Top Commitment

By conceiving ambitious goals for the medium and long term and building on our expertise in the materials sector, we will continue to create values that are meaningful to society.

A Medium- to Long-Term Global Outlook is Essential

In December 2015, TDK will mark the 80th anniversary of the company’s founding. Before embarking on this crucial year, we were able to change course towards a successful growth strategy, with the three key segments of passive components, magnetic application products, and film application products forming a well-balanced earnings structure. The structural reform that we have been implementing for the past few years is also beginning to show results, but in retrospect, I somewhat regret the fact that in the face of various adversities, a contraction has happened. An important duty of an enterprise is of course to expand its performance, but it is not sufficient to look only at short-term results. Rather, we aim to be a company that takes a medium- to long-term outlook in formulating its vision. We want to define a growth strategy inspired by the view of a bright future. To this end, we need to closely watch the changing trends in society, in order to give concrete shape to these developments through our business operations.

2015, in which we will celebrate the 80th anniversary of our company, is also a new starting point for 100th anniversary. In keeping with our corporate motto of “contributing to culture and industry through creativity,” we have newly formulated the Corporate Vision and TDK Value, a set of action guidelines, that are destined to bring about a renewal aiming to configure optimized production lines. A pilot line for unified production from raw materials to finished products, along with efforts to identify issues are important aspects of our activities in this area.

Applying the Company’s Founding Spirit towards Further Growth

About 90% of TDK’s entire output is being manufactured and marketed overseas, and about 90% of our staff are based overseas as well. The distinction between Japan and abroad has become all but meaningless. We must see ourselves as a truly global enterprise and boldly reform our corporate culture based on this premise. In terms of human resources, matters of nationality, race, or gender are immaterial, as we endeavor to attract capable people and support and reward those who show a strong motivation for growth.

Throughout its 80-year history, TDK has always placed the utmost importance on human resources. The technology that is our forte derives entirely from the efforts of our company members. Breakthroughs are only possible because of the people that make them happen. Having started out as a venture business, TDK is characterized by the bold spirit of individuals such as our founder Kenzo Saito, expressing originality and passion through a strong dedication to finding new ways of making things. This dedication to monozukuri should inform the actions of all our staff members now more than ever. Being interested in one’s task and taking pride in determination is the keys to success.

Our aim is to be a company that is exciting to be a part of, a place where one’s daily work engenders a positive outlook towards a bright future. This is the motivation that drives our efforts to help build a sustainable society.

Takehiro Kamigama
President & CEO, TDK Corporation
Editorial Policy

Each year, TDK publishes the TDK CSR Report in two media formats, as a booklet and on its website. One purpose of publication is to give employees and students who may be considering employment at TDK a deeper understanding of TDK. The other main objective is to explain to all stakeholders the TDK Group’s approach to corporate social responsibility (CSR), the progress made during the past year, and the direction of activities based on our understanding of the expectations and needs of various stakeholders.

In 2015, as TDK celebrates the 80th anniversary of its foundation, the report includes the Group’s new Corporate Vision and TDK Value, which were adopted to contribute to the further development of a sustainable society and our own development. As we look back over TDK’s 80-year history, we identified social issues that should be addressed in TDK’s value chain and measures that TDK is taking to address those issues, and debated the relationships between the environmental, social, and governance (ESG) information disclosed primarily in the report and the creation of corporate value by TDK.

Also included are reports on the status of progress during fiscal 2014 regarding important activity areas from a CSR perspective and a presentation of initiatives categorized by stakeholder (web version).

Report Formats

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Also included are reports on the status of progress during fiscal 2014 regarding important activity areas from a CSR perspective and a presentation of initiatives categorized by stakeholder (web version).

Period Covered

FY 2014 (April 1, 2014 to March 31, 2015)

Organizations Covered

TDK Group*

* TDK Group: TDK Corporation and 117 consolidated subsidiaries in Japan and overseas.

Major Organizational Changes during the Covered Period

Media Tech K.K., a specified subsidiary, was liquidated in the first quarter of the fiscal year and was excluded from the scope of consolidation.

Date of the Report’s Issue

August 31, 2015

(Previous issue: August 2014; next issue: scheduled for August 2016)

Contact Information

CSR Group, Administration HQ:
+81-3-6852-7115

Cover Page Design

The motif, based on the corporate vision adopted at the time of the 80th anniversary of TDK’s foundation, represents four categories of TDK Value: Customer Focus, Challenge, HR Development, and Diversity (see page 6).

Web-Based CSR Activity Information

Comprehensive data with a focus on reports regarding programs undertaken during fiscal 2014 and a survey format are available on the web.

We look forward to receiving your opinions and suggestions so that we may improve future activities and reporting.

Company Profile

Name: TDK Corporation

Headquarters: Shibaura Renasite Tower, 3-9-1 Shibaura, Minato-ku, Tokyo, Japan

Established: December 7, 1935

Capital: 32,641,976,312 yen

(As of March 31, 2015)

FY 2014 Net Sales by Product Segment (by Composition)

- Film Application Products: 151,275 million yen (14.0%)
- Magnetic Application Products: 369,221 million yen (34.1%)
- Passive Components: 541,205 million yen (50.0%)
- Other: 20,859 million yen (1.9%)

Consolidated net sales: 1,082,560 million yen

http://www.global.tdk.com/csr/
TDK Progress on the Threshold of Its 80th Anniversary

TDK’s History

In December 2015, TDK will celebrate the 80th anniversary of its foundation. We look back on TDK’s history over the 80 years since its foundation in 1935 with a focus on the corporate motto: “Contribute to culture and industry through creativity.”

1935 Tokyo Denki Kagaku Kogyo K.K. established in Tamura-cho, Shibakku, Tokyo City for commercial production of ferrite core
1953 Synchro Tape, a magnetic recording tape introduced
1955 “Usicon” Disc capacitor introduced
1958 Paramistor (a parametron arithmetic element using ferrite cores) wins the Grand Prix at Brussels World Exposition
1966 “Synchro Cassette Tape” introduced
1972 Winchester Heads developed
1978 VHFLS format “Super AVLYN Video Cassettes” introduced
1980 Multilayering technique made from coils without winding developed
1990 Recordable CD-R compact disc with an organic colorant film introduced
1994 High-density recording MR heads introduced
2000 U.S. magnetic head maker Headway Technologies Inc. acquired
2005 Lambda Power Group (power-supply business) acquired
2006 Magnecomp Precision Technology Public Co., Ltd., a manufacturer with technological strengths in suspensions, acquired
2008 EPCOS, a leading German electronic device manufacturer, acquired
2009 Development of ferrite materials and their application recognized as an IEEE Milestone by the Institute of Electrical and Electronics Engineers (IEEE)
2010 New recording density record set by combining vertical TMR heads with discrete track media
2013 Dysprosium (Dy)-free magnet developed
2014 TDK’s “Top 100 Global Innovator” by Thomson Reuters for the third consecutive year
2015 TDK named a Top 100 Global Innovator by Thomson Reuters for the third consecutive year
2016 CEATEC Awards for thermal assisted recording heads received
2017 Recognized as an IEEE Milestone by the Institute of Electrical and Electronics Engineers (IEEE)

Looking ahead to TDK’s 100th anniversary, we adopted a new Corporate Vision and TDK Value. In 2015, on the occasion of the 80th anniversary of its foundation, TDK adopted a new Corporate Vision and TDK Value. The Corporate Vision sets the direction that the company will take leading up to its 100th anniversary in 2035. TDK Value vigorously selects the corporate culture that has been established up to the present and indicates its possibilities and development with specificity. All Group personnel were informed about the Vision and TDK Value, and they are used when putting TDK’s corporate philosophy into action.

Corporate Philosophy

Corporate Motto
Contribute to culture and industry through creativity

Corporate Principles
Always take a new step forward with a vision in mind. Creation and construction are not born without vision.

Vision
TDK was founded in 1935, based on the founder’s vision and belief — “contribute to the advancement of the society through the commercial production of ferrite, a magnetic material which originates from Japan.” TDK achieved four world-class innovations including “ferrite, magnetic tape, multilayer materials, magnetic heads,” and has been offering products to support the advancement of the society.

TDK will strive to continue to contribute to further innovation and create value for customers through the delivery of outstanding quality products, services and technologies. By utilizing the diverse global resources, TDK will continue to strive to achieve further innovation and create value for customers through the delivery of outstanding quality products and services, and by utilizing the diverse global resources.

TDK Value

Customer Focus
We have; • Strong determination to contribute to our customers’ success • Passion to be a trusted partner for our customers Therefore we can; • Define inspirational value by standing in the customer’s shoes • Offer outstanding quality products, services and technology to satisfy our customers

Challenge
We have; • Global business challenges into chances to develop ourselves • Strong determination to accomplish our business goals by overcoming adversity Therefore we can; • Acquire challenge to make innovative breakthroughs and continue to create new value • Lead our colleagues and collaborate as a team by sharing the same value

HR Development
We have; • Ambition to continuously improve ourselves • Motivation to contribute to the advancement of society and growth of businesses Therefore we can; • Define clear vision/goals and drive ourselves to achieve them • Support the development of our colleagues and build enthusiastic teams

Diversity
We have; • Global network with diverse culture • Earns which respect each other and framework which encourages development Therefore we can; • Embrace diversity of ideas and opinions • Clearly express our opinions with sincerity through open discussions

Corporate Vision Vision 2035
Passion to be a trusted partner for our customers

TDK Value

Category Value
Customer Focus
We have; • Strong determination to contribute to our customers’ success • Passion to be a trusted partner for our customers

Therefore we can; • Define inspirational value by standing in the customer’s shoes • Offer outstanding quality products, services and technology to satisfy our customers

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We have; • Global network with diverse culture • Earns which respect each other and framework which encourages development

Therefore we can; • Embrace diversity of ideas and opinions • Clearly express our opinions with sincerity through open discussions

Corporate Principles
Always take a new step forward with a vision in mind. Creation and construction are not born without vision.

Trust
Always try to build trust. Trust is born from a spirit of honesty and service.

Matters of TDK world-leading innovation

1994 First TDK world-leading innovation

1980 Third TDK world-leading innovation

1994 Fourth TDK world-leading innovation

Materials technology derived from ferrite

Fine multilayering technology that supports more music enjoyment

High recording density that achieves amazingly high recording density

Matters of TDK world-leading innovation

1935 First TDK world-leading innovation

1953 Synchro Tape, a magnetic recording tape introduced

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The TDK value chain extending from procurement of raw materials to development, manufacturing, logistics, and sales extends throughout various regions of the world and involves numerous social issues. Here we present the things we consider for society in each stage and TDK’s initiatives.

**Procurement**
TDK procures raw materials from around the world. Consideration for human rights and the environment by suppliers is also a part of TDK’s role.

- Supply useful products to customers
- Ensure product quality
- Comply with laws, regulations, and social norms
- Consideration for human rights and occupational health and safety
- Fair corporate activities
- Ensure stable supply
- Responsible sourcing of minerals
- Reduce the environmental load
- Ensure information security
- Build good relationships with local communities

**Development**
The development process holds the key to how TDK products can contribute to society and the environment.

- Supply useful products to customers
- Ensure product quality
- Develop human resources
- Comply with laws, regulations, and social norms
- Consideration for human rights and occupational health and safety
- Fair corporate activities
- Reduce the environmental load
- Ensure information security
- Build good relationships with local communities

**Manufacturing**
TDK’s focus is on reducing the environmental load during manufacturing, eliminating quality-related incidents, and ensuring occupational health and safety.

- Supply useful products to customers
- Ensure product quality
- Develop human resources
- Comply with laws, regulations, and social norms
- Consideration for human rights and occupational health and safety
- Fair corporate activities
- Ensure stable supply
- Reduce the environmental load
- Ensure information security
- Build good relationships with local communities

**Logistics**
The mission of logistics is the stable, reliable, and timely supply of TDK products to customers.

- Ensure product quality
- Comply with laws, regulations, and social norms
- Consideration for human rights and occupational health and safety
- Fair corporate activities
- Ensure stable supply
- Reduce the environmental load
- Ensure information security

**Sales**
We seek to maintain high product quality while providing products that satisfy customers through consideration for society and the environment.

- Supply useful products to customers
- Ensure product quality
- Comply with laws, regulations, and social norms
- Consideration for human rights and occupational health and safety
- Fair corporate activities
- Ensure stable supply
- Responsible sourcing of minerals
- Reduce the environmental load
- Ensure information security

**Consideration for Society**
Knowing TDK – 3
The TDK Group in the World

Since the company’s founding in 1935, TDK’s business has expanded into various countries and regions around the world. The TDK product lineup has also greatly diversified. Remaining an important player on the world stage, TDK aims to keep delivering services and products that fulfill the needs of society.

Asia

- Number of employees: 69,222
- Consolidated subsidiaries: 55
- Net sales: 753,461 million yen (69.6%)

Americas

- Number of employees: 3,150
- Consolidated subsidiaries: 17
- Net sales: 89,871 million yen (8.3%)

Europe

- Number of employees: 6,720
- Consolidated subsidiaries: 33
- Net sales: 146,016 million yen (13.5%)

Japan

- Number of employees: 8,984
- Consolidated subsidiaries: 12
- Net sales: 93,212 million yen (8.6%)

Symbiosis with the global environment

- Create transport systems that can supply electricity while operating
- Use and expand renewable energy
- Promote the increased use of eco-cars and hybrid vehicles
- Create electric power generation systems utilizing temperature differences

A society where everyone can live safely and securely

- Develop safe, secure, and comfortable automobile-based lifestyles
- Create wearable devices that can inform users about their health status at anytime

A Society Created through CSR Undertaken in Business Activities

Our society is facing various issues. TDK seeks to solve social issues through its business activities.

- Improve the quality of life
  - Create advanced robots
  - Create wearable computers that can be used while attached to the body
- Development of human resources
  - Eliminate digital divides
  - Expand data centers

Society and environmental considerations in the supply chain

- Important Activity Areas from a CSR Perspective
  - Contribution to the world by technology
  - Development of human resources
  - Society and environmental considerations in the supply chain
  - Symbiosis with the global environment

Development of human resources

- TDK’s Five Core Technologies
  - Materials technology, processing technology, evaluation and simulation technology, production technology, and device and module technology

Markets that TDK Focuses On

- ICT
- Automotive
- Industrial equipment & energy

Social Issues that TDK Addresses

- Contribution to the world by technology
- Development of human resources
- Society and environmental considerations in the supply chain
- Symbiosis with the global environment

Digital divides

- Mobile broadband use rate (2014)

- People with physical or mental disabilities worldwide (2011)

Aging of the global population

- Population of people aged 60 years and older (2000)
- Increase in temperature (2010)
- Global primary energy consumption (2040)

Traffic accidents

- Number of traffic fatalities worldwide (2010)

The TDK Group’s CSR

By putting the TDK corporate motto into practice and rigorously complying with corporate ethics, the CSR programs of the TDK Group seek to achieve continuous corporate development and the creation of a sustainable society. TDK’s fundamental approach to CSR, its CSR structures and response to the GRI’s G4 Sustainability Reporting Guidelines (GRI-G4 Guidelines) are explained below.

The TDK Group’s CSR

The TDK Group’s approach to CSR is based on the practice of the TDK corporate motto and the thorough implementation of corporate ethics. Recognizing that TDK is a social entity supported by stakeholders, such as customers, suppliers, employees, shareholders, investors, and local communities, we promote CSR activities through our business activities on the basis of the TDK Code of Conduct and maintain communication with these stakeholders.

By carrying out the TDK corporate motto, we increase corporate value, and subsequently contribute to continuous corporate development and the creation of a sustainable society.

* For the complete text of the TDK Code of Conduct, please refer to the following URL: http://www.global.tdk.com/about_tdk/code_of_conduct/

CSR Promotion Structure

Based on the activities of the Business Ethics & CSR Committee, which reports directly to the Board of Directors, the entire TDK Group acts in concert to address a wide range of CSR topics through collaboration with the CSR Group and other departments and business groups at TDK headquarters and TDK sites around the world.

Business Ethics & CSR Committee

The Business Ethics & CSR Committee is headed by a director or corporate officer appointed by the Board of Directors and is made up of the members appointed by chairperson of the committee in addition to the heads of key headquarters divisions. The mission of the committee is to solve issues relating to the TDK Code of Conduct involving employees of TDK Group companies around the world.

