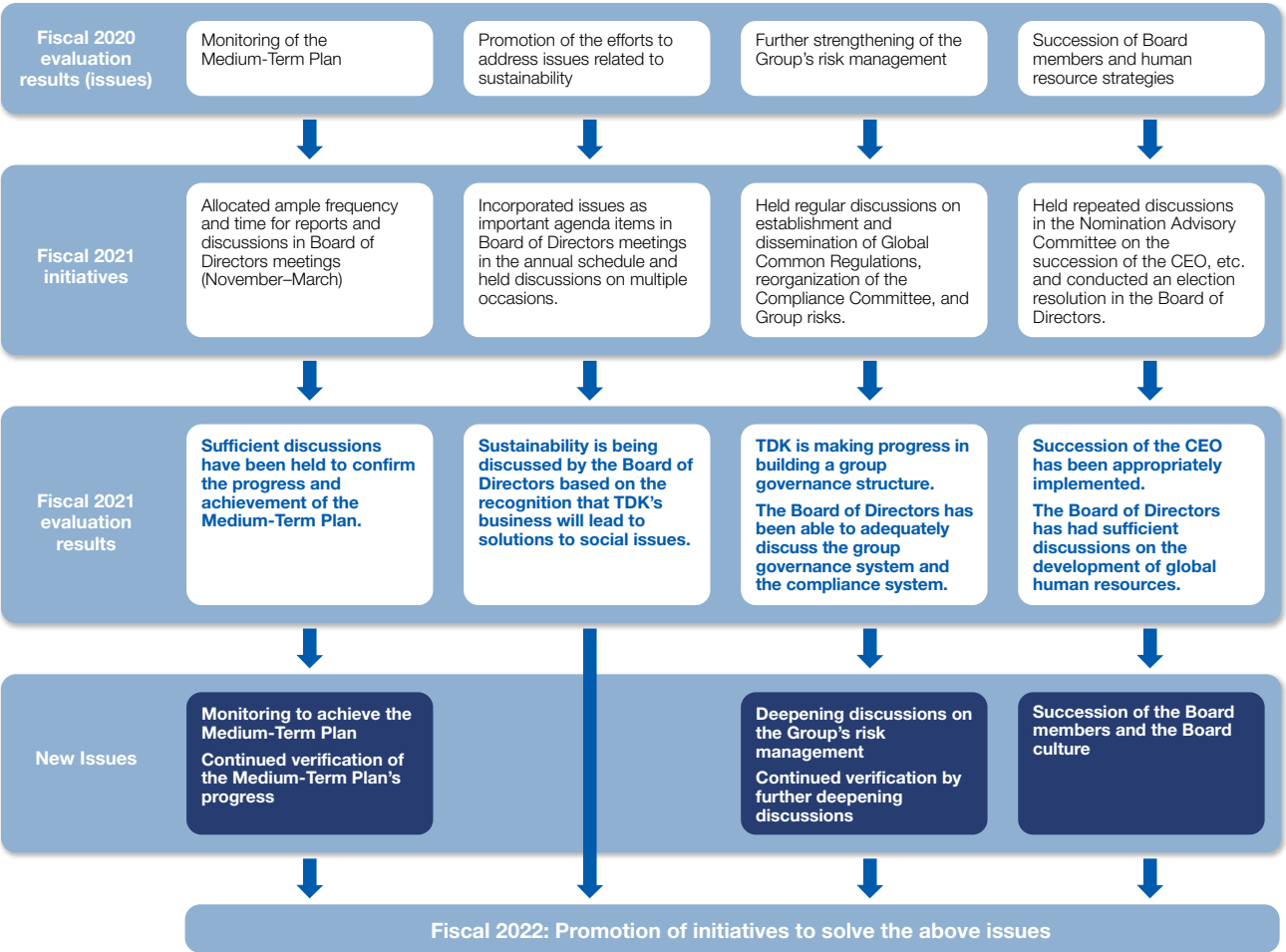
Questionnaire Items (Major Items)

- 1 Role and function of the Board of Directors (questions and free answers)
- 2 Size and composition of the Board of Directors (questions and free answers)
- 3 Operation of the Board of Directors (questions and free answers)
- 4 Composition and role of the Nomination Advisory Committee (questions and free answers)
- 5 Operation of the Nomination Advisory Committee (questions and free answers)
- 6 Composition and role of the Compensation Advisory Committee (questions and free answers)

- 7 Operation of the Compensation Advisory Committee (questions and free answers)
- 8 Support system for Outside Directors (questions and free answers)
- 9 Role of the Audit & Supervisory Board Members and expectations of the Audit & Supervisory Board Members (questions and free answers)
- 10 Relationship with investors and shareholders (questions and free answers)
- 11 Governance structure of TDK and effectiveness of the Board of Directors in general (free answers)
- 12 Self-evaluation by Directors and Audit & Supervisory Board Members (free answers)

* The survey is multifaceted, with detailed sub-items underneath the major items described above. The effectiveness evaluation questionnaire was prepared by the third-party evaluation institution in consultation with the Corporate Governance Committee. While certain question items are not changed in the effectiveness evaluation questionnaire in order to enable continuous measurement each year, the other question items are reviewed each year in order to enhance the quality of the evaluation. Also, many "free comment fields" are provided in order to collect different and various opinions and suggestions without regard to the questionnaire items.

