

Attracting Tomorrow



# TDK CSR REPORT 2016

English version





## Top Commitment

By redoubling progress on the power of “creativity” unique to TDK, we will continue to furnish society with outstanding new value.

**Shigenao Ishiguro**

President and CEO TDK Corporation

## Launching a New Start with the Company’s Centennial Anniversary in Our Viewfinder

In fiscal 2015 TDK marked the milestone 80th anniversary of the company’s founding, while engineering a new start toward even bigger and better growth. Following in the footsteps of fiscal 2014, when our sales surpassed 1 trillion yen for the very first time, fiscal 2015 witnessed yet another new all-time record. These past two years have seen TDK travel a strong and steady course down the road to sustained and stable growth.

Having been named TDK President and CEO this June, my initial goal is to lay out the course of our new growth strategy, and then generate meaningful results. I certainly shoulder heavy responsibilities as the new corporate leader here in outlining the direction to be adopted, the optimum allocation of business resources and other key matters. Progress in those areas alone, however, will not be adequate. To put our strategies into full action, it will be necessary to break down the specific measures until each and every TDK employee is fully convinced of their viability. This will involve the sound promotion of dialogue and the incorporation of the plan right down to the frontline level, as we marshal that vision as the core energy for our reforms.

TDK is a company that has perennially devoted the full extent of its fertile imagination to considering “what society will demand next.” In doing so, we have constantly anticipated the needs of the era in which we live. There is no doubt that the velocity of environmental changes around us is steadily picking up, making it no easy task to accurately address the ever shifting needs of the marketplace. We must also realize, however, that there are always new opportunities in the midst of change. Keeping this in mind, my goal does not lie in the securing of short-term profits, but rather in rising to the challenge of enhancing TDK corporate value over the medium to long term.

To take the first strong steps down the path toward our next major landmark, the 100th anniversary of the company’s inception, in 2015 we newly formulated our Corporate Vision and TDK Value—a set of action guidelines designed to clarify the direction to be taken over the coming decades. We will continue to firmly encourage all employees throughout our Group companies to accurately grasp and share these tenets, as we continue to implement our corporate motto of “Contribute to culture and industry through creativity.”

### Corporate Vision (Vision 2035)

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

Based on TDK’s corporate motto, TDK will continue to “contribute to culture and industry through creativity”, by revitalizing and protecting the global environment and creating a pleasant and safe society.

## TDK Value

<b>Customer Focus</b>	<b>We have:</b> <ul style="list-style-type: none"> <li>Strong determination to contribute to our customers’ success</li> <li>Passion to be a trusted partner for our customers</li> </ul> <b>Therefore we can:</b> <ul style="list-style-type: none"> <li>Deliver inspirational value by standing in the customer’s shoes</li> <li>Offer outstanding quality products, services and technology to satisfy our customers</li> </ul>	<b>HR Development</b>	<b>We have:</b> <ul style="list-style-type: none"> <li>Aspiration to continuously improve ourselves</li> <li>Motivation to contribute to the advancement of society and growth of businesses</li> </ul> <b>Therefore we can:</b> <ul style="list-style-type: none"> <li>Define clear vision/goals and drive ourselves to achieve them</li> <li>Support the development of our colleagues and build enthusiastic teams</li> </ul>
<b>Challenge</b>	<b>We have:</b> <ul style="list-style-type: none"> <li>Culture to turn adverse challenges into chances to develop ourselves</li> <li>Strong determination to accomplish our business goals by overcoming adversity</li> </ul> <b>Therefore we can:</b> <ul style="list-style-type: none"> <li>Accept challenges to make innovative breakthroughs and continue to create new value</li> <li>Lead our colleagues and collaborate as a team by sharing the same value</li> </ul>	<b>Diversity</b>	<b>We have:</b> <ul style="list-style-type: none"> <li>Global network with diverse culture</li> <li>Teams which respect each other and teamwork which encourages development</li> </ul> <b>Therefore we can:</b> <ul style="list-style-type: none"> <li>Embrace different ideas and opinions</li> <li>Clearly express our opinions with sincerity through open discussions</li> </ul>

## Monozukuri Drawn from Our Strengths in the Pursuit of Consummate Quality

In today’s fast-paced world, the stage for contributing to society with electronic components continues to expand. Examples include the electrification of automobiles, breakthroughs in smartphones and Internet of Things (IoT) devices embedded with a rich range of functions in support of our daily lives, the emergence of a robot-oriented society steeped in an ever-growing sense of reality and other dramatic developments. In our current medium-term plan set to run through fiscal 2017 (see p. 3), while we will continue to address our three core markets of “automotive,” “ICT” and “industrial equipment and energy,” one conspicuous adjustment is the goal to raise the sales share of automotive to 30% of our total. Automobile components comprise a sector that effectively mobilizes magnetic sensors and energy units that pool the technology from HDD heads and other traditional TDK segments. By seizing today’s needs with original products, we will be moving to further improve automobile fuel economy, support comfortable driving performance and contribute to other fruitful progress.

Meanwhile, as noted in our determination to pursue “zero-defect quality” as a critical theme of corporate social responsibility, quality can be defined as the true lifeline of any manufacturer. With the use of electronic components also increasing in domains characterized by direct ties to human life, we have no choice but to consistently respond to the growing demands for greater safety and peace of mind. From fiscal 2015, we have embarked

on monozukuri reforms on the strength of “TDK Industry 4.5”—a brainchild in which we have added the perspective of quality to the traditional “Industry 4.0”<sup>\*</sup> push for greater production efficiency. We are pleased to report our impression that this thinking has become considerably entrenched at the various TDK manufacturing sites.

This approach will be applied in even more thorough fashion within our medium-term management policy. As one example, a model plant in Akita Prefecture will be used to establish the procedures, processes and core technologies needed to achieve the true cutting edge of monozukuri, and steadily introduce and develop those advances at all other TDK plants. Our goal is to work through this approach to realize the “location-free” status of ensuring identical levels of fine quality at all TDK production sites worldwide.

<sup>\*</sup> A project being promoted by the German government with the objective of evolving monozukuri through digitalization, automation and virtualization of the production process.

**Takehiro Kamigama**

Representative Director  
Chairman



## Medium-Term Plan

### Basic Policy

Advance autonomous collaboration of the group and realize further growth

### Key Concepts

- 1 Pursue “zero - defect quality” based on superior technical capabilities
- 2 Drive genuine globalization with speedy management
- 3 Develop a new business with the revenue of over ¥100 billion following the three major business segments
- 4 Innovate the corporate culture and cultivate courageous spirits

## The Power to Link Diversity to Product and Service Innovation

Throughout its 80-year history, TDK has combined five core technologies, with the focus on magnetic technology, in an ongoing push to apply and develop those advances. The past eight decades have very much been comprised of the saga of steadily turning out products and services demanded in the current day and age. Going forward, TDK can assure you that there will be no change in this basic mindset.

In our perspective, it is truly important for TDK to achieve business development rooted in the essence of our corporate DNA. Based on this understanding, we will be moving with great strength and purpose to maximize the assets of our technology, know-how and customer bonds cultivated over the years to date. In the same way, it will be crucial to draw from the synergy existing between our core technologies, to effectively grow the expertise present at pivotal intersecting points between different fields.

In the same right, we must also clarify the traits that the TDK Group brings to the marketplace, as opposed to those it lacks, in promoting enlightened reform that clearly distinguishes between strengths and weaknesses. During 2015, we took an energetic approach to advancing M&A, the launching of joint ventures and other strategies. That work is certainly not finished, and we plan to continue this course of action in order to accurately gauge our progress by the benchmark of market needs.

As noted in respect for “Diversity,” one of the TDK Value, it will be essential to promote a program of redoubled diversity, in which truly widespread values are brought onboard and embraced, by the time we celebrate our next great milestone in 2035—the centennial anniversary of the founding of TDK. Allow us to further clarify, meanwhile, that this “diversity” is by no means limited to the definition in any narrow sense of the word—namely, the building of a workplace where talented personnel can excel across traditional lines such as nationality, race and gender. Our diversity will also encompass traditional partner companies, enterprises newly added to the Group through M&A and other members of the extended TDK family.

TDK has achieved robust growth on the cornerstone of active incorporation of outside cultures into its corporate ranks. We have encouraged companies joining the Group through acquisition to exercise independence in continuing to lead and champion their own businesses—a commitment that has proved highly effective in pioneering new potential. This corporate culture, characterized by acceptance of di-

versity with open arms and strong efforts to link that multiplicity to product and service innovation, continues to shine as one of our crucial fortes today.

## Treating Individual TDK Employees as the Main Players

The enduring mission of the TDK Group, which subscribes to the corporate motto of “Contribute to culture and industry through creativity,” lies in the timely supply of products and services that support society. The driving force behind this quest can be found in our individual employees, who constantly envision bright dreams for the future and rise to a wide range of related challenges without fear of failure. In no uncertain terms, it is the employees who are the main players at TDK.

Because we regard our employees as one of our most precious assets, we place such keen stress on the importance of formulating systems that encourage those employees to excel in their work. Besides clearly conveying the expectations we hold for each of these personnel, it also remains imperative to advance multifaceted investment in “human development” to support sustained growth. TDK will be doing everything in our capacity to live up to the responsibility of inspiring our employees to assume a sense of personal participation and ownership, encouraging them to tackle their daily work duties with the utmost energy and drive.

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Within the relationships with the diversified range of stakeholders, we pledge to carry on the endeavor to closely reflect the ideas of each and every company in the TDK Group, as we continue to manifest the qualities that only TDK can deliver and supply greater cutting edge value to society. In that spirit, and toward that end, we look forward to a steady stream of candid comments and opinions directed our way from all of you, without a trace of anxiety or hesitation.

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## Editorial Policy: The Editors’ Ethos

Each year the TDK Group publishes the TDK CSR Report in two media formats, as a booklet and on its website, to introduce our ideas and direction regarding corporate social responsibility (CSR) based on our understanding of the expectations and needs of various stakeholders and to report on the state of progress over the past year.

Over the past year, of the many social issues facing us, the TDK Group through communication with stakeholders considered what issues should be given special attention and, with the approval of management, designated them as material issues.

In addition, the web version introduces initiatives categorized by stakeholder.

### Report Formats:

The report is available as a booklet and a web version, in slightly different formats to match the characteristics of the respective media.

- **Booklet:** A digest version focusing on the main points of activity
- **Web version:** Compiled with reference to the Global Reporting Initiative (GRI) guidelines (fourth edition), featuring both comprehensive information and detailed data centering on fiscal 2015 activity reports  
<http://www.global.tdk.com/csr/>

### Period Covered:

FY 2015 (April 1, 2015 – March 31, 2016)

\* Some information covers activities outside this period.

### Organizations Covered:

TDK Group\*

\* TDK Group: TDK Corporation and 129 consolidated subsidiaries in Japan and overseas

### Major Organizational Changes during the Period Covered:

EPCOS (Anhui) Feida Electronics Co., Ltd., a specified subsidiary, was excluded from the scope of consolidation due to the sale of equity. Eleven companies were added to the scope of consolidation following the acquisition of Micronas Semiconductor Holding AG and its subsidiaries.

### Date of Issue:

October 2016 (Previous issue: August 2015; next issue: scheduled for August 2017)

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# TDK's Three Focus Areas and Main Products

TDK currently focuses in particular on three areas that are expected to see further rapid growth in the future: ICT (Information and Communication Technology), automotive, and the industrial equipment and energy sectors. In ICT sector, the explosive growth in information volume is driving a trend toward further increases in communication speed and volume. In the automotive sector, where cars rely more and more on electronics, the spread of hybrid and electric vehicles has resulted in a drastic rise in the number of electronic components used. In the industrial equipment and energy sector as well, the demand for electronic components is expected to rise further, driven by trends such as factory automation and power-saving solutions, along with the realization of the smart grid (next-generation power distribution network). Looking toward the near future, the wearables & health-care market which is drawing a lot of attention and the emerging IoT (Internet of Things) are areas where customers will have a rising need for miniaturized components and ultra-compact modules.



## ICT Sector



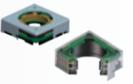
### SESUB products for miniaturized high-performance modules



SESUB (Semiconductor Embedded in SUBstrate) is TDK's technique for embedding ICs directly in the substrate, made possible by our extensive expertise in a range of highly complex technologies. The profile of the IC chips has been reduced to 100 micron or less, and a super-advanced multilayer substrate is used that enables embedding. Transcending the boundaries of conventional methods has resulted in extremely small and thin modules that also have excellent thermal dissipation properties and reduced noise. TDK is supplying various kinds of SESUB products including ultra-compact power supply modules and Bluetooth modules that make for even smaller and thinner mobile devices. Other highly promising application areas for the technology are wearable devices and IoT products.

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### Compact actuators for cameras



The camera functions of smartphones and tablets etc. are constantly evolving and therefore require more capable components, especially in the areas of focusing speed and image quality improvement. TDK is supplying a range of compact actuators that make the camera function of various devices much easier to use. This includes power-saving voice coil motors (VCM) with high positioning precision for high-speed focusing, and optical image stabilizers (OIS) with superior control characteristics to prevent blurry photos.

## Automotive Sector



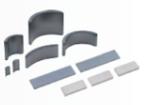
### Mega Cap automotive grade multilayer ceramic chip capacitors



The Mega Cap product is a special type of multilayer ceramic chip capacitor fitted with metal terminals for the external electrodes. The metal terminals are soldered to the circuit board, which allows the stress of substrate deflection due to temperature fluctuations or vibrations to be absorbed by the terminal. This greatly reduces the impact on the capacitor body. Such capacitors are therefore increasingly in demand for automotive use where severe conditions are encountered. The stacked version of the capacitor provides the capacitance of two units with the footprint of one, thereby contributing to space savings in the circuit layout.

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### Magnets for electric motors in automobiles

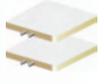


Drive motors in hybrid electric and electric vehicles use very powerful NEOREC neodymium magnets from TDK which contribute to improved fuel economy and reduced electric power requirements. In addition, many small DC motors are used for wipers, power windows, power mirrors and many other applications, with some car models having as many as 100 or more. TDK ferrite magnets are extensively used in such motors. TDK is also actively engaged in the development of new types of magnets that significantly reduce the dependence on rare earth materials.

## Industrial Equipment & Energy Sector



### Wireless power transfer system for industrial equipment



Wireless power transfer systems employ a combination of coils and capacitors that utilize the magnetic resonance effect to transfer power between the sending and receiving units without direct physical contact. This also allows the batteries of automated guided vehicles and control equipment, robots etc. to be charged without cumbersome cable connections. Through measures such as using low-loss ferrite materials for the coil cores, TDK has successfully achieved wireless power transfer with high efficiency. As the technology advances further, wirelessly charging the batteries of electric vehicles while in motion is also expected to become feasible.

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### Power film capacitor for high-voltage direct current (HVDC) transmission systems



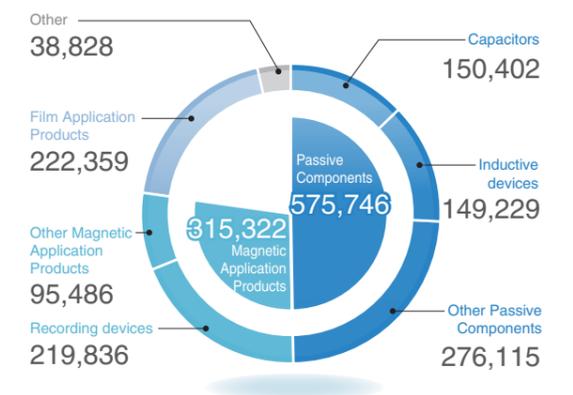
HVDC power transmission is an alternative method to conventional AC transmission, using high voltage direct current. In long-distance power transmission, losses are lower than with AC transmission, and the number of necessary wires is reduced. In view of these advantages, the system has been adopted for example in Europe and the U.S. A film capacitor uses a plastic film as the dielectric, resulting in excellent insulation characteristics and high reliability. TDK's large capacitance power film capacitors which are widely used in the power electronics sector also are playing a large role in HVDC transmission systems.

## TDK Group Outline (fiscal year ended March 2016)

Japan	Number of employees	8,920
	Consolidated subsidiaries	14
	Net sales	91,052 million yen (7.9%)
Asia and others	Number of employees	71,767
	Consolidated subsidiaries	58
	Net sales	813,893 million yen (70.6%)
Europe	Number of employees	7,763
	Consolidated subsidiaries	39
	Net sales	145,336 million yen (12.6%)
Americas	Number of employees	3,198
	Consolidated subsidiaries	18
	Net sales	101,974 million yen (8.9%)

	Number of TDK Group employees	Consolidated subsidiaries
	91,648	129
Net sales	1,152,255 million yen	
Operating income	93,414 million yen	
Net income	64,828 million yen	

## Net sales by product sector (in million yen)



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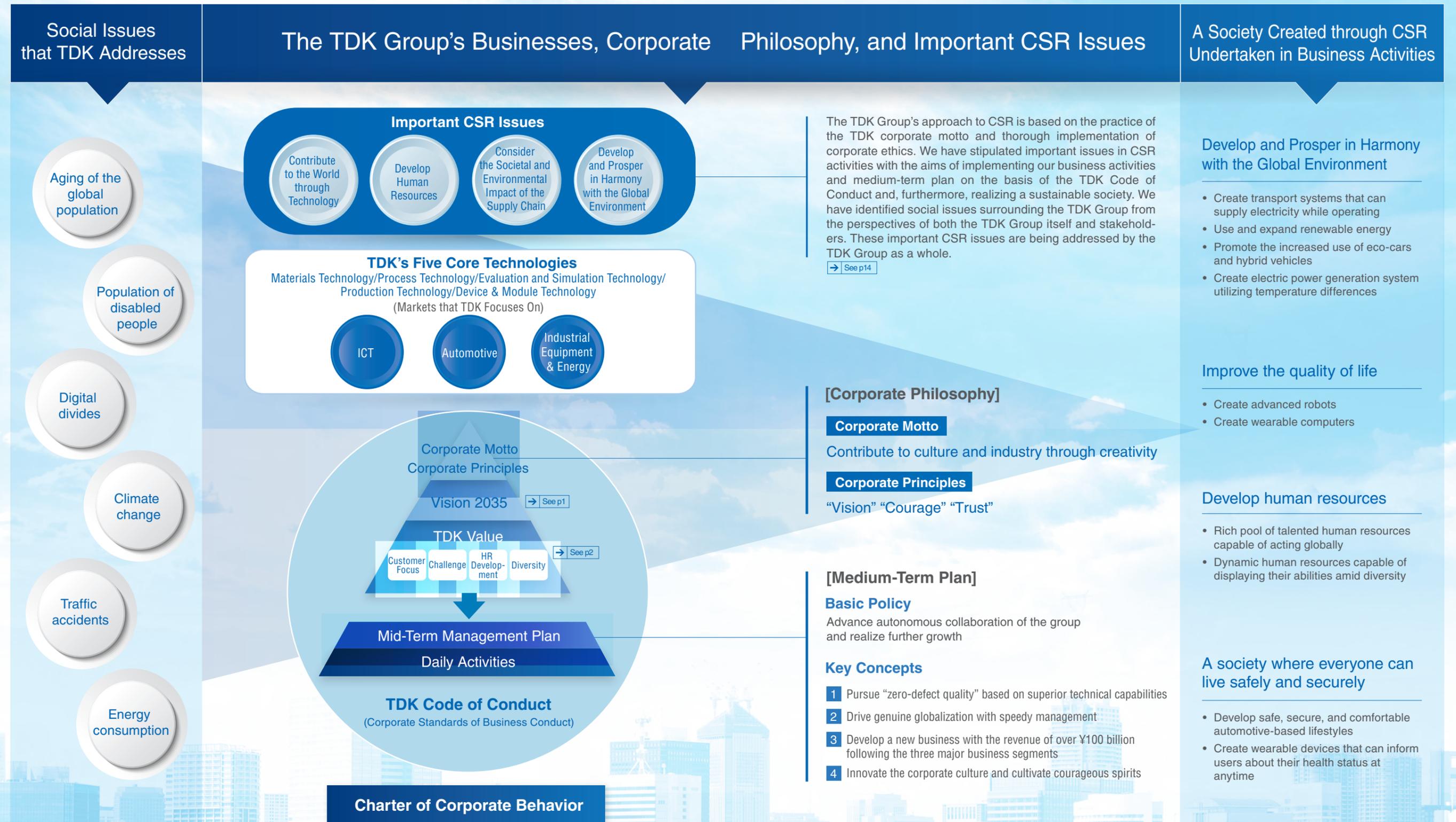
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# A Society Created through CSR Undertaken in Business Activities

Our society is facing various issues.  
The TDK Group seeks to solve social issues through business activities based on our corporate principles.



# The TDK Group's CSR

The TDK Group's approach to CSR is based on the practice of the TDK corporate motto and 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 more details about TDK's corporate philosophy and CSR, please refer to the following URL:  
[http://www.global.tdk.com/csr/csr\\_philosophy/csr01300.htm](http://www.global.tdk.com/csr/csr_philosophy/csr01300.htm)

## Fiscal 2015 Action Plan and Main Achievements

The TDK Group promotes activities through the PDCA (plan-do-check-act) cycle for the following items with the aim of realizing a sustainable society and company. Here we report the fiscal 2015 action plan and main achievements for each item. From now on we will develop activities in accordance with our finalized materiality (see p. 14).

	Fiscal 2015 Action Plan	Main Achievements in Fiscal 2015	
Contribute to the World through Technology	Contribute to resolving social problems through business activities	<ul style="list-style-type: none"> <li>Continue to promote the development of products that contribute to the solution of social issues in the priority strategic fields of ICT, automotive, and industrial equipment and energy</li> </ul>	<ul style="list-style-type: none"> <li>Promoted the development of multilayer chip varistors, TMR angle sensors, bidirectional DC-DC converters, etc.</li> </ul>
	Innovative craftsmanship training	<ul style="list-style-type: none"> <li>Continue to hold TDK Monozukuri Tradition Seminars</li> <li>Continue to hold the seminars at overseas sites depending on team composition</li> </ul>	<ul style="list-style-type: none"> <li>Implemented improvements and support at plants with graduates</li> </ul>
	Develop global human resources	<ul style="list-style-type: none"> <li>Improve global human resource function</li> <li>Continue to implement cross-cultural communication training and IMD (International Management Development) seminars</li> <li>Continue to consolidate the Overseas Trainee Program</li> </ul>	<ul style="list-style-type: none"> <li>Introduced and developed the global human resource management system</li> <li>Implemented cross-cultural communication training (47 participants) and IMD training (22 participants)</li> <li>Implemented Overseas Trainee Program (4 participants)</li> </ul>
Develop Human Resources	CSR awareness within the company	<ul style="list-style-type: none"> <li>Rearrange contents and implement e-learning</li> <li>Continue to implement corporate ethics and CSR education in training for new recruits and assistant managers</li> <li>Continue raising awareness for CSR in IMD seminars</li> <li>Make a separate plan for compliance education</li> </ul>	<ul style="list-style-type: none"> <li>Implemented annual e-learning on corporate ethics globally (CSR e-learning implemented once every three years)</li> <li>Implemented corporate ethics and CSR education in training for new recruits and managers</li> <li>Raised awareness for CSR in IMD seminars</li> <li>Implemented e-learning on cartels, information security, etc.</li> </ul>
	Promote CSR procurement	<ul style="list-style-type: none"> <li>Continue to regularly revise CSR check sheets for suppliers and provide education and guidance</li> <li>Implement and expand CSR audits of suppliers</li> <li>Implement CSR training at employment agencies focusing on labor and human rights</li> </ul>	<ul style="list-style-type: none"> <li>Continued guidance for suppliers (improvement guidance given to seven companies)</li> <li>Expanded CSR audits at main contracted processors in China (implemented at six companies)</li> <li>Conducted a CSR survey of Chinese worker dispatch agencies</li> </ul>
Consider the Societal and Environmental Impact of the Supply Chain	Response to conflict minerals	<ul style="list-style-type: none"> <li>Gather information and assess trends regarding the interpretation of the SEC's final conflict mineral rules</li> <li>Continue to respond properly to customers</li> <li>Implement regular surveys for newly purchased products and improve identification of smelters for existing purchased products</li> <li>Establish in-house arrangements in response to the interpretation of the SEC's final conflict mineral rules</li> </ul>	<ul style="list-style-type: none"> <li>Gathered information and assessed trends through participation in the Responsible Minerals Trade Working Group of the JEITA</li> <li>Replies to customers: 2,505</li> <li>Ratio of items confirmed to be not involved in conflicts: 86%</li> <li>Began a worldwide structural review</li> </ul>
	CSR-based customer relation	<ul style="list-style-type: none"> <li>Implement regular TDK CSR self-checks at manufacturing sites and promote the improvement of risk assessment relating to labor and corporate ethics</li> <li>Continue to implement third-party audits once every two years (including requests from customers)</li> <li>Respond to CSR survey and auditing requests from customers in a timely manner</li> </ul>	<ul style="list-style-type: none"> <li>Expanded coverage of TDK CSR self-checks and risk assessment relating to labor and corporate ethics at manufacturing sites</li> <li>Implemented 75 cases (Fiscal 2014-15 cumulative total)</li> <li>Responded to CSR survey and auditing requests from customers in a timely manner</li> </ul>
Develop and Prosper in Harmony with the Global Environment	Promote environmental activities	<ul style="list-style-type: none"> <li>Promote environment-oriented activities based on TDK Environmental Action 2020</li> <li>Continue toward achievement of carbon neutrality</li> <li>Reduce CO<sub>2</sub> emissions in manufacturing operations (environmental load): 1,050 thousand tons or less</li> <li>Increase reduction of CO<sub>2</sub> emissions through products (environmental contribution): 1,050 thousand tons or more</li> </ul>	<ul style="list-style-type: none"> <li>Promoted environmental activities based on TDK Environmental Action 2020</li> <li>Achievement of carbon neutrality</li> <li>CO<sub>2</sub> emissions in production activities (environmental load): 1,126 thousand tons</li> <li>Reduction of CO<sub>2</sub> emissions through products (environmental contribution): 1,580 thousand tons</li> </ul>

# The TDK Group's Materiality

TDK believes it is important to promote CSR activities that respond to changes in stakeholders and the social and business environment surrounding the Group. From fiscal 2013 TDK promoted the study of materiality in accordance with the fourth edition of the Global Reporting Initiative guidelines (GRI-G4), and in fiscal 2015, with the approval of management, we finalized our materiality. Here we introduce the process and results.

## The Materiality Finalization Process

GRI-G4 made a revision from requiring comprehensive information disclosure to requiring information disclosure with the focus on materiality. The objective of this revision was to encourage companies to determine their reporting content purposefully by getting management to be more deeply involved in CSR. TDK held discussions with stakeholders outside the company, implemented a dialogue with management, and finalized materiality through the following process.

▼ Prior Stages (Fiscal 2013)

<b>1. Analysis of current circumstances</b> We analyzed current disclosure levels with regard to compliant items, noncompliant items, and the degree of noncompliance in light of the GRI-G4 Guidelines.	<b>2. Increasing understanding</b> Relevant personnel took a GRI G4 Certified Training Course to gain an accurate understanding of the intent of the GRI-G4 Guidelines.	<b>3. Organization of information sources</b> In order to finalize materiality and broadly identify social issues, we confirmed how we collect opinions from each stakeholder group and how we engage in dialogue with them.
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# Toward the Finalization of Materiality to Enhance TDK's Value



Since fiscal 2013 TDK has been working toward the finalization of materiality (important issues) on the basis of the 4th edition of the Global Reporting Initiative's Sustainability Reporting Guidelines. In the process, in order to embrace the perspective of stakeholders, we have been actively tapping assessment from outside the company. In October 2015 we invited three experts to join us in a dialogue and let us know their knowledgeable opinions on a wide range of issues, including what points TDK should emphasize in its materiality and, looking beyond the finalization of materiality, their expectations of TDK in the future.

Date of implementation: October 9, 2015

STEP  
3  
(Fiscal 2015)

## Opinions and Proposals from the Experts



**Keisuke Takegahara**  
General Manager, Environmental Initiative & Corporate Social Responsibility Support Department, Development Bank of Japan, Inc.

Joined the Japan Development Bank (now the Development Bank of Japan, Inc.) in 1989. Stationed for a total of six years in Frankfurt, Germany. Developed the DBJ's environmental rating loan scheme and is known as a leading figure in the field of environmental finance in Japan.

### Publicize relationship between efforts in nonfinancial fields and main business

Nonfinancial fields, such as environmental, social, and governance issues, are the foundation on which a company builds trust with society. In recent years, with the emergence of the concept of materiality, these nonfinancial fields have been attracting more and more attention from investors as values supporting a company's performance under the surface. In these circumstances, the need to explain the relationship of efforts in nonfinancial fields to the company's main business is growing, and expectations are rising for the transmission of materiality that connects business expansion and the realization of social values. Regarding environmental aspects, for example, TDK has already achieved the goal of carbon neutrality and in the future, I believe, will develop these efforts widely around the world, including among new acquisitions. In other words, the more TDK's products are sold and sales increase, the less will be the environmental load on society as a whole. I hope that by positively asserting this connection in its materiality, TDK can convey its corporate value as an even more powerful message.



**Toshihiko Fujii**  
Consulting Fellow, Research Institute of Economy, Trade and Industry

Entered the Ministry of Trade and Industry (now the Ministry of Economy, Trade, and Industry) in 1987 and became active as an expert in international negotiations. Also has an extensive knowledge of CSR and has written the third-party opinion for TDK's CSR Report since 2013.

### Hoping for challenges in fields where customer needs and social needs overlap

As a premise when talking about contributions to society, the essential point is to clarify what kind of society the corporate group is seeking to realize. For example, regarding response to the supply chain, sometimes guidance is necessary for a supplier facing problems. Such "involvement" only has meaning when the purpose is clear. Similarly, in the promotion of diversity, it is essential to share values on the basis of lofty targets in order to bring diverse human resources together as one. It may be difficult for TDK, because as a midstream company you are in the middle of the value chain and have few opportunities to come into direct contact with society through your products and services. And it is a fact that, for a BtoB company, the needs of customers and social needs do not perfectly match. But if all of your employees are facing in the same direction, and if every individual employee embodies your corporate principles of "vision, courage, and trust," I think TDK can overcome these restrictions. Based on your strong determination to realize a desirable society, I hope that you will make challenges so as to seek business in the parts where customer needs and social needs do overlap.



**Yayoi Masuda**  
President, Yayoi Japan Co., Ltd.

Serves as a consultant on leadership development and organizational development for the promotion of global corporate management. After working at Ricoh Co., Ltd. and the US head office of Levi Strauss & Co., became head of the Asia-Pacific Human Resources Development Department at the US head office of Nike, Inc. before setting up her own consulting company in Japan.

### Clarification and sharing of envisioned company image and created values are essential

In order to become a truly global enterprise, it is necessary for TDK to specifically draw the image of the kind of global enterprise it aims to be in a way that all of the TDK Group's employees around the world can understand. On the personnel side, TDK must convey what "global talent" really means and how they are to be trained. A sense of involvement and enthusiasm for growth will be fostered even more by continuous dialogue. The key will be talent management not limited to employees in Japan but covering the whole world. You should translate and articulate your vision and targets so that everyone can understand them. In the end, a process in which employees are evaluated based on fair indexes will lead to the promotion of genuine diversity. And in parallel with that, in order to achieve growth on the global stage, the values that TDK wants to supply to society must be shared among all employees around the world, so that all directors and employees behave in accordance with steadfast axes and values. I look forward to TDK employees around the world displaying their talents with even greater pride in their company.

## Reflections on the Expert Opinions



**Noboru Saito**  
Director and Senior Vice President, General Manager of Corporate Strategy HQ

I was made aware once again that it is essential to disseminate the Corporate Vision and TDK Value to every individual employee, eliminate the barriers of nationality, language, and organization, and build an organization in which we can interact. At the root of the risks and chances surrounding the TDK Group are people, and I am deeply aware of their importance. We have many issues to overcome before we can fully come together as a truly global enterprise. But on the basis of our corporate motto of "Contribute to culture and industry through creativity," we must continue to strive to become an awesome company that makes people say that, without our products, their convenient and affluent lifestyle would be impossible.



**Takakazu Momozuka**  
Corporate Officer, General Manager of Administration HQ

In response to the announcement of the Corporate Governance Code and Stewardship Code, the viewpoint of investors has been gradually shifting in recent years from the short term to the long term. In these circumstances, TDK recognizes that it is extremely important to clearly convey its materiality. TDK has its base in Japan, but for the promotion of globalization, there is perhaps no need to limit corporate functions to Japan. Once again I was made keenly aware of the importance of disseminating and sharing TDK's philosophy and DNA among employees around the whole world, wherever the site may be.

\* The organizations and titles of the participants are those valid at the time of the dialogue.





**David Sheasby**  
Head of Governance and Sustainability, Martin Currie Investment Management Ltd.  
Acquainted with IR department of TDK in Japan; expert in investment related to environmental, social and corporate governance

### Main areas of focus identified, but need to indicate CSR role in corporate vision and strategy

The main areas of focus have been broadly identified: human capital, supply chain, environmental impact, and opportunities created in various sectors. It's very good to have some opinions from employees about the working environment, regarding issues such as diversity and health and safety. However, to help assess the company's sustainability, there should also be details about governance, including corporate structure and responsibilities. There is a lack of description of corporate vision and strategy and how CSR fits into these: to what extent is CSR part of TDK's DNA? I would like to see targets related to CSR and understand where responsibility lies (should be at the board level). I would like to see how TDK deals with risks and opportunities, how this relates to corporate strategy, and the key metrics used to assess progress in this area.



**Justin Bakule**  
Executive Director, Shared Value Initiative  
Justin Bakule is the inaugural executive director of Shared Value Initiative, responsible for the overall strategic direction and management and works closely with all major Initiative stakeholders.

### TDK identified major social concerns and achieved impressive carbon neutrality, but has an opportunity to further develop their CSR strategy

The report identifies at least six social issues that TDK can address. Of its impact to date, it is impressive that TDK has achieved enterprise-wide carbon neutrality. The proposed future contributions, through technology, promise significant social value as they meet the health needs of a global aging population and support efficient energy use and conveyance. TDK has diverse CSR activities and goals, but it needs to develop a more coherent strategy and prioritize efforts. The report does not indicate how TDK's business growth strategy relates to identified social needs or how TDK can make progress toward addressing those needs. TDK has the opportunity to create organizational structures that support strategic CSR and social innovation by, for example, creating centers of excellence with staff expertise in socially relevant areas, and establishing social innovation labs for product innovations that address the needs of underserved populations.



**Dr. Wong Lai Yong**  
First Penguin Founder  
Experienced CSR consultant; founded First Penguin for socially responsible capacity development; advises corporations and educational institutions on effective CSR operations across Asia

### Positive efforts in human resource development and supply chain management, more focus needed on human rights

TDK utilizes and enhances group synergy by sharing practices, educational tools, and programs across its sites and subsidiaries. Throughout the Group, TDK consolidates its human resource management system. Study meetings are held by invited experts on non-financial information disclosure. TDK has clearly detailed its dual roles as supplier and buyer. The CSR Internal Auditor Training program is an effective initiative. TDK is proactively engaged in its CSR management system, but it needs to improve cross-cultural communication training. TDK should introduce a standard code of conduct and corporate governance training as well as employee volunteer programs. There are the following needs: a code of conduct for the supply chain; greater attention to human rights; details of traceability and due diligence regarding human rights and environmental issues; and clear numerical goals for suppliers.



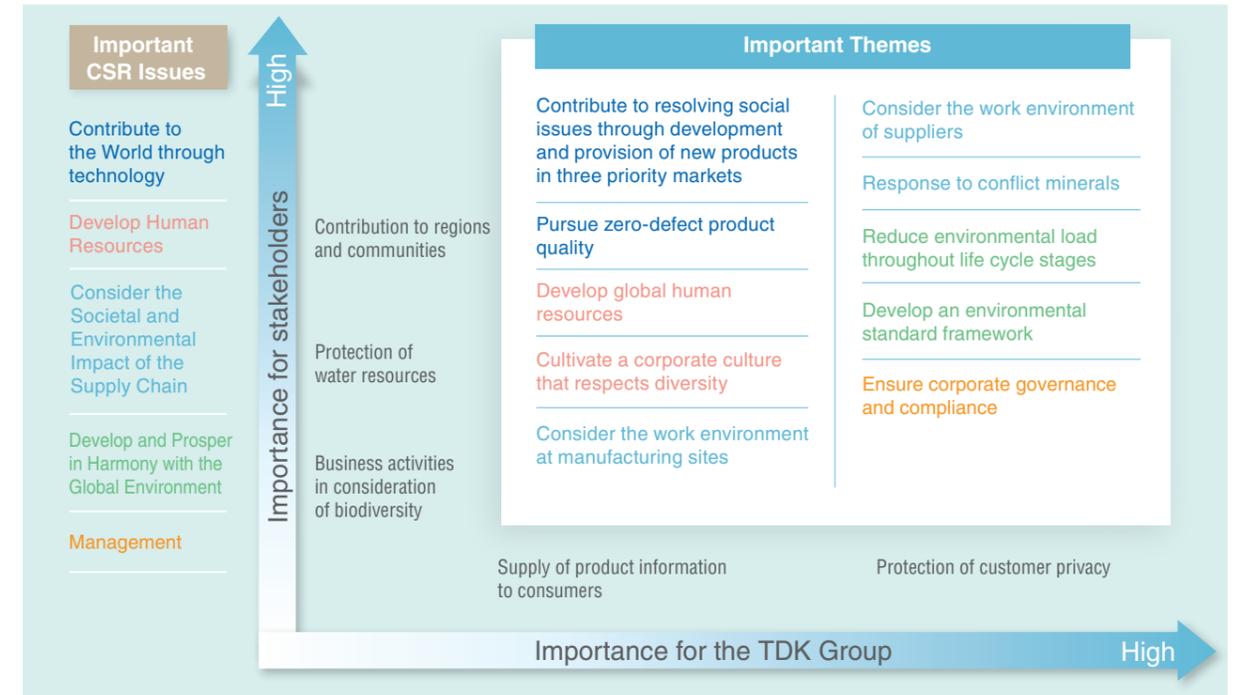
**Adrian Henriques**  
Independent Advisor  
Advisor on corporate responsibility, social accountability and sustainability; provides research and advisory services for global companies; served as GRI steering committee member

### Commitment to responsible operations and sustainability governance demonstrated, but need for greater details and figures

The report clearly states TDK's commitment to responsible operations and sustainability governance and shows how TDK considers its role within the value chain. The report documents TDK's achievement in carbon neutrality, but it would be helpful to see an assessment of carbon produced in the supply chain. It is not clear what protocols were used to assess the carbon figure. The auditing program looks comprehensive, presenting overall findings. It would be helpful to see direct energy consumption figures. The report should detail water use and emissions from production, and it is almost silent about consumption of rare earth and conflict minerals. Greater detail about audit findings for suppliers would be helpful. The absolute environmental performance should be accompanied by reporting of relevant intensity metrics, such as carbon performance per unit revenue.

For detailed comments by the experts, please refer to the following URL: <http://www.global.tdk.com/csr/recognition/csr07400.htm>

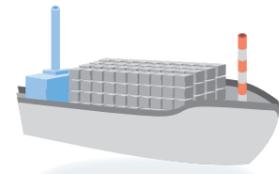
The prioritization in Steps 2 and 3 was conducted on the basis of 46 items chosen in consideration of items required by the GRI-G4, and 19 material issues were identified. These issues were further sorted and classified and finally condensed into the following 10 important themes for the promotion of activities from now on. After approval has been received from the Executive Committee, the competent departments in the TDK headquarters will take the initiative in setting key performance indicators in coordination with TDK Group companies in order to promote related activities in the future.



Important CSR Issues	Important Themes	Main Points
Contribute to the World through Technology	Contribute to resolving social issues through development and provision of new products in three priority markets	TDK aims to solve social issues, such as the realization of energy saving, storage, and renewal, through original technological development and supply of products in markets, especially the ICT, automotive, industrial equipment & energy markets.
	Pursue zero-defect product quality	On the basis of our high level of technology, we will pursue zero-defect product quality through uniformly managed production processes from materials to manufacturing.
Develop Human Resources	Develop global human resources	Toward the promotion of genuine globalization, we will strive to develop the human resources that will serve as its foundation.
	Cultivate a corporate culture that respects diversity	In order to continue generating innovative creativity, we will build a tolerant corporate culture that respects the diversity of human resources.
Consider the Societal and Environmental Impact of the Supply Chain	Consider the work environment at manufacturing sites	In light of the latest requirements, we will gauge considerations for the labor environment at production sites, which we need as a supplier, and if necessary implement education and guidance toward improvement.
	Consider the work environment of suppliers	In light of the latest requirements, we will gauge considerations for the labor environment at suppliers, which we need as a buyer, and if necessary implement education and guidance toward improvement.
	Response to conflict minerals	We will execute our social responsibility as a midstream company appropriately through the continued implementation of required efforts and an understanding of the latest requirements.
Develop and Prosper in Harmony with the Global Environment	Reduce environmental load throughout life cycle stages	We will promote environmental activities on the basis of the TDK Environmental Vision 2035.
	Develop an environmental standard framework	Through the setting of common environmental standards in the industry, we will promote social understanding of TDK's environmental contribution value.
Management	Ensure corporate governance and compliance	Through the development of appropriate corporate governance and thorough implementation of compliance, we will aim to enhance our corporate value.

# Consideration for Society in the Value Chain and TDK's Initiatives

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 for important CSR issues.



## 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.



## Development

The development process of technology and human resources hold the key to how TDK products can contribute to society and the environment.



## Manufacturing

The environment and human resources will be priority areas, including reduction of the environmental load at the time of manufacturing, the eradication of defective products, and labor health and safety.



## Logistics

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



## Sales

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

[Important CSR Issues]

### Contribute to the World through Technology

- Contribute to resolving social issues through development and provision of new products in three priority markets
- Pursue zero-defect product quality

- Ensure the quality of purchased products

### New product development through sustained research and development

- Product assessments
- Building of upstream-management-type quality assurance structure

- Manufacturing process capable of reproduction without variation

- Ensure logistics quality

### Promote sales of products that solve environmental and social issues

- Customer satisfaction

[Important CSR Issues]

### Develop Human Resources

- Develop global human resources
- Cultivate a corporate culture that respects diversity

Technological innovation

Innovative craftsmanship training

[Important CSR Issues]

### Consider the Societal and Environmental Impact of the Supply Chain

- Consider the work environment at manufacturing sites
- Consider the work environment of suppliers
- Response to conflict minerals

Use CSR check sheets and implement CSR audits  
Conflict minerals survey

Implement CSR self-checks and internal CSR audits

Appropriate responses to CSR surveys and other inquiries from customers

[Important CSR Issues]

### Develop and Prosper in Harmony with the Global Environment

- Reduce environmental load throughout life cycle stages
- Develop an environmental standard framework

- Green procurement

Creation of products contributing to the environment

- Product assessments

Reduce the environmental load of plants

- Reduce the environmental load in logistics

Promote sales of products that contribute to the environment

# 1 Important CSR Issues

## Contribute to the World through Technology

### The importance to our company

In accordance with our Medium Term Plan which started in fiscal 2015, we are focusing on the three key markets of automotive, ICT and industrial equipment & energy, taking advantage of our proprietary technology development capabilities to open up new business opportunities and realize monozukuri reform. The overall aim is to offer products that make a meaningful contribution to society while also resulting in a sustainable improvement of corporate value.

### Expectations by stakeholders

Responding to climate change by harnessing TDK's core technologies, in particular energy conservation and renewable energy, promote the development of new technologies and the spread of products that help to bring about a low-carbon society.

### Basic policy

Contribute to the world through technology is a key concern for TDK. Toward this end, we are focusing on innovative technology development in our three key markets of automotive, ICT and industrial equipment & energy, helping to save, store, and reuse energy and solve other pressing issues that modern society is facing. Furthermore, the pursuit of "zero defect quality" based on superior technological competence and realized through a unified production process that extends from the raw materials to the final product will continue unchanged also in future. Providing high quality products and services is our way of striving for the advancement of humankind.

## Main Achievements in Fiscal 2015

### Research and development costs

TDK firmly believes that creating new products in a timely manner creates value for society and also contributes to corporate value earnings. Continued research and development efforts directed at the creation of attractive and innovative products are the very key to our company's existence. As we move into the future, technological innovation in our three key markets is a top priority, and we will continue to make R&D investments targeted at bringing forth new products of value.

**84.9**  
billion yen

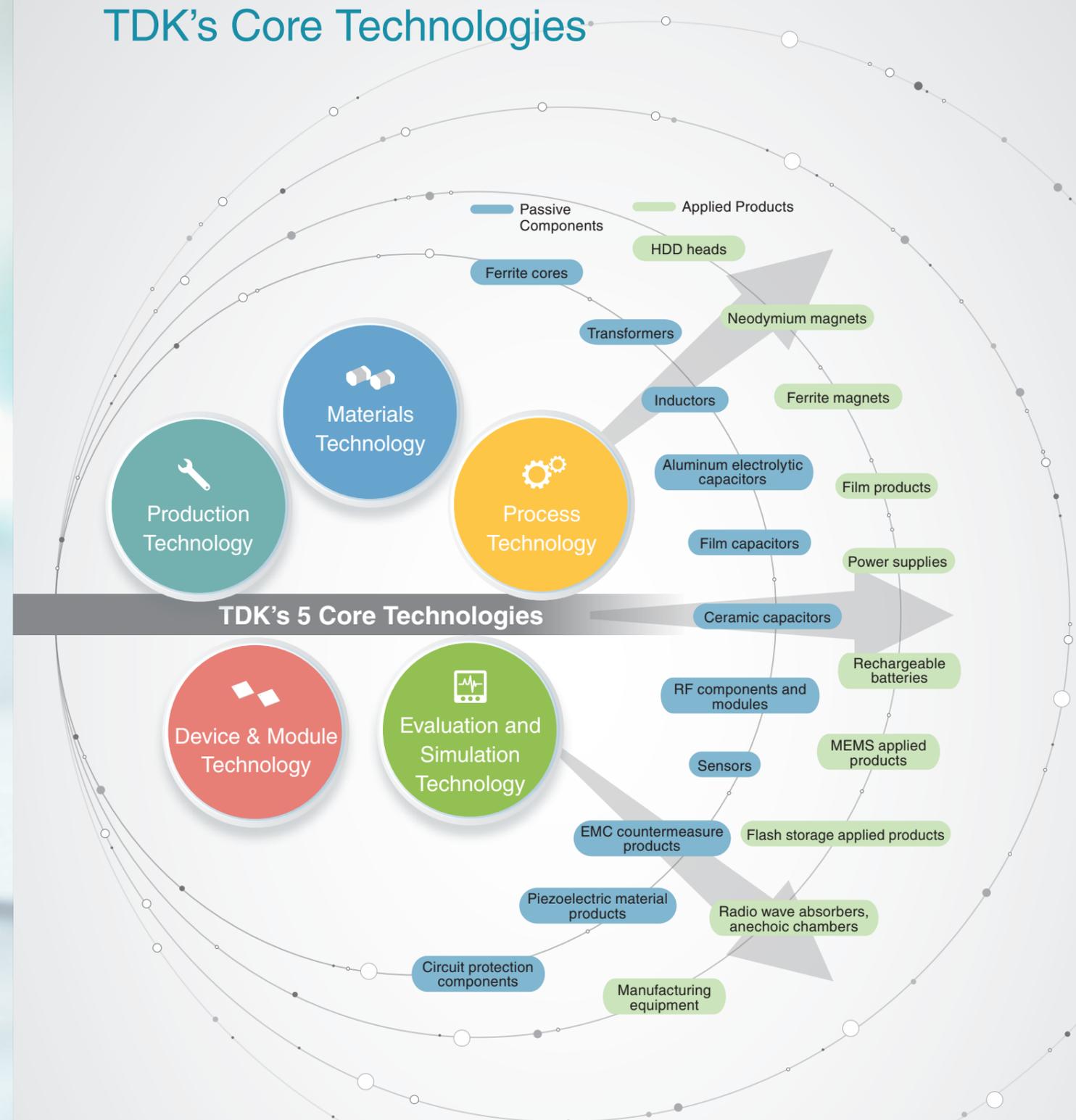
**92.1**  
%

### Sales ratio for our three key markets: automotive, ICT and industrial equipment & energy\*

To help us overcome the challenges of the current competitive environment, we at TDK have conducted reviews and revisions of our entire business portfolio over the past few years, implementing structural reforms including the optimization of our manufacturing sites. Because we have made a certain level of progress on these initiatives, we have now concluded large-scale structural reforms. By focusing our business resources on our three key markets of ICT, automotive, and industrial equipment & energy, as well as our five priority segments as of fiscal 2014, we secure growth and make the shift to a balanced profit structure where we can boost profits in each segment.

\* Includes HDD heads and suspensions

## TDK's Core Technologies



TDK's starting point was the magnetic material ferrite. Over the years, we have developed superior competence in five core technologies that sustain our range of sophisticated and industry-leading products: materials technology, process technology, evaluation & simulation technology, device & module technology, and production technology. This has resulted in an ongoing succession of outstanding products. TDK is making full use of its worldwide network linking Japan, China, other Asian countries, Europe, and the U.S. Specific priority operation fields have been defined for each region, enabling us to pursue R&D at the cutting edge of technology in order to anticipate and meet highly sophisticated demands. While further deepening and nurturing our core competencies, TDK is driving progress and pursuing next-generation technology targets in areas such as magnetic sensors utilizing TMR elements developed for HDD heads, wireless power transfer systems for charging without cables, powerful next-generation magnets, and ultra-compact low-profile SESUB modules with chips embedded in the substrate.

# ICT Network

**Dr. Oliver Dernovsek (right)**

Head of Multilayer Business Unit  
Piezo and Protection Devices BG

**Monika Haindl (left)**

Engineer in PPD's Corporate R&D team  
Piezo and Protection Devices BG

High-performance and extremely sensitive chips and LEDs used in smartphones, for example, need effective protection against electrostatic impulses that can occur when you touch a key, the USB or audio jack, or even the metal casing. The challenge is to engineer a protection component that is tiny and thin enough to fit in a highly integrated device like a smartphone and yet able to absorb up to 25 kV. This led us to focus our attention on developing a new ceramic material and tailored processes for the smallest case sizes. It took an interdisciplinary R&D team of material, process, and product development engineers and operators, working closely with product marketing managers, to come up with the right solution. The necessary combination of basic and applied R&D is truly an art, but that's what makes my work so varied and rewarding. Through our new development we have created a highly efficient CeraDiode® that needs significantly less ceramic, metal and energy to manufacture.

The highly efficient CeraDiode® needs significantly less ceramic, metal and energy to manufacture.

Protect high-performance and extremely sensitive chips and LEDs in smartphones from destruction by electrostatic impulses.

The CeraDiode® family of multilayer varistors combines innovative micro core technology with a new and extremely efficient semiconductor zinc oxide material that possesses significantly more grain boundaries. The result is the world's most compact and flattest overvoltage protection components that are able to absorb electrostatic pulses of up to 25kV.

# Automotive

**Hiraku Hirabayashi**

Design Team Leader  
MR Sensor Development Group  
HDD Heads Business Group  
Magnetic Heads & Sensors Business  
Company  
TDK Corporation

We asked ourselves if TDK's renowned TMR elements from the HDD sector might be suitable for creating new business opportunities in other areas as well. This led to the start of angle sensor development in 2009. Angle sensors used in cars must withstand a wide range of temperatures from very low to very high while continuing to maintain high detection accuracy and stable operation for many years. Although based on HDD head technology, the product concept for the sensors underwent considerable changes. After many interviews with customers and countless trial and error sessions, we were eventually able to successfully develop a high-accuracy power-saving TMR angle sensor that was five years in the making. The compact dimensions and light weight of the new sensor even make it possible to use a redundant setup of multiple sensors, allowing quick switch over in the rare event that one should develop a problem. This is very difficult to realize with conventional sensors. In 2014, a major car manufacturer decided to adopt the sensor for its electric power steering (EPS) system, prompting us to begin mass production. In future, the sensor will also help to improve steering stability in autonomous driving vehicles which are getting closer to practical realization. But this is only the beginning. TMR elements have the potential for playing a useful role in solving various issues that customers and society at large are dealing with. We will be developing products aimed for example at the industrial equipment and ICT sectors, in keeping with our motto of "Contribute to culture and industry through creativity."

Enhance steering stability and contribute to driving comfort

Magnetic sensor with highly accurate angle detection. Drastically smaller and lighter than earlier sensors, the product also contributes to energy savings

Taking advantage of its technological expertise regarding TMR elements, acquired during the development and manufacture of HDD heads, TDK has successfully created the first practical automotive TMR angle sensor. Compared to conventional resolver type sensors, the new sensor consumes much less energy and is not only smaller and lighter but also provides very high accuracy while being able to withstand the extreme temperature environment that exists in a car. It can function as an essential component for detecting the steering angle and implementing angle control in EPS motors. It is destined to become a groundbreaking product for the magnetic sensor business.

# Industrial/ Energy

## Kazuki Iwaya

Group Manager  
1st Design Group  
New Energy Technology Department,  
Technology Division  
TDK-Lambda Corporation

In the modern world where product applications are becoming ever more diversified, the wish most strongly voiced by many customers is energy conservation. The EZA series of bidirectional DC-DC converters was created in response to this demand. In conventional power supplies, energy travels only in one direction. With the new product on the other hand it becomes possible to configure systems with a bidirectional energy flow, for example storing renewable energy in batteries and releasing the energy as required. In order to realize isolated and highly efficient power conversion, digital control technology was introduced, and optimizing the switching operation became a key aspect that presented developers with a considerable challenge. As this was a first for us, a number of preparatory steps were required, including company-internal briefing sessions and verification of the conditions for product safety and reliability. At the same time, we were conducting repeated trial and error experiments jointly with the customer to realize the necessary functionality and achieve higher performance. In product development, we are always looking for ways to please and surprise the customer, creating excitement through new and promising solutions that did not exist before. For the developer, this is a real thrill and also a challenge. Effective energy saving from now on will not be possible without power converters offering both high efficiency and high performance. Looking toward the smart grid and the effective utilization of renewable energy sources such as solar power, and with the aim of bringing about a truly energy conscious society, we will be exploring ways of further increasing the efficiency of power conversion and keeping energy losses at an absolute minimum.

Bringing joy and excitement to customers by creating products that didn't exist previously



**An important platform for power conversion.**  
Bidirectional DC-DC converters support utilization of renewable energy

The high-performance bidirectional DC-DC converters of the EZA series implement digital control and other advanced technology features to achieve high efficiency and the capability for seamless two-way conversion. They are designed for use in power supplies that handle the exchange of power between a DC bus and storage systems. This technology is indispensable for storage systems that efficiently use renewable energy sources such as solar power generation. The EZA series will contribute to the energy usage patterns of the future that combine the smart grid with an overall energy-saving approach.



## TDK's Vision for Future Society

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.

### Early disease detection and preventive medicine help protect a healthy lifestyle

#### Contributing to the medical and healthcare sector

As the percentage of elderly people is on the rise around the world, particularly in developed countries, the focus is increasingly on how to ensure a long healthy life expectancy rather than simply extending the average life span. The wide and varied product portfolio of TDK is enabling new scenarios and opening up application possibilities in areas such as preventive medicine and healthcare. In the field of magnetic sensors for example, a sensor for measurement and visualization of the magnetic field distribution in the heart was introduced for the first time worldwide. Unlike earlier devices, the sensor used for this task has portability at normal temperatures and can therefore more easily be used for the diagnosis of heart disease. It is also expected to become an important tool in the diagnosis of muscle and neurological disorders as well as in rehabilitation and sports training situations. Wristband type or necklace type wearable healthcare devices all need a battery and suitable sensors in order to monitor vital signs such as breathing rate, heart rate, and blood pressure. Connecting such wearable devices wirelessly to a smartphone makes it possible to transmit the detected data to a physician or family member at another location, for 24-hour, 365-day medical monitoring. In the IoT domain as well, TDK's ultra-miniaturized low-power communication modules are expected to prove highly useful.

### Sensing technology sustains the realization of a safe and dependable automotive environment

#### Contributing to the automotive sector

For more than 40 years, TDK has been offering a broad portfolio of auto related products. Benefiting from our extensive expertise in this area, we are now increasingly focusing on magnetic sensors that apply magnetic head technology to various sensing tasks. Besides angle sensors that are indispensable for power steering control systems, rotation sensors and linear encoders for position detection as well as various other sensor types optimized for automotive use are contributing to improved fuel economy and comfortable driving. As sophisticated driving assistance systems such as inter-vehicle distance control and autonomous emergency braking are evolving and the dream of the autonomous driving vehicle is becoming a reality, TDK sensing technology has tremendous potential. Various sensors with high sensitivity and high performance can act as the "eyes" and "ears" of a car, providing information about its location and surroundings and augmenting or even replacing the five senses. Such sensors have an increasingly important role to play. Self-driving cars will not only make road travel easier and more convenient, they are also expected to significantly reduce the number of accidents due to human error. Through its engagement in one of the key technologies for the realization of this goal, TDK continues to contribute to the creation of a safe and secure car society.



## 2 Important CSR Issues

### Develop Human Resources

#### The importance to our company

At TDK, we consider our employees to be one of our most important assets in carrying out our corporate motto of "Contribute to culture and industry through creativity," as well as in achieving ongoing growth over the medium to long term. We therefore respect each of them as individuals, working to maximize their unique abilities and potential and at the same time encouraging a high level of independence.

#### Expectations by stakeholders

In tandem with implementing systems and a corporate culture that respect the differences and values of each of our employees, we also provide specific opportunities and the optimal environment designed to maximize the individual abilities and potential of our employees and to impart them with a significant degree of independence.

#### Basic policy

Our aim at TDK is growth by way of becoming a genuine global company. In this connection, human resources development is considered a cornerstone concept. Along with identifying highly capable human resources and fostering an environment that draws out their individual abilities and potential, we also work to forge a corporate culture that respects the diversity of our human resources and also encourages mutual respect and recognition of efforts between our employees. Shaping a global business environment that attracts truly global personnel to the TDK Group, we at TDK are committed to generating innovative products and services on an ongoing basis and thereby doing our part for society in general.

### | Main Achievements in Fiscal 2015 |

#### Cross-cultural communication training participants (Total to date)

As the scale of our business has grown truly global, there is an increased need for all of our employees, not to mention those assigned overseas, to improve their cross-cultural communication skills. With this in mind, TDK has strengthened its support for language learning, primarily through e-learning. TDK also conducts cross-cultural communication training sessions at various regional locations ultimately to enhance our ability to function as a global business.

23

#### Overseas Trainee Program participants (Total to date)

As our global business is expected to expand further in the future, the Overseas Trainee Program was established in 2010. Aimed at younger employees, this program involves year-long placements at overseas subsidiaries. Participants gain a better understