



# TDK CSR REPORT 2010

English version

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This report was created with the aim of promoting understanding of the TDK Group's CSR (Corporate Social Responsibility) activities among its stakeholders.

## Editorial Policy

### ● Characteristics of 2010 Report

As in 2009 report, this document features special reports on the topics "Vision," "Courage," and "Trust," which are also key concepts of TDK's Corporate Principle.

"Vision" spotlights products and people contributing to the realization of a better future on a global scale.

"Courage" introduces developers working within local community frameworks to achieve low-carbon goals, thereby demonstrating how TDK technology can enhance the fabric of society.

"Trust" focuses on key CSR activities and reports on an event for a structured dialog between stakeholders and experts from outside the company.

In addition to the feature articles, we present FY2010 CSR activity highlights and the major activities of each stakeholder.

### ● Report Format

The report is available as a booklet and a collection of web site pages, in slightly different format to match the requirements of the respective media.

**Brochure:** Digest version of the report, containing mostly highlights of CSR activities.

**Web site:** More complete coverage offering detailed information and data.

#### CSR Report (Brochure)



**CSR Philosophy**

- Top Message
- Corporate Philosophy and TDK Code of Ethics
- CSR of TDK Group
- Digest of CSR Activities in FY2010
- Corporate Governance
- Compliance and Risk Management

**Social Responsibility**

- Customer Relations
- Supplier Relations
- Employee Relations (Employment and Human Resources)
- Employee Relations (Safety and Health)
- Shareholders and Investor Relations
- Corporate Communications
- Local Community Relations
- Sponsor Activities

**Environmental Responsibility**

- Environmental Policy and Environmental Vision
- Targets and Results
- Environmental Management System
- Environmental Risk Management
- Outline of Environmental Load
- Preventing Global Warming (Manufacturing)
- Preventing Global Warming (Distribution)
- Managing Waste
- Promoting the Creation of Environment-Conscious Products

**Recognition of TDK CSR accomplishments**

- Third-Party Observer
- Awards for the 2010 Fiscal Year

**CSR Highlight**

- TDK Products with Future Vision
- Joining Forces with the Community towards a Low-Carbon Society - Tackling the Smart Grid -
- Continued Expectations to TDK as a Trustworthy Company - Stakeholder Dialog -

**CSR Data**

- A History of TDK's Environmental Activities
- Facilities with ISO14001 and OHSAS18001 Certification
- Environmental Performance Data
- Cost of Environmental Protection
- Environmental Performance Data by Site

#### CSR Report (Web Site)



[http://www.tdk.co.jp/csr\\_e/index.htm](http://www.tdk.co.jp/csr_e/index.htm)

### ● Guidelines Used

GRI Sustainability Reporting Guidelines 2006

### ● Period Covered

Fiscal Year 2010 (April 1, 2009 – March 31, 2010)

Note: Some activities outside of this period are also covered.

### ● Organizations Covered

TDK Group\*

\*TDK Group: TDK Corporation and 131 consolidated subsidiaries in Japan and overseas

### ● Major Organizational Change During Covered Period

To strengthen the foundation of TDK's passive components business in the shortest possible time and the fullest extent, TDK carved out the Company's passive components businesses — namely, capacitors, magnetics, radio frequency components, and sensors and actuators as well as the Electronic Components Sales & Marketing Group—incorporating them in a new company, TDK-EPC Corporation, which was established on October 1, 2009.

### ● Scope of Data

Economic performance section: TDK Group

Social activities section: Scope as indicated for each report

Environmental section: All sites listed in site-based environmental performance data

### ● Publication of CSR Report 2010

October, 2010

(The previous issue: December, 2009 The next issue: October, 2011 to be scheduled)

### ● Contacts

CSR Promotion Office: +81-3-5201-7115

### ● Cover Page Design

The glass globe held in the hand symbolizes the bond between urban civilization and nature on a worldwide scale. The image also hints at the free-form curve that links humans, society, and the global environment.

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## Corporate Information

Corporate Name	TDK Corporation
Corporate Headquarters	1-13-1, Nihonbashi, Chuo-ku, Tokyo
Date of Establishment	December 7, 1935
Paid-in Capital	32,641,976,312 yen (As of the end of March, 2010)
Number of Employees (Consolidated)	80,590 (As of the end of March, 2010)
Net Sales (Consolidated)	808,858 million yen (Fiscal year ended March 31, 2010)
Net Income (Consolidated)	13,520 million yen (Fiscal year ended March 31, 2010)





Courageously forging ahead,  
while keeping the greater picture  
in mind.  
Earning trust and returning value.  
That is what matters to TDK.

President & CEO  
TDK Corporation  
Takehiro Kamigama

Eighty years have passed since the magnetic material ferrite was invented at the Tokyo Institute of Technology. And it is now 75 years since TDK succeeded in adapting it to industrial use. In the autumn of last year, “Development of Ferrite Materials and Their Applications” was designated as an IEEE Milestone\*. This decision makes us happy and proud, as it recognizes the fact that even today, ferrite plays a vital role in the creation of new products and new technologies.

The spirit of inquiry, of creating something that has not existed before, is embodied in the TDK Group’s Corporate Motto. It inspires us to look for solutions to many of the problems facing the industry as well as society at large.

A case in point is the “Smart Grid” to which we currently devote considerable effort. This refers to a more sophisticated concept of distributing electrical energy, aimed at alleviating global warming. By taking advantage of advanced IT, the Smart Grid controls and optimizes power distribution while incorporating natural energy sources such as wind and solar power on a larger scale. In this scheme, converters and capacitors as well as many other products and technologies that are TDK’s strength have an important role to play.

In the field where optics and electronics interweave, we are engaged in research and product development related to “Light Peak” technology, a promising new approach that allows previously unheard-of high transmission speeds. The expected benefits of this technology range from weight reduction in electric vehicles to significant power savings for data centers.

As these examples show, the age we live in beset as it is with serious problems such as the worldwide economic crisis and environmental problems, also is an age when innovation can lead to significant advancements. Various kinds of limitations and obstacles must be overcome, which may in turn provide a stronger impetus to the spirit of craftsmanship.

In recent times, the manufacturing world in Japan all too often was focused only on short-term profit. But research and development that do not look far ahead is bound to produce only shallow solutions. In order to dig deep and create products and processes that change the face of the industry, a long attention span and old-fashioned patience are vital attributes.

TDK is basing its efforts on such an outlook which at times must encompass also the audacity to say no to the existing way of doing things. For example, must magnets which are indispensable for motors and similar products really be made of rare metals? What kind of source materials can be used to create what kind of device? We look at essential issues in a new light, and try to come up with solid and original solutions.

With regard to human resources, we are looking not only for people who can smoothly handle their assigned tasks but for people who bring individuality and new ideas to the table. We want to evaluate not only the result but also the process. With this aim, we are currently considering a revision in our personnel strategy. Even if an attempt at a new development ends in failure, the creative vision and the initiative to put something to the test are valuable assets that we want to cherish.

The current report presents some examples that illustrate how TDK rises to these challenges. I hope that you will find it interesting reading, and heartily welcome your comments and suggestions.

\* IEEE Milestones: In 1983, the Institute of Electrical and Electronics Engineers (IEEE, pronounced “I triple E”), a leading non-profit organization (academic society) headquartered in the U.S. with worldwide membership, established this list of key historical achievements in electrical and electronic engineering. The list recognizes events and developments that have had persistent and significant impact on the industry and on society for at least 25 years. There are over 80 milestones in total up to the present. With the recognition of ferrite, Japan is now represented with 10 milestones, including the Tokaido Shinkansen, the electronic calculator, and VHS home video recording.

# CSR of TDK Group

To ensure that TDK continues to earn the trust of society, all employees in their daily activities are implementing the corporate motto and pursuing the corporate ethics.

## Corporate Philosophy and TDK Code of Ethics

### Corporate Philosophy



### TDK Code of Ethics

Established in April 2002; revised in May 2005

#### Corporate Ethical Philosophy

TDK Members shall strive to fully implement the following concept while recognizing its importance for TDK and other parties.

- TDK Group and TDK Members shall observe the laws, regulations, and standards of society applicable to TDK and conduct business in a fair and sound manner.
- TDK Group shall contribute to society by providing excellent products and services.
- TDK Group shall respect each member's personality and individuality and ensure a safe and comfortable work environment.

- TDK Group shall respect the rights of its customers, suppliers, employees, shareholders and other stakeholders.
- TDK Group shall constantly seek to be a good corporate citizen by contributing to society and the community.
- TDK Group shall contribute to protecting the global environment and to building a secure and comfortable society.

#### Corporate Standards of Business Conduct

In the process of conducting TDK business, TDK Members shall actively increase their awareness of the following concepts.

##### Business Activities

- Supply of excellent products and services and maintenance of safety
- Maintenance of sound and good relationship with customers, suppliers and other business partners
- Maintenance and promotion of fair and free competition
- Protection of intellectual property rights
- No conflict of interest
- Protection of confidentiality
- No use of business opportunities of the TDK Group for personal benefit
- Fair dealing
- Protection and proper use of TDK Group's assets

##### TDK Group and Employees

- Respect for each employee's personality and individuality
- Respect for privacy
- Respect for human rights
- Observance of legal requirements for working conditions
- Maintenance of a safe, healthy and comfortable work environment

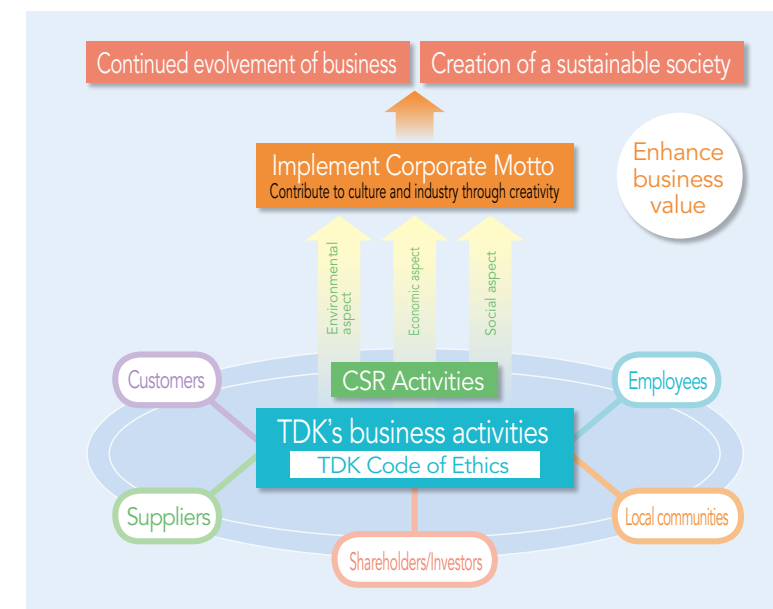
##### TDK Group and Society

- Compliance with applicable laws and regulations
- Transparent management and disclosure of information
- Protection of the global environment
- Contribution to society and the community

Note: For the complete text of the TDK Code of Ethics, please refer to the following URL <http://www.tdk.co.jp/teaaa01/aaa06000.htm>

## CSR of TDK Group

### Positioning of TDK CSR and Code of Ethics



For the TDK Group, CSR efforts take shape through the implementation of our Corporate Motto and the pursuit of corporate ethics. This means that CSR activities are promoted through business activities based on the TDK Code of Ethics, always maintaining proper channels of communication between customers, suppliers, employees, shareholders/investors, local communities and other stakeholders.

By putting our Corporate Motto into practice, the value of the business increases, contributing both to the continued evolvement of business and the creation of a sustainable society.

### Key CSR Action Items

The four action items listed below have been identified by the TDK Group as especially important due to their impact on society at large and on the company.

1. Technological innovation and impressive quality product creation aimed at solving major issues facing society
2. Fostering human resources who can implement action item 1
3. Conducting supply chain management from CSR perspective
4. Harmonic coexistence with the environment

### CSR Promotion Structure

CSR activities at TDK are conducted under the guidance of the Business Ethics & CSR Committee and its subordinate organization, the CSR Task Force.

#### Business Ethics & CSR Committee

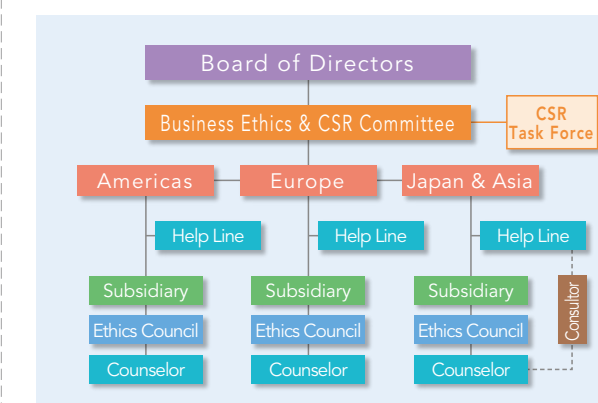
The Business Ethics & CSR Committee reports directly to the Board of Directors. The committee is comprised of the Administration Grp General Manager, and Function Managers from the Management Review & Support Dept., Finance & Accounting Dept., Human Resources Dept., General Affairs Dept., Legal Dept., Corporate Communications Dept., Corporate Planning Dept., CSR Promotion Office, as well as the Chief Compliance

Officer (CCO) of TDK-EPC. The mission of the committee is to promote awareness of the TDK Code of Ethics. This is achieved by implementing training programs and carrying out many other activities aimed at the employees of TDK Group companies all over the world. It identifies problem points and attempts to find solid and lasting solutions.

#### CSR Task Force

The CSR Task Force operates under the umbrella of the Business Ethics & CSR Committee. There are eleven functions that correspond to the main topics of CSR activities. In response to issues identified by the Business Ethics & CSR Committee as relevant to CSR in the industry, the Task Force implements a broad scope of CSR related activities.

#### CSR Promotion Structure





# Digest of CSR Activities in FY2010

## 1 Creation of a Dedicated Department

In recent years, society at large as well as customers in particular are expecting more from CSR activities. It is no longer sufficient for a company to ensure that legal stipulations are met. Rather, significant contributions towards achieving a sustainable society are increasingly called for. This requires a responsive and effective organizational framework on the part of companies. The TDK Group has recognized this need at an early stage. In order to further strengthen our CSR activity framework, we created a dedicated CSR Promotion Office in October 2009. This has allowed us to intensify our activities and work together with society and customers to meet the high expectations placed in us, while at the same time enhancing our business value.

## 2 Implement CSR Through Business Activities

TDK has identified four key CSR action items that are especially important for being a company highly

valued by society. These items have been incorporated into the yearly business plan under the "CSR Activities" header. This illustrates TDK's further intensified commitment to implementing CSR through business activities.

Note: For information on the "Key CSR Action Items", see page 6.

## 3 Maintaining the Dialog

TDK considers the frank exchange of opinions with all stakeholders as essential to defining what our responsibilities are and what is expected of us. In May 2009, we organized the first special dialog session with experts from outside the company. This event yielded many valuable insights and provided us with pointers regarding our activities.

## 4 Implementation of TDK CSR Self Evaluation

In January 2009, the decision was made to base CSR activities at production sites worldwide on "EICC\*1 +

JEITA\*2." In conjunction with this development, we began to produce and distribute the "TDK CSR Self Evaluation" guidelines. These are intended for self evaluation at production sites with regard to the following aspects: "Safety/Hygiene and Environment Management," "Labor Management and Ethics," "Quality and Safety," and "Information Security". The aim is also to further intensify CSR awareness within the TDK Group.

Starting with implementation in April 2009 at a model site, surveys were carried out for all major production facilities of the TDK Group worldwide.

\*1 (EICC): A code of conduct established in 2004 by the Electronic Industry Citizenship Coalition in the U.S.

\*2 (JEITA): Japan Electronics and Information Technology Industries Association. Published a supply chain CSR promotion guidebook in 2006.

## 5 CSR Report Released

The release of information in this field began with the first Environmental Report published in 1999. From 2003, the content was expanded, and further evolved into the first CSR Report released in 2006.

TDK sees these reports as a tool for communication with society and the general public. We endeavor to explain our ideas and activities in an easy-to-understand and comprehensive manner.

## Future Outlook for the TDK Group

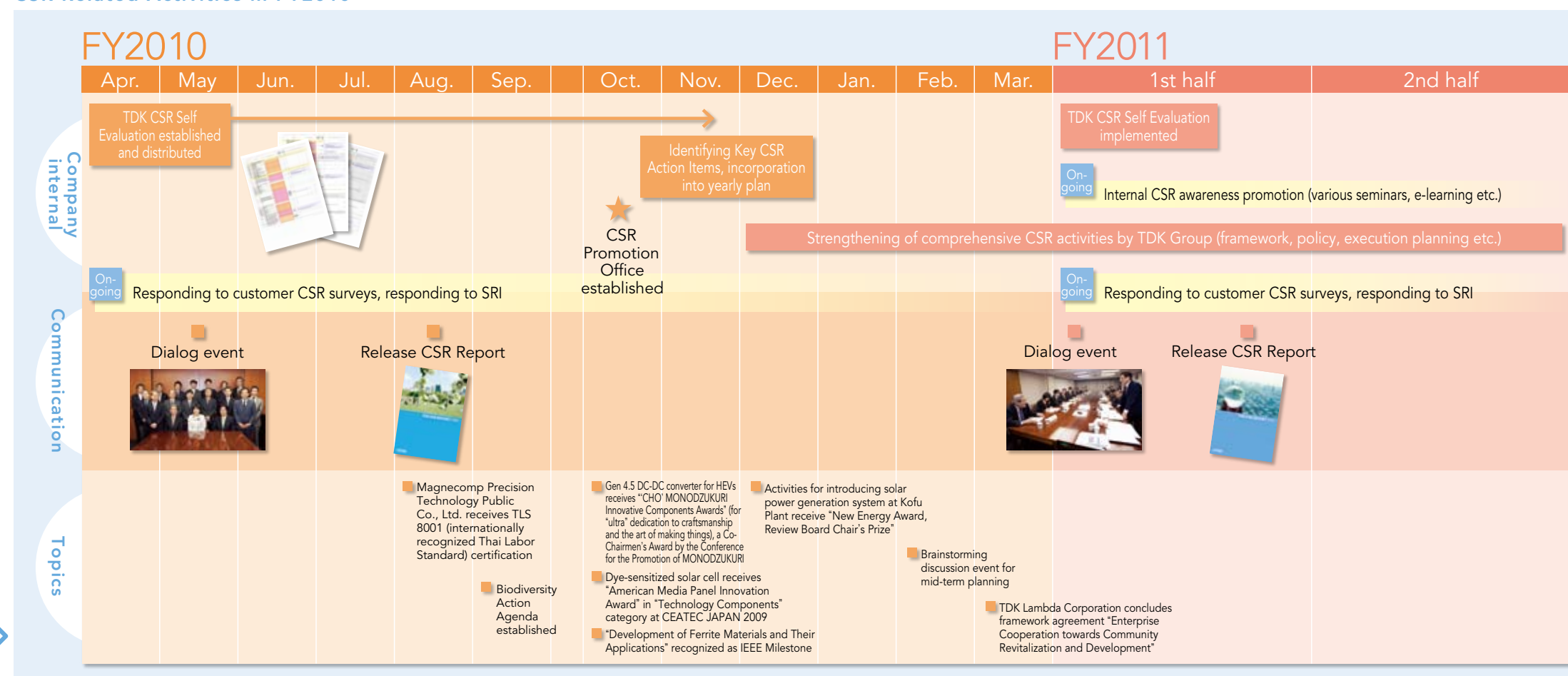
Hearings at various departments organized in FY2010, TDK CSR self evaluation results, as well as the advice from experts outside the company are all being used as input towards further strengthening our CSR activities. Internally, CSR awareness is being promoted through training seminars and e-learning, with the understanding that every individual staff member in their daily work needs to constantly put CSR into practice.

