

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.



The meeting was held on March 31, 2015.

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 serving the same basic end are the Corporate Governance Code (documenting guidelines for raising corporate value over the medium to long term) and the Stewardship Code (positioned to encourage responsible outlays by institutional investors).

During the first half of the meeting, the two experts particularly focused their explanations on the so-called "ESG factors" (referring to the Environment, Society, and Governance), which are drawing increasing interest and attention.

The second half evolved into a Q&A session with TDK participants. The exchanges were instrumental in confirming areas that included the following themes:

- "Vigorous debates are emerging on the proper approaches to corporate conduct for the purpose of creating corporate value, prompting the need to promote dialogue between investors and companies,"
- "For the sake of precision ESG evaluations, company-investor discourse will take on increasing importance over the years to come,"
- "It will be vital to devise disclosure methods that function to shift investor attention from the short term to medium- to longer-term perspectives," and
- "In the quest to sustain global progress, it will be imperative to adopt appropriate approaches and information disclosure for the labor and production systems at overseas bases, as well as on other key fronts."

TDK attendees also took the time to note areas in which they have developed greater awareness. As one case in point: "I feel from my daily experiences that greater stress is being placed on ESG, pointing to the need for TDK to also review our approach to how information is disseminated."



Opinions and Proposals from the Experts



Eiichiro Adachi
Counselor
The Japan Research Institute, Limited

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 intelligence in corporate management and IR activities. 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 comprise 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.



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

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 wellspring of any company's inherent value. In the eyes of investors, this area holds the highest priority of all. Investor activities channeled through 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 standpoints in the preparation of such reports positioned to integrate financial and nonfinancial information is destined to become an indispensable element in illustrating the process used to create corporate value. The dissemination of information regarding TDK's business and products is truly top caliber. I have high hopes for redoubled progress in that direction going forward, aimed at attaining ample communication of the company's ideology, long-term vision and its other qualities.



Junji Yoneyama
Director &
Senior Vice President,
TDK Corporation

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 sustained dialogue. 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.