Effectiveness evaluation of the Board of Directors and addressing issues identified in the effectiveness evaluation of the previous fiscal year



Directors, Audit & Supervisory Board Members, and Corporate Officers

(As of the end of June 2022)

Directors



Noboru Saito
Representative Director



Tetsuji Yamanishi
Representative Director



Shigenao Ishiguro
Chairman & Director



Shigeki Sato
Director



Kozue Nakayama
Outside Director

Summary of career
Apr. 1982 Entered Nissan Motor Co., Ltd.
Sep. 2010 Deputy General Manager of Global Branding Division of the said company
Mar. 2011 Retired from the said company
Apr. 2011 Entered Yokohama City government
Apr. 2012 Director General of Culture and Tourism Bureau of the said city
Jun. 2018 President and Representative Director of Pacific Convention Plaza Yokohama (resigned in Jun. 2020)
Jun. 2019 Outside Audit & Supervisory Board Member of Imperial Hotel, Ltd. (present post)
Jun. 2020 Outside Director of the Company (present post)
Outside Director of Isuzu Motors Limited (present post)
Jun. 2022 Outside Director of Nanto Bank, Ltd. (present post)



Mutsuo Iwai
Outside Director

Summary of career
Apr. 1983 Entered Japan Tobacco and Salt Public Corporation
Jun. 2005 Senior Vice President and Vice President of Food Business Division of Food Business of Japan Tobacco Inc. ("JT")
Jun. 2006 Member of the Board and Executive Vice President; President of Food Business of JT
Jun. 2008 Executive Vice President; Chief Strategy Officer of JT
Jun. 2010 Member of the Board and Senior Vice President; Chief Strategy Officer and Assistant to CEO in Food Business of JT
Jun. 2011 Member of the Board of JT Executive Vice President of JT International S.A.
Jun. 2013 Senior Executive Vice President; Chief Strategy Officer of JT
Jan. 2016 Executive Vice President; President of Tobacco Business of JT
Mar. 2016 Representative Director and Executive Vice President; President of Tobacco Business of JT
Jan. 2020 Member of the Board of JT
Mar. 2020 Member and Deputy Chairperson of the Board of JT
Jun. 2020 Outside Director of Benesse Holdings, Inc. (present post)
Jun. 2021 Outside Director of the Company (present post)
Mar. 2022 Member and Chairperson of the Board of JT (present post)



Shoei Yamana
Outside Director

Summary of career
Apr. 1977 Entered Minolta Camera Co., Ltd.
Jan. 2001 CEO of Minolta QMS Inc.
Jul. 2002 Executive Officer and General Manager of Management Planning Division of Minolta Co., Ltd.
Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of the said company
Aug. 2003 Senior Executive Officer of Konica Minolta Holdings, Inc. (current Konica Minolta, Inc.)
Executive Officer, and General Manager of MFP Operations and Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of Minolta Co., Ltd.
Oct. 2003 Senior Executive Officer of Konica Minolta Holdings, Inc.
Managing Director of Konica Minolta Business Technologies, Inc.
Jun. 2006 Director and Senior Executive Officer of Konica Minolta Holdings, Inc.
Apr. 2011 Director and Senior Executive Officer of the said company
Representative Director and President of Konica Minolta Business Technologies, Inc.
Apr. 2013 Director and Senior Managing Executive Officer of Konica Minolta, Inc.
Apr. 2014 Director, President and CEO, and Representative Executive Officer of the said company
Apr. 2022 Director, Executive Chairman and Executive Officer of the said company (present post)
Jun. 2022 Outside Director of the Company (present post)

Audit & Supervisory Board Members



Satoru Sueki
Full-time Audit & Supervisory Board Member



Takakazu Momozuka
Full-time Audit & Supervisory Board Member



Jun Ishii
Outside Audit & Supervisory Board Member

Summary of career
Apr. 1979 Entered Matsushita Electric Industrial Co., Ltd. (currently Panasonic Corporation)
Apr. 2007 Executive Officer of the said company
Apr. 2012 Managing Executive Officer of the said company
Jun. 2014 Managing Director of the said company
Apr. 2015 In charge of Human Resources, General Affairs, Social Relations, Legal Affairs, Fair Business, Corporate Governance, Risk Management, Facility Management, Corporate Sport Promotion and Executive Support Office; and Director, Risk & Governance Management Division of the said company
Jun. 2017 Director, Managing Executive Officer, Chief Risk Management Officer (CRO), and Chief Compliance Officer (CCO);
In charge of Corporate Governance; Director, Risk & Governance Management Division; and In charge of General Affairs, Social Relations, Facility Management and Executive Support Office of the said company
Apr. 2018 Director of the said company (Retired in Jun. 2018)
Jun. 2019 Outside Audit & Supervisory Board Member of the Company (present post)



Douglas K. Freeman
Outside Audit & Supervisory Board Member

Summary of career
Apr. 1990 Entered Goldman Sachs Japan Co., Ltd.
Apr. 1996 Registered as lawyer in Japan
Joined Mitsui, Yasuda, Wani & Maeda
Jun. 1997 Joined Hamada Law Offices
Sep. 2002 Registered as lawyer in New York, the United States of America
Sep. 2002 Joined Sullivan & Cromwell LLP
Sep. 2007 Principal of Law Offices of Douglas K. Freeman (present post)
Feb. 2016 Outside Director of U-Shin Ltd.
Apr. 2019 Professor of Keio University Law School (present post)
Jun. 2019 Outside Audit & Supervisory Board Member of the Company (present post)



Michiko Chiba
Outside Audit & Supervisory Board Member

Summary of career
Apr. 1984 Entered Tokyo Metropolitan Government
Oct. 1989 Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
Mar. 1993 Registered as certified public accountant in Japan
Jul. 2010 Senior Partner, Ernst & Young ShinNihon LLC
Sep. 2016 Principal of Chiba Certified Public Accountant Office (present post)
Jun. 2018 Outside Audit & Supervisory Board Member of CASIO COMPUTER CO., LTD.
Mar. 2019 Outside Audit & Supervisory Board Member of DIC Corporation (present post)
Jun. 2019 Outside Director, Audit & Supervisory Committee Member of CASIO COMPUTER CO., LTD. (present post)
Outside Audit & Supervisory Board Member of the Company (present post)
Apr. 2022 Commissioner of Certified Public Accountants and Auditing Oversight Board (present post)
Jun. 2022 Outside Member of the Board of Directors (Audit and Supervisory Committee Member) of NTT DOCOMO, INC. (present post)

Corporate Officers

President and CEO

Noboru Saito

Executive Vice President

Tetsuji Yamanishi

Senior Vice Presidents

Michael Pocsatko

Andreas Keller

Shigeki Sato

Corporate Officers

Joachim Thiele

Albert Ong

Dai Matsuoka

Fumio Sashida

Ji Bin Geng

Werner Lohwasser

Taro Ikushima

Shuichi Hashiyama

Roshan Thapliya

Ludger Trockel

Takao Tsutsui

Ikuo Fukuchi

Consolidated Business Results Highlights

(Year ended March 31, 2022, and as of March 31 of each year)

From fiscal 2022 TDK is voluntarily adopting the IFRS for the consolidated financial statements in the annual Securities Report. Data for fiscal 2022 and thereafter are based on the IFRS, data up to and including fiscal 2021 are based on the US-GAAP. Account titles are presented in accordance with the IFRS.

Consolidated business highlights*1	3/2013	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021	Millions of yen
										3/2022 (IFRS)
Net sales	¥841,847	¥984,525	¥1,082,560	¥1,152,255	¥1,178,257	¥1,271,747	¥1,381,806	¥1,363,037	¥1,479,008	¥1,902,124
(Overseas sales)	747,062	890,520	989,348	1,061,203	1,073,024	1,158,004	1,268,437	1,252,634	1,361,803	1,753,086
Cost of sales	668,258	763,572	802,225	831,123	855,948	928,525	985,321	959,714	1,044,690	1,338,276
Selling, general and administrative expenses	147,876	179,896	199,795	227,185	239,446	257,630	287,561	289,771	317,302	410,568
Operating profit	22,054	36,616	72,459	93,414	208,660	89,692	107,823	97,870	111,535	166,775
Profit before tax			74,517	91,839	211,717	89,811	115,554	95,876	121,904	172,490
Profit from continuing operations before income taxes	19,765	39,772								
Net profit attributable to owners of parent	1,195	16,288	49,440	64,828	145,099	63,463	82,205	57,780	79,340	131,298
Capital expenditures	85,606	68,606	102,525	160,674	167,631	178,612	173,592	173,429	212,355	291,337
Depreciation and amortization	77,938	83,109	80,249	83,224	87,491	92,171	106,631	124,984	140,285	177,031
Research and development expenses	53,943	63,385	70,644	84,920	91,254	102,641	115,155	117,489	127,046	165,250
Overseas production ratio (%)	81.8	86.7	87.9	86.3	86.1	84.5	85.4	84.4	86.2	89.0
Net cash provided by operating activities	108,942	127,308	142,850	151,563	160,136	91,310	140,274	222,390	222,814	178,987
Net cash used in investing activities	(90,156)	(55,438)	(127,312)	(140,585)	(71,111)	(246,099)	(140,179)	(41,964)	(231,488)	(281,546)
Net cash provided by financing activities	4,395	(56,118)	(35,243)	29,305	(37,753)	110,088	9,435	(121,769)	29,193	113,743
Cash and cash equivalents at end of period	213,687	250,848	265,104	285,468	330,388	279,624	289,175	332,717	380,387	439,339
Total assets	1,169,575	1,239,553	1,404,253	1,450,564	1,664,333	1,905,209	1,992,480	1,943,379	2,401,433	3,041,653
Total equity attributable to owners of parent	561,169	635,327	738,861	675,361	793,614	824,634	877,290	843,957	1,003,538	1,300,317
Working capital	232,693	279,504	352,364	289,760	388,542	296,899	208,165	247,577	221,909	470,814
Number of shares issued (thousands)	129,591	129,591	129,591	129,591	129,591	129,591	129,591	129,591	129,591	388,772
Per-share data*2										Yen
Net profit attributable to owners of parent (basic)	¥9.50	¥129.47	¥392.78	¥514.23	¥1,150.16	¥502.80	¥651.02	¥457.47	¥628.08	¥346.44
Total equity attributable to owners of parent	4,461	5,050	5,865	5,355	6,289	6,532	6,947	6,681	7,944	3,431
Dividends	70.00	70.00	90.00	120.00	120.00	130.00	160.00	180.00	180.00	—
Payout ratio (%)	736.8	54.1	22.9	23.3	10.4	25.9	24.6	39.3	28.7	22.6
Key financial ratios										
Overseas sales ratio (%)	88.7	90.5	91.4	92.1	91.1	91.1	91.8	91.9	92.1	92.2
SG&A ratio (%)	17.6	18.3	18.5	19.7	20.3	20.3	20.8	21.3	21.5	21.6
OP margin (%)	2.6	3.7	6.7	8.1	17.7	7.1	7.8	7.2	7.5	8.8
Return on equity (ROE) (%)	0.2	2.7	7.2	9.2	19.8	7.8	9.7	6.7	8.6	11.6
Return on assets (ROA) (%)	0.1	1.4	3.7	4.5	9.3	3.6	4.2	2.9	3.7	4.9
Non-financial indicators										
Number of employees	79,863	83,581	88,076	91,648	99,693	102,883	104,781	107,138	129,284	116,808
Overseas employee ratio (%)	88.2	89.1	89.8	90.3	90.7	90.7	90.7	90.6	92.0	90.8
CO2 emissions from production activities (t-CO2)	1,102,989	1,190,458	1,269,086	1,474,119	1,463,396	1,647,096	1,669,733	1,557,687	1,768,010	1,701,476
CO2 emissions reduction through products (t-CO2)	498,000	886,000	1,251,000	1,581,000	1,675,000	2,041,000	2,149,000	2,267,000	2,633,000	2,969,000

*1 In accordance with the provisions of ASC No. 205-20, "Presentation of Financial Statements--Discontinued Operations," operating results related to the data tape business and the Blu-ray business are separately presented as discontinued operations in the consolidated statements of operations for fiscal 2014. Also, reclassifications have been made to the consolidated statements of operations of fiscal 2013, to conform to the presentation used for fiscal 2014. However, overseas sales, depreciation and amortization, research and development expenses, and overseas production ratio include the amounts of discontinued operations.

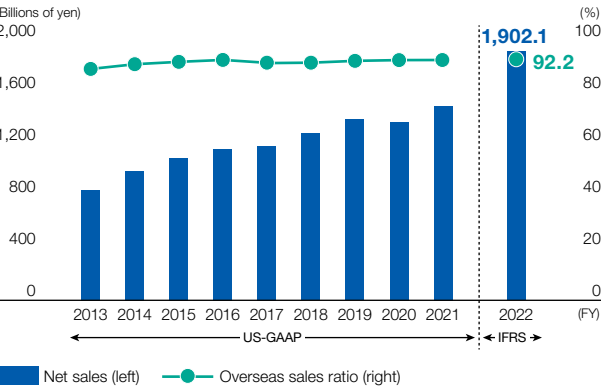
*2 TDK split one share of its common stock into three shares with the effective date of October 1, 2021. Net profit attributable to owners of parent (basic) and total equity attributable to owners of parent per share are calculated assuming that the share split was implemented at the beginning of the fiscal 2021. No dividends for fiscal 2022 are provided as the simple total cannot represent the accurate amount due to the effects of the stock split.

Consolidated Business Results Highlights

(Year ended March 31, 2022, and as of March 31 of each year)

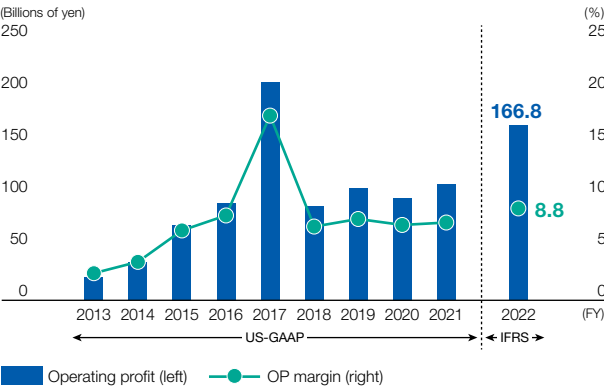
From fiscal 2022 TDK is voluntarily adopting the IFRS for the consolidated financial statements in the annual Securities Report. Data for fiscal 2022 and thereafter are based on the IFRS, data up to and including fiscal 2021 are based on the US-GAAP. Account titles are presented in accordance with the IFRS.

Net sales / Overseas sales ratio



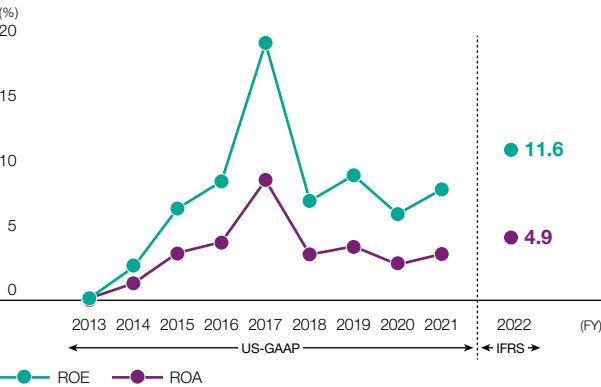
In fiscal 2022 TDK was impacted by such factors as the resurgence of COVID-19 infections and concerns about political confrontation, including tension in relations between the United States and China. On the other hand, electronics demand turned bullish as social and economic activities increasingly normalized and a trend toward the recovery of production activities continued. TDK's net sales increased 28.6% from the previous year to a record high of ¥1,902.1 billion. Overseas sales ratio increased 0.1 percentage points to 92.2%.

Operating profit / OP margin



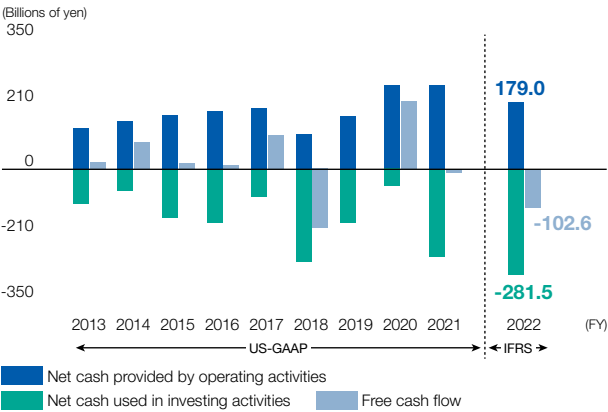
Profitability increased in fiscal 2022 thanks to such factors as increased profits in the passive components segment and the transition of the sensor application products segment into the black. Operating profit reached ¥166.8 billion, up 49.2% year on year, which, excluding the business transfer gains recorded in fiscal 2017, was the highest ever. In fiscal 2017 TDK recorded capital gains of ¥144.4 billion (based on the US-GAAP) following a business tie-up and agreement to establish a joint venture with Qualcomm. OP margin for the fiscal 2022 was 8.8%.

ROE / ROA



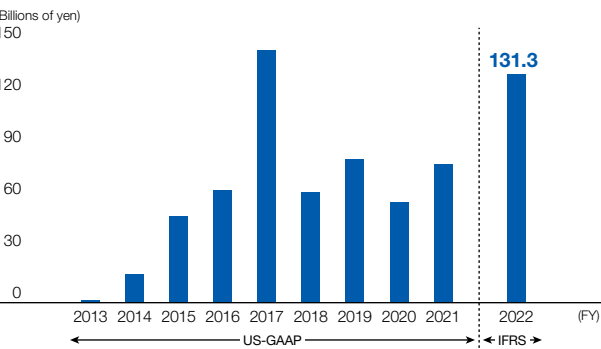
As a result of an increase in the net profit attributable to owners of parent due to a rise in operating profit, in fiscal 2022 ROE rose by 3.1 percentage points over the previous fiscal year to 11.6% and ROA by 1.4 percentage points to 4.9%. In the past ROE and ROA hovered at a low level, but they improved following restructuring from fiscal 2012. In fiscal 2017 they increased considerably due to the recording of capital gains from the transfer of business to Qualcomm.