Periodic CSR self evaluation is being carried out, along with CSR surveys targeting customers. TDK will also continue to pursue socially responsible investment (SRI), and deal with related issues in a timely and appropriate manner.

### Historic Activities Timeline

1935	Company founded
1967	Corporate Motto and Corporate Principle established
1993	TDK Environmental Voluntary Plan established
1997	Mikumagawa Plant obtains ISO14001 certification for Environmental Management System
1999	Green procurement begins Regular release of Environmental Report begins
2002	Mass production technology for electronic components compatible with lead-free solder developed TDK Environmental Action 2010 established
2002	Business Ethics Committee formed (renamed Business Ethics & CSR Committee in 2005) TDK Code of Ethics established
2004	Company-wide system obtains OHSAS 18001 (Occupational Health and Safety Assessment Series) certification
2005	CSR Task Force established
2006	TDK's CSR activities defined as implementing the corporate motto and corporate ethics
2007	Zero emissions achieved for all manufacturing sites
2009	TDK decides on "EICC + JEITA" as the core of site based CSR activities

### CSR Related Activities in FY2010

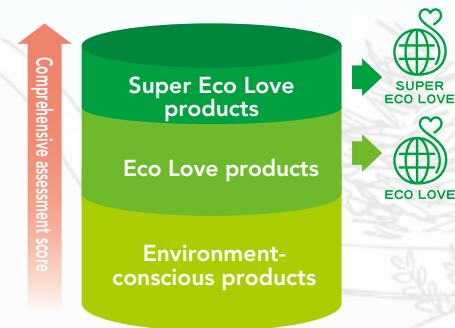




# TDK Products with Future Vision

TDK is constantly improving the performance of its component products, while making them even smaller and lighter. This in turn widens the scope for their application in many kinds of set products and allows these to function better and explore new possibilities. In this way, the set products embody TDK's vision for the future.

## What are Eco Love products?



Among its wide range of environment-conscious products, TDK has identified those that effectively reduce the environmental burden and take the lead in the industry. This is the "Eco Love" category. Items which realize environment-consciousness on an even higher level are certified as "Super Eco Love." Details about these categories can be found on our web site: [http://www.tdk.co.jp/ecolove\\_en/index.htm](http://www.tdk.co.jp/ecolove_en/index.htm)

Symbols denoting reduced materials use

Energy Savings

Effective Use of Resources

Restricted Chemical Substances

New Energy

## Magnetic Composite Sheets Flexield IFL Series

This magnetic shield is used for electromagnetic noise suppression and to improve antenna signal sensitivity for transmission and reception. Compared to existing TDK products, it delivers the same performance at only one fourth the thicknesses.



75% thinner

RoHS compliant

Main applications: Mobile phones

## High Reliability AC-DC Switching Power Supplies HWS Series

These power supplies for converting AC into DC current feature compact dimensions, light weight, and reduced power consumption, greatly contributing to energy savings.



8% improved conversion efficiency

50% smaller volume

40% lighter weight

Reduced power consumption (in standby mode)

RoHS compliant

Main applications: Power supplies for industrial equipment

## Ferrite Cores for Reactor in Solar/Wind Power System Inverters

These cores are used in components for inverter circuits which turn energy stored as DC into AC for household use. The new material developed by TDK significantly improves power conversion efficiency.



30% lower power loss

Solar power

RoHS compliant

Main applications: Solar power systems, fuel cells, wind power generation

## High Performance Neodymium Iron Boron Sintered Magnets NEOREC55 Series

World's most powerful metallic magnets suitable for voice coil motors (VCM) that control head positioning in hard disk drives with high speed and outstanding accuracy.



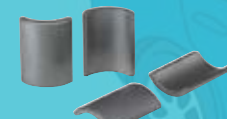
5% smaller volume and lighter weight

RoHS compliant

Main applications: Personal computers

## High Performance Ferrite Magnets FB12 Series

These magnets are used for providing the force that makes motors rotate. While boasting the highest magnetic field intensity worldwide, they also are lightweight and retain their outstanding performance in low temperature environments.



0.1% better fuel efficiency

40% lighter magnet weight

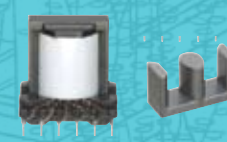
25% smaller motor volume

RoHS & ELV compliant

Main applications: Automobiles, home appliances, office equipment

## Miniaturized Switching Transformers for Flyback Power Supplies ECO Series

Serve for AC voltage conversion. TDK technology results in optimized construction and brings out the capabilities of the material to the fullest, contributing to saving energy and resources.



45% lighter core weight

Varnish-free solvents

8% better DC superimposing characteristics

RoHS compliant

Main applications: Flat TVs, DVD recorders, home appliances

## DC-DC Converters for Automotive Use (Air-Cooled)

Used in PCUs (Power Control Units) of HEV (hybrid electric vehicles). Provides high efficiency for turning the high voltage from the batteries into the lower voltage required to drive other electronic equipment.



EV/HEV

1% improved conversion efficiency for better fuel economy

45% lighter weight

RoHS & ELV compliant

Main applications: HEVs

## NEOREC53 Series/High Residual Flux Density Type (45SH, 42UH, 38UX, 35NX, 40TH)

Used for main drive motors and power generators, these magnets enable the realization of high-efficiency drive systems. They offer excellent thermal characteristics, ensuring that motor power does not drop at high temperatures.



Reduced use of rare raw materials

Better fuel efficiency

EV/HEV

Improved corrosion resistance for long life

RoHS & ELV compliant

Main applications: HEVs, home appliances

## Shielded SMD Power Coils VLS Series

Compact high performance power supply coil effectively stabilizes voltage. New design and materials result in improved efficiency and smaller dimensions.



50% lower power consumption (in mass production stage)

5% improved voltage conversion efficiency (when integrated in set)

27% smaller volume

RoHS compliant

Main applications: Mobile phones, digital cameras, portable audio players

## Flexible Film Solar Cells for Wristwatch

Solar cells for wristwatches is thinner and lighter than existing products. Can be adapted to a variety of shapes.



Solar power

No need for battery replacement

RoHS compliant

Main applications: Wristwatches



# Inspirational TDK Products Worldwide and the People Who Make Them Possible

TDK operates on a worldwide scale. There are many ways in which members of TDK contribute to building a better society through products and services, cooperation with local communities, environment protection activities. Here is how some of them see their roles.

## China (Shanghai)

EPCOS (Shanghai) Ltd.  
Sales Dept.

Donald Tang

My field Sales of film capacitors



Film capacitors are used for example in wind power turbines and solar power systems. In China, the current rapid economic growth requires a sweeping response to rising energy needs. This must be accompanied by concentrated efforts to conserve energy in order to reduce greenhouse gas emissions. Improving energy efficiency and reducing power losses will help us achieve the goal defined by the Chinese government, namely a 20 percent reduction in energy consumption per GDP unit by 2010, compared to the 2005 level.

## China (Dalian)

TDK Dalian Corporation  
SCM Dept.

Xiao Han

My field CSR procurement



Good cooperation with suppliers is an important aspect that enables TDK to create high-quality products. Since February 2008, TDK Dalian Corporation has been conducting lectures for suppliers in various regions of China on CSR related topics. We implement quality control on an ongoing basis, and provide support for improvement measures. The aim is to ensure a full understanding of TDK's principles, and to build a good relationship based on trust through CSR procurement.

## China (Suzhou)

TDK (Shanghai) International Trading Co., Ltd.  
China Sales Supervision Dept.,  
East China Block, Group E50

Cooper Hsu

My field Sales of chip capacitors, chip inductors, and transformers



Chip capacitors and inductors, as well as transformers from TDK are used in flat TVs and similar products. The need to develop new technologies for saving energy is getting ever more pronounced also in China, and TDK components have earned a high reputation in this regard. They enable customers to build thinner, more compact products that are highly efficient while keeping costs low.

## Americas

TDK Corporation of America  
Detroit Sales, Automotive Project

Rick Anderson

My field Marketing of power supplies for automobiles



DC to DC converters for use in HEVs (hybrid electric vehicles), EVs (electric vehicles), and fuel cell vehicles must feature high efficiency, low weight, and low cost. In the U.S., many consumers are currently buying HEVs because they want to reduce the load on the environment. DC to DC converters from TDK not only deliver excellent quality but also are priced very reasonably. This helps to make HEVs or EVs more affordable and contributes to their widespread acceptance.

## Germany

EPCOS AG  
Piezo Actuator Dept.

Georg Kuegerl

My field Development of piezo\* actuators for automotive fuel injection systems



Piezo actuators for fuel injection systems in automobiles enable highly precise control of the amount of injected fuel. As we are moving towards a low carbon economy, the role of the automobile becomes even more important. Since we introduced this type of product to the market in the year 2000, it has found its way into 10 million vehicles all over the world, and is contributing to improved fuel efficiency, lower emissions, and increased engine power output.

\* Piezo (electric) element: an element that can be made to expand or shrink in response to an applied control voltage

## Malaysia

TDK (Malaysia) Sdn. Bhd.  
Quality Assurance/Environment Dept.

Choon Chee Ming

My field Promotion of quality assurance and environment protection activities



In Malaysia, where concern for the environment and awareness of environmental problems are on the rise, we aim to assess the effect that our ISO 14001 certified organization has on the environment, and we endeavor to operate with a high sense of responsibility. We participate in monthly cleanup drives and support local activities as well as government initiatives with the aim of contributing to society. We encourage internal reviews and improvements, and aim to have all the staff members working towards a common goal within the social and environmental framework.

## Japan

TDK Corporation, Power Systems B. Grp.,  
EV Power Supply BU, Product Development Grp

Akira Ikezawa

My field Design and development of DC-DC converters for HEVs (in charge of structural design)



DC to DC converters for use in HEVs (hybrid electric vehicles) and fuel cell vehicles must have small dimensions, low weight, and low conversion losses to ensure high efficiency. The reduction of CO<sub>2</sub> emissions from automobiles and the move away from a petroleum-based society are important factors in mitigating global warming. HEVs are recognized as a key technology for achieving a more environmentally balanced society. The products we are developing contribute to this process and hopefully will enable the children of future generations to enjoy a better environment.



# Joining Forces with the Community towards a Low-Carbon Society

## — Tackling the Smart Grid —



TDK is participating in an extensive field trial of a "Local Smart Grid" (next-generation electric power transmission network) that was started in April 2010 at Ogata-mura in Akita Prefecture. By efficiently combining wind power, solar power, and fuel cell storage, the grid achieves self-sufficiency in local energy consumption. A new challenge for TDK's courageous spirit of craftsmanship!



Teruyoshi Ogawa, Manager  
Academic Research Department  
Akita University

Masashi Sato,  
Associate Professor  
Akita University Graduate  
School of Engineering and  
Resources Science

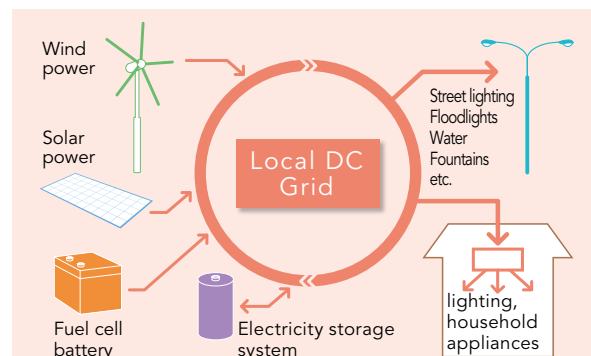
Hiroto Takahashi  
Mayor of Ogata-mura

Masahiko Hirokawa, Manager  
Energy Systems Development Grp  
Devices Development Center,  
Technology Grp  
TDK Corporation

Kazutaka Yamagami, Section Chief  
Department of Natural Resources  
and Energy  
Industrial Work Division, Akita  
Prefecture Government

### Industrial, Governmental, and Academic Sectors Join Hands in Smart Grid Field Trial

In April of 2010, at Ogata-mura, a rural community located in the center of Akita Prefecture, a "Local Smart Grid" field trial was launched by TDK with the cooperation of Akita University and five local business enterprises. The site of the trial is "Road Station Ogata," a large parking and rest area/recreation facility along a major highway. The "Local Smart Grid" aims at achieving self-sufficiency in electric power within a regionally defined area, through use of renewable energy sources such as wind power and solar power. This not only helps to promote the use of renewable energy but also reduces risks of power outages. Another beneficial effect is a revitalization of the local



community. This approach is therefore currently garnering a lot of attention in various areas of Japan.

So far, similar projects in Japan usually were limited to the use of one type of renewable energy, but the current project combines three different kinds, namely solar power, wind power, and fuel cell battery. During periods of low power generation such as at night and at times without wind, previously stored electrical energy can be utilized to partially meet power needs for vending machines, parking lot lighting, etc. The current field trial aims at further improving stability and efficiency, to pave the way for practical use on a wider scale.

The project which was selected by the Ministry of Economy, Trade and Industry as a model project, originally was proposed by the Akita Environment Study Group organized by the Tokyo Office of Akita Prefecture. In keeping with one of the declared aims of the prefecture, namely the "creation of a new industrial infrastructure focused on new energy sources," Akita University took on the role of legal entity for management of the project, and a consortium was formed with participants from the industrial, governmental, and academic sector. In selecting the site, meteorological characteristics such as long hours of sunshine and high number of windy days worked in favor of Ogata-mura, and the fact that the community had already previously shown a dedication towards using renewable energy sources also played a role. On the side of the industry, TDK's longstanding ties with the region, as well as an existing track record of projects conducted in cooperation with Akita University made the company the natural choice. We will endeavor to use our accumulated know-how in order to contribute to this project.

### Venturing into New Territory to Bring Real Value to Society

The task assigned to TDK is the configuration of a more effective system designed to optimize the demand/supply balance. In order to effectively convert the voltage when charging and discharging the storage batteries, TDK has developed a so-called "bi-directional converter" and is testing its implementation, along with various other measures designed to match system operation to the respective power generation and power consumption patterns at various points. The aim is to create a system with minimal losses both during power generation and during power use. One of the staff members involved in the project, Masahiko Hirokawa of the Devices Development Center, comments that "the opportunity to actually implement and use products that we have developed ourselves is of great value. Getting direct feedback under real world conditions provides a strong incentive to work towards further improvements, and it also brings new development targets into focus."

If this project is successful, it will have implications also for other scenarios, such as outlying islands or locations in developing countries where obtaining power from an outside source may be difficult. The concept of the Local Smart Grid is bound to find a wider application scope in future. Mr. Kazutaka Yamagami of the Department of Natural Resources and Energy of Akita Prefecture points out that he has high expectations of TDK "as a leading enterprise that can utilize its store of advanced technology know-how, and apply it towards local revitalization and the realization of a low carbon economy in Akita."

The participation of various organizations and entities in this project in the form of a consortium is an important aspect. "Whether we can produce results that meet the high expectations of the respective stakeholders in this project is definitely something we worry about. But as researchers and engineers involved in technical development, venturing into new territory is part of our job description. We hope that we can make best use of this opportunity to create something of lasting value for society at large." As this comment by Hirokawa reveals, the opportunity to view something from various angles creates a synergy effect that can even lead to a kind of "domino effect" in innovation, whereby one discovery leads to another. When people with various viewpoints work together, it becomes easier to create technology that can enhance the functioning of the social framework by contributing to goals such as the realization of a low carbon economy. This is the ultimate goal that informs TDK's spirit of craftsmanship.



Bi-directional  
converter under  
development



Cutting the ribbon  
at the system  
inauguration  
ceremony

"Road Station Ogata,"  
the site of the field trial



### Comments from consortium participants

#### Hiroto Takahashi

Mayor of Ogata-mura



Already since a number of years, our community has been engaged in concepts for regenerated sustainable agriculture and the adoption of natural energy sources. Our aim for the future is to cover all our energy needs from renewable sources. Therefore this project has considerable significance for us.

TDK is a company with strong local ties, yet renowned the world over. Our citizens therefore have great interest in this field trial, and the expression "Smart Grid" is on everybody's lips. It would of course make us proud and happy if technology developed in our community were to be adopted on a worldwide scale.

### Comments from consortium participants

#### Masashi Sato

Associate Professor  
Akita University Graduate School of  
Engineering and Resources Science



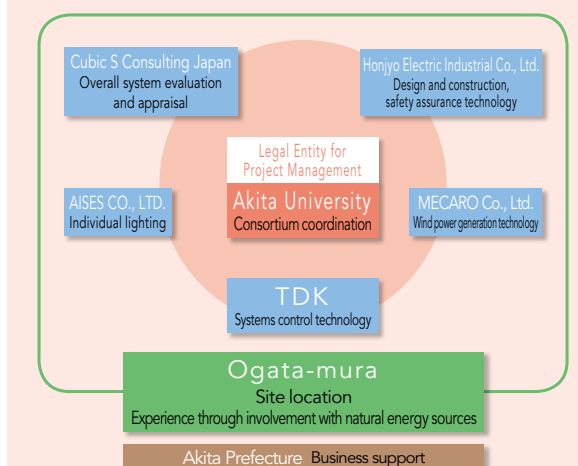
#### Teruyoshi Ogawa

Manager  
Academic Research Department  
Akita University



Such a large-scale experiment would be difficult to carry out by a university alone, due to budget restraints and various other reasons. Therefore it is of great significance that we can cooperate with a company like TDK that is actively engaged in advanced research. We look towards continuing the collection of data year round, and will also be exploring new avenues and topics for research, making the best use of the university's store of knowledge. We have high expectations that Smart Grids along the lines of the current trial system may become widespread in future.

### Consortium Organizational Chart





# Continued Expectations to TDK as a Trustworthy Company

— Stakeholder Dialog —



**TDK continues to emphatically pursue CSR to make sure that it truly earns the trust placed in the company by society. Following on from last year, we invited key figures from outside the company to participate in a dialog event, with the aim of reviewing our track record during FY2010 and obtaining pointers for future efforts.**

Further strengthening our commitment to CSR, to ensure continued trust — This is the reason why, in addition to the existing Business Ethics & CSR Committee and the activities of the CSR Task Force, we created the dedicated CSR Task Force Office in October 2009. The four key action items being tackled from the CSR viewpoint are “technological innovation and impressive quality product creation aimed at solving major issues facing society,” “fostering human resources who can implement these aims,” “conducting supply chain management from the CSR perspective,” and “harmonic coexistence with the environment.”

The dialog event held in April 2010 was intended both to reflect on past activities and look towards the path to be followed in future. From the TDK side, two board members and 18 representatives of the various departments took part, along with three renowned outside experts, namely Mr. Fumio Kodama, Professor Emeritus at the University of Tokyo and the

leading scholar of innovation studies, Ms. Kikuko Tatsumi, Executive Director, Nippon Association of Consumer Specialists (NACS), and Mr. Toshihiko Fujii, Consulting Fellow at the Ministry of Economy, Trade and Industry, with extensive experience in negotiations with overseas governmental and industry circles.

This time, the main focus was on two topics, namely innovation and supply chain management. For each topic, the TDK managers in charge presented progress reports, and the experts were asked to provide comments.

Mr. Fujii who also took part in last year's dialog event and had pointed out the necessity of forming a dedicated CSR department, noted that he regarded the creation of the CSR Task Force Office as a great step forward. This year, we again intend to follow up on the various opinions garnered through this event and put the advice into practice wherever appropriate.

## Participants for TDK

**Seiji Enami**, Director and Executive Vice President  
**Junji Yoneyama**, Corporate Officer and General Manager, Human Resources Dept.  
**Akihiko Fujisawa**, Manager, Corporate Technology Planning Dept., Technology Management Team  
**Eiichi Shimomura**, General Manager, Legal Dept.  
**Hirofumi Inoue**, Sub Leader, Legal Group II, Legal Dept.  
**Akihiko Ayabe**, Senior Manager, Personnel Group, Human Resources Dept.  
**Toshinobu Shiokawa**, General Manager, Safety & Environment Office  
**Yasuki Yoshida**, Senior Manager, Environment Strategy Promotion Group, Safety & Environment Office  
**Osamu Yotsui**, General Manager, Management Review & Support Dept.  
**Koji Inukai**, General Manager, Quality Assurance Dept.  
**Yoshitaka Mochizuki**, Manager, Quality Planning Section, Quality Planning Group, Quality Assurance Dept.

**Eiji Inoue**, Manager, Chemical Substances Management Section, Product Environment Group, Quality Assurance Dept.  
**Yasuaki Fukuoka**, Senior Manager, Strategic Sales Division, Electronic Components Sales & Marketing Grp  
**Kimio Watanabe**, Manager, Planning Group, Procurement & Logistics Dept.  
**Shiro Maki**, Manager, Planning Group, Procurement & Logistics Dept.  
**Masayoshi Matsushita**, Manager, General Affairs Section, General Affairs Dept.  
**Tatsuhiko Atsumi**, General Manager, Corporate Communications Dept.  
**Kazuyuki Kawamoto**, Manager, Corporate Communications Dept.  
**Reiji Nakao**, General Manager, CSR Promotion Office  
**Kenichiro Fujisaki**, Manager, CSR Promotion Office

Note: Regarding each positions, as of April 2010.



Professor emeritus,  
Tokyo University

Fumio Kodama



Executive Director and Chair of the  
Environmental Committee  
Nippon Association of Consumer Specialists  
(NACS)

Kikuko Tatsumi



Director, Multilateral Trade System Department,  
Ministry of Economy, Trade and Industry Consulting Fellow,  
Research Institute of Economy, Trade and Industry

Toshihiko Fujii

## “New Business Model” Concept Fosters Significant Innovation

**Fujisawa** Research and development at TDK used to be mainly focused on short-term projects covering a time span of about two years. There were few research topics that spanned a longer period and extended to the marketing phase.

However, to produce technological innovation that contributes to finding solutions for various problems facing humanity, a comprehensive and long-term approach to R & D combined with the development of advanced negative-premise technology are required. The Corporate Technology Planning Dept. is in the process of creating a framework based on this way of thinking. We want to foster a company climate in which researchers and technical staff feel stimulated to challenge even the most difficult and complex tasks.



**Kodama** An expression often heard these days in the industry is “open innovation,” which means that various technology fields interact with each other. However, there is a frightening aspect to this, because it can also be taken to mean that large companies that only pursue their own specialty are bound to lose their competitive edge.

For example, assume that a big enterprise perfects a certain technology. In turn, other companies then use that technology in products and in ways that the originators could not foresee at the point of development. True innovation can only occur when new technology is accompanied by the development of a completely new business model. The question whether the company where the technology originated can also achieve this is a crucial point.

**Tatsumi** In that sense, it may be important for a company like TDK that normally has little contact with ordinary consumers to obtain information about their

point of view. Who knows, good ideas may come out of completely unexpected directions. Of course, the company will not be able to suddenly stand entirely in the shoes of the everyday consumer. But there should be openness and the leeway to converse with people on the outside.

**Fujii** On the other hand, for a manufacturer such as TDK whose component products are used in a wide variety of end products, it will be easier to imagine a range of different applications than for a set product manufacturer. This is the kind of environment where the latent potential for innovation is relatively great.

Just as personal computer manufacturers are a branch of the industry that simply didn't exist in the past, the future users of technology currently being developed may be in a field that doesn't even exist yet. Imagination must try to reach forward as well. What will the society of tomorrow be like, what kind of challenges will it face, and what does this mean for the application of technology? This is known as the backcasting approach.

**Kodama** We must think not only about the customers of today but the customers of tomorrow. There will be different markets, which may lead to major innovations. And at the center of this will be elemental technology. Elemental technology, also called component technology, is bound to revolutionize technology systems on a global scale, a process that has already begun.

Japan has the potential to become a pioneer nation of elemental technology, and TDK is one of the leading players in this field. Technical experts should be aware of this and be proud of their work.





## Creating Products of Striking Quality through Dialog with Society

**Inukai** As expressed also in one of the action items, a key aspect of TDK Quality Assurance policy is that “Consistently create products that thrill customers through quality.” Furthermore, such products must be created on an ongoing basis. We should not only meet but exceed customer expectations, and maintain the number one spot with regard to product quality. To achieve this, the design process has to be restructured to create a framework that allows only good products to emerge. And since it is people who create the products, we also have to enhance the quality of the people themselves.



The product environment is another important factor for achieving impressive quality. TDK is working hard to promote the development of set products that impose even less of a burden on the environment than existing ones, and we are providing our customers with easy to understand information in this regard.

**Tatsumi** The term “impressive quality” is quite a good one. The reason why we select certain things is because they make a strong impression on our mind.

The other day I had the opportunity to visit a mobile phone manufacturing site and was highly impressed by the fact that tiny parts no bigger than the tip of a needle play such an important role, and by the high level of technology needed to enable this kind of manufacturing process. For the people doing it, it may seem as par for the course, but from the outsider's point of view, it is truly impressive.

We usually don't have the opportunity to see how and from what materials the things that we normally use are being manufactured. However, when we learn a bit about what goes into them, we feel much more inclined to treat them carefully, and our whole outlook may change. Fostering the

communication with consumers is definitely something that the industry should pursue more vigorously.

**Inukai** The same can be said for sites where craftsmanship is at work. For the people making things, it can also be very edifying to show them how the product is being used, and how important it is within another context.

## Listening to Public Opinion and Determining What to Do

**E. Inoue** Another important action item is “conducting supply chain management from the CSR perspective.” Recently, we are getting more and more environmental surveys from customers, asking for disclosure of chemical substances used in products.

This is of course part of the process whereby customers ensure compliance with legal requirements, but individual requests often end up being very time-consuming and costly to meet. Therefore the industry, under guidance by the Ministry of Economy, Trade and Industry but on its own initiative has formed the so-called Joint Article Management Promotion (JAMP) consortium, which is currently working on a common framework for information disclosure. A trial where companies publish the relevant product data on the web site is also under way.



**Fujii** As can be seen from this example, CSR by nature is a passive rather than an active undertaking. That is to say, it is governed by the need to respond to requests and expectations from stakeholders, who may come up with questions from unexpected angles. It is harmful to try and block this, adopting an attitude that says “we will only do this much.” To listen to stakeholders needs to be the first priority.

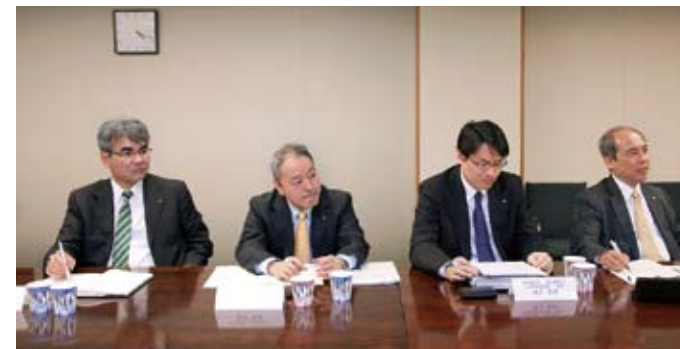
So while this can be seen as a passive approach, it is nevertheless most effective to proactively create a framework that accommodates input and makes it possible to respond quickly. For example, with regard to the problem of palm oil production leading to the destruction of tropical forests, European firms created a system for sustainable palm oil on their own accord. Eventually, the question of whether a company subscribes to this system becomes intricately linked to their competitiveness.

In other words, how quickly a system is established also is an important aspect of CSR strategy. Japanese companies tend to excel in technological innovation, but are much less adept at this kind of systematic innovation. Therefore the fact that the consortium for chemical substance management mentioned earlier was formed in Japan is a great development.

**Watanabe** CSR procurement undertaken from the perspective of the customer is also has high priority. We are having major suppliers provide us with information through survey type CSR check sheets. However, in part due to cost and labor considerations, on-site inspections so far are limited to quality checks. But we are building a framework that allows both company-internal cooperation between departments and promotes CSR through on-site checks at out-side suppliers.



**Fujii** Actual inspection visits are necessary, I believe, because they will help us understand the environment in which the product is being manufactured. The “social climate” of a manufacturing site definitely has an influence on the product. If workers have to toil for 20 hours a day, high-quality products will never be the result. Therefore we have to go there and actually talk with people. But of course, there are limitations. Complete auditing is not possible, which is something that also NGOs asking for audits do realize. The important thing is not how far we can go, but what we do when problems are found, and how we explain them. Whether a proper and compre-



hensive explanation can be provided to the public has a decisive effect on the consequences that will follow.

## Earning the Continued Trust of the Public

**Tatsumi** As Mr. Fujii has said, providing comprehensive and satisfactory information is paramount. This applies not only to supply chain management. All our business activities as well as our policies and beliefs need to be grounded in clear and logical thinking that can be readily explained. Such a kind of enterprise is the one that will have the public's trust.

Even if consumers do not demand information or disclosure right away, a business must anticipate the possibility and provide proactive information. Nowadays, this has become crucial.



**Kodama** If we look at fields such as natural energy sources and the Smart Grid for power distribution within a limited local area, in which TDK is currently involved, these are more than just technical systems. They could even be considered “social systems.” And such systems have become possible thanks to the availability of elemental technology.

When these systems progress beyond the originally conceived scope, manufacturers with elemental technology have an important role to play in creating the backbone and providing the components for them. The uses of technology should not be limited to conventional, well-known patterns. Rather, they need to constantly evolve towards more effective forms of implementation. I believe that this is one of the responsibilities that TDK must shoulder, and it will lead towards continued trust in the company.

## Responses from TDK



Director and Executive Vice President  
TDK Corporation  
**Seiji Enami**

The idea that “elemental technology has the power to change the world” was very inspirational to me. I believe we need to constantly hone our technology towards this aim. The discussion also touched upon communication, and in that regard, I think that the CSR Report which shows us as we are is an important communication tool. I want to make sure that the advice received today will further vitalize our activities.



Corporate Officer and General Manager,  
Human Resources Dept., TDK Corporation  
**Junji Yoneyama**

Through the set products in which TDK components are used, TDK is linked to the consumers. Today's dialog has made me realize again that we need to be more aware of this fact. To distinguish ourselves when Japan becomes a “pioneer nation of elemental technology,” our engineers and technical staff must take pride in their work and have the best possible work environment. I believe we need to think about the human resources angle and how to create the framework that best supports this.



# Corporate Report

By delivering valuable products, technology, and services to be truly proud of, TDK aims to build a relationship of trust among all of its stakeholders for mutual benefit. To realize this, we have built a management framework based on compliance, transparency, and soundness.

## Economic Performance Report

Investor Relations [http://www.tdk.co.jp/ir\\_e/index.htm](http://www.tdk.co.jp/ir_e/index.htm)

### Business Outline

The TDK Group has its origins in a company formed in 1935 with the aim of adapting the magnetic material ferrite to industrial use, for the first time in the world. Based on the motto "Contribute to culture and industry through creativity," TDK has been engaged in research, development, and manufacturing of products for electronics materials, electronics devices, recording devices, recording media, and more.

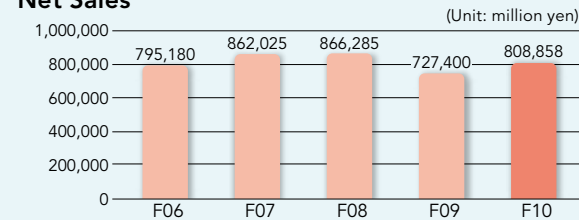
In order to remain a vital company also in future, we believe that the quest to find new approaches and new solutions must continue. This will make it possible for us to deliver true value to all our stakeholders, namely our customers, suppliers, shareholders, local communities, and our employees.

### Business Results Overview for FY2010

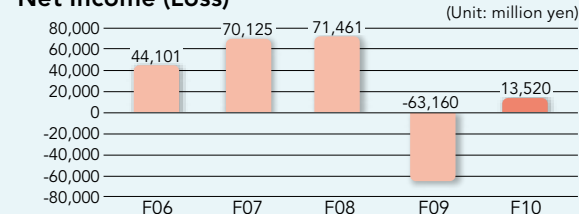
In the fiscal year ended March 31, 2010, the consolidated results of the TDK Group were as follows. Net sales 808.858 billion yen (preceding term 727.4 billion yen, representing a 11.2 % increase), operating income 25.774 billion yen (preceding term 54.305 billion yen loss), net income before income taxes 21.907 billion yen (preceding term 81.630 billion yen loss), net income 13.520 billion yen (preceding term 63.160 billion yen loss), net income per share 104.82 yen (preceding term 489.71 yen loss).

### Transition of major financial indicators

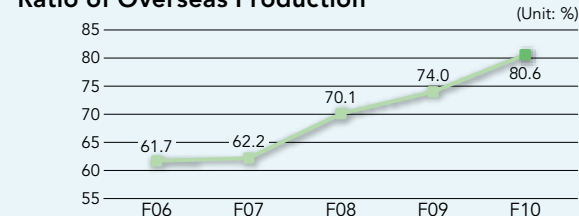
#### Net Sales



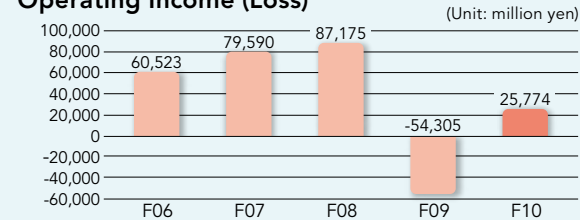
#### Net Income (Loss)



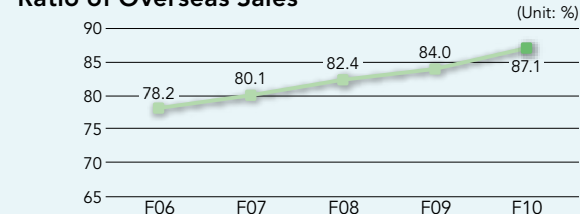
#### Ratio of Overseas Production



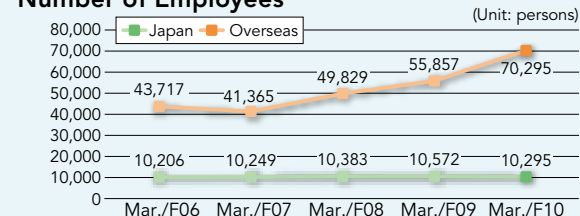
#### Operating Income (Loss)



#### Ratio of Overseas Sales



#### Number of Employees



### Business Results Overview by Products

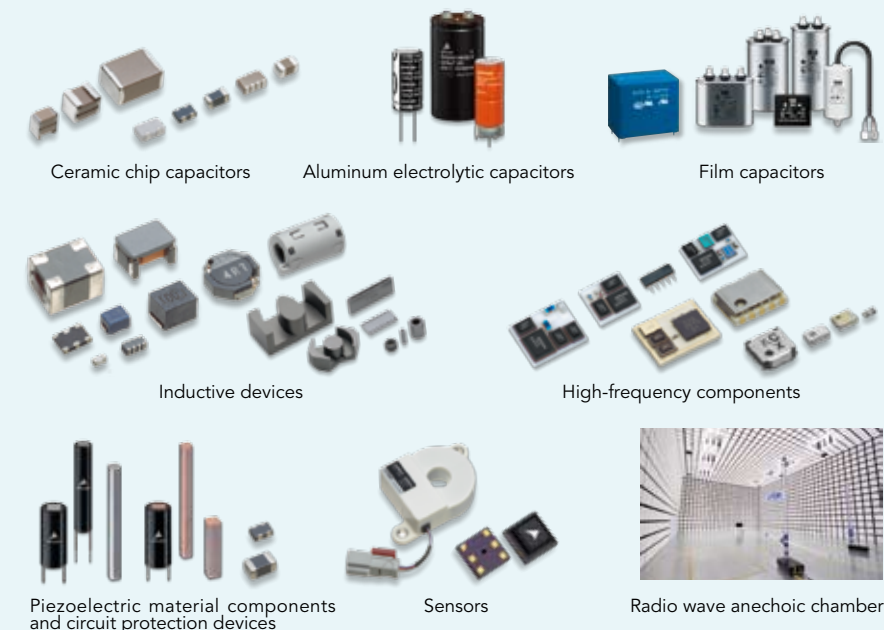
The business activities of the TDK Group are divided into four sectors: Passive Components, Magnetic Application Products, and Other.

#### Outline of Sales by Product Group for FY2010

##### Passive Components

Net Sales: 364,805 million yen Ratio to Net Sales: 45.1%

Sales in the passive components segment climbed 27.3% year on year, reflecting increases in all businesses in this segment. In the capacitors business, sales growth was driven by demand for use in industrial equipment, while in inductive devices automobile applications drove sales higher. In high-frequency components, communications equipment was the primary application leading to higher sales, and in piezoelectric material components and other products increased sales were recorded to the automobile and industrial equipment markets.



##### Magnetic Application Product

Net sales: 383,740 million yen Ratio to Net sales: 47.4%

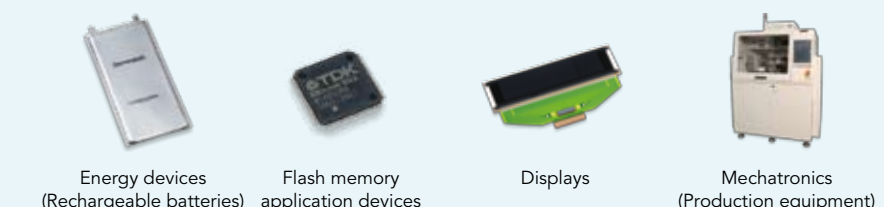
Sales rose 3.6% year on year, despite lower sales in power supplies, magnets and recording media. Increased sales in the recording devices business, where the mainstay product is HDD heads, drove segment sales higher.



##### Other

Net Sales: 60,313 million yen Ratio to Net Sales: 7.5%

Sales decreased 14.5% year on year, mainly due to lower sales in the energy devices business.





