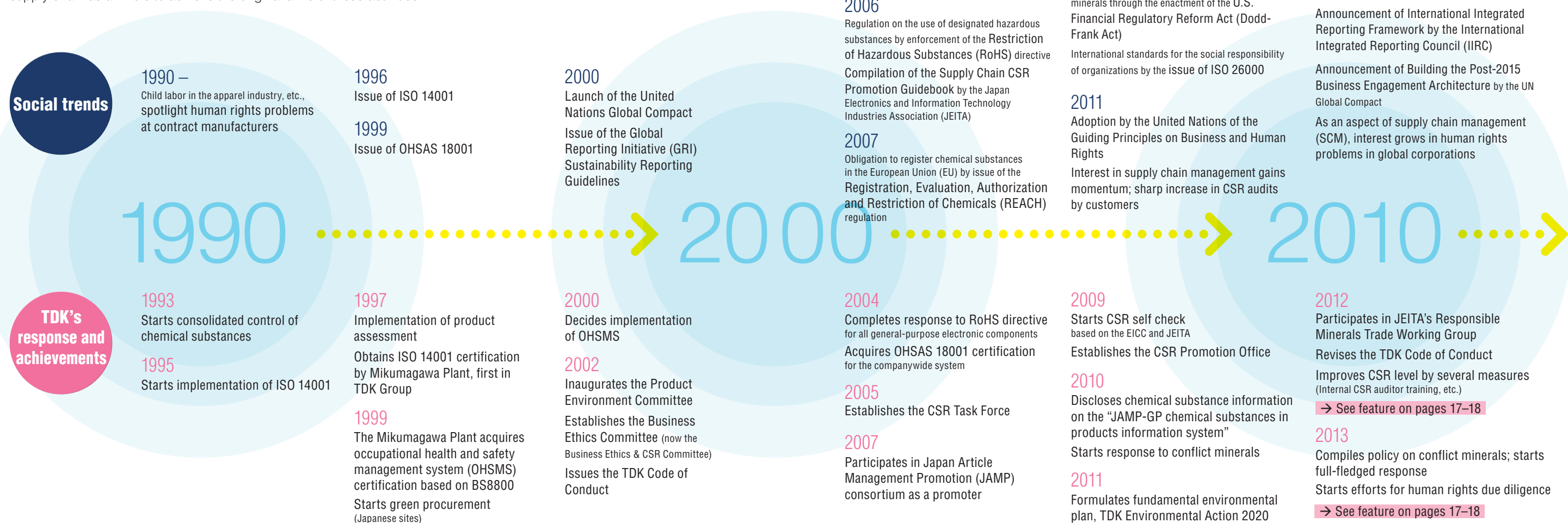


CSR Activities Supporting Value Creation

Responsibility in the Supply Chain

Social Trends and TDK's Response

Here we introduce TDK's activities and response so far to fulfill social responsibility in the supply chain, implemented in accordance with changes in social trends, as well as TDK's thoughts about what should be done from now on in the supply chain as a whole to achieve the original aims of these activities.



History of TDK's Supply Chain Response

Since the spotlight fell on the problem of human rights in contract manufacturers in the 1990s, a consensus was formed that CSR cannot be accomplished by the single-handed efforts of companies but must be promoted throughout the supply chain as a whole. The TDK Group conducts business supported by relations with many customers and business partners, so it exists in a business environment that is heavily influenced by legislative systems, international industrial standards, and other factors involving the

entire supply chain.

After the turn of the century, there was a sharp increase in the number of legislation-based demands from customers, including requests for the disclosure of information relating to chemical substances contained in products. Despite the fact that survey content was the same, the variety of survey formats in companies became a cause of inconsistent understanding, as well as requiring excessive labor power and a heavy cost burden in responding.

In order to implement CSR in the supply chain both rationally and effectively, it is essential to have a common awareness of social issues and common survey formats. So as to contribute to the improvement of efficiency in the supply chain as a whole, TDK participates in the activities of various organizations from the rule-making stage, cooperates with the entire industry, and makes proposals for the standardization of survey formats.