Cash flows



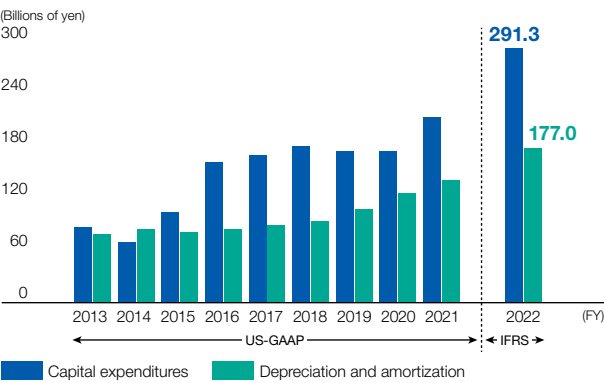
In fiscal 2022 free cash flow amounted to minus ¥102.6 billion. This decline was due to such factors as the impact of strategic measures aimed at the medium- to long-term stable procurement of battery-related materials. Free cash flow had improved considerably following the transfer of business to Qualcomm in fiscal 2017, and the funds gained from this transfer were utilized for new M&A in accordance with our growth strategy. Free cash flow then turned negative in fiscal 2018 as a result of aggressive capital investment, R&D, and M&A. Although it rose into a positive figure in fiscal 2019, free cash flow again turned negative in fiscal 2021 following growth investment centered on the battery business.

Net profit attributable to owners of parent



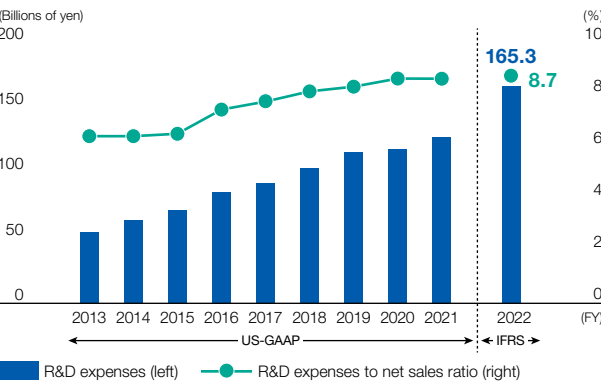
As a consequence of the increased operating profit, net profit attributable to owners of the parent in fiscal 2022 amounted to ¥131.3 billion, up 75.8% year on year. This figure had slumped after fiscal 2009, but it gradually improved as a result of structural reforms implemented from fiscal 2012. The gain on valuation of investment securities of ¥60.2 billion recorded in fiscal 2022 is included in "Other income (deductions)" in the consolidated statements of income in consolidated financial statements based on the US-GAAP. However, in consolidated financial statements based on the IFRS, it was reported under "Net change in fair value of equity instruments measured at fair value through other comprehensive income" in the consolidated statements of comprehensive income and not under "Other income (deductions)" in the consolidated statements of income. It is not included in net profit attributable to owners of parent.

Capital expenditures / Depreciation and amortization



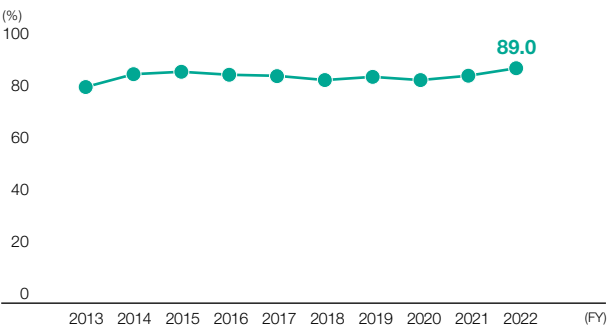
Capital expenditures for the acquisition of fixed assets amounted to ¥291.3 billion in fiscal 2022, up 37.3% year on year, and depreciation and amortization expenses reached ¥177.0 billion, up 19.3%. The current Medium-Term Plan, which began in fiscal 2022, gives priority allocation to growth domains; cumulative planned investment over three years amounts to ¥750.0 billion. In the previous three-year Medium-Term Plan period, from fiscal 2019, TDK carried out aggressive capital expenditures toward accelerating the expansion of priority businesses, strengthening overseas R&D sites, and speeding up manufacturing reforms.

R&D expenses / R&D expenses to net sales ratio



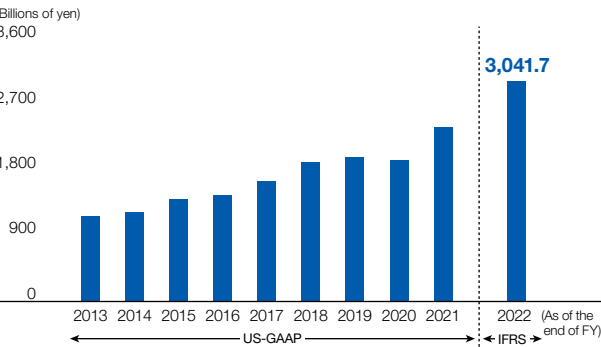
For the fiscal 2022, TDK recorded 165.3 billion yen, an increase of 29.7% from the previous year. R&D expenses have continuously increased since fiscal 2012, so that we can respond to rapid technological innovation in the electronics market and maintain high competitiveness. Going forward, we will continue to actively invest in the development of new technologies and further reinforce our R&D structures.