# Corporate Governance

 [Corporate Profile⇒CSR Activities⇒Corporate Governance](http://www.tdk.co.jp/csr_e/csr01600.htm) [http://www.tdk.co.jp/csr\\_e/csr01600.htm](http://www.tdk.co.jp/csr_e/csr01600.htm)

# Basic Concept of Corporate Governance

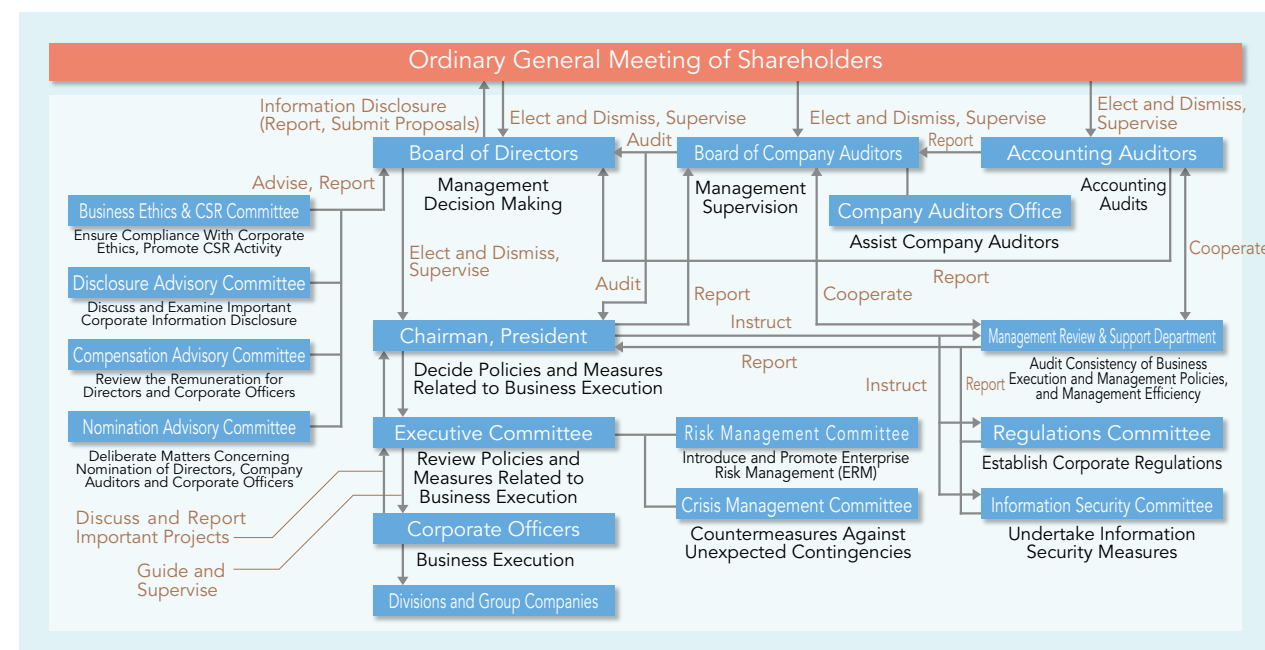
Based on its founding spirit, the Company seeks to achieve its business objectives through manufacturing and to further improve corporate value, while also endeavoring to nurture a sound corporate culture and sincerely carry out its corporate activities, being constantly aware that it is a member of society. At the same time, TDK fulfills its duties for accountability by disclosing information to its stakeholders with comprehensiveness, preciseness, timeliness, and impartiality.

TDK also pursues its management philosophy faithfully and earnestly, and is constructing the following efficient and orderly corporate governance system in order to maintain and guarantee the soundness, legality, and transparency of management.

## Outline of TDK Corporate Governance Organization

- 1.To enable swift executive decision-making, the number of Directors is limited to seven, and three

## TDK Corporate Governance Organization



disinterested Outside Directors are appointed to strengthen supervisory functions. The term of a Director is set at one year, giving the shareholders the opportunity for a vote of confidence in each business year.

2. The corporate officer system is adopted to separate the Board of Directors' policy decision-making and supervising functions from the operating function. The Corporate Officers are charged with carrying out business operations according to the decisions made by the Board of Directors, to enable rapid business operations in line with corporate policy.
3. In accordance with the auditor system principles as specified in the Corporation Act, the Board of Corporate Auditors (five Auditors in total) is established. Out of the five Auditors, three disinterested and independent Outside Auditors are appointed to enhance the supervisory function for operations.
4. The Business Ethics & CSR Committee, the Disclosure Advisory Committee, the Compensation Advisory Committee, and the Nomination Advisory Committee are established as advisory bodies to the Board of Directors.
5. The Risk Management Committee and the Crisis Management Committee are established, reporting directly to the Executive Committee.

# Compliance and Risk Management

Corporate Profile → CSR Activities → Compliance and Risk Management [http://www.tdk.co.jp/csr\\_e/csr01700.htm](http://www.tdk.co.jp/csr_e/csr01700.htm)

## Basic Approach regarding Compliance

Companies must be aware that they have a social presence supported by all of their stakeholders including their customers, suppliers, employees, shareholders, and the local community, comply with social norms in the form of laws and regulations as a good corporate citizen, and be fair and equitable with respect to society. In order to fulfill the Company's social responsibilities, TDK has explicitly inserted these points in its TDK Code of Ethics, and every person who is a member of the TDK Group acts strictly in accordance with the standards of behavior set down in that Code. The Business Ethics and CSR Committee also has worked to thoroughly familiarize everyone with the Corporate Motto and Corporate Principle that together comprise the management philosophy of the TDK Group, along with the Code of Ethics, and strives to spread awareness about putting the Corporate Motto into practice and social responsibility.

## Risk Management Efforts

To deal appropriately with possible risks involving its business activities, the TDK Group has established a Risk Management Committee reporting directly to the Executive Committee (the members are corporate officers selected based on company regulations). TDK has also implemented and worked to promote an enterprise risk management (ERM) framework. TDK is working to identify from among the risks that are significant to business operations those that will prevent the achievement of business objectives; to assume its management functions as the risk owner by carrying out company-wide activities that function cross-sectorally to mitigate risks; and also to improve operations companywide through risk management activities.

The Crisis Management Committee plays a central role in carrying out activities in terms of measures taken when an unforeseen situation (crisis) arises. TDK has also established ground rules in companywide regulations, detailed rules, and procedures as well as in the departmental procedures set down for each department with respect to individual risks (risks related to legal affairs, financial affairs, IT, disasters, and environmental matters). The persons responsible for executing business in each domain deal with everyday risks. Additionally, Company Auditors and the Management Review & Support Department—the company's internal auditing division—monitor the implementation of risk countermeasures and provide advice and support to reduce risks. The Company also receives advice as necessary from corporate attorneys regarding possible risks that could face the Group.

## New Influenza Countermeasures

TDK began to study new influenza countermeasures from the 2007 fiscal year. During the 2009 fiscal year, TDK formulated its "Provisions for (New) Influenza" dated January 2009 so that employees would have a proper awareness of new influenza and it has worked to familiarize them with correct information and the action plan corresponding to each phase of the World Health Organization's pandemic alert level. Furthermore, based on experiences with the attenuated form of new influenza that broke out during the 2010 fiscal year, TDK has also been engaged in formulating countermeasures to deal not only with highly virulent strains but also with strains of attenuated virulence.

## Information Security

In July 2005, TDK set down its information security policy in order to maintain and improve information security. All employees carry out their work based on the six guidelines for action. The activities that specifically are being carried out are listed below. These activities together comprise TDK's information security control system.

- Strengthen control of information received from customers and data on trade secrets
- Information Security Management System (ISMS) certification (obtained December 2005), focused on the functions of TDK's information systems
- Response to the Act on the Protection of Personal Information that went into full force in April 2005

The following activities were undertaken during fiscal 2010 to take into account the many wishes expressed by our customers to strengthen information security controls.

- Changed and improved methods for accessing information from outside the company with respect to information devices taken out of company offices
- Re-training in methods for classifying TDK in-house information (e-learning)
- Begin independent internal evaluations (shared evaluation categories) of facility security



e-Learning training sessions are held regularly in order to promote proper awareness of information security among all staff members.



# Social Report

"What is required of us?" By maintaining constant communication, we will continue to grasp the expectations of society and supply value through our manufacturing craftsmanship.

## Customer Relations

Corporate Profile → CSR Activities → Customer Relations (Quality Assurance) [http://www.tdk.co.jp/csr\\_e/csr02100.htm](http://www.tdk.co.jp/csr_e/csr02100.htm)

### TDK Quality Assurance

TDK strives to consistently deliver products that truly impress customers through their quality. This means that customer expectations are not only met but regularly exceeded, both with regard to the products and the services that we provide. The key to achieving this goal lies in the quality of our organization and of our human resources. In order to continuously refine and improve these, we enthusiastically engage in the following activities.

**Systematic Quality:** Activities to constantly assess and refine our organizational structures which are at the very core of quality assurance. Using IT tools to make processes transparent, such as when working out product development roadmaps and compiling database records of past problems.

**Human Resource Quality:** Company-wide meetings of managers responsible for quality assurance, newsletters and training programs to widely disseminate knowledge of the best practices approach, and other quality drive activities are carried out to foster a thoroughly quality-oriented outlook. This extends to staff members involved in all processes of the company, including development, design, manufacturing, sales, and distribution. At the same time, we are incorporating quality related feedback from customers and from the market into our activities.

Based on our wish that future generations may live in safety and comfort, we are adopting the user perspective and always aim to create and deliver reliable products that are environment-friendly and that generate true customer satisfaction.



### Systematic Quality

#### TQS 9000—Our Proprietary Quality Standard

The TQS 9000 standard is the result of merging the unique TDK quality management system with the ISO 9001 international standards. Guidelines were established in order to ensure uniformly high quality levels in all of our business divisions. The status of operations is constantly checked and diagnosed according to TQS 9000. Now that the TQS 9000 system is firmly established within each business group, so quality audits will focus on improving quality to foster autonomous quality assurance within business groups.

#### Design review at each stage of new product development

Before any new product is launched onto the market, a variety of quality assurance measures are taken. Above all, design reviews are an indispensable step to realize high quality. A design review checks issues along every step of the design process, from the initial development concept to final prototype, to eliminate quality problems before moving to mass production. TDK has thoroughly reorganized its design review framework and is committed to improving its effectiveness to ensure that new product quality issues are totally eliminated.



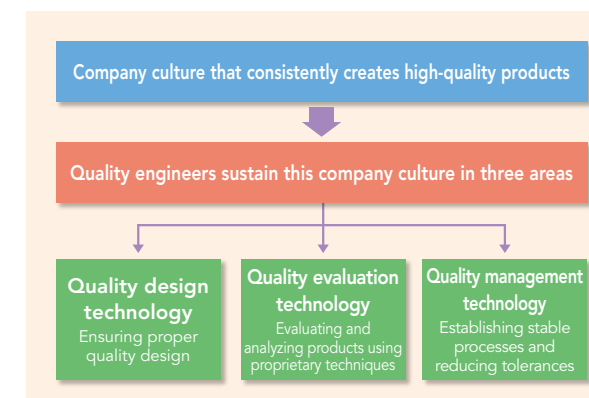
### Human Resource Quality

Quality employees are essential to product quality that achieves true customer satisfaction. Whether they are in research and development, manufacturing, or administration, improving quality awareness is a must for all staff members. Customer satisfaction depends on being aware of one's role and responsibilities and applying that awareness in the workplace. TDK fosters quality awareness among its staff members, and also encourages activities that take into account feedback from the workplace that contribute to improving quality.

#### Fostering and improving the skill level of quality engineers

Quality engineers play a crucial role in promoting quality assurance. Quality engineers must meet the requirements of three quality engineering categories. TDK fosters a corporate culture that consistently works to ensure product quality, strengthens the skills of quality engineers, and trains specialists. In addition, TDK systematically and consistently trains and strengthens the skills of quality engineers so that they have skills that can be applied across the company. This ensures that well-trained quality engineers are always available to meet the needs of each division and the entire company.

#### Fostering and improving the skill level of quality engineers



#### Comment from a quality engineer

HDD head quality control is always carried out with the idea of "make it good, make it fast" in mind. Making features reliable and quickly detecting potential problems depends on multivariate analysis and other quality control techniques.

We are dedicated to routinely collecting the latest quality control information and putting it to use in the workplace so that we can "make it even better and make it even faster." Going forward, we are systemizing a database of the unspoken quality expertise of our engineers to make the process of stabilizing product reliability even faster and more efficient. By quickly achieving high-quality products with consistent reliability, we will make the TDK name synonymous with quality among all our customers.



HDD Head Business Division  
Data Storage & Thin Film  
Technology Components B. Grp  
**Hiroo Sawada**

### CS (Customer Satisfaction) Activities Related to Electronic Components

TDK obtains the results of supplier evaluations as completed by its customers. The evaluation ranks the different levels of customer satisfaction, with an "A" indicating that the customer is fully satisfied. TDK keeps track of changes in the percentage regarding the A rank, and passes this information to the relevant division responsible to improve CS.

Note: As for the details, please refer the following URL.  
[http://www.tdk.co.jp/csr\\_e/csr02100.htm](http://www.tdk.co.jp/csr_e/csr02100.htm)

#### Comment from a sales staff member

I work in the automotive field. In the automotive field, customers always have high expectations concerning the four factors of quality, cost, delivery, and environmental friendliness. My job is to accurately and quickly communicate to the company what customers want so that factories and business divisions can work together to find a solution. With the aim of achieving the "Blue sky for our children" vision, automobile manufacturers are developing EVs (Electric Vehicles), HEVs (Hybrid Electric Vehicles), and other environment-friendly vehicles. We at TDK share with our customers the dream of better products that help make a better world, and we are convinced that building relationships of trust between our customers and TDK sales representatives and between companies is to stay committed to overcoming the many difficulties of developing and marketing better products. We will continue to share our customers' dream and make it a part of our business operations.



Automotive Sales Marketing  
Department  
Electronic Components Sales &  
Marketing Grp  
**Youji Matsuda**

### Customer Recognition of TDK Quality

TDK Korea Corporation (sales) and SAE Magnetics (H.K.) Ltd. (manufacturing) received the 2009 Best Partner Award from Samsung Electronics Storage Systems Division.

A manufacturer of hard disk drives (HDD), the Samsung Electronics Storage Systems Division purchases HDD voice coil motors (VCM) and magnetic heads from the TDK Group. The award is in recognition of the TDK Group's success in achieving HDD VCM quality, prompt delivery, and a well-run business operation. The TDK Group remains committed to further improving product quality.



# Supplier Relations

Corporate Profile → CSR Activities → Supplier Relations [http://www.tdk.co.jp/csr\\_e/csr02200.htm](http://www.tdk.co.jp/csr_e/csr02200.htm)

## Purchasing Policy

TDK aims to build solid partnerships with its suppliers and maintain a win-win relationship that benefits both guided by our "Global partnership purchasing principles." Global partnership purchasing refers to the practice of procurement worldwide that ensures rapid product development, essential to a company with manufacturing bases in Japan, Asia,

North America, and Europe like TDK. Global partnership purchasing also emphasizes the crucial importance of close collaboration with our suppliers to TDK product quality and raising customer satisfaction. TDK has established the TDK purchasing policies to guide the Company's purchasing and put this principle into practice.

## Global Partnership Purchasing Principle

### TDK's Purchasing Principles

#### Compliance

All applicable laws and regulations are followed in purchasing activities. Moreover, TDK strives not only to follow the letter of the law, but its spirit as well.

#### Respect for Human Dignity

TDK respects the human dignity of workers who are active in all stages of the supply chain.

#### CSR

The procurement divisions of the TDK Group implement CSR activities on a continuous basis, while performing evaluations of suppliers at regular intervals using the CSR Check Sheet, to promote understanding of our CSR concept and raise recognition of our initiatives.

#### Green Procurement

As one aspect of its company wide environmental protection activities and in the pursuit of harmony with the global environment, TDK engages in green procurement, i.e., the purchase of environment-conscious products.

#### Fair and Open Business

TDK conducts fair business regardless of company size or nationality. TDK bases its purchasing decisions on comprehensive evaluations of quality, price, delivery time, ability to provide a stable supply, and other factors.

#### Partnership

TDK seeks to build mutually beneficial relationships with suppliers based on shared goals.

#### VA\* Activities

TDK values suppliers that can lower costs and provide new materials and technologies through VA activities.

#### IT Utilization

Information exchanges with suppliers using IT and networks are essential for accelerating the pace of business and reinforcing ties.

#### Quality, Delivery Time and Stable Supply

TDK always considers quality, delivery time and stable supply by establishing solid partnerships with its suppliers.

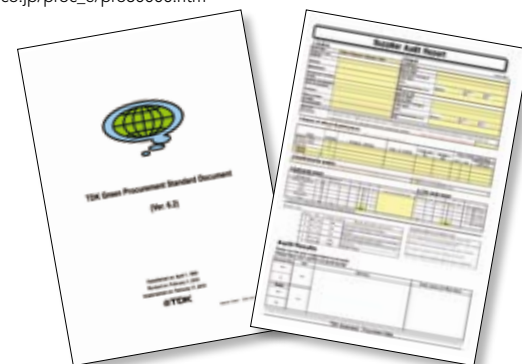
\*VA: Abbreviation of "Value Analysis," often used in a similar meaning as "Value Engineering" (VE). Describes a new methodical approach to reducing costs, formulated in the U.S. in 1946. Product value is analyzed from various angles in order to obtain the desired functionality while minimizing the cost of materials and resources.

## Supplier Evaluations

To maintain robust relationships with its suppliers, TDK conducts periodic supplier audits, as a rule once every 3 years, to determine whether or not to continue with a given supplier. The audit begins with having the supplier conduct a self-audit covering 89 items organized into the categories of chemical substances\*, quality, cost, delivery, environment, and operations. After the self-audit, a TDK representative visits the supplier to conduct a supplier audit. Issues brought to light by the audit are then presented to the supplier prioritized as "must be improved" "or recommended to improve."

In FY2010, audits were conducted for 137 companies in Japan and 117 overseas.

\*Survey items for chemical substances are based on the "TDK Green Procurement Standards." The standards are available at the following URL: [http://www.tdk.co.jp/proc\\_e/pro30000.htm](http://www.tdk.co.jp/proc_e/pro30000.htm)



## CSR and Procurement

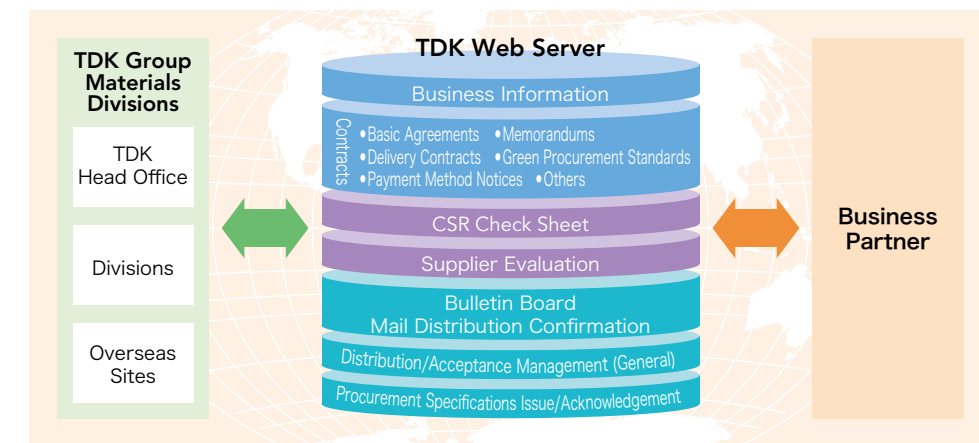
"CSR Procurement" as described in the TDK Purchasing Policy represents an important aspect of our procurement activities. Because we are a manufacturer of parts and components, we implement CSR from the point of view of a supplier. Similarly, we expect our suppliers and business partners to meet their CSR obligations as well. A supplier meeting held in September 2007 stressed the importance of CSR and promoted a thorough understanding of the concept among all participants. We also aim for recognition of and cooperation with our CSR initiatives.