In addition, internal and external help lines have been established as a means for all TDK Group employees to report compliance violations, contributing to rigorous compliance within the Group and preventing compliance violations for identifying and addressing them in a timely manner.

CSR Group

The CSR Group has in-depth knowledge of social issues and requirements and promotes CSR programs in a professional manner. The CSR Group strategically examines the various demands received from customers and society from such perspectives as their urgency and importance, their impact on TDK, the capabilities of TDK, and the degree of contribution to society. Working closely with other departments in the company, the CSR Group formulates policies and implements responsive actions. The CSR Group also promotes CSR awareness in TDK and organizes training programs. The CSR Group is currently organized as a part of the Corporate Administration Headquarters.

<table>
<thead>
<tr>
<th>Structure of Whistleblowing System</th>
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Response to the GRI-G4 Guidelines

GRI, an international non-governmental organization that formulates and issues international guidelines on sustainability reporting, issued the GRI-G4 Guidelines in May 2013 with revised content that shifts the requirements from comprehensive information disclosures to material issues. The objective is to allow management to participate more deeply in CSR and for companies to determine reporting content with certain intentions. The GRI will require reporting in accordance with the GRI-G4 Guidelines starting in 2016, and consequently, TDK is implementing the following processes to identify material issues.

Identifying social issues and prioritizing material issues from TDK’s own perspective (steps 1 and 2) was completed in fiscal 2014. Going forward, we will examine priorities from the perspectives of stakeholders with the aim of reporting the results in 2016 and disclosing information in compliance with the GRI-G4 Guidelines.

Prior Stages (Implemented in FY 2013)

1. Analysis of current circumstances
We analyzed current disclosure levels with regard to compliant items, noncompliant items, and the degree of noncompliance in light of the GRI-G4 Guidelines.

2. Increasing understanding
Relevant personnel took a GRI G4 certified training course to gain an accurate understanding of the intent of the GRI-G4 Guidelines.

3. Organization of information sources
In order to identify material issues and broadly identify social issues, we confirmed how we collect opinions from each stakeholder group and how we engage in dialogue with them.

Steps 1 and 2 (Implemented in FY 2014)

1. Identifying social issues
We confirmed the content of day-to-day communications from information sources such as stakeholders group and conducted simulations of various social issues in light of ISO 26000 and other international standards relating to CSR.

2. Prioritizing material issues from TDK’s own perspective
We organized priorities from TDK’s own perspective into issues to be addressed with precedence (high priority), issues that should be addressed with an understanding of social demands and requirements (medium priority), and issues which we should be aware of as future topics (low priority) based on management strategies, the degree of impact that the TDK Group’s business has on society, level of interest of stakeholders, and current responses with regard to the social issues identified above.

To the right are issues to be addressed with precedence based on the results of prioritization from TDK’s own perspective. As a result of simulations, we reconfirmed our awareness of the importance of key activity items undertaken in the past from four CSR perspectives.

Steps 3 and 4 (Scheduled for Implementation in FY 2015)

3. Prioritization from the stakeholders’ perspectives
Prioritization from the stakeholders’ perspectives based on the opinions of experts and other factors.

4. Finalization of material issues
Finalization of material issues for the TDK Group with the approval of management.
Study Meeting Convened to Enhance the Grasp of Nonfinancial Information Disclosure

The question is emerging of how to interpret recent moves concerning the disclosure of nonfinancial information, an area in which importance is mounting on a global scale, and what responses the TDK Group needs to take. A study meeting was held this March at the TDK Head Office, to which two experts were specially invited to address this very topic. On hand for the gathering were 14 TDK Directors, Corporate Officers and other Group-level management staff members. The meeting commenced with talks from the two experts followed up with brisk discussions including the TDK participants.

Defining the Importance of Nonfinancial Information, an Area Marked by Rising Expectations for Disclosure

The study meeting featured presentations by SRI and CSR expert Mr. Eiichiro Adachi of The Japan Research Institute, Limited and Mr. George Iguchi of Nissay Asset Management Corporation, an institutional investment firm. Both gentlemen delivered thought-provoking talks on recent trends surrounding disclosure of nonfinancial information.

In the EU, amendments have been passed that call for additional disclosure of nonfinancial information, as that region gears up for long-term economic growth and improvements in employment. In place in Japan since last year as dual measures to encourage responsible outlays by institutional investors, accounting for around 30% of the total of such investment at the end of 2013. It has become imperative to grasp the essence of this trend, while moving to actively disclose nonfinancial information and reflect that interrelationship in corporate management and risk assessments. Against such a backdrop, there is considerable significance in the fact that the Financial Service Agency is using the Stewardship Code to demand institutional investors to form a greater grasp of the responses to social and environmental issues at the companies in which they invest. The formulation of the Corporate Governance Code also represents a landmark move in that vein, in terms of its recognition of the structural elements of corporate governance in addressing social and environmental problems.

For investors, it is not only important to examine the overall flow of CSR, but also to discern the ESG factors, which comprises particularly important elements in both risk and opportunity, linking the businesses at each company. The majority of investors are starting to take greater notice of the strengths and distinguishing characteristics of each company, rooted in the various different backgrounds that define those companies. It is precisely for this reason that the need has emerged to consider the disclosure of such information on a management basis. In that sense, it has become tremendously important to not merely consign such work to the divisions in charge of CSR, but instead organize moves for promotion on a company-wide scale.

Opinions and Proposals from the Experts

Eiichiro Adachi
Counsel
The Japan Research Institute, Limited

The premise for long-term investment grounded in the Stewardship Code is multidimensional understanding of corporate activity. In my view, incorporating ESG evaluations into the management process in implementing corporate assessments serves to accelerate the grasp of such multidimensional activity, thereby contributing to improved investment performance over the long term. Within this process, harboring greater importance than short-term sales, earnings and other financial data, is a solid grasp of corporate ideology, management strategies, responses to environmental regulations, relationships between management and employees and other such nonfinancial information. Of particular importance is the “S” for “Society” in “ESG,” which is tantamount to corporate DNA and the wellbeing of any company’s inherent value. In the eyes of investors, this area holds the highest priority of all. Investor activities centered around this caliber of ESG analysis will lead to constructive dialogue with target companies. Annual reports compiled from medium- to long-term perspectives rank as an extremely major presence. This is because the inclusion of ESG standards in the preparation of such reports positions to integrate financial and nonfinancial information is destined to become an inescapable backdrop, aimed at attaining ample communication of the company’s ideology, long-term vision and its other qualities.

George Iguchi
Corporate Governance Officer
General Manager of Equity Investment Department
Nissay Asset Management Corporation

The scale of responsible investment has charted steady expansion, with worldwide outlays by institutional investors accounting for around 30% of the total of such investment at the end of 2013. It has become imperative to grasp the essence of this trend, while moving to actively disclose nonfinancial information and reflect that interrelationship in corporate management and risk assessments. Against such a backdrop, there is considerable significance in the fact that the Financial Service Agency is using the Stewardship Code to demand institutional investors to form a greater grasp of the responses to social and environmental issues at the companies in which they invest. The formulation of the Corporate Governance Code also represents a landmark move in that vein, in terms of its recognition of the structural elements of corporate governance in addressing social and environmental problems.

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Following the Study Meeting

If we equate companies to “people,” financial information can be said to represent scholastic or physical energy capable of being numerically expressed in examinations, while nonfinancial information takes on the image of character traits, dispositions, or other elements that can only be ascertained through the accumulation of actual experience. In recent years, at Board of Directors’ evaluations of the company and other occasions, we have faced increasing questions along the lines of “just what is the DNA of the TDK Group,” and what can be done to permeate those qualities throughout the Group? More so than financial information, I am sensing a pronounced trend to measure the company in terms of its “character,” whether it offers ample trust over the long term and can be expected to deliver a promising future. As we move toward the 80th anniversary of our foundation, I want to take full advantage of our outstanding traditions and corporate culture to further evolve ESG initiatives in all divisions, while properly conveying and sharing that information in an effort to spearhead the way to even higher corporate value.
**State of Progress in Important Activity Areas from a CSR Perspective**

The TDK Group aims to realize a sustainable society and company by practicing our corporate motto of “Contribute to culture and industry through creativity.” In addition, in consideration of their degree of impact on and importance to society and our company, we have selected four important activity areas and implemented PDCA cycles for them. The following is a report of achievements in fiscal 2014 and plans for fiscal 2015 in those four areas.