Overseas production ratio



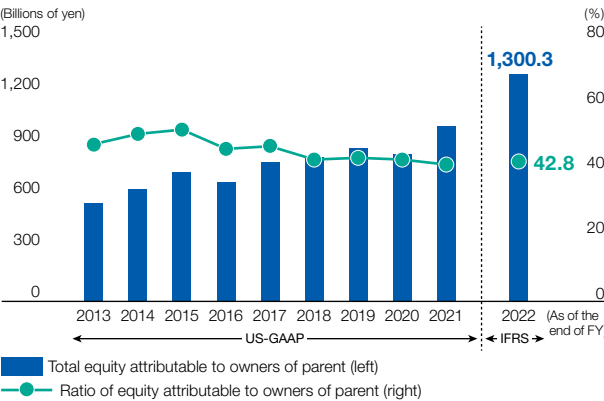
Compared with the previous year, the overseas production ratio in fiscal 2022 was up by 2.8 percentage points, reaching 89.0%. TDK seeks to establish location-independent production systems and is working toward the ability to supply products with the same high quality from any location.

Total assets



At the end of fiscal 2022 trade receivables and property, plant, and equipment had increased, and total assets amounted to ¥3,041.7 billion, up 28.9% year on year. As a result of an increase in property, plant, and equipment and investment, there had been a gradual rise since fiscal 2011. Following a drop in investment and other factors, there was a decline at the end of fiscal 2020 compared with the previous fiscal year end. But total assets again rose at the end of fiscal 2021.

Total equity attributable to owners of parent / Ratio of equity attributable to owners of parent



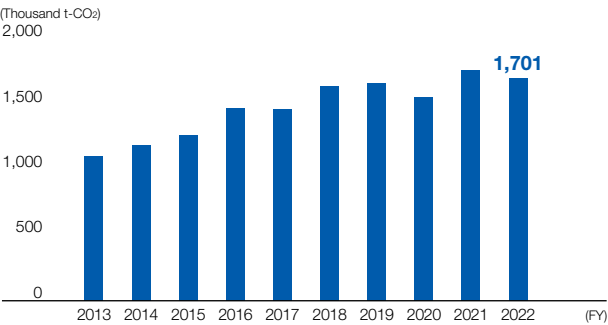
As of the end of fiscal 2022, equity attributable to owners of the parent company amounted to ¥1,300.3 billion, an increase of 35.6% over the previous fiscal year end. Retained earnings rose by ¥121.1 billion and other capital components by ¥220.1 billion over the previous fiscal year end. The ratio of equity attributable to owners of parent rose by 2.2 percentage points to 42.8%.

Number of employees / Overseas employee ratio



As a result of a decline in the number of employees in the energy application products segment and other areas compared with the previous term, the total number of employees at the end of fiscal 2022 fell to 116,808 persons. TDK implemented personnel optimization measures as a part of the restructuring conducted from fiscal 2012, but since fiscal 2016 it has been increasing the number of employees to raise competitiveness. In addition, the overseas employee ratio was 90.8% as of the end of fiscal 2022.

CO2 emissions from production activities



In fiscal 2022, CO2 emissions decreased by 3.8% from the previous year to 1,701,000 tons due to the expanded introduction of renewable energy. TDK has established TDK Environmental Vision 2035 and is working to reduce environmental load from a life-cycle perspective covering all phases from the use of raw materials to the use and disposal of final products. We are aware that CO2 emissions from energy consumption at manufacturing sites has a major environmental impact within TDK, and we are reducing energy use by implementing energy-saving measures through assessment at the time of capital expenditures and creating energy management structures.

Corporate Information

(As of March 31, 2022)

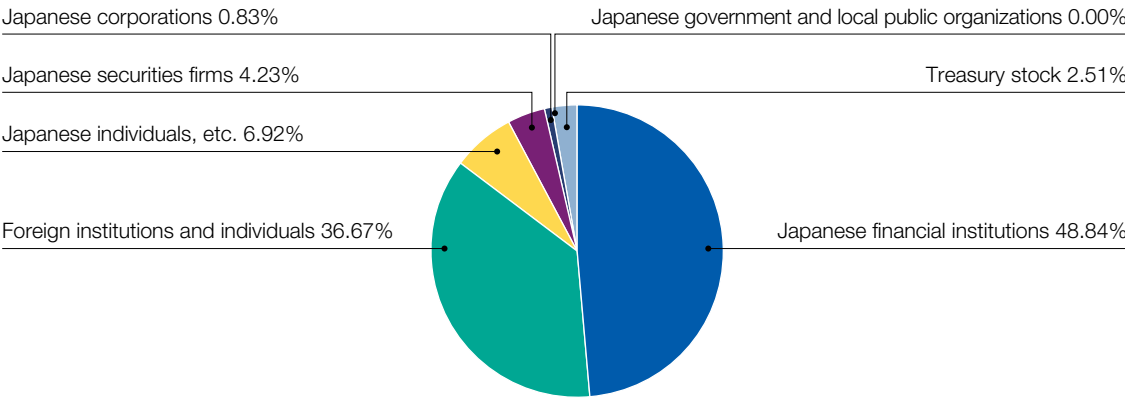
Corporate name	TDK Corporation	
Corporate headquarters	Nihonbashi Takashimaya Mitsui Building, 2-5-1, Nihonbashi, Chuo-ku, Tokyo 103-6128	
Date of establishment	December 7, 1935	
Authorized number of shares	1,440,000,000 shares	
Number of shares issued	388,771,977 shares	
Number of shareholders	36,624	
Common stock	¥32,641,976,312	
Securities traded	Tokyo Stock Exchange	
Securities code	6762	
Number of employees (consolidated)	116,808	
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)	
ADR information	Type	Level 1 with sponsorship
	ADR Ratio	1 common stock = 1 ADR
	Ticker Symbol	TTDKY
	CUSIP	872351408
	Depository Bank	Citibank, N.A. Shareholder Services P.O. Box 43077 Providence, Rhode Island 02940-3077 U.S.A. Tel: 1-877-248-4237 CITI-ADR (toll free) Tel: 1-781-575-4555 (out of U.S.) Fax: 1-201-324-3284 URL: http://www.citi.com/adr E-mail: citibank@shareholders-online.com

Principal shareholders (10 largest shareholders)

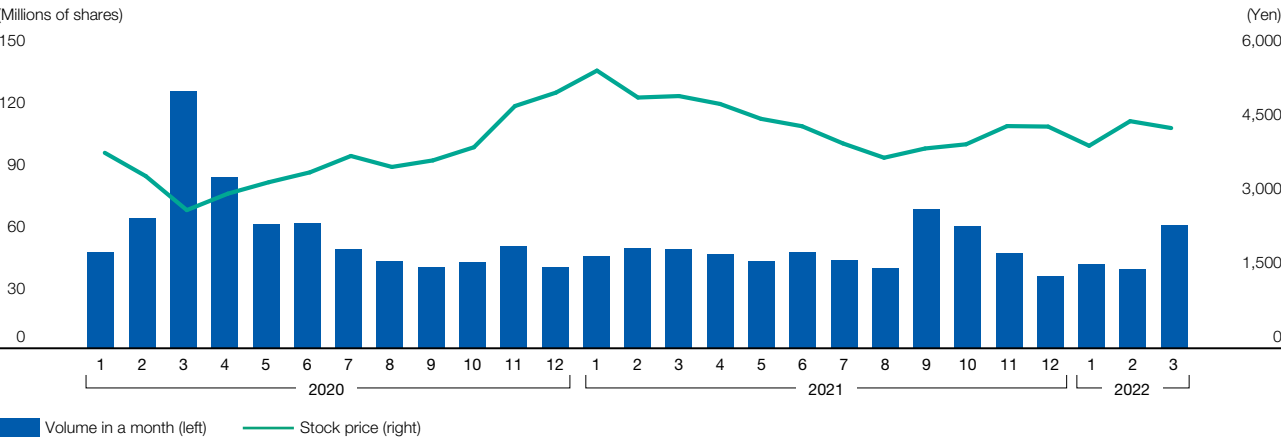
Name of shareholder	Number of shares held (thousands of shares)	Percentage of number of shares held in the total number of issued shares* (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	110,147	29.06
Custody Bank of Japan, Ltd. (Trust account)	45,123	11.90
Custody Bank of Japan, Ltd. (Securities investment trust account)	8,893	2.35
SSBTC CLIENT OMNIBUS ACCOUNT	8,015	2.11
BBH FOR GLOBAL X LITHIUM AND BATTERY TECH ETF	7,736	2.04
STATE STREET BANK WEST CLIENT – TREATY 505234	7,101	1.87
JP MORGAN CHASE BANK 385632	4,765	1.26
JP MORGAN CHASE BANK 385781	4,661	1.23
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	4,063	1.07
GOLDMAN SACHS JAPAN CO., LTD.	3,789	1.00

*Other than the above, the Company holds 9,747 thousand shares of treasury stock.

Status of ownership



TDK's stock price and volume



*TDK split one share of its common stock into three shares with the effective date of October 1, 2021. For the period prior to September 2021, the volume and stock price prior to the stock split are adjusted to the post stock split values.



TDK Corporation

Nihonbashi Takashimaya Mitsui Building,
2-5-1, Nihonbashi, Chuo-ku, Tokyo 103-6128
<https://www.tdk.com/en/index.html>