Under the "Supplier Partnership System\*," we obtain responses using the CSR Check Sheet. The check sheet comprises 48 points which were

selected from among 342 items in the Supply Chain CSR Promotion Guidebook published by the Japan Electronics and Information Technology Industries Association (JEITA). The points are mainly related to the areas of human rights and labor relations, safety and health, as well as fair trade and ethics, which are of special concern to us. In order to raise awareness and provide the motivation for active involvement, the check sheet is designed so that results are shown directly on screen when responding to a question.

As of March 31, 2010 we have received responses from some 2,000 companies in Japan and 2,000 overseas. Based on the results, the suppliers and TDK work together on formulating action plans and other measures for improvement.

## Supplier Partnership System



\*Supplier Partnership System: A web-based system for consolidated management of business information, distribution of procurement specifications, and shared management of contracts and other data which conventionally were kept as paper-based documents or stored on magnetic media. This enables the implementation of speedier and more efficient business processes.

## Green Purchasing

In April 1999, we formulated our Green Procurement Standards. Based on these standards, we investigate the environmental management practices of suppliers and the environment friendliness of materials to be purchased, thereby promoting our green purchasing efforts. In February 2004, in an effort to adhere to various environmental measures around the world, such as the Restriction of Hazardous Substance (RoHS) Directive, as well as to better meet customer demands, we revised our Green Purchasing Standards and put them on our web site.

We issued our Green Procurement Standard Ver. 6 in June 2009 (Revised Ver. 6.2 in February 2010) and have distributed the standard to all our suppliers. Materials to be purchased are evaluated in three categories: chemical substances, parts, and packaging materials. The revised Green Procurement Standard Ver. 6 specifies items to be examined.

In consideration of the accuracy and effectiveness of the self-evaluation checks of our suppliers, and in compliance with the Joint Industry Guide (JIG), the result of an agreement among the industry groups of Japan, the United States, and Europe, the

main 34 chemical substance groups have been investigated in the evaluation, namely 24 Level A prohibited substances and 10 controlled substances.

Our purchased material master datasheet is linked to data conforming to our green procurement standards, to ensure that none of our products contains any hazardous substances.

## Future Targets

Consolidations guided by our business strategy also change the number of suppliers that we do business with. So that the TDK Group achieves joint and optimal purchasing overall, TDK informs every supplier throughout the Group of the company's purchasing principles and guidelines and requires that all suppliers practice them.

Moreover, as a way to emphasize the importance of CSR to suppliers, suppliers fill out an ongoing CSR Check Sheet. Obtaining accurate information about the manufacturing environment of suppliers will continue to be a TDK priority.



# Employee Relations (Employment and Human Resources)

Corporate Profile → CSR Activities → Employee Relations (Employment and Human Resources) [http://www.tdk.co.jp/csr\\_e/csr02300.htm](http://www.tdk.co.jp/csr_e/csr02300.htm)

## Basic Personnel Policies

We regard our employees as one of our most important assets for achieving the corporate motto. Our basic principle concerning personnel holds that the development of human resources is the source of true prosperity for the company. We are therefore promoting a variety of measures aimed at creating an environment and mechanism wherein we respect each employee's individuality, and each employee can spontaneously expand his or her abilities and potential to the greatest possible extent.

### What we aim for

- People who have vision and demonstrate creative and constructive powers
- People who have courage and take the initiative when confronting problems
- People who are trustworthy and possess a spirit of honesty and service

## Employee Data

### Non-consolidated and consolidated employees as of March 31, 2010

Non-consolidated employees: 3,572 (3,158 men, 414 women)  
Consolidated employees: 80,590

### Employees by region as of March 31, 2010

Region	Employees	Region	Employees
Japan	10,295	Europe	6,933
United States	2,864	Asia (excluding Japan)	60,498
		Total	80,590

## Overview of TDK's Personnel System

The evaluation and compensation system that forms the foundation of our personnel system is based on a selfmanagement system, which focuses on discovering talent and achieving results. Our self-management system is not merely an evaluation system, but a system whose main purpose is to increase each individual employee's abilities, self-determination and sense of participation. The system also aims to improve communication between employees and their superiors.

- Foster and improve the potential of each and every employee
- Foster independent thinking and a sense of involvement
- Strengthen the channels of communication between superiors and subordinates



## Developing Self-Sustained Human Resources (Programs to Develop and Cultivate Abilities)

To put into practice the corporate motto "contribute to culture and industry through creativity" an organizational framework that encourages every employee to be a motivated self-starter is ideal. TDK human resource training focuses on nurturing motivated self-starters. A self-starting employee is defined as someone who is always aware of problems, uses all of his or her expertise, energetically takes on difficult problems, copes well with change, works to find the best solution, and can bring a vision to a successful conclusion. The TDK skill development and education program is divided into four broad areas. Training programs on different levels and training for prospective leaders instill the qualities of the motivated self-starter in a phased process starting with young employees, while specialized education programs and the skill development support system provide professionals with needed specialization.

In addition to TDK's company-wide training system, each division has a human resources training committee, which works on improving training aligned with the needs of the division and systematic training from a long-term perspective. These activities heighten human resource awareness in the workplace and foster a human resource training culture that is an integral part of the division.

### TDK Talent Development and Training Programs

(As of April 1, 2010)

Training programs on different levels	Leadership development training	Designated support leader training
• Follow-up training for new project leaders	• New employee training	• Training for newly hired employee with prior experience
• Project leader candidates assessment training	• Training for newly hired employee with prior experience	• Training programs on different levels for employees of affiliated companies
• New administrator training		
• Mid-level employee career planning program		
• Third-year training		
• Practical sales training		
Training for prospective leaders	"Shin (New) Zohakujuku"	"Soshunju"
• Innovative leader development forum	• IMD training	
Specialized education programs	Cross-cultural communication training	Overseas posting preparatory training
• Overseas management training	• TDK Monozukuri tradition seminars	• Language training
• Department specific training (Development/Intellectual Property/Quality/Sales/Materials/Accounting)	• Overseas study program	
The skill development support system	System of incentives for obtaining professional certification	System of incentives for taking correspondence courses

## FY2011 New Education and Training Programs

### Leader development training

TDK reorganized its manager candidates assessment training to better train leaders who can succeed in today's business environment of rapid innovation and increasing competition among corporations. Specifically, the program administers multi-faceted attribute assessments and examinations that measure performance to develop leaders endowed with the deep self-understanding needed to independently maximize personal strengths and overcome personal weaknesses. This program of seminar and workplace training and serious individual study aims to develop professional human resources that can make effective use of specialized knowledge, meet organizational and customer needs, and achieve great success in the workplace.

### Global business skills training

In today's world of global business, not only do employees posted overseas need cross-cultural communication skills but every employee in the company. At TDK, besides strengthening support for e-learning oriented language education, we have improved the content and frequency of cross-cultural seminars in an effort to improve the global business skills of TDK employees. Among other positive comments, cross-cultural seminar participants have said that they give them a rational understanding for why they feel uncomfortable in cross-cultural settings, ease anxiety about living overseas, and are a worthwhile experience full of fascinating information.



Global business skills training

## Training for Prospective Leaders

### International Management Development (IMD) Seminars

TDK holds International Management Development Seminars aimed at making TDK Group human resources truly global and to strengthen ties across national borders. Participants are management level employees both at TDK Group overseas affiliates and in Japan. Since 1997, TDK has held 13 IMD seminars with 188 participants from 16 countries. IMD participants include those who went on to become president of their overseas affiliate.

## Organizational Structure for Maximizing the Potential of Each Employee (Human Resources Institutions)

TDK has a number of systems in place which are geared to helping each and every employee discover and develop their true potential.

- Active In-house Recruiting System
- Career Option System
- Growth Target Plan

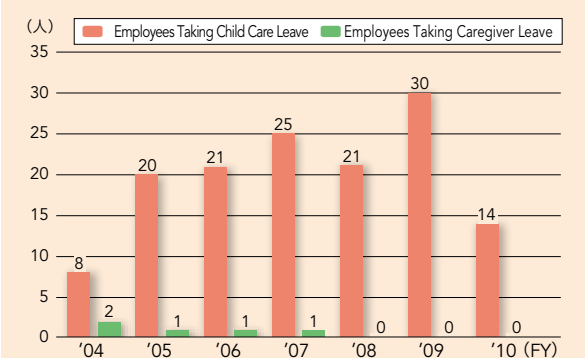
Note: As for further information of each system, please refer the web site.  
[http://www.tdk.co.jp/csr/csr\\_e/02300.htm](http://www.tdk.co.jp/csr/csr_e/02300.htm)

## Respecting the Individual and Providing a Worry-Free Work Environment

### Efforts to Respect Human Rights and Equal Opportunity –Diversity Action Promotion Plan–

In 2002, we established the TDK Code of Ethics\* to serve as an important acting principle for both employees and members of management to follow. Respect for human rights is an important element of this code. We have undertaken a number of specific efforts to respect human rights and ensure equal opportunity, including efforts to educate and enlighten employees, the establishment of a special telephone "help line" for consultations, and various systems related to child care and caregiver concerns (including child care, the care leave system, and a system permitting reduced working hours). We introduced the Diversity Action Promotion Plan in October, in 2007 as a new initiative to further promote these efforts and to recruit and utilize diversified human resources. Diversity Promotion committees have been established in each division, leading company-wide campaigns to provide more opportunities for female employees and retired workers.

### Numbers of Employees Taking Child Care Leave and Caregiver Leave (TDK)





## Comment from an employee about the childbirth/child care support system

There was a time when I thought I would quit working once I had a child so that I could be near him as he grew up. But after giving birth to my long awaited first child I realized that I wanted to continue working for his sake. Using childcare leave makes it possible for me to both work and spend precious time with my child.

I work hard to balance housework and work, and I am always keenly aware of my work priorities and working efficiently so that I can complete my tasks in a limited amount of time. I am using the first childcare flextime work system in the Narita

region, and currently leave work one hour early so that I have more time to spend with my child and prepare him a home cooked meal.

Sometimes I need to change my schedule because my child isn't feeling well, but I always manage thanks to the understanding and help of my coworkers as well as the support of my family.



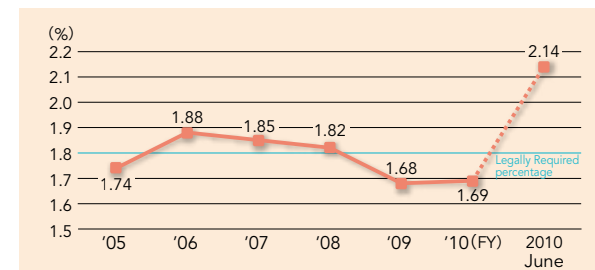
No.4 Product Process Department Materials & Process Development Center Technology Group

Tomoko Uchida

## Hiring People with Disabilities

In FY2010, 1.69% of TDK employees had a disability. Regrettably, this percentage was slightly below the legal requirement of 1.8%, but an active hiring effort during the fiscal year brought the percentage up to 2.14% as of June, 2010. Hiring people with disabilities is a TDK priority, and the Company has therefore formulated and conscientiously put into effect a concrete action plan that includes creating a disability friendly workplace and hiring targets.

## Percentage of Employees with Disabilities



## The TDK rehiring system

TDK has reorganized its post-retirement hiring system. In April 2006, the Company introduced the Second-Life Option System (the TDK rehiring system), a series of courses for retirees who meet labor and management criteria. The system aims to more effectively make use of the knowledge and experience of people past retirement age and fulfill TDK's corporate responsibility in regard to the Law Concerning Stabilization of Employment of Older Persons. Subsidiaries in Japan and overseas are also rehiring retired persons to assist in technology development and to streamline their business operations.

In addition, in 2008, as part of the Diversity Action Promotion Plan, TDK set up a "career bank" where retired persons and employees who have left work to raise children can register upon leaving the Company, enabling TDK to get the most out of their abilities, skills, experience, and social connections even after they have left the company.

## Employee relations efforts at overseas bases

## Magnecomp Precision Technology acquires TLS8001 certification

On August 10, 2009 the Wangnoi Plant and Rojana Plant of Magnecomp Precision Technology Public Co., Ltd. acquired TLS8001 national labor standard certification from the Thai government.

The Thai Labor Ministry established the Thai Labor Standard TLS8001 in June 2003 and began issuing certifications in 2004. Established in response to rising CSR awareness in the markets of industrialized nations and the need for suppliers in Thailand to address labor-related CSR issues, Thailand's independent labor standard not only bolsters the competitiveness of Thai enterprises, it is intended to stimulate Thai enterprises to maintain fair labor criteria and higher living standards for their employees.

At Magnecomp Precision Technology, a TLS committee appointed by the president will focus on labor standard compliance for the company.



TLS committee

## Employee Relations (Safety and Health)

Corporate Profile → CSR Activities → Employee Relations (Safety and Health) [http://www.tdk.co.jp/csr\\_e/csr02400.htm](http://www.tdk.co.jp/csr_e/csr02400.htm)

## TDK Safety and Hygiene Charter

The TDK Safety and Hygiene Charter was enacted in July 2003 and applies to every organization in the TDK Group throughout the world. The basic philosophy underlying the charter is outlined as follows: "In order for employees to perform their duties under the best conditions, the TDK Group recognizes that ensuring a safe and sanitary workplace environment is an important management issue, and it shall implement action with everyone's help toward the realization of such an environment."

Note: As for the details, please refer the website. [http://www.tdk.co.jp/csr\\_e/csr02400.htm](http://www.tdk.co.jp/csr_e/csr02400.htm)

## Promoting a Occupational Health and Safety Management System (OHSMS)

TDK has established an Occupational Health and Safety Management System (TDK OHSMS) as an effective way to reduce latent risks and hazards at the workplace and create a safe and healthy work environment. This system is also seen to contribute to efficiency and productivity and to enhance product quality. It has been implemented at all TDK sites in Japan.

The Safety & Environment Office playing a leading role in the system, as well as several of our plants (Mikumagawa Plant, Shizuoka Plant, TDK Sagara) have obtained OHSAS 18001\* certification. 16 overseas sites also have obtained certification. (As of July 1, 2010)



\* OHSAS 18001: Occupational Health and Safety Assessment Series created by an international consortium as standard specifications for managing health and safety in the workplace. The consortium consists of standards associations and evaluation organizations in Ireland, South Africa, and Britain.

\* For a list of OHSAS 18001 certified sites, please refer the web site. [http://www.tdk.co.jp/csr\\_e/csr05200.htm](http://www.tdk.co.jp/csr_e/csr05200.htm)

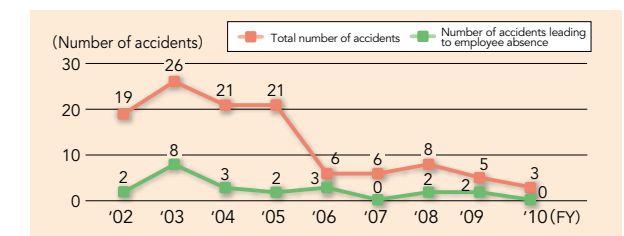
## Common safety and hygiene targets for all TDK Japan offices and plants

Along with introducing the TDK Occupational Health and Safety Management System (OHSMS) at all TDK offices and plants in Japan, TDK has established and put into practice company-wide common safety and hygiene targets including a reassessment of risk management standards and an educational framework for systematically teaching proper safety and hygiene to further raise the level of safety and hygiene for its workplaces in Japan.

## Occurrence of Accidents at Work

The following graphs show trends in workplace accidents at TDK. In FY2010, there were 3 workplace accidents, 2 fewer than the previous fiscal year. There were no accidents resulting in employee absence due to injuries.

## Transition of the Occurrence of Accidents in the Workplace (Japan)



## Employee Health Management

To keep our staff healthy, we conduct physical examinations of employees on a regular basis. Furthermore, we have industrial physicians, health maintenance technicians, and dentists on staff at our major locations, creating an environment in which employees can address their health concerns and have dental checkups on an everyday basis. Also, the employee health insurance union has arranged for an outside service that offers telephone health consultations 24 hours a day.

In the Akita region, the company is implementing a Total Health Promotion (THP) Plan, mainly through its health management centers. Through this program, which offers employees health guidance and exercise programs tailored to their individual needs, we are boosting awareness of health-related matters, such as the importance of exercising and leading a healthy lifestyle.

## Mental Health Care

Besides regular health management, we take an active interest in mental health issues, a subject that has become a focus of social concern in recent years.

To make counseling more accessible, we have established mental health consultation centers staffed by specialists at major locations, and we hold periodic seminars for employees concerning mental health.

Since FY2009, we have implemented a "return to the workplace support program" which includes measures to facilitate rehabilitation and enable a smooth transition for returning employees. TDK will continue to conduct stress checks and mental health related training programs for its employees.



# Local Community Relations

Corporate Profile → CSR Activities → Local Community Relations [http://www.tdk.co.jp/csr\\_e/csr02700.htm](http://www.tdk.co.jp/csr_e/csr02700.htm)

## Basic Concept of Contributing to Society

TDK, recognizing its responsibility to act as a corporate citizen in harmony with the rest of society,

promotes unique community activities aimed at contributing to society in a meaningful way.

### Principle

Based on TDK's corporate motto of "Contribute to culture and industry through creativity," the TDK Group aspires to foster the development of a healthy and prosperous society by implementing various activities in which all TDK employees can feel committed and connected to the community.

### Policy

The TDK Group will utilize its various resources (employees, products, capital, information, etc.) to globally implement proactive community activities—both alone and working alongside NPOs and NGOs—that contribute to the betterment of society in the areas of (1) academic, research, and education, (2) sports, art, and culture, (3) environmental conservation, and (4) social welfare and local community service activities.

## Academic, Research and Education Activities

TDK is willing to return the profits of its activities to local communities by utilizing our accumulated product technologies and human resources. Specifically, TDK

wishes to offer opportunities for young people who will lead the next generation to acquire a wide range of knowledge, experiences, and skills.



**Electronics workshops at the TDK History Museum in Nikaho City, Akita Prefecture**

Organized mostly by TDK alumni, these workshops for elementary and middle school students started in FY2008. Electronics workshops and tours of the TDK History Museum are held during summer and winter vacations. More than 500 students have taken part so far, with recent events including more students from outside Akita Prefecture.



**Environmental education for elementary school students at the TDK-MCC Akita Plant**

In 2003, TDK-MCC began doing presentations for elementary school students in Nikaho City, Akita Prefecture on the company's environmental activities. In 2009, 4th and 5th year students at Hirasawa Elementary School deepened their understanding of the environment by learning about environmental activities such as the 3Rs—Reduce, Reuse, and Recycle.



**TDK Shonai appeals to peace by sponsoring book donation and essay award in Tsuruoka City, Yamagata Prefecture**

In 2007, TDK Shonai began donating copies of The Tale of Wu Yun, about Japanese war orphans left behind in China, to local elementary schools and sponsoring an award for essays written upon reading the book. In FY2010, TDK Shonai donated around 40 copies to elementary schools in three towns and gave awards to six essays written by their students.

### The Kofu Plant solar power system is awarded a METI Agency for Natural Resources and Energy "New Energy Award"

The award is in recognition of the plant's long-term and steady commitment to promoting the benefits of solar cells through those activities below.

- Supplying of valuable data to solar cell manufacturers related to the multiple types of large-scale solar power systems installed on the roof of the Kofu Plant
- Organizing of energy symposiums, field trips, and other activities for the neighboring community in collaboration with local government



### TDK-Lambda Forest: working with local communities to revitalize forests

On land owned by TDK-Lambda in Shinanomachi, Nagano Prefecture, the company is promoting reforestation and efficient land use through the "TDK-Lambda Forest" project. The project is being expanded as part of training for new employees to promote community interaction. In that capacity it has brought together many people both inside and outside the company. The project is now helping a rich, new relationship to develop between the company and the village community based on beneficial mutual contact.



## Sports, Art and Culture Activities

TDK strives to be an "exciting company," capable of providing quality and excitement to stakeholders.

TDK provides support in inspirational sports and art activities that uplift people's hearts.



**Sponsorship of World Championship in Athletics**

TDK has been an IAAF Official Partner of men's bibs since the first IAAF World Championship in Athletics, held in Helsinki, Finland in 1983. TDK will sponsor the 2011 Games in Korea and continue this sponsorship through 2019.



**Sponsorship of world-class orchestras and events that bring musicians and students together**

TDK has been sponsoring performances by world-class orchestras under the name "TDK Orchestra Concert" since 2001. Starting in 2003, TDK also began sponsoring events that send musicians visiting Japan to schools, where they perform and interact with students.



**Sports workshop for elementary and middle school students**

Since 2007, current and former members of the Production Engineering Center's sports clubs have been hosting sports workshops for children in Akita Prefecture. In 2009, a total of 233 children took part in three baseball workshops, a soccer workshop, and two volleyball workshops.

## Environmental Conservation Activities

TDK is engaged in R&D activities to provide products that make people's lives more convenient. But we also work earnestly on various environmental

conservation activities to contribute to the harmonious coexistence of society with the global environment.



**Tree planting by TDK (Thailand) Co., Ltd.**

TDK has been doing tree planting activities around Thailand since 2004. In July 2009, 340 employees planted some 500 trees along roadsides in Pathum Thani Province.



**TDK Beech Forest tree planting and fertilizing organized by plants in the Akita region**

TDK has been working to preserve a section of Mount Chokai in Akita Prefecture dubbed the TDK Beech Forest. Every year more than 100 TDK Group employees take part in planting and fertilizing. So far, 3,000 trees have been planted over 8,020 square-meters.



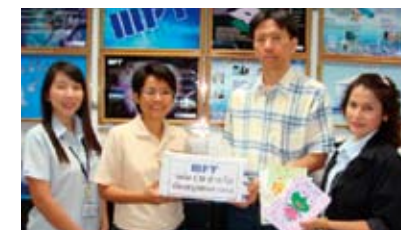
**Joint volunteer cleanup campaign of the Chikumagawa region sponsored by the Chikumagawa Techno Factory and Asama Techno Factory in Saku City, Nagano Prefecture**

Since 2006, the Chikumagawa Techno Factory and Asama Techno Factory have joined together once a year to cleanup areas around their factories. The 2009 effort was carried out in July with the help of around 150 TDK employees.

## Social Welfare and Local Community Service Activities

TDK conducts its business activities on a global basis. We endeavor to apply our resources in a positive manner and provide help in overcoming

various challenges in local communities, in order to realize a better society.



**Magnecomp Precision Technology Public Co., Ltd. donates audio books to organization for the visually impaired**

From September to December 2009, Magnecomp Precision Technology produced some 2,000 audio books by reading them aloud onto CD and other media to donate to the Thai Association for the Blind. 2,000 employees took part in the effort.



**TDK U.S.A. Corporation takes part in volunteer activities to feed the hungry**

In September 2009, 23 TDK U.S.A. employees volunteered at local soup kitchens and food pantries that distribute free food to people in need. They prepared and served lunch, distributed toiletries, and performed other volunteer activities for around 600 people.



**Nursing home volunteer activities by SAE Magnetics Hong Kong Ltd.**

In November 2009, 31 SAE Magnetics Hong Kong employees visited a nursing home in Changan to clean the facility and help nursing home residents with hairdressing, nail trimming, and other tasks. The volunteers also socialized with nursing home residents through dance presentations and other activities.

As for the details, please refer the web site [http://www.tdk.co.jp/csr\\_e/csr02700.htm](http://www.tdk.co.jp/csr_e/csr02700.htm)



# Shareholders and Investor Relations

Corporate Profile → CSR Activities → Investor Relations [http://www.tdk.co.jp/csr\\_e/csr02500.htm](http://www.tdk.co.jp/csr_e/csr02500.htm)

## Basic Policy on Disclosure of Information

The TDK Group maintains fairness and transparency through timely and accurate disclosure of certain information that is demanded by the general public, except confidential information. The TDK Group shall make efforts to identify types of information that are demanded by each group, including shareholders, investors, customers, suppliers, or employees. The TDK Group shall attempt to respond to any inquiries through the Corporate Communications, General Affairs, Sales & Marketing, Procurement and other related divisions in a fair and sincere manner.

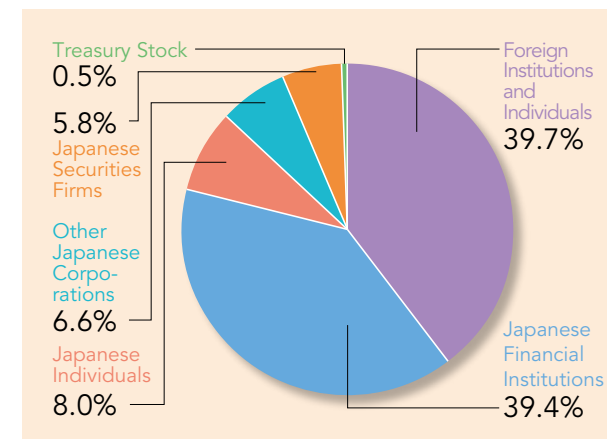
Note: From Chapter 2, Corporate Standards of Business Conduct, TDK Code of Ethics

## Objectives of Investor Relations (IR) Activities

The objectives of TDK's investor relations (IR) activities are to develop long-term relationships of trust with stakeholders by fulfilling our responsibilities not only to shareholders, who have entrusted administration of the company to management, but also to all other stakeholders including investors and analysts through the faithful and fair disclosure of information, as well as to obtain their confidence and regard through bilateral communication.

In order to pursue these objectives at all times, we continuously disclose necessary information and conduct investor relations activities in such a manner that third-party opinions are used to improve management.

## Status of Ownership



## Active Promotion of Investor Relations Activities

In consideration of the objectives of its IR activities, we believe that we must provide capital market participants (including shareholders, investors, and securities analysts) with accurate information that fully responds to their needs. This includes management strategies and business policies, among others.

To this end, we hold financial and other briefings, providing management with the opportunity to engage in direct dialog with capital market participants.

## Overview of IR Activities

Our IR web site seeks to provide business and financial information, management strategies and other material management information in an impartial and easy to understand manner. Specifically, quarterly earnings release conferences are relayed live or in recorded form through the web site in both Japanese and English.

We also issue a variety of printed publications, including the Annual Report that contains a message from management as well as financial results, and the Investors' Guide containing financial information for the past 11 years. These documents are issued annually in both Japanese and English. We also regularly issue the TDK TODAY newsletter which is mailed to our shareholders.



Web site



Investors' Guide



Annual Report



TDK TODAY

# Corporate Communications

Corporate Profile → CSR Activities → Corporate Communications [http://www.tdk.co.jp/csr\\_e/csr02600.htm](http://www.tdk.co.jp/csr_e/csr02600.htm)

## Public Relations Activities

Our basic policy concerning corporate communications is to disclose to all our stakeholders information that the public demands in both a timely and fair manner. Our public relations activities, which are planned and implemented mainly by the Corporate Communications Department, have, as one of their main aims, the consistent provision of accurate and highly transparent information. This is accomplished through issuing news releases and disclosing financial statements. In addition, we place the highest value on listening to the opinions and requests of the public. With these aims, we have put in place various means for communicating with our stakeholders.

In addition to the TDK Company Profile, several other small publications are being produced to explain the company's activities, including "What's TDK" and one pamphlet each dedicated to inductors, capacitors, and power electronics. These pamphlets employ easy-to-understand illustrations and explanations and are distributed in hard copy and made available on the TDK web site.

In the hope that the public can learn more about TDK activities, we have created various public relations tools so we may better communicate with society.

## TDK's Web Site

For the purpose of providing up-to-date, objective information, the TDK corporate web site makes TDK business information readily accessible to our stakeholders. As well as providing detailed information on new TDK products and business activities in the "Products," "Corporate Profile" and "Investor Relations" sections, the web site also

includes Tech-Mag content to illustrate technical trends and other relevant information in an easy-to-understand format, thereby stimulating readers' interest in TDK products and technologies.

## Socially Responsible Investment

In recent years, socially responsible investment (SRI) has become a growing trend in both North America and Europe. For SRI, investors are concerned not only with the financial aspect of a company, but its efforts to protect the environment and address other social concerns. TDK actively discloses corporate information to the various research organizations concerned with SRI. As of April 2010, its stock is included in globally well-known indexes: the Dow Jones Sustainability Indexes (DJSI), launched through the cooperation of Dow Jones (U.S.A.) and SAM (Switzerland) and the Morningstar Socially Responsible Investment Index (MS-SRI), which is Japan's socially responsible investment index.





# Environmental Report

TDK has established the TDK Environmental Charter, consisting of the Basic Principle on the Environment and the Basic Policy on the Environment, as our entire group's environment policy, aimed at contributing to the sustainable development of society. In line with the Charter, TDK formulated the TDK Environmental Action 2015 plan as a fundamental framework for implementing specific environmental activities.

## Environmental Policy and Environmental Vision

Corporate Profile→CSR Activities→Environmental Policy and Environmental Vision [http://www.tdk.co.jp/csr\\_e/csr03100.htm](http://www.tdk.co.jp/csr_e/csr03100.htm)

### TDK Environmental Charter

This environmental charter applies to every organization in the TDK Group worldwide.

#### Basic Principle on the Environment

The TDK Group recognizes care for the global environment as an important management issue and is committed to help bring about a sustainable society through the combined efforts of all of its members in all business operations.

#### Basic Policy on the Environment

Based on this principle, the TDK Group enlists the participation of all of its members to carry out environmental protection activities quickly and effectively, so that future generations may live in a healthier environment.

- 1 Build a framework for promoting activities to improve safety and hygiene, with clearly defined responsibilities, while the management shall provide necessary management resources for the realization of this policy.
- 2 Contribute to society by creating and supplying the market with life cycle oriented products and services.
- 3 Comply with local environmental rules and regulations in every region, establish the necessary self-imposed standards for meeting regulatory requirements and managing chemicals, and improve the level of management.
- 4 Establish an effectively functioning environmental management system, implement environmental policy, set environmental objectives and targets and carry them out, as well as aim to reduce the environmental burden on a continuous basis and prevent pollution.
- 5 Carry out regular environmental audits and continuously improve the environmental management system and environmental performance.
- 6 Disclose information on environmental activities to maintain appropriate communication with local communities and society.
- 7 Actively participate in environmental activities run by governments and local communities.
- 8 Review environmental policy, environmental objectives and targets, and environmental management system periodically and as necessary.

This Environment Charter is available for anyone if desired.

Established March 1, 1993 / Revised September 1, 2006 (version 4)

## Environmental Vision (TDK Environmental Action 2015)

TDK believes that a fundamental environmental plan designed from a long-term perspective is necessary to achieve the sustainable development of society and a recycling-oriented society. In April 2006, TDK released the third revision of its environmental guideline called the "TDK Environmental Action 2015." This comprehensive plan

incorporates new long-term goals and defines ways for global development of our environmental activities. It spells out five specific objectives that form action targets for the entire TDK Group.

Action items and related numerical targets are reviewed annually based on past performance, to promote environmental activities on an ever higher level. In FY2010, some action items were partially revised.

The next version to be called "TDK Environmental Action 2020" is currently under preparation.



## Protecting Nature and Biodiversity (Biodiversity Action Agenda)

In order to make its products, TDK uses various metals and oxides. These raw materials come from mineral ore and other sources mined all over the world. As is well known, mining for ore involves the risk of damage to the environment, including landscape damage, clearing of forests, changes in water sources, and possible effects on the ecosystems. Once damage has been done to an ecosystem, it usually cannot be reversed. As a manufacturer of components, we cannot simply stop using raw materials, but we can try to mitigate adverse effects. In achieving this, we actively promote resource savings by improving production efficiency and engage in activities such as tree planting, reforestation, water source protection, and more.

Our components are also used extensively in sophisticated video and recording equipment as well as in products for office use. We believe that one of the basic human aspirations is to record the beauty and mysteries of nature, and the life of the plant and animal kingdom around us. TDK therefore is engaged in various drives to protect nature for future generations.

All staff members of our organization are aware of the impact that industrial production inescapably has on the environment. We think about the complex interrelationship between business operations and the environment, and are keen to do our part in protecting the global beauty of nature. To translate this into concrete action, the "Biodiversity Action Agenda" was formulated in September 2009 based on the Basic Principle on the Environment and Basic Policy on the Environment.

Note: As for the details of our biodiversity action agenda, please refer the web site.  
[http://www.tdk.co.jp/csr\\_e/csr03100.htm](http://www.tdk.co.jp/csr_e/csr03100.htm)

Note: For Major source of information on our nature protection activities, please refer the web site.  
[http://www.tdk.co.jp/csr\\_e/csr05300.htm](http://www.tdk.co.jp/csr_e/csr05300.htm)



Targets and Results

Corporate Profile→CSR Activities→Targets and Results [http://www.tdk.co.jp/csr\\_e/csr03200.htm](http://www.tdk.co.jp/csr_e/csr03200.htm)

TDK Environmental Action 2015–Agenda  
(FY 2011 and Medium and Long Term Objectives and Targets)

Established: April 1, 2006  
Revised: April 1, 2010 (04)

Objectives		FY 2011 Targets (by March 2011)			Medium Term (by March 2013)	Long Term (by March 2016)
		Scope	Target	Major Measures		
1 Preventing Global Warming	(1) Production sites	Global	• Reduce CO <sub>2</sub> emissions by 5% or more from the FY 2006 level	① CO <sub>2</sub> emissions reduction, site target value achievement ratio	• Reduce CO <sub>2</sub> emissions by 7% or more from the FY 2006 level	• Reduce CO <sub>2</sub> emissions by 10% or more from the FY 2006 level
		Japan	• Reduce CO <sub>2</sub> emissions by 7% or more from the FY 1991 level	① Reduce CO <sub>2</sub> emissions/energy consumption by 2.0% or more year on year (reduce fixed part by 1.0% or more year on year)	• Reduce CO <sub>2</sub> emissions by 16% or more from the FY 2006 level (Reduction of 12% or more from the FY 1991 level)	• Reduce CO <sub>2</sub> emissions by 20% or more from the FY 2006 level
	(2) Distribution	Global	• Reduce CO <sub>2</sub> emissions in distribution (Set target for March 2011)	① Assess and review the amount of CO <sub>2</sub> emissions	• Set reduction targets	• Achieve reduction targets
		Japan	• Reduce CO <sub>2</sub> emissions by 4% or more from the FY 2007 level	① Improve energy consumption per unit of products by 1.0% or more year on year	• Reduce CO <sub>2</sub> emissions by 5% or more from the FY 2007 level	• Reduce CO <sub>2</sub> emissions by 5% or more from the FY 2007 level
2 Managing Waste		Global	• Reduce total waste emissions by 4% or more from the FY 2007 level	① Maintain zero emissions ② Improve outsourced recycling index by 1.0% or more year on year ③ Promote recycling to produce valuable resources ④ Promote reduce program	• Reduce total waste emissions by 4% or more from the FY 2007 level	• Reduce total waste emissions by 5% or more from the FY 2007 level
				• Reduce total waste emissions by 7% or more from the FY 2007 level	• Reduce total waste emissions by 10% or more from the FY 2007 level (Japan only)	
3 Environmental Risk Management	(1) Environmental Risk Management	Global	• Reduce environmental risks	① Implement measures for environmental risk management	• Reduce environmental risks	• Reduce environmental risks
			• Reduce risk of atmospheric VOC emissions (Japan only)	① Implement measures to reduce risk of atmospheric VOC emissions (Japan only)		
4 Conducting External Environment Activities	(1) Social Contribution Activities	Global	• Carry out social contribution activities	① Implement environmental actions matched to local needs ② Implement educational activities to raise environmental awareness and future-oriented thinking	• Continue social contribution activities	• Continue social contribution activities
	(2) Compliance	Global	• Strictly observe all laws and regulations • Accommodate revision of Chemical Substances Control Law (Japan only)	① Implement preventive management based on self-managed standards ② Assess quantities of substances requiring registration	• Intensify implementation of preventive management • Assess quantities of substances requiring registration	• Intensify implementation of preventive management
5 Promoting the Creation of Environment-Conscious Products	(1) Strictly observe all regulations related to chemical substances used in products (REACH regulation compliance)	Global	• Implement product environment management in compliance with RoHS, REACH, and other international regulations related to chemical substances	① Establish chemical substances database Implement a chemical substances management database covering all steps from procurement to marketed product ② Complete RoHS compliant for plants ③ Implement compliance with Chinese Electronic Information Products Pollution Control Regulations (Chinese RoHS) ④ Update MSDS to GHS indication	• Strictly observe regulations related to chemical substances in each country (1) REACH regulation, RoHS Directive/ELV Directive revision (2) Chinese Measures for the Pollution Control of Electronic Information Products (Chinese RoHS) 2nd step (3) Revised Chemical Substances Control Law • Update MSDS to 100% GHS indication (compliance management)	• Strictly observe regulations related to chemical substances in each country
	(2) Promote reduction of environmental load throughout entire product life cycle	Global	• Life cycle assessment (LCA) • Establish new standard and perform evaluation	① Implement LCA standard for product assessment ② Implement LCA for major products ③ Make TDK products compliant with EuP directive	• Promote reduction of environmental load during life cycle of product Activities to reduce environmental impact of major products through LCA (1) Assess carbon footprint (2) Assess GHG (greenhouse gases) evaluation	• Promote reduction of environmental load during life cycle of product
	(3) Establish system for information propagation in supply chain	Global	• Disclose environmental information on products to fully meet customer requirements	① Expand information disclosure and sales of Eco Love products (15% or more in FY 2011) ② Disclose information about Substances of Very High Concern (SVHC) in accordance with REACH regulation ③ Publish LCA data for major products ④ Participate in information propagation activities in the industry	• Disclose environmental information on products to fully meet customer requirements Expand information disclosure and sales of Eco Love products • Disclose information about Substances of Very High Concern (SVHC) in accordance with REACH regulation • Comply with Chinese RoHS certification system • Publish LCA data for major products	• Disclose environmental information on products to fully meet customer requirements

TDK Environmental Action 2015–FY 2010 Results

Objectives		FY 2010 Targets			Results	
		Scope	Target	Major Measures		
1 Preventing Global Warming	(1) Production sites	Global	• Reduce CO <sub>2</sub> emissions by 4% or more from the FY 2006 level	①Improve energy consumption per unit of products by 2.0% or more year on year ②Reduce fixed energy consumption by 1.0% or more year on year ③Set and strictly observe voluntary CO <sub>2</sub> emission limits and targets	CO <sub>2</sub> emissions increased by 2% from the FY 2006 level (Decrease of 1.9% from the FY 2009 level)	
		Japan	• Reduce CO <sub>2</sub> emissions by 3% or more from the FY 1991 level	①Set and strictly observe voluntary CO <sub>2</sub> emission limits and targets ②Reduce fixed energy consumption by improving production methods and facilities	CO <sub>2</sub> emissions decreased by 13.2% from the FY 1991 level (Decrease of 5.0% from the FY 2009 level)	
	(2) Distribution	Global	• Reduce CO <sub>2</sub> emissions in distribution (Set target for March 2011)	①Assess and review the amount of CO <sub>2</sub> emissions	Consideration of global application of system to assess CO <sub>2</sub> emissions in product distribution	
		Japan	• Reduce CO <sub>2</sub> emissions by 3% or more from the FY 2007 level	①Improve energy consumption per unit of products by 1.0% or more year on year	CO <sub>2</sub> emissions decreased by 22.2% from the FY 2007 level (Increase of 8.7% from the FY 2009 level)	
2 Managing Waste			Global	• Reduce total waste emissions by 3% or more from the FY 2007 level	①Maintain zero emissions ②Improve outsourced recycling index by 1.0% or more year on year ③Promote recycling to produce valuable resources	Total waste emissions decreased by 20.4% from the FY 2007 level (Decrease of 11.6% from the FY 2009 level)
			Japan	• Reduce total waste emissions by 3% or more from the FY 2007 level	①Improve outsourced recycling index by 1.0% or more year on year	Total waste emissions decreased by 14.5% from the FY 2007 level (Decrease of 3.9% from the FY 2009 level)
3 Environmental Risk Managing (Reducing atmospheric VOC emissions)		Japan	• Reduce atmospheric VOC emissions by 30% or more from the FY 2001 level	①Reduce atmospheric VOC emissions by 30% or more from the FY 2001 level ②Implement voluntary action plan (introducing facilities, improving processes and controlling waste generation)	Atmospheric VOC emissions decreased by 67% from the FY 2001 level	
4 Conducting External Environment Activities	(1) Social Contribution Activities	Global	• Carry out social contribution activities	①Implement environmental actions matched to local needs ②Implement educational activities to raise environmental awareness and future-oriented thinking	①Environmental protection activities extending to rural mountain regions, national parks, and coastlines carried out on a global scale • Forest sponsorship agreement ("Mori No Sato-oya Keiyaku") signed between TDK-Lambda Corporation and Shinanomachi, Nagano • Mangrove planting on national forest and coastal regions in Thailand, etc. ②Environment awareness education programs in primary and middle schools in various areas • "Try it with the Kids Environmental Festival in 2009 (Kodomo to Tamesu Kankyo Matsuri)" held in Chuo-ku, Tokyo • Environmental quiz game for children at a summer party held in Hungary, etc.	
	(2) Compliance	Global	• Strictly observe all laws and regulations • Accommodate revision of Chemical Substances Control Law (Japan only)	①Implement preventive management based on self-managed standards ②Assess quantities of substances requiring registration	①One case where pollution levels exceeded the self-measured statutory values ②As of March 31, 2010, TDK has not incurred any requirements under the amended Chemical Substances Control Law, so future revisions will be monitored	
5 Promoting the Creation of Environment-Conscious Products	(1) Strictly observe all regulations related to chemical substances used in products (REACH regulation compliance)	Global	• Implement product environment management in compliance with RoHS, REACH, and other international regulations related to chemical substances	①Establish chemical substances database Implement a chemical substances management database covering all steps from procurement to marketed product ②Implement green procurement in compliance with REACH regulation ③Promote use of alternatives and substitutes for substances with high environmental impact ④Update MSDS to GHS indication	Introduced a chemical substance management system (GreenAXIS) to integrate management of chemical substance data from goods purchased to products sold. Efforts are being made to fill out the data for goods purchased, product profiles and finished products.	
	(2) Promote reduction of environmental load throughout entire product life cycle	Global	• Life cycle assessment (LCA) • Establish new standard and perform evaluation	①Establish a new standard for life cycle assessment (LCA) ②Implement LCA for major products ③Make TDK products compliant with EuP directive	Added LCA to product assessment as an evaluation category to serve as an indicator of environmental impact, assessed for new products. Also, LCA data for electronic components are being published by the Japan LCA Forum through JEITA.	
	(3) Establish system for information propagation in supply chain	Global	• Disclose environmental information on products to fully meet customer requirements	①Expand information disclosure and sales of Eco Love products ②Disclose information about Substances of Very High Concern (SVHC) in accordance with REACH regulation ③Comply with environmental load information disclosure in accordance with EuP Directive ④Participate in information propagation activities in the industry	Promote products that have especially low environmental impact on the TDK website as Eco Love products (138 products as of March 2010). Efforts are being made to expand the percentage of Eco Love products among products sold to 30% from 15% by the end of FY2012 as a business objective.	

# Environmental Management System

Corporate Profile→CSR Activities→Environmental Management System [http://www.tdk.co.jp/csr\\_e/csr03300.htm](http://www.tdk.co.jp/csr_e/csr03300.htm)  
Corporate Profile→CSR Activities→Environmental Risk Management [http://www.tdk.co.jp/csr\\_e/csr03400.htm](http://www.tdk.co.jp/csr_e/csr03400.htm)  
Corporate Profile→CSR Activities→Outline of Environmental Load [http://www.tdk.co.jp/csr\\_e/csr03500.htm](http://www.tdk.co.jp/csr_e/csr03500.htm)

## Environmental Management System

TDK has a company-wide Environmental Management System (EMS) which is headed by the company president.

The system is designed to comprehensively address environmental issues that are ever becoming more complex and globalized. It goes far beyond the previous approach focusing on single sites, allowing us to respond promptly and effectively while remaining aware of the big picture.

In addition, the various departments of the head office comprehensively deal with product-related environmental issues that were difficult to deal with under a site-driven environmental management system.

The overall framework now provides the basis for managing the business processes of purchasing, manufacturing, and selling.

\*ISO14001: International standard related to EMS  
Note: For a list of ISO 14001 certified sites, please refer the web site.  
[http://www.tdk.co.jp/csr\\_e/csr05200.htm](http://www.tdk.co.jp/csr_e/csr05200.htm)

## EMS Assessment System and Award Program

TDK evaluates environment management operations on a global basis and is constantly aiming to improve the performance and efficiency of actions in this area. This is intended to raise the awareness level with regard to environmental issues. Each year, goals that were defined at the respective sites and their attainment levels are evaluated according to certain criteria.

A system of awards to commend sites with outstanding performance as well as individual contributions has been introduced. The system is not only aimed at rewarding results but also highlights exemplary actions that can serve as a blueprint for the entire company.

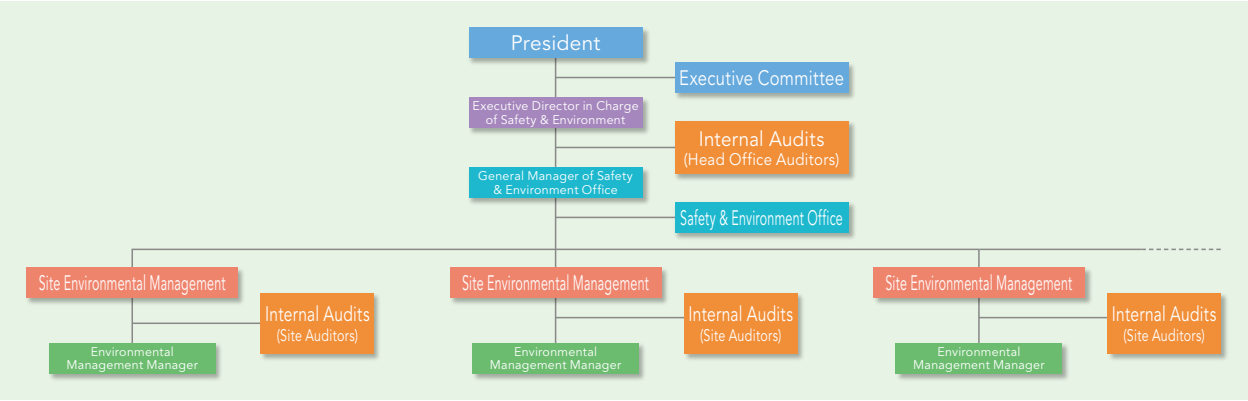
### The award sites for FY2010, along with the main action items

Site	Award content (main items)
Asama Techno Factory	Mid-and long-term energy saving plan devised on their own initiative by all the staff members has shown excellent results.
TDK(Thailand) Co., Ltd.	A review of waste water processing methods identified possibilities for internal processing, resulting in a drastic reduction of waste output.
SAE Magnetics (H.K.) Ltd.	Review of manufacturing methods resulted in drastic reduction of solvent use.

## Operation of the TDK Environmental Management System

In FY2006, all domestic manufacturing sites of TDK shifted to the company-wide environmental management system (EMS). This allowed systematic operation of EMS, clarifying the direction of TDK's environmental activities. By FY2008, we also obtained ISO 14001\* certification for all overseas sites. In addition, environment conferences are held in a number of locations including Japan, China, the ASEAN region, Europe, and America. These are aimed at promoting local activities tailored to the situation in the respective region, while remaining oriented towards achieving the overall goals laid down in the TDK Environmental Action 2015.

## EMS Organization



## Environmental Risk Management

### Managing Soil Contamination and VOC Risks

TDK has established environmental risk assessment standards and management methods for soil contamination and VOC\*. Each site periodically conducts risk assessment. For high-risk locations, a clearly defined priority sequence of preventive measures, restoration measures etc. ensures effective management of environmental risks.

\*VOC: Volatile Organic Compounds  
Note: Soil recovery results are available on the web site.  
[http://www.tdk.co.jp/csr\\_e/csr05300.htm](http://www.tdk.co.jp/csr_e/csr05300.htm)

### Reducing VOC Emissions

TDK has identified the reduction of VOC emissions into the atmosphere as one of its main objectives in the TDK Environmental Action 2015. By the FY2011, the target is to reduce atmospheric VOC emissions by 30% or more as compared to the FY2001 level. Major measures implemented towards this target include reduction of organic solvents use, as well as installation of solvent recovery systems and solvent incineration systems.

Atmospheric VOC emissions in FY2010 were 67% lower than in FY2001, which means that the medium term target value for FY2011 has already been exceeded.

### PCB Storage and Management for Proper Disposal

TDK stores and maintains 77 electric power capacitors, 3 transformers and 175 fluorescent light stabilizers, in compliance with the Waste Management and Public Cleansing Law\*. In response to full-fledged PCB waste disposal requirements, we implemented measures to properly dispose of PCBs, and have completed the registration procedure for disposal of PCBs.

\*Japanese law governing the disposal and cleanup of waste

### Regulatory Compliance and Accidents

To prevent the contamination of atmosphere, water, soil, etc., TDK strictly complies with all relevant laws and regulations. For certain items, we have even set voluntary standards that are more stringent than the legal requirements, and we take immediate corrective measures whenever necessary. Unfortunately, in FY2010, there was one case where pollution levels surpassed the legally required standard values and one case where there was a leak in a heavy oil pipeline. We reported these cases to the authorities and swiftly took countermeasures to prevent any recurrence.

## Outline of Environmental Load

### Assessment of Environmental Load and Defining an Overall Index

TDK is performing a systematic assessment of the environmental load created by our operations on an ongoing basis.

We take the results of these investigations into consideration when defining environment related action items and targets. We are also working on formulating an overall index that converts various environmental loads into CO2 emissions.

#### INPUT

Raw materials	162,961 t
Electric power	1,407,743 MWh
Fuel (converted to crude oil)	44,160 kl
Service water	3,407,128 m³



#### OUTPUT

Products	808,858 million yen
CO2	892,108 t-CO2
Total waste emissions	61,010 t
PRTR controlled substances emissions	239.8 t
Waste water	2,744,399 m³
SOx	11.046 t
NOx	89.676 t
Dust particles	1.784 t

Note: Scope of data  
PRTR controlled substances, service water, waste water, SOx, NOx, dust particles: Japan  
Others: Global



# Preventing Global Warming (Manufacturing and Distribution)

Corporate Profile → CSR Activities → Preventing Global Warming (Manufacturing) [http://www.tdk.co.jp/csr\\_e/csr03600.htm](http://www.tdk.co.jp/csr_e/csr03600.htm)

Corporate Profile → CSR Activities → Preventing Global Warming (Distribution) [http://www.tdk.co.jp/csr\\_e/csr03700.htm](http://www.tdk.co.jp/csr_e/csr03700.htm)

## Efforts at Manufacturing Sites

Carbon dioxide (CO<sub>2</sub>) released through energy consumption at manufacturing sites makes up the bulk of TDK's total greenhouse gas emissions.

In FY2010, TDK's total CO<sub>2</sub> emissions in Japan amounted to 303,314 t-CO<sub>2</sub>, 5.0% down from the previous year (FY2009), and 13.2% less than the FY1991 level.

CO<sub>2</sub> emissions at overseas sites amounted to 588,794 t-CO<sub>2</sub>, 0.3% down from FY2009.

We actively promote various energy conservation programs to reduce CO<sub>2</sub> emissions.

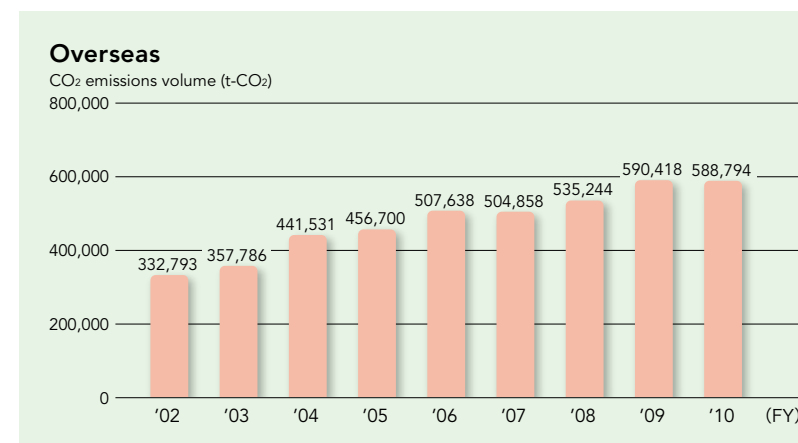
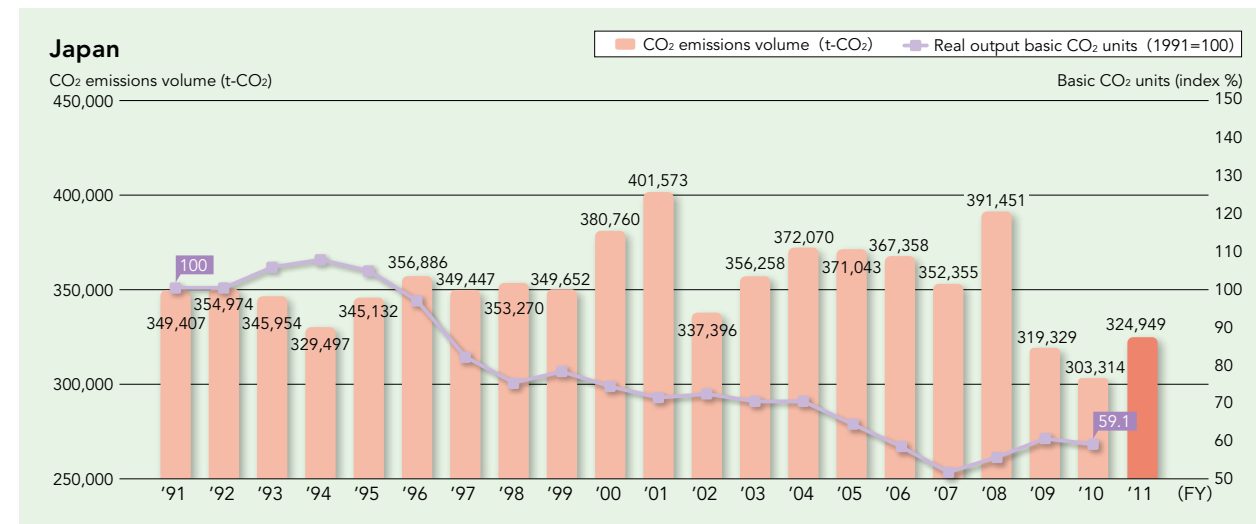
For Type I Designated Energy Management Factories in Japan that consume significant quantities of energy, we have set a stricter target than the nonbinding target set down in the Energy Conservation Law\*, which calls for a minimum 1% annual

improvement in energy consumption per unit of products. We have set a target of at least 2.0% per year. Regarding fixed energy consumption, independent of production volume, we have also set a target of 1.0% or more year on year reduction. By achieving these specific targets, we aim to meet our medium term objective of reducing CO<sub>2</sub> emissions by at least 7% from the FY1991 level by March 2011 (corresponding to a reduction of 324,949 t-CO<sub>2</sub> at domestic sites).

In an effort to bolster energy management at overseas manufacturing sites, we established a medium term target for reducing CO<sub>2</sub> emissions on a global basis (emissions in Japan and overseas combined) in the TDK Environmental Action 2015 launched in FY2007. The goal here is to reduce CO<sub>2</sub> emissions by 5% or more by March 2011, as compared to the FY2006 level.

\* Law promoting more efficient use of energy

## TDK CO<sub>2</sub> Emissions Trends



Note1: Real output: nominal output/price index released by BOJ (electric equipment)

Note2: TDK's standards for CO<sub>2</sub> emissions conversion are as follows:

- Figures for the energy used by each facility are calculated by multiplying the volume of purchased electricity and fuel (such as gas and oil) by a CO<sub>2</sub> conversion factor.
- The CO<sub>2</sub> conversion factor for fuel is a factor stipulated in the Law Concerning the Promotion of Measures to Cope with Global Warming.
- The CO<sub>2</sub> conversion factor for electricity purchased (in Japan) is the basic unit of equivalent CO<sub>2</sub> emissions published by the Federation of Electric Power Companies of Japan. For FY2009 and following, an adjusted basic unit for emissions is used. (The FY2010 figure uses the FY2009 factor.) Because the conversion factor was finalized in FY2009, the figures for CO<sub>2</sub> emissions and real output basic CO<sub>2</sub> units for FY2009 (in Japan) have been revised.
- The CO<sub>2</sub> conversion factor for electricity purchased (overseas) is the FY2007 factor for each country stipulated in the GHG Protocol Initiative. However, the eGRID2007 conversion factor for FY2006 is used for the U.S., and the factor for FY2007 published by the Taiwan Power Company is used for Taiwan. (The figures for FY2008 and later use the FY2007 factor.)
- The figures for CO<sub>2</sub> emissions from FY2002 to 2009 (overseas) have been revised as a result of a change in GHG protocol factor.

## Initiatives to Reduce CO<sub>2</sub> Emissions

### Global Warming Countermeasure Summit (With Special Interest Groups)

In May 2008, TDK organized the first Global Warming Countermeasure Summit, and three special interest groups were formed, headed by energy experts from the TDK Group in Japan. The group topics are sintering (industrial furnaces), air conditioning (clean room air conditioning), and air compression systems. Together, these three areas cover about 60 percent of energy use by the TDK Group in Japan. The aim of the groups is to promote special efforts in these particular areas. TDK's unique Ideal Production System (IPS) is applied to the group activities for promoting energy savings.

The IPS approach starts out by defining the ideal energy usage situation. The discrepancy between the ideal and the actual situation is then examined by assigning an efficiency index, and concrete measures are worked out, oriented towards focused implementation. In FY2010, a total of 21 special interest group sessions were held. Participants were able to determine and verify energy efficiency based on actual measurement data. Building on these results, efficiency targets could be set, and efficiency index comparisons for various sites were carried out. Several energy saving topics were highlighted, and in some instances the efforts led to the implementation of improved measures.

The work of the special interest groups will be further expanded in future with the aim of promoting energy savings and fundamental improvements.



Performing energy measurements at a manufacturing site (October 2009)

### Participation in "Trial Implementation of an Integrated Domestic Market for Emissions Trading"

TDK is taking part in the "Trial Implementation of an Integrated Domestic Market for Emissions Trading," an initiative started in October 2008 by the Japanese government and intended to pave the way for an effective CO<sub>2</sub> emissions trading scheme. During FY2010, we submitted to third party testing to establish actual reduction figures in CO<sub>2</sub> emissions, and worked towards identifying the presence of issues related to CO<sub>2</sub> emission volume and possible areas of improvement. We also took part in consultations with government authorities and various institutions to contribute to a wider acceptance of the envisioned scheme in the industry.

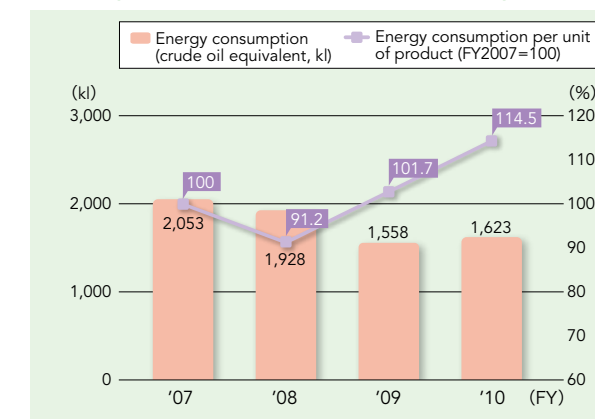
## Distribution Activities

In FY2007, the year when the revised Energy Conservation Law came into effect, TDK established a committee to promote energy savings and improved operation procedures in the distribution sector. Company-wide efforts to reduce distribution related energy consumption are now under way. The following measures are aimed at achieving the goal set down in the Energy Conservation Law to reduce energy consumption per unit of products by at least 1 percent:

- Switch transport between Oita and Akita to rail (modal shift)
  - Improve loading ratio by reducing the frequency of deliveries
  - Shorten transport routes through centralization of distribution bases
  - Use local ports efficiently to reduce the domestic overland transport distances
- etc.

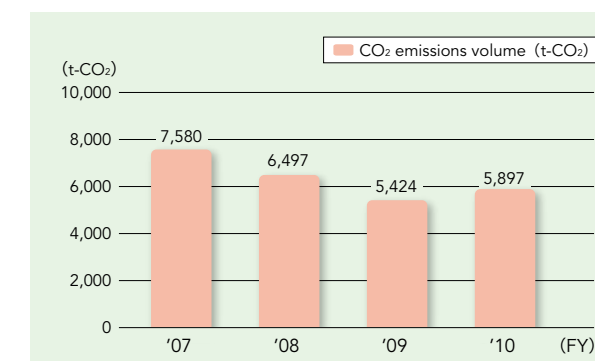
As a result, caused by the reduction in sales figures, energy usage per unit of products deteriorated by 12.6 percent compared to FY2009 and by 14.5 percent compared to FY2007. However, CO<sub>2</sub> emissions were 5,897 t-CO<sub>2</sub>, which represents an increase by 8.7 percent over FY2009 and a decrease by 22.2 percent over FY2007.

### Trends in Energy Usage for Distribution and Consumption Per Unit of Product (TDK Corporation)



Note: The figures for FY2010 are the combined values for TDK and TDK-EPC.

### Trends in CO<sub>2</sub> Emissions for Distribution (Japan)



# Managing Waste

Corporate Profile → CSR Activities → Managing Waste [http://www.tdk.co.jp/csr\\_e/csr03800.htm](http://www.tdk.co.jp/csr_e/csr03800.htm)

## Global Efforts to Reduce Waste Generation

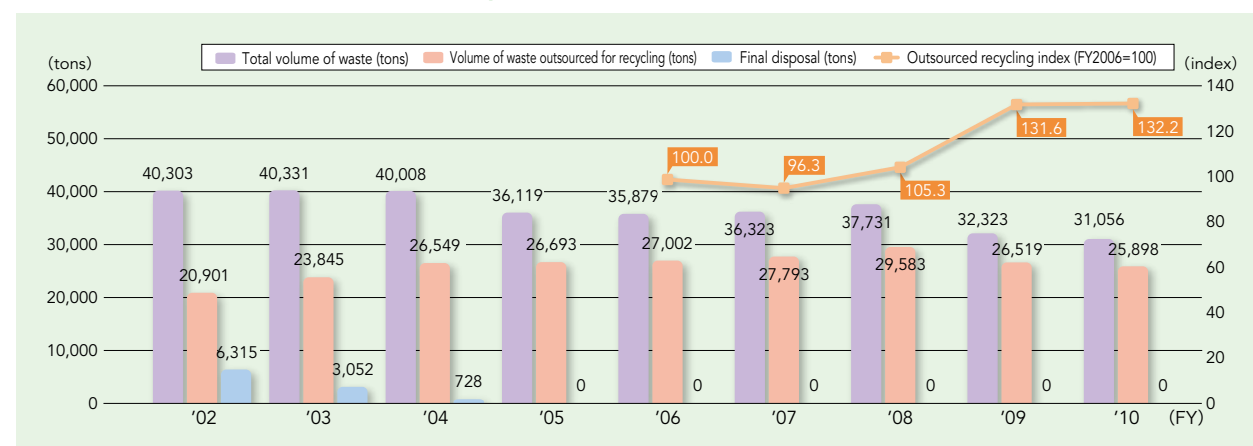
TDK achieved zero emissions in all its sites in Japan and overseas in FY2007. From the viewpoint of effective utilization of resources, we have also endeavored to reduce the amount of externally processed and recycled waste.

We intend to refocus on our starting point of 3R (Reduce, Reuse and Recycle) and work towards a further reduction in the amount of generated waste.

## Efforts at Sites in Japan

TDK sites in Japan worked towards the FY2010 target of reducing the total volume of waste by 3 percent or more from the FY2007 level. At 31,056 tons, the total volume of waste for FY2010 was 14.5 percent lower than for FY2007 (3.9 percent lower compared to FY2009), demonstrating that the target was met. At 25,898 tons, the volume of waste recycled by outsourcing decreased by 6.8 percent compared to FY2007 (2.3 percent compared to FY2009).

### Trends in Waste Emissions (Japan)

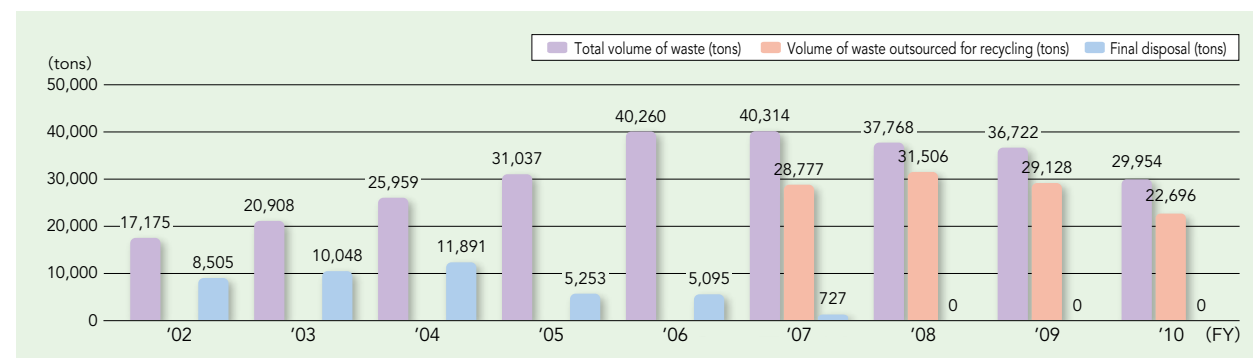


## Efforts at Overseas Sites

Sites outside Japan also worked towards the same FY2010 target, namely to reduce the total volume of waste by 3 percent or more from the FY2007 level. At 29,954 tons, the total volume of

waste for FY2010 was 25.7 percent lower than FY2007 (18.4 percent lower compared to FY2009), which means that the target was met. At 22,696 tons, the volume of waste recycled by outsourcing decreased by 21.1 percent compared to FY2007 (22.1 percent compared to FY2009).

### Trends in Waste Emissions (Overseas)



# Promoting the Creation of Environment-Conscious Products

Corporate Profile → CSR Activities → Promoting the Creation of Environment-Conscious Products [http://www.tdk.co.jp/csr\\_e/csr03900.htm](http://www.tdk.co.jp/csr_e/csr03900.htm)

## Preventing Product Related Exposure to Harmful Substances through Proper Management

TDK defines the term "product environmental consideration" as referring to products that are designed in an environment-conscious manner (or to environmentconscious design specifications). This involves preventive management of products so that they do not cause pollution. We believe that protecting the environment ensures sustainability for the company and is directly linked to product quality.

Our activities will be focused on the following four aspects:

1. Climate change
2. Environment and health
3. Sustainable use of natural resources and sustainable management of waste
4. Nature and Biodiversity

Our environmental strategy with regard to products will also be oriented along these lines.

In concrete terms, product environmental consideration can be classified into the following three categories:

- (1) Free of regulated chemical substances
- (2) Effective use of resources (resource recycling/resource saving)
- (3) Energy-saving design (lower energy consumption in the production process/lower power consumption, etc.)

At TDK, we regard it as a given that our products will not contain any banned substances, and we also give priority to reducing CO<sub>2</sub> emissions. Products are developed under the following four key aspects:

- Explore new sources of energy — "Create Energy"
- Store electrical energy — "Store Energy"
- Convert electrical energy efficiently — "Convert Energy"
- Reduce electrical energy consumption — "Save Energy"

## Consistently Creating Environment-Conscious Products

In 1997, TDK introduced a product assessment system that takes the environmental impact of a product over its entire life cycle into account, from the design and development stage right through to the final stage.

Even minute amounts of chemical substances in all parts that make up a product are recorded. The energy expended during manufacturing, the energy consumption reducing effect of the product, both on its own and when used in another end product are carefully assessed, and only such products that pass strict evaluation criteria and are approved by the General Manager of the Quality Assurance Depart-

ment can proceed to the manufacturing and marketing stage.

In September 2008, we implemented another important framework aimed at ensuring the consistent creation of environment-conscious products by defining the "Eco Love" and "Super Eco Love" certification categories.

The energy expended during manufacturing, the energy consumption reducing effect of the product, both on its own and when used in another end product are carefully assessed, and only such products that pass strict evaluation criteria can proceed to the manufacturing and marketing stage.

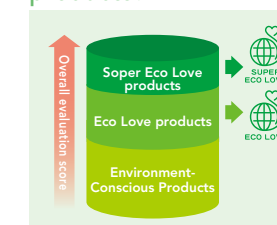
Out of the products approved in the product assessment process, this certification framework selects products that effectively reduce the environmental burden and take the lead in the industry (Eco Love). Among Eco Love items, those which are particularly effective in reducing the environmental burden and that integrate top-class technology, function and form are certified as "Super Eco Love." These products are introduced on our website.

The products may lose their certification if they no longer conform to current requirements. This is aimed at constantly providing incentives for development and improvement.

Currently, the main focus is on climate change (preventing global warming). Products whose manufacture, distribution, and usage in the end product contribute to saving energy or to the utilization of alternative energy sources will receive the Eco Love or Super Eco Love certification.

The ratio of Eco Love products within the total sales for FY2010 is about 15 percent\*. The target for FY2012 is to at least double that to 30 percent or more.

### What are Eco Love products?



\* Sales volume excluding magnetic head products and batteries  
Note: Also see the special feature "TDK Products with Future Vision." in page 9-10.

## Quantifying Environmental Loads and Designing for the Environment from the Outset

TDK uses LCA to calculate the environmental impact of a product over its entire life cycle, based on standard values. We also provide an ecological profile compliant with the requirements of the ErP Directive, and indicate the carbon footprint through CO<sub>2</sub> load levels. This is achieved by quantification of measurable physical quantities (input and output analysis). By tackling all environmental aspects, we are able to design and develop products whose overall impact on the environment has been



minimized as far as possible.

In coordination with the rest of the industry, we are currently developing optimized LCA methods for input and output analysis (first stage) and inventory analysis\* for background data assessment (second stage).

\* Inventory analysis: Detailed analysis of energy and materials input and output in all processes over the life cycle of a product

## Preventing Product Related Exposure to Harmful Substances through Proper Management

In 2004, TDK introduced the "product environmental management" framework to effectively prevent the possibility of product related exposure to substances harmful to human health and the environment. Currently, this has been integrated into our Quality Management System (QMS).

As a component manufacturer positioned within the supply chain, we are concerned with proper prevention and management at the "Purchasing," "Manufacturing," and "Selling" stages.

## Compliance with REACH Regulation

Registration, Evaluation, Authorization, and Restriction of Chemicals (REACH) is a binding EU regulation for manufacturers which came into force in June 2007.

The regulation comprises the following requirements for chemical substances, preparations, and molded products:

1. Registration (chemical substances, preparations, molded products)
2. Notification (molded products)
3. Compulsory application for permission (chemical substances, preparations)
4. Usage limitations (chemical substances, preparations, molded products)
5. Communication of information (chemical substances, preparations, molded products)

As a components manufacturer, TDK considers the communication of information our most important duty. Based on the assumption that all products may be used in the EU region, we communicate information on SVHC\* disclosure requirements to our upstream suppliers and partners, in line with our Green Procurement Standard.

We also have established procedures to convey appropriate information to our customers and partners downstream in the supply chain, as required by the REACH regulation.

During FY2010, in January 2010, a list of 14 additional substances of very high concern was released, so that we now provide information about a total of 29 substances for products to be delivered to the EU region. For general products, we have registered about 2,000 items on JAMP-GP\* and are devising individual measures for their reduction. We

are committed to continue providing product environment related information also in future.

\* SVHC: generally used as acronym for "Substances of Very High Concern", but specifically referring to substances covered by the requirements of the REACH regulation.

\* JAMP-GP: Global Portal site with chemical information operated by the Joint Article Management Promotion-consortium (JAMP).

## FY2010 Excellent Environment-Conscious Products

### Excellent Environment-Conscious Product (1)

#### Wound Type SMD Inductors for Power Line (Magnetic Shielded) CLF10040 Type



A simple structure that does not use a resin base or solder was developed while maintaining high performance to achieve an environmentally friendly, low-profile, 10 mm x 10 mm size power supply coil that is easy to disassemble.

### Excellent Environment-Conscious Product (2)

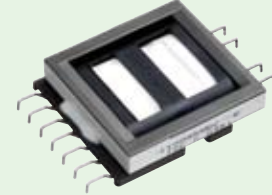
#### Compact Low-Profile (10mm Height) Choke Transformers (Power Factor Correction) for Flat TV PFC Series



A newly developed ferrite material with high magnetic flux density is used in the core to create a PFC choke that maintains excellent DC superposition characteristics in a low profile package (total thickness just 10 mm). Raised productivity during manufacturing contributes to energy and resource savings.

### Excellent Environment-Conscious Product (3)

#### Low Profile (10mm Height) LLC Resonance Power Transformers for Flat Panel TV



A newly developed low-loss ferrite material is used in the core of this power supply transformer to maintain high performance while achieving a low profile configuration (total thickness just 10 mm). Energy and resource use are lower than the existing SRX series and the use of solder has been reduced substantially.

## Third-Party Observer



Junichi Mizuo

Professor, Surugadai University Faculty of Economics. Current and former positions include doctoral visiting fellow at University of London (business administration), visiting lecturer at Tokyo Institute of Technology Graduate School, Japan Association for Performance Excellence Vice-chairman, Japan Society for Business Ethics Study standing director, alumni of Shiseido Co., Ltd., and member of the METI BOP Business Policy Study Group (2008-2010). He has authored several books, including *Gyakkyo keiei nanatsu no housoku* (Seven Management Principles for Times of Adversity, Asahi Shinsho) and *CSR de keiiryoku wo takameru* (How CSR Can Improve Business Performance, Toyo Keizai).

This year as the TDK Group enters its 75th year the company has assumed a crucial role in the development of a sustainable society. My comments as a third-party observer on the TDK Group's CSR activities are from my perspective as a university researcher on the theory and practice of CSR by corporations, seeking to promote a synthesis of CSR theory and practice.

### Positive aspects of the CSR Report

Preventive and proactive CSR through business activities aimed at the implementation of our Corporate Motto and the pursuit of corporate ethics.

The TDK Group's overall business activities, as based on the TDK Code of Ethics, protects the organization and society in general from all kinds of risk and can thus be described as preventive CSR aimed at putting in place a firm foundation for the future. In addition, the Corporate Motto of "Contribute to culture and industry through creativity" can be described as strategic and proactive CSR. These two aspects of the TDK Group's CSR are evident in the report.

In concrete terms, this is evident from TDK's "Vision, Courage, Trust" activities. For example, the development and release of such products as Super Eco Love and the efforts of employees around the world are noteworthy for how they impress Group's "vision" on stakeholders. Likewise, TDK's contributions to the challenge of building smart grid's and other solutions that corporations are grappling with to achieve a low-carbon society, as well as advanced technology that promotes corporate sustainability and the use of FAE (Field Application Engineer) are among the direct expressions of the determination and courage of Group employees. That it is "knowledge" that cultivates those kinds of values is beyond dispute. Finally, TDK's "trust" activities practiced on a foundation of corporate ethical standards and standards of conduct are made evident through the practice of dialogue and other constructive activities.

### Suggestions for going forward

Greater global communication among employees practicing "Vision, Courage, Trust" values

Management quality (meaning raising the quality of overall business operations) linked to "Vision, Courage, Trust" values depends on people. 87.1% of TDK revenue is from sales overseas. Moreover, 87.2% of TDK employees are overseas people, and the number is increasing every year. Such a high percentage of overseas business makes placing CSR officers, global leaders, and other key persons in important overseas organizations and the global communication role they perform all the more important.

In addition to the head office's Blue Print, making use of "knowledge" in the workplace is crucial to ensure that value creation activities fostered by the practice of such CSR values as corporate ethics and contributions to the environment and society are driven by a truly human spirit. Grassroots activities by CSR officers and global leaders are the key to this success.

Going forward, I suggest holding CSR Global Conferences and other activities that include the participation of CSR officers as a way to link "Vision, Courage, Trust" values with concrete action. I also hope that the TDK Group will make a positive effort to make such information accessible and work to achieve performance excellence.



# TDK CSR REPORT 2010

English version

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