<table>
<thead>
<tr>
<th>Important Activity Area</th>
<th>FY 2014 Action Plan</th>
<th>FY 2014 Results</th>
<th>FY 2015 Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1 Contribution to the world by technology</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuous improvement of social problems focusing on business activities</td>
<td>Promoted the development of Wireless Charging (CTC) position sensors (autonomous, NH LEAP sensor elements (industrial equipment and energy), etc).</td>
<td>Will contribute to the promotion of the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy.</td>
<td></td>
</tr>
<tr>
<td>Continue to promote the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2 Innovative craftsmanship training</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continue to hold TDK Monozukuri Tradition Seminars</td>
<td>Held TDK Monozukuri Tradition Seminars (5 participants)</td>
<td>Will contribute to the promotion of the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy.</td>
<td></td>
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<tr>
<td>Continue to hold seminars at sites depending on team composition</td>
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<td></td>
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<tr>
<td><strong>3 Development of global human resources</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve global human resources function</td>
<td>Promote CSR activities in Europe and the standardization of educational tools etc.</td>
<td>Will contribute to the promotion of the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy</td>
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</tr>
<tr>
<td>Continue to implement cross-cultural communication training for newly recruited and assistant managers</td>
<td>Continued to implement cross-cultural communication training (190 participants) and IMD seminars (9 participants)</td>
<td>Will contribute to the promotion of the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy</td>
<td></td>
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<tr>
<td>Continue to hold the Overseas Trainee Program</td>
<td></td>
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<tr>
<td><strong>4 CSR awareness within the company</strong></td>
<td></td>
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<tr>
<td>Implement CSR training at employment agencies focusing on labor and human rights</td>
<td>Promoted CSR training at employment agencies focusing on labor and human rights</td>
<td>Will contribute to the promotion of the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy</td>
<td></td>
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<tr>
<td><strong>Promote CSR procurement</strong></td>
<td></td>
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<tr>
<td>Implement regular review CSR check sheets for suppliers and provide education and guidance</td>
<td>Continued to improve CSR checklists for suppliers and provide education and guidance (13 suppliers)</td>
<td>Will contribute to promoting CSR education in training for new recruits and assistant managers</td>
<td></td>
</tr>
<tr>
<td>Implement and improve CSR audits of suppliers</td>
<td>Continued to improve CSR audits of suppliers (13 suppliers)</td>
<td>Will implement CSR training at employment agencies focusing on labor and human rights</td>
<td></td>
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<tr>
<td>Implement CSR training of employment agencies focusing on labor and human rights</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Handel conflict minerals regulations</strong></td>
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<td></td>
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</tr>
<tr>
<td>Gather information and assess trends regarding the interpretation of the SECO’s final conflict minerals criteria</td>
<td>Gathered information and assessed trends through participation in the JETAA Research &amp; Minerals Trading Group</td>
<td>Will contribute to gathering information and assessing trends regarding the interpretation of the SECO’s final conflict minerals criteria</td>
<td></td>
</tr>
<tr>
<td>Continue to respond properly to customers</td>
<td>Continued to respond properly to customers (128 requests)</td>
<td>Will contribute to responding properly to customers</td>
<td></td>
</tr>
<tr>
<td>Continue to respond properly to customers</td>
<td>Survey response rates from customers on 99%</td>
<td>Will contribute to improving the same rate of response as before.</td>
<td></td>
</tr>
<tr>
<td>Continue to implement regular surveys for newly purchased products and improve identification of suppliers for existing purchased products</td>
<td>Survey response rates from customers on 99%</td>
<td>Will contribute to improving the same rate of response as before.</td>
<td></td>
</tr>
<tr>
<td>Establish in-house arrangements to respond to the interpretation of the SECO’s final conflict minerals criteria</td>
<td></td>
<td></td>
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<tr>
<td><strong>CSR-based customer relations</strong></td>
<td></td>
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<tr>
<td>Implement regular TDK CSR self-checks at manufacturing sites and promote the improvement of risk management relating to labor and corporate policies</td>
<td>Implemented regular TDK CSR self-checks at manufacturing sites and provided risk assessment relating to labor and corporate policies</td>
<td>Will contribute to improving the same rate of response as before.</td>
<td></td>
</tr>
<tr>
<td>Implement third-party audits at manufacturing sites and provide CSR self-checks at manufacturing sites</td>
<td>Implemented third-party audits at manufacturing sites and provided CSR self-checks at manufacturing sites</td>
<td>Will contribute to improving the same rate of response as before.</td>
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<tr>
<td><strong>Symphony with the global environment</strong></td>
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<tr>
<td>Promote energy-related activities focusing on business activities</td>
<td>Promoted environmental action based on TDK Environmental Action Plan 2020</td>
<td>Will contribute to environmental activities based on TDK Environmental Action Plan 2020</td>
<td></td>
</tr>
<tr>
<td>Continue toward achievement of carbon neutrality</td>
<td>Advanced carbon neutrality</td>
<td>Will contribute to improving the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy</td>
<td></td>
</tr>
<tr>
<td>Reduce CO2 emissions in manufacturing operations (environmental load): 1.076 billion tons less</td>
<td>Reduced CO2 emissions in manufacturing operations (environmental load): 1.076 billion tons less</td>
<td>Will contribute to improving the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy</td>
<td></td>
</tr>
<tr>
<td>Increase reduction of CO2 emissions through products (environmental contribution): 1.251 million tons</td>
<td>Increased reduction of CO2 emissions through products (environmental contribution): 1.251 million tons</td>
<td>Will contribute to improving the development of products that contribute to the resolution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy</td>
<td></td>
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<tr>
<td><strong>Promote environmental activities focusing on business activities</strong></td>
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<tr>
<td>Promote energy-related activities focusing on business activities</td>
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<td></td>
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<tr>
<td>Promote emission-oriented activities focusing on business activities</td>
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</tbody>
</table>

**Contribution to the World by Technology**

TDK was established for the purpose of industrializing tens. Ever since then, we have created products that contribute to the development of society through our unique technology development. For us, doing our part for the world with our technologies also means contributing to society through our businesses. This philosophy is an integral, ineluctable part of TDK, and our mission will always be to work for social development by way of our high-quality products and services.

**Research and development costs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales ratio (for the three key sectors: ICT, automotive, and industrial equipment &amp; energy)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>70.5%</td>
</tr>
<tr>
<td>2021</td>
<td>70.0%</td>
</tr>
<tr>
<td>2022</td>
<td>70.3%</td>
</tr>
<tr>
<td>2023</td>
<td>70.4%</td>
</tr>
</tbody>
</table>

**Sales ratio for the three key sectors: ICT, automotive, and industrial equipment & energy**

3 for the 3rd consecutive year (2014)

Corporations and research organizations selected for this award are judged not only on patent filing volume, but also on an assessment of whether or not they have commercialized notable inventions on a global scale. Criteria for selection includes, number of patents, success rate, global reach of patent portfolio, and influence of patents in citations. TDK received especially high ratings for number of patents, success rate, and influence of patents in citations.
The wireless charging systems that we are developing are employed in wireless charging systems for cellular phones, tablets, and various other electronic devices. The convenience of charging by simply placing a device on the charger is of course a huge advantage, but the approach also brings various other benefits. Reliability problems caused by conventional cables and connectors can be eliminated, and resistance against water damage and corrosion can be improved. And since there are no batteries that need to be replaced, the environmental load caused by discarded batteries can also be reduced.

During development, a major focus was on how to downsize the coil while keeping the rise in temperature as low as possible. To find the optimal specifications, various combinations of coil shape and magnetic sheet material and thickness had to be evaluated under real world conditions with actual prototypes. It was a long and difficult process. By utilizing magnetics technology which is one of TDK’s strong points, we succeeded in realizing an industry-leading low-profile, light-weight product with high efficiency.

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Wireless charging for mobile devices

Beyond incorporating wireless communication capabilities such as Wi-Fi and Bluetooth, mobile devices and wearable devices these days are starting to go wireless in the charging process as well. TDK has harnessed its advanced knowledge in magnetics technology to create a highly efficient, ultra low-profile wireless charging system. This approach also makes it possible to eliminate the need for cumbersome battery replacement in very small electronic devices such as hearing aids. The system is suitable mainly for hearing aids and other wearable devices such as smart watches, as well as for mobile devices. It enables charging without physical contact.