TDK's Problem Awareness and Proposal of Solutions

Society requires companies to upgrade their activities through the formation of problem-solving platforms, so moves to strengthen CSR activities in the supply chain as a whole are going to become even livelier in the future. At present, however, since companies are implementing self-diagnosis and audits with limited resources, there is a limit to both buyer and supplier response, and it is feared that in the future management costs will escalate and response fatigue will set in. In order to mitigate these factors, TDK believes

that the following measures are necessary:

- The cross-industrial standardization of self-diagnosis relating to common social issues and the formulation of audit standards
- The building of a mechanism to share self-diagnosis and audit information across industries and the summarizing of this information to share regional risk information
- Response to the solution of human rights problems, such as working hours

None of these measures can be implemented by individual companies alone. Through dialogue and cooperation with various sectors, TDK will promote efforts toward the solution of labor problems and other issues closely linked to the community and contribute to the building of sustainable societies.

Responses to the Expectations of Society Lead to Improved Corporate Value

—CSR Internal Auditor Training—

TDK strives to enhance employee understanding in order to fulfill its social responsibility in the supply chain.



CSR internal audit

Enhancing every employee's sensitivity toward social requirements

In recognition of the need to respond to requests for CSR audits from electronic equipment makers, who are our customers, and to the social trends which are part of the background of these requests, such as the increasing awareness of consumers and the enactment of legislation, TDK is taking the initiative in promoting activities. Specifically, as well as strictly observing laws and requirements in the countries in which we operate, while understanding the different requirements and levels of customers, TDK responds to a wide range of CSR-related efforts in such fields as labor, ethics, health and safety, environmental, and management system.

In order to respond smoothly to the diverse requests of customers relating to CSR audits, first of all it is necessary to further deepen our own knowledge and understanding of CSR audits. Accordingly, in 2013 TDK began CSR internal auditor training for employees engaged in work relating to CSR. The objectives of this training are to enable employees to systematically understand customer demands and master the basics for evaluating the CSR activities of their own company, thereby also upgrading the level of these activities. In the first fiscal year, the training was held in Tokyo in 2013, and once each in Tsuruoka (Yamagata Prefecture, Japan) and Shanghai (China) in 2014.

Understanding the code of conduct required of an electronic components manufacturer

This CSR internal auditor training is mainly for general managers, plant managers, and managers engaged in CSR-related work at the manufacturing sites. In fiscal 2014, 21 plant managers and other employees from the Tsuruoka, Sakata, and Iida plants took part in the training in Tsuruoka, and 30 people from the Xiamen, Qingdao, Dalian, Suzhou, Wuxi, Hong Kong, and other sites in China attended the training in Shanghai.

After covering basic thinking on CSR, such as ISO 26000, the training program seeks to deepen participants' understanding of the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, which is the basic code of conduct for electronic components makers like TDK. In the electronic equipment industry's supply chain, it is essential to ensure a safe working environment, to respect the human rights and dignity of workers and maintain friendly working environments, and to accept responsibility for the environmental load in the manufacturing process. The standards that should be kept in order to realize these three points are divided into five sections in the EICC Code of Conduct: labor, health and safety, environmental, ethics, and management system. While also referring to legislation in the country concerned, the training program teaches

participants about the background to the EICC code and its requirements.

Furthermore, the program includes responses to case studies and other activities implemented so that eventually the participants themselves will be able to conduct audits at other sites and suppliers. In addition, at high-risk manufacturing sites, if they do not have an opportunity to receive CSR audits from customers, internal auditing by a third-party organization is required once every two years in an effort to raise the level of CSR activities.

EICC Code of Conduct



Raising the CSR awareness of employees

Employees who have participated in the training have made such comments as, "I was able to understand that the observance of laws and regulations is no more than a precondition for CSR and that, on top of the observance of legislation, it is necessary to address environmental and other problems;" and, "I realized that CSR leads to improvement of the company's brand image and in turn its competitiveness as well."

The training does not simply enable participants to master internal audit skills. By deepening understanding of the basic notion of CSR, it also raises employee awareness of the importance of CSR.

In recent years social interest in environmental, labor, and human rights problems has been increasing, and companies are being called on more and more to actively address these issues. It is the natural duty of a responsible company to make efforts to identify and reduce risks by thoroughly enforcing an internal audit system and to respond smoothly to audit requests from customers.

Through the training of internal auditors and various other activities, TDK will continue to fulfill this obligation and make further efforts to raise the awareness of employees.

Comment by a Training Participant

Through my participation in this training, I realized that the promotion of CSR leads to the provision of pleasant and safe workplaces for employees. This is then directly reflected in low employee turnover rates and higher motivation among employees, which ultimately I think enhances the value and competitiveness of the company as a whole.

As a result of the entrenchment and development of CSR management, while still being based on the EICC Code of Conduct, the standards demanded by customers can be expected to become even stricter in the future. Also, as was the case with the environmental management system, rather than management for the sake of audits, it will be necessary for companies themselves to continuously improve management levels.

Taking advantage of this training experience, at TDK Dalian Corporation, where I work, we are planning to improve internal regulations and systems, for example relating to welfare, set fiscal year objectives for CSR, and conduct internal auditing and reviews. Through these efforts, we hope to realize an even more vibrant working environment for employees.



Renliang Guo
Manager,
Personnel and
General Affairs
Department,
TDK Dalian
Corporation



Internal CSR auditor training

Identification of Human Rights Issues through Dialogue with Stakeholders

At TDK, we have repeatedly held discussions with various stakeholders in order to understand and identify human rights issues in our business activities and relations. The following is the overview of a project in which we have been engaging since FY 2014 and the process by which we identify human rights issues in the Group.

Participation in the Nippon CSR Consortium's Stakeholder Engagement Program

Since the UN Human Rights Council adopted "protect, respect, and remedy" framework, known as the Ruggie Framework, with regards to business and human rights in 2008, a series of international CSR guidelines and UN and EU policies have been introduced in accordance with the framework. This trend represents a strong appeal to companies to specifically identify human rights issues in their business activities and take appropriate actions.

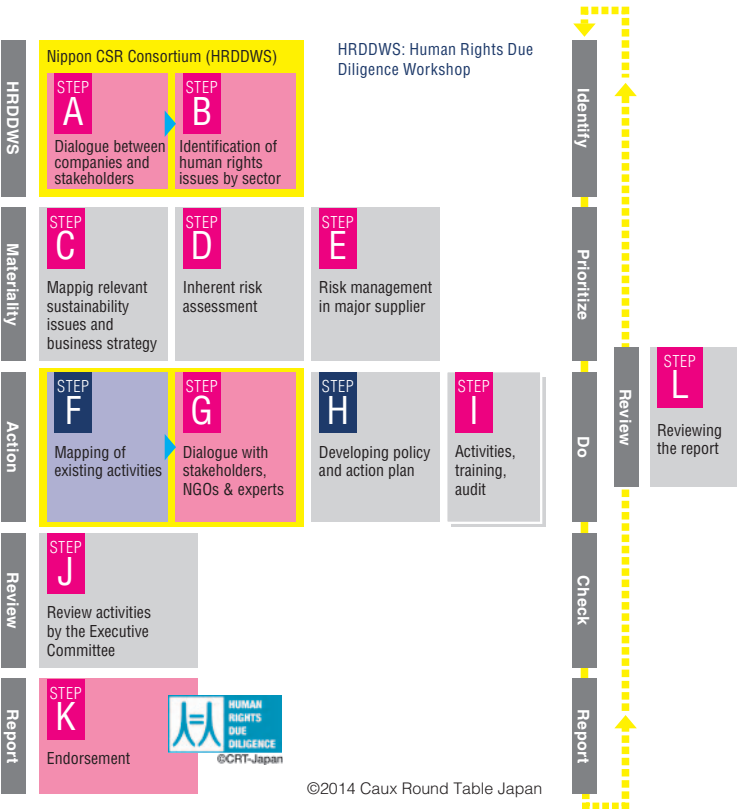
We have been working on addressing the issues of conflict minerals, working environment at sites, and other human rights issues within the company and our supply chain, realizing their increasing importance to corporate management.

In order to further deepen our understandings of human rights issues relevant to TDK, since FY 2014, we have been participating in the Nippon CSR Consortium's Stakeholder Engagement Program*, organized by the Caux Round Table Japan, and holding repeated discussions with other companies, NGOs and NPOs, academics, and experts.

Furthermore, we have also been working on prioritization of human rights issues to be addressed in our value chain, by mapping existing initiatives based on "human rights issues considered important in the manufacturing sector" in the "Human rights Issues by Sector" drawn up through the process shown as diagram below.

* For details about the Stakeholder Engagement Program and sustainable navigation steps, please see the Caux Round Table Japan website: http://www.crt-japan.jp/EN/files/Holistic_Approach/framework.html

Full Process (Sustainable Navigation) toward the Identification of Human Rights Issues, Countermeasures and the State of TDK's Activities



Dialogue with Experts

On March 4, 2014, TDK held a dialogue with Mr. Makoto Teranaka and Mr. Hiroshi Ishida, who are members of the Nippon CSR Consortium, to identify human rights issues relevant to TDK.

In the dialogue, Mr. Teranaka and Mr. Ishida gave highly suggestive talks, the former about the importance of addressing human rights issues and the latter about global CSR trend and human rights due diligence. Following the presentation on the TDK's current efforts in these areas, a lively discussion was held to identify relevant issues to TDK, noting the importance of gaining trust and participation in rule-making.

The importance of management's involvement was also emphasized in the discussion. Participants commented that management can clarify the company's policy and standpoint, explain the reasons why the specific issues were chosen, and, by prioritizing issues, make it easier to channel resources. On the other hand, a challenge in balancing



Dialogue participants: Junji Yoneyama (Director, Senior Vice President, General Manager, Administration HQ), Masato Ishikawa (General Manager, Corporate Planning Group), Akihiko Ayabe (Senior Manager, Personnel and Labor Administration Department, Human Resources Group, Administration HQ), Ikuo Fukuchi (Senior Manager, Legal Department, Legal Group, Administration HQ), Sachiko Nagahara (General Manager, CSR Promotion Office, Administration HQ), Hiroshi Kobayashi (Assistant Manager, CSR Promotion Office, Administration HQ) (titles and positions at time of dialogue).

between TDK's priorities and customers' requirements was also pointed out.

Main Opinions and Proposals from Experts

Makoto Teranaka

Visiting lecturer, Faculty of Contemporary Law, Tokyo Keizai University



The Global Society is now paying large attention to corporates for their responsibilities on businesses including efforts combating against white-collar crimes and corruption. This inevitably requires to strengthen governance within Japanese companies. The CSR nowadays is not only the matter to be carried out by individual units within a company, but a comprehensive strategy to be dealt by the top management.

Human rights issues are expected to be assessed by each company according to a checklist which items are based upon the UN Guiding Principles. The most important aspect of this procedure is, however, not to get the full score, but to ensure that you have a firm and capable governance structure with a full ability for such assessment. It is essential to share the same purpose, that is to protect human rights, and make sure that your company is on the way to make it real with a vision of clear direction yourself. Creating checklists should be regarded as an useful method, but to be sure, it is not the objectives itself.

Hiroshi Ishida

Executive Director, Caux Round Table Japan



The impact that companies exert on society, both positive and negative, is immeasurable. For this very reason, corporate commitment is essential to create a better-society. In this sense, corporate active participation in rule-making process, while jointly working with other companies, is crucial both for society and for companies themselves.

A company could possibly be associated with a number of human rights issues. What is needed is to prioritize the issues and to allocate limited resources effectively. As addressing human rights issues will be an integral part of corporate management, it will be increasingly important for managements to indicate the direction and their decision regarding which issues to be dealt with, to what extent, and in what way.

After Dialogue

Junji Yoneyama

Director, Senior Vice President, General Manager, Administration HQ



Ever since its founding, TDK has supplied value to society by putting its corporate motto into practice. Business and human rights are closely related, and we are proud to have firmly addressed this issue. As a result of the rapid globalization of business, though, it has become apparent that Japanese values sometimes no longer hold water.

In today's dialogue, we heard some valuable opinions, such as the importance of understanding, prioritizing, and tackling CSR in accordance with business strategy, the importance of understanding goals in tackling human rights issues and selecting the right means to achieve those goals, and the importance of management's awareness. TDK sincerely accepts these opinions and will closely examine them in order to continue its mission of contributing to culture and industry through creativity.

Endorsement

Statement of Human Rights Due Diligence Status Check

Caux Round Table Japan herewith confirms that TDK Corporation has understood a holistic approach shown as the framework of Sustainable Navigation, and undertook the following activities. TDK Corporation participated in a series of Human Rights Due Diligence Workshops at the Nippon CSR Consortium. During the workshops, TDK Corporation contributed to identifying human rights issues related to the value chain of the manufacturing sector, while sharing expertise with other members from different companies, NGOs and experts (Steps A and B). In addition, at the individual company level, TDK Corporation has mapped existing CSR activities, and had a dialogue with experts (Steps F and G). I look forward to seeing how TDK Corporation will determine policy and put this into concrete actions (Steps H and I).

Hiroshi Ishida

Executive Director, Caux Round Table Japan