We want to help create an environmentally and people-friendly society using TDK’s tech power

Feng Lung Chien (left)
Department Manager, Power Group
TDK Taiwan Corporation
Amos Chen (right)
Power Group
TDK Taiwan Corporation

TDK is developing wireless charging systems for mobile devices. These not only make charging more convenient, they also help to protect the products against damage from water or sweat.
High-accuracy position sensors made possible by TDK’s magnetics technology contribute to improved fuel economy and enjoyable and comfortable driving.

**Position sensors**

Used in the DCT* of automotive, this position sensor, which incorporates a magnet and magnetic sensor chip, performs position detection without physical contact. As the output of the sensor changes according to the orientation of the magnetic field of the magnet, the distance to the target object can be measured with high accuracy. The sensor can be used also when immersed in water, oil, or other fluids, and stable operation is maintained even in environments with high levels of noise.

Week together as a team to realize quality that merits the trust of customers

Seiji Fukuoka
Manager, Automotive Group, Applied Products Section, Sensor Department, Sensor Business Group, TDK Corporation

Toshihiko Oyama
Assistant Manager, Automotive Group, Applied Products Section, Sensor Department, Sensor Business Group, TDK Corporation

Wireless position sensors that can detect distance and rotation angle of target objects are essential components of DCTs, because they can provide accurate data about gear movement. Our newly developed sensor uses three magnets mounted to a movable element. This allows highly accurate detection over a range of several tens of millimeters, based on the changes in the magnetic field that occur when the element moves. The use of magnets with outstanding environmental resistance ensures stable measurement even when facing the harsh environmental elements to which motor vehicles are exposed, including high temperatures, dust, water, oil, etc. The expertise in magnetics technology gathered by TDK since its founding has led to the realization of compact magnets in a layout that enables reliable detection over a wide area. The smaller size also contributes to a reduction in the use of resources.

During the development process for this product, numerous difficult challenges had to be overcome before the intended functionality and quality could be realized. Many customer consultations and a multitude of specification matching were required, and we also worked across several departments internally and repeatedly came together for discussion sessions. In this way, the problems were eventually solved one by one. As this is a product that helps to improve the energy efficiency of cars, we intend to continue working together as a team towards further improvements in functionality. In order to meet the expectations that customers and society at large are placing on us.

**NTC (Negative Temperature Coefficient) temperature sensors**

These compact sensors use a wafer base and have exposed electrical contacts on the top and bottom, allowing them to be directly incorporated in IGBT (Insulated Gate Bipolar Transistor) power modules. These modules are a type of semiconductor device that plays a vital role in implementing power control for frequency converters in industrial equipment. NTC temperature sensors integrated in power-saving-type IGBT power modules for industrial and automotive drive systems enable accurate temperature monitoring and control.

Precise temperature monitoring is a prerequisite for the most efficient operation possible of IGBT modules in the frequency converters of industrial drive systems. Working in cooperation with leading semiconductor manufacturers, we were aiming for a compact yet robust and accurate water-based temperature sensor. The main challenges for my team were to develop a metallization for optimal bonding and to create a component able to fully withstand the high temperatures and pressure occurring during the semiconductor assembly process. These challenges were met and overcome through persistent repeated attempts. The result is the S860 series of NTC temperature sensors which can measure very delicate resistance value changes at temperatures as high as 125 °C. This makes it possible to operate the IGBT power module at its limit temperature where efficiency is highest, which in turn contributes to making industrial drive systems more energy efficient.

Our next goal, a new product currently under development, is a sensor that will sustain operation at up to 200 °C. It is destined for use in the next generation of power modules. By expanding our lineup of embedded-type NTC sensors, we aim to contribute to further energy savings.
The percentage of elderly people is on the rise around the world, particularly in developed countries. At TDK, we are forging ahead with technical innovation with the goal of enabling people to live as they desire—and in good health—as they age, a wish common to everyone on the planet.

As more and more medical and healthcare equipment and devices enabling people to maintain optimal health and a comfortable living environment become available, TDK makes recharging these devices ever-more convenient with our wireless charging technologies. Our simple wireless system, an example of people-friendly equipment that does not require setup, eliminates risks such as electric shock and short circuits.

In addition, TDK’s magnetic sensor technology plays an important role in preventive medicine, a field critical to the treatment of illness. Our high-performance sensors, which are being built into a variety of medical and healthcare devices, are now expected to come into a wide range of uses. They can help, for instance, to prevent serious diseases by accurately assessing blood flow and detecting irregularities such as blocked blood vessels at an early stage. In addition, our sensing technologies can assist people with disabilities in moving better by detecting neural signals, which in turn lessens the burden of physical labor put on nursing care personnel. In this way, we do our part for society through product development.

In Japan, for instance, TDK works to fuse regional resources and elemental technologies to resolve the two key social issues of national low energy self-sufficiency rates and the withdrawal of industry from the regions, while at the same time offering new value. By utilizing TDK’s sensing technologies, we will accelerate the introduction of IT in the various businesses which have previously been relying on experience and intuition.

In doing so, we will nurture regional businesses to become profitable. Meanwhile, we also maximize natural energy use with a view to meeting local electric power needs. TDK’s power electronics products and anti-noise parts—which serve to cut costs associated with energy conversion and conveyance—facilitate the efficient use of energy. In addition, our research and development is also progressing in the area of harnessing minuscule amounts of energy, including heat, vibration, pressure, and temperature variation in the surrounding environment.

As the task of securing stable energy sources becomes increasingly difficult in tandem with climate change and world population growth, we seek to build systems where energy is generated and consumed in the same place, thereby fostering a more dynamic community.

We offer new value via a fusion of regional resources and elemental technologies

Doing our part in the energy field

At TDK, we consider it our mission to utilize our unique products and technologies for the greater good. Based on this vision, we seek to maximize the possibilities of the world of electronics.

Here we outline our proposed contributions to the future.
Making Maximum Use of TDK’s Human Resources Asset as a Driving Force to Further Promote Globalization

Andreas Keller
General Manager, Global HR Department
Human Resources Group
TDK Corporation

Looking back on activities in fiscal 2014 and outlining his future ambitions, General Manager Andreas Keller of the Global HR Department talks about the training and utilization of human resources in order to promote the TDK Group’s goal of true globalization.

Optimizing HR Utilization throughout the Group
— Summary of FY 2014

Since the TDK Group launched the Global HR Department in September 2013, the scope of our activities has expanded to cover Japan, Europe, China, ASEAN countries, Korea, and the U.S. It has also been decided to integrate the European sales activities of EPCOS into TDK in 14 European countries in order to appear as a uniform TDK Group.

From the perspective of human resources development, we made efforts to unify educational tools and programs in fiscal year 2014. Many sites and subsidiaries in Europe, the U.S., and ASEAN countries have already introduced this infrastructure, and we are now studying its introduction in China and Japan as well. The globalization of employee education will allow us to maximize Group synergy and share best practices throughout the Group. In addition, the Overseas Trainee Program, which is a scheme for personnel dispatched to and training at overseas sites, has been achieving results in accordance with the desired objectives as well.

Meanwhile, we have also been putting a lot of effort into building a Group-wide Talent Management system, the ultimate goal of which is to increase transparency in the TDK Group’s assignment of human resources and to make sure that the right people are placed in the right positions.

Furthermore, we are promoting various measures aimed at optimizing the use of human resources throughout the TDK Group; such as a sales incentive scheme designed to increase further the engagement of employees and more important to align selling efforts across various brands in the TDK Group.

Aiming to Become a Truly Excellent Global Company
— Ambitions for FY 2015

Strengthening our recognition that human resources are the TDK Group’s biggest asset, we will continue our efforts to utilize human resources with the aim of achieving sustainable growth in fiscal 2015. In order for TDK to continue creating innovations, it is important to build an environment that draws out the potential of every individual employee and unifies employees with different cultures and diverse skills as “One TDK.”

Human resources exchange through the Overseas Trainee Program, job exchanges, and international training programs will be extremely important for enhancing Group synergy and consolidating and sharing the TDK spirit. By strengthening Group-wide collaboration around the world, we can fully utilize our human resources and turn them into a driving force for the promotion of true globalization.

Development of Human Resources

Overseas Trainee Program

TDK operates the Overseas Trainee Program with a view to the TDK Group’s global development in the future. The aims of the program are to enable trainees to understand different cultures, acquire global business skills, and build personal networks.

Chikako Yoshikawa

(Head of overseas appointment)

Head, Labor Administration Department
Customer Group
TDK Corporation

Polishing My Global Communication Skills

I wanted to make use of the Overseas Trainee Program because I realized that the difficulty of engaging in complex communication with people in other countries was an issue for me. At the moment, I am working in the sales and marketing division of TDK UK Limited.

Every day I visit customers together with the local staff and attend marketing activities. I try to gauge the interests, questions, and concerns of customers from their language and expressions. But even if I can understand the conversation itself, I still sometimes cannot understand the nuances contained therein. So I have to make modest efforts myself, like checking with my colleagues after the meeting.

It has been a valuable experience for me to accept and respect diversity and build relations from scratch with people of different backgrounds. After this assignment, I want to take advantage of what I have learned in my work and put it to use in realizing deeper communication with customers and colleagues in other countries.

Efforts in Recruitment Activities

Looking for Creative Human Resources and Aiming to Grow Together

The type of person that TDK is seeking to recruit conforms with the four qualities cited in the new TDK Value issued in 2015, which are “customer focus,” “challenge,” “HR development,” and “diversity.”

At a time of volatile change in the business environment, the human resources needed to support TDK in the future are people who have a “customer focus” enabling them to identify what is really necessary, the courage to “challenge” difficulties and never give up, and the desire to thereby achieve “HR development” themselves.

Furthermore, at a time when overseas operations account for more than 90% of both sales and number of employees, “diversity” is essential if TDK is to continue developing as a truly global enterprise. We want to recruit talented people regardless of things like gender, nationality, and religion, and we want to turn those differences into our strength.

Both new young employees and midcareer recruits comment that if you speak out sincerely, TDK is a company that lets you do the job you want. That has been TDK’s DNA since its founding, and it is deeply rooted in our corporate culture. We will continue our efforts to introduce various schemes and reform training in order to support employees who embody creativity.

Matthew Cotton
Head, Accepting Sales Management Division
TDK UK Limited

Training Human Resources to Challenge the Global Market

As the company accepting human resources, we have to constantly think of appropriate work assignments for individual trainees. It is by immersing themselves in the business culture of their destination countries and engaging in meaningful jobs that trainees can gain valuable experience that will be useful for them in their subsequent careers. By actually working on the front lines and taking part in communication with customers, they can substantially improve their language proficiency as well.

The Overseas Trainee System is very meaningful for the accepting side too, because it gives us an opportunity to understand the TDK Group’s wide scope of activities. Even if they are initially a little perplexed by the arrival of a new member from a different cultural region, our employees soon develop a sense of togetherness with someone who belongs to the same TDK Group and is working toward shared goals. I believe that this system, which aims to train human resources who can challenge the global market in the future, brings enormous benefits to the TDK Group as a whole.

Takashi Otake

Department Head, Human Resources Development Department
Human Resources Group
TDK Corporation

As of April 1, 2015

<table>
<thead>
<tr>
<th>Organization of the Global HR Department</th>
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| General Manager, Human Resources Group

<table>
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<tr>
<th>Country/Region</th>
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<tbody>
<tr>
<td>Japan</td>
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<td>China</td>
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<td>Korea</td>
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<th>Department</th>
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<tr>
<td>General Affairs</td>
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<td>Global Management</td>
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<td>Training Center</td>
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<tr>
<td>Development Management</td>
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<td>Education and Training Center</td>
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<td>Personnel Affairs</td>
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<tr>
<td>Administration</td>
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<tr>
<td>Human Resources Development Department</td>
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<tr>
<td>Head, Labor Administration Department</td>
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</table>

As of April 1, 2015
As a buyer

TDK Group is surrounded by a business environment that is heavily influenced by legislative systems, international industrial standards, and other factors in the supply chain. That is why we see society and environmental considerations in the supply chain as an important aspect of our activities.

Society and Environmental Considerations in the Supply Chain

As a midstream company at a time when CSR is demanded throughout the entire supply chain, we see society and environmental considerations in the supply chain as an important aspect of our activities.

As a supplier

We see CSR audit requests as an opportunity to upgrade our CSR activities. At the same time, amid moves to strengthen CSR activities in the supply chain as a whole, we are concerned that CSR audit redundancies among the companies will lead to a confused response and fatigue. Therefore, we see the number of CSR audit requests received as an important barometer. We will continue to gauge the number of audit requests and search for effective methods of implementing CSR audits in the value chain as a whole.

No. of CSR audit requests received
(FY 2013–14 cumulative total) 72 audits
No. of employees receiving CSR internal auditor training
(FY 2014 cumulative total) 121 employees

As a buyer

We are aware that TDK’s response to conflict mineral surveys from customers reflects our sincerity in tackling this serious social issue. At the same time, we believe that gauging the number of responses to surveys is an important barometer for determining our response burden.

No. of responses 2,489 responses

Ms. Park’s Main Opinions and Proposals

Ms. Joanna Sook Ja Park, the representative of Appassionata, Inc., which provides consulting support for the utilization of diverse human resources and other matters, a discussion took place with the six TDK participants. Various comments were made during the discussion, such as “TDK should clarify how it defines diversity and where it will place emphasis” and “Through practice it is important to keep thinking and making necessary revisions.” In particular, a lively discussion took place on the issue of not simply gathering diverse human resources together but clarifying scales of evaluation for the utilization of different opinions and values to achieve results. Ms. Park also stressed the precondition that “organizations place importance on respect for diversity precisely because it improves their performance.”

Mr. Noboru Saito, Senior Vice President and General Manager, Corporate Strategy, TDK Corporation

Utilizing Differences to Strengthen Competitiveness in the Market

Generally speaking, when we talk about “diversity,” we tend to focus only on the utilization of women and overseas human resources. But actually no two people are exactly the same. If you have two or more people, you have diversity. So it is extremely important to understand the matter as something that concerns you yourself. TDK must not only build a personnel system for the promotion of diversity but also foster a corporate culture in which all employees, under the leadership of senior and mid-level management, think and act with respect for diversity. In addition, it is essential to have a perspective of “diversity and inclusion” enabling all diverse human resources to participate fairly in the organization’s activities and fully display their abilities.

All present, against the background of globalization and changes in the demography, were non-Japanese nationals, the question of how to transform these employees in the same direction. This cannot be achieved overnight, but in order to respond to the continually diversifying needs of the market, we need to make steady efforts to build an organization that continues to generate innovative creativity by displaying the abilities of its diverse human resources to the fullest.

Date of Implementation: April 17, 2015

CASE 3

Response to conflict minerals (No. of responses) 99%

The distribution and retrieval of conflict mineral questionnaires for suppliers is an essential activity in response to this serious social issue. We see the questionnaire retrieval rate as an important barometer for gauging awareness among suppliers of the problem of conflict minerals.

Response to conflict minerals (Questionnaire retrieval rate) 99%
Efforts as a Supplier

TDK, which is a supplier of products to customers, endeavors to incorporate society and environmental considerations at all of its sites. Through self-checks, audits, and other measures, we promote CSR which leads to enhanced corporate value.

Efforts at TDK’s Production Sites

TDK has compiled the TDK CSR Self-Check Sheet, based on the Electronic Industry Citizenship Coalition’s Code of Conduct, with the aims of understanding issues in CSR activities and replying speedily to customers. This self-diagnosis is implemented at main production sites every year. Furthermore, TDK responds to requests from customers for CSR audits, which have been increasing in recent years, seeing them as a good opportunity to further raise the level of CSR activities. Regarding high-risk regions and production sites, as well as customer CSR audits, we conduct internal audits by third-party organizations once every two years. Since 2013, TDK has also implemented CSR internal auditor training every year with the aim of conveying a systemic understanding of the requirements of these CSR audits and upgrading CSR activities at production sites.

Response to CSR Audits

In fiscal 2013-14, TDK implemented CSR internal audits at five sites. Including responses to customer audit requests, we undertook CSR audits at an aggregate total of 72 sites. Audits were conducted at all sites in China, where there is a high risk of labor issues. Each site made improvements regarding highlighted matters, and the CSR Group shared information with related head office functions, called for attention to be paid to these problems, and reflected them in countermeasures.

Furthermore, continuing from fiscal 2013, CSR internal auditor training was implemented in fiscal 2014 in Japan and China. In particular, in China, where many audits are carried out, the emphasis was placed on case studies, and quality training was provided at an even higher level than the previous year.

Promotion of CSR Procurement

CSR procurement, which is included in TDK’s purchasing policy, is an important issue for our company. Because we are a components manufacturer, we promote CSR from our position as a supplier. But it is also necessary for us to demand CSR among our own suppliers. Therefore, we require our suppliers to reply to a CSR check sheet every year, and if there are any issues with their answers, we request them to make improvements individually.

In addition, we have been implementing CSR audits with the aim of acquiring an objective understanding of the situation since fiscal 2012. We select suppliers for these audits in consideration of such factors as degree of importance and level of dependence in relation to products delivered to customers.

Summary of CSR Audit Results (TDK Xiamen)

TDK Xiamen implemented CSR audits at 9 companies in 2014 and made a total of 118 findings. Of them, findings relating to health and safety accounted for 49% of the total. These included multiple instances of inadequate protection for workers engaged in jobs handling hazardous substances (specific medical examinations, protective gear, etc.), failure to secure evacuation routes, and inappropriate storage management of dangerous chemicals.

Society and Environmental Considerations in the Supply Chain

TDK Xiamen Co., Ltd. In order to promote CSR procurement and build solid relationships of trust, we believe that these efforts enhance the corporate value of both suppliers and TDK.

As a buyer procuring materials, TDK engages in CSR procurement emphasizing communication and builds solid relationships of trust. We believe that these efforts enhance the corporate value of both suppliers and TDK.

Voice

Responding to Customer Expectations with a High Level of CSR

I am currently assigned to CSR promotion at TDK Xiamen Co., Ltd. In order to promote CSR throughout the entire supply chain, I believe that it is our responsibility as a supplier to respond to the CSR standards required by customers. At TDK Xiamen, we have received CSR audits on five occasions since our CSR Promotion Office was launched in 2013. The standards required by customers get higher each time, and the audits have become increasingly rigorous. So each audit poses a challenge for us, but we have been able to pass all of these audits due to thorough preparations, which include people in charge sharing audit aims, communicating closely with one another, and getting an understanding of the situation.

As a trend in CSR auditing recently, the maturity of our CSR management system has increasingly come into question, including topics such as the tasks of people in charge, assessment methods, and the sharing of audit results, so we must respond appropriately, including in the revision of our conduct guidelines. We will continue to make relentless efforts toward improvement and build a more systemic and effective mechanism.

Shelly Chen

Voice

Addressing Management Issues together with Suppliers

I am currently assigned to CSR audits of suppliers. The content of CSR audits covers a wide range of fields, and legal and professional knowledge is required. In actual audits, it often be difficult to spot risks and determine problems, so it is necessary for auditors like us to make efforts to upgrade our own skills by regularly participating in training, taking legal courses, and receiving guidance from experts.

Furthermore, when we conduct audits, I think it is important for us, in consideration of the scale of the risk detected in the audit and the management conditions of the supplier, to point out problems and measures for improvement. By doing so, we can answer questions from suppliers accurately and with sincerity, which leads to suppliers understanding the importance of CSR and builds relationships of trust which ultimately enhances the corporate value of both parties.

I intend to continue making efforts to promote CSR by steadily mastering CSR knowledge and accumulating experience.
Mr. Wada’s Main Opinions and Proposals

Efforts of TDK as a Supplier

As audit requests from customers continue to increase, the burden on TDK sites of responding to those requests can be expected to increase in the future, too. Regarding human rights and labor in the workplace, regardless of industry, it is certain that specific issues that are likely to be questioned, such as forced labor, child labor, and long working hours, are becoming more widespread. Therefore, it is important to gather your own survey results prior to requests and be ready at all times to submit material if an inquiry is received.

At present, I hear that TDK is making efforts to standardize records at its sites, such as the contents and results of external and internal audits conducted so far and countermeasures, and plans to disclose this information. That is a wonderful effort. It is an effective means of avoiding future risks and also has much significance in terms of continuing to respond to customer requests. I definitely hope that you will actively promote this measure.

Furthermore, when preparing to establish an overseas site, TDK makes a checklist of items that should definitely be implemented and conducts a feasibility study including not only quality, equipment, cost, and so on but also the CSR perspective. This is an excellent approach as well. I hope that TDK will understand the importance of conducting operations on the basis of the 4Gs and acts accordingly. (Known as the “four golden principles” in Japanese, the 4Gs are go to the source, go down to the factory floor, grasp the actual situation, and get together with local employees.)

Efforts of TDK as a Buyer

When you have so many suppliers, it is difficult to conduct self-assessment questionnaires, audits, and improvement guidance in a uniform manner. So priority is important. It is essential for TDK to clarify its guidelines taking into account such factors as dependence on suppliers.

TDK currently conducts CSR audits on suppliers and is putting a lot of effort into audit training, so now you have reached the stage where you must ask yourselves what should be the aim beyond that. The concept of capacity building is going to become increasingly important. This means including the perspective of growing together in improvement guidance for suppliers and supporting the strengthening of the supplier’s organization through guidance. As one aspect of information disclosure, it might be a good idea to include the guidance provided on each matter in future reports.

Required Role in the Industry as a Midstream Company

Since TDK is a midstream company, you are able to view the supply chain from the perspectives of both supplier and buyer. It is essential at all times to have an understanding of what is trending in the supply chain. It might also be a good idea to team up with NPOs and NGOs and seek their guidance on the latest human rights issues and CSR audits.

It is unfortunate that so far midstream companies have not shown a strong presence in compiling self-assessment questionnaires and so on. As globalization proceeds, it will be unavoidable for midstream companies to firmly express their thoughts. I hope that TDK will strengthen collaboration in the industry and across other industries and formulate standards so that you can take the initiative in international society.

Symbiosis with the Global Environment

TDK has formulated the TDK Environmental Charter as the environmental policy of the TDK Group as a whole. TDK recognizes that symbiosis with the global environment is an important management issue and aims to contribute to sustainable development. To realize this goal, TDK has formulated an environmental vision called TDK Environmental Action 2020 and is conducting activities with the target of becoming the first company in the electronic components industry to achieve carbon neutrality.

Environmental load involves many factors, such as resource and water use, but we realize that the biggest factor at TDK is CO₂ emissions from production activities. That is why we are making efforts to reduce these emissions.
Reduction of CO₂ Emissions from Production Activities (Environmental Load)

The TDK Group engages in capital investment and energy-saving activities at each site in order to reduce CO₂ emissions from production activities.

Achievements in FY 2014

TDK Environmental Action 2020 sets the target of reducing the TDK Group’s global CO₂ emissions to less than one million tons by March 2021. As a result of the continued promotion of energy-saving activities at production sites around the world, CO₂ emissions amounted to 1.068 million tons in fiscal 2014, which was under the fiscal year target of 1.07 million tons.

Example from the Kofu Plant in Japan

As a replacement for outdated turbo refrigerating machines which produce chilled water for use in production and clean room air conditioning, TDK’s Kofu Plant introduced highly efficient machines and also reviewed the system for transporting chilled water, boosting heat quantity visualization, increasing the variability of chilled water flow, and introducing free cooling* in the winter. The resulting reduction of CO₂ emissions amounted to 83,000 tons per year.

*Free cooling is a system for producing chilled water for air conditioning and production equipment that uses a chilling tower to make use of the low external air temperature in the winter.

Example from the Kofu Plant in Japan

The energy-saving subcommittee at TDK’s Kofu Plant

More than 30 years have passed since the Kofu Plant was built, and on the occasion of the replacement of outdated equipment, it was decided to promote energy-saving activities. In the promotion of these activities, emphasis was placed on communication. The Kofu Plant consists of many divisions, so cross-sectional communication among them was essential. When repairing buildings and production equipment, repeated discussions were held with the users, who asked whether the energy saving would have any adverse impact on manufacturing conditions and also voiced their requests and opinions, such as “Wouldn’t it be better like this?” and “Costs would be lowered even more if we did it like this.” These discussions clarified the merits for both sides and improved the process. Through these activities, the participants became aware once again of the importance of creating an atmosphere in which related parties can communicate and air their opinions from their respective standpoints. In terms of contributing to the environment as well, the Kofu Plant intends to continue its role as a company that “contributes to culture and industry through creativity.”

Increasing the Reduction of CO₂ Emissions through Products (Environmental Contribution)

In order to increase its environmental contribution, the TDK Group is promoting visualization as a contribution of its technological achievements in product development and manufacturing.

Achievements in FY 2014

TDK Environmental Action 2020 sets the target of increasing the reduction of CO₂ emissions through products to more than 1.0 million tons by fiscal 2020. In fiscal 2014, this environmental contribution amounted to 1.251 million tons through the expansion of applicable power supply products and efforts to establish calculation criteria for flash memories, aluminum electrolytic capacitors, and lithium ion polymer batteries.

Example from TDK-Lambda UK Ltd.

TDK-Lambda UK Ltd. calculated the environmental contribution of its products on the basis of the method for calculating the environmental contribution of power supply products implemented at TDK-Lambda Corporation. The company’s power supply products are used in not only industrial equipment but also medical devices, such as CT scanners. The resulting reduction of CO₂ emissions amounted to 83,000 tons per year.

Voice

Promoting Energy Saving through Cross-Sectional Communication

Voice

Visualization of Environmental Contribution Leads to Further Design Innovation

A major feature of the power supply products of TDK Lambda UK Ltd., which are used in medical applications and measurement equipment, is that the settings and composition can be easily changed to match the varied input-output conditions of the application. Selecting the best power supply product for the application has an impact on energy efficiency throughout the entire lifespan of the product, 10–15 years, and leads to improvements in the final product’s energy consumption.

What I noticed in our efforts to calculate the environmental contribution is that even a really small improvement in product design can have a colossal impact on the environmental contribution of the final product. Our company receives much praise from customers for supplying the most appropriate power supply products, and from now on, we will also search for ways to further improve energy efficiency in product design, manufacturing, and operation. We want to continue taking on challenges so that we can always surpass the expectations of our customers.

Voice

For medical purposes

Data centers

Industrial equipment

Lithium-ion polymer battery

Voice

Tim Puttick

Production Manager,
TDK-Lambda UK Ltd.
Toward Compilation of the Next Environmental Vision

TDK Environmental Action 2020 set fiscal 2020 as the target year for achieving carbon neutrality, but the goal was reached ahead of schedule in fiscal 2014. So we have reached the stage where we should delineate the next target of our activities. TDK invited Mr. Keisuke Takegahara, director of the Environmental Initiative & Corporate Social Responsibility Support Department at the Development Bank of Japan, Inc. and a leading figure in the field of environmental finance in Japan, for a talk with Mr. Tetsuya Kuwashima and Mr. Ryo Yokoyama of the Safety and Environment Group of Manufacturing HQ.

Industry-Wide Efforts to Establish International Standards

The first point to be confirmed in the discussion was that in-house understanding and cooperation are essential to promote the two objectives of reducing CO2 emissions and increasing TDK’s environmental contribution. Mr. Kuwashima explained confidently that “our activities are steadily spreading, and we are striving from the stage of calculating reductions and contributions in each business division to positively calling on sites to put them into practice.” In order to make employees understand the value of these environmental contributions and to feel the significance of their own efforts, he said, it is important to have an external assessment of TDK’s contributions and to feed that back to sites.

In addition, the participants agreed that in order for TDK to receive an appropriate assessment, it is essential for the industry to have rational standards that can serve as a foundation.

Going beyond Carbon Neutrality to Create Even Higher Value

Mr. Takegahara commented, “TDK’s environmental activities are extremely advanced by other companies. Now that you have realized carbon neutrality, the next point is how to create value not only environmentally but socially as well.” Citing the example of wearable devices, Mr. Kuwashima spoke of the potential, saying, “Electronic components account for most of the total weight, so if they can be made lighter and smaller, that part can be allotted to other useful functions, which will increase the convenience of the final product. In that sense, I think there is room for quantification of our social contribution.”

As for the future, Mr. Kuwashima said enthusiastically, “The target set in TDK Environmental Action 2020 was so ambitious that people in the company asked whether it could really be achieved at first. The next environmental vision must set targets with the same impact, and we must display the hallmark of TDK in executing it.”

This year’s TDK CSR Report clearly reflects the efforts by TDK to evolve its CSR initiatives from a medium- to long-term perspective to the next stage in the process. As a case in point, take diversity. It can naturally be said that TDK has stressed the importance of diversity over the years. With the fact that further clarification of this stance is underscored in the company’s newly formulated TDK Value. Also contributing on that front, this year’s report is truly outstanding in content. I particularly encourage readers to closely examine the section entitled “Thinking about Diversity as a Growth Strategy.” It is pointed out that simply bringing together people of all different genders, nationalities, and other external traits does not amount to real diversity. Since people are all unique, “if you have two or more people, you have diversity.”

An absolute precedent for diversity to contribute growth is said to be “a corporate culture in which all employees think and act with a respect for diversity.” Global HR Department General Manager Andreas Keller correctly states “consolidating and sharing the ‘One TDK’ spirit.” Proceeding in that context, I also encourage reading of the “TDK Progress on the Threshold of Its 80th Anniversary” and the statement of the company’s vision in Vision 2035. That information definitely provides a more accurate grasp of the significance in this vein. The effective sharing of vision is the underlying premise for diversity to function correctly. It is likewise imperative that such vision be coordinated to stay in close step with the changes of the company. Such initiatives are precisely what TDK has implemented this year.

Yet another commendable point of this year’s report is the efforts to incorporate outside opinions from a wide range of perspectives, effectively addressing diversity, nonfinancial information disclosure, the supply chain, and other important topics. With regard to the supply chain, progress can be seen in the issuance of improvement guidance to 13 suppliers and in other forms. With one of the next steps in the process consisting of capacity building, as Mr. Masaki Wada points out, I look forward to the inclusion of such efforts in upcoming reports.

For the environment, I first want to give high marks to the achievement of carbon neutrality. The report touches upon the endeavors undertaken at the Kofu Plant (which have proven to be extremely important in supporting the push to arrive at such neutrality) in its introduction of that unit’s activities: “The Kofu Plant consists of many divisions, so cross-sectional communication among them was essential.” The essence of this suggestion is not limited to the environment, but can definitely be applied to the full scope of CSR. Such cross-sectional dialogue, which by its very nature expands beyond divisional lines, is certainly one of the most vital keys in carrying CSR at TDK to the next stage in its development.

Next, regarding contributions to the world by technology, it was with great interest that I read the article “TDK’s Vision for Future Society”—and especially the commentary on technology being applied in the medical and healthcare fields. It is described how sensing technology can support the mobility of people with disabilities, thereby helping to ease the weight of burdens involved in nursing care. I was pleasantly surprised by the great potential impact of such technology on society. In that regard, it is obvious that demands will continue to be leveled for unrelenting technical development. Looking ahead, in the event of the need for institutional improvements when such technology is actually deployed in our daily lives, I certainly hope that TDK will play an active role in the ensuing rule-making process. I say that because the creation of rules are necessary for linking social technical innovation to the social demands for such advances.

To TDK, I look forward to clear recognition of where the inadequacies in the company’s in-house CSR initiatives lie. That awareness should then be strategically channeled into the mission of fulfilling the social responsibilities consigned to TDK on the road to making Vision 2035 a working reality.

Third-Party Opinion

Keisuke Takegahara
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Mr. Takegahara joined the Japan Development Bank (now the Development Bank of Japan, Inc.) in 1989. He was stationed for a total of six years in Frankfurt, Germany, and developed the DBJ’s environmental rating loan scheme and is a leading figure in the field of environmental finance in Japan.

Mr. Takegahara’s Main Opinions and Proposals

Carbon neutrality is generally discussed in terms of individual products and individual efforts, but TDK has achieved real carbon neutrality after building an internationally acceptable framework. This is truly outstanding. To put it another way, TDK’s positive impact on society in environmental terms grows in proportion to the spread of its products in society and the increase in its sales. This is a powerful message to both investors and society.

In addition, TDK is conducting M&As. If a company comes under the TDK Group umbrella, that company also adopts TDK’s standard environmental countermeasures, which in turn leads to a curbing of the environmental load in the world. I think TDK should be more aware of this aspect of contribution and broadcast it to society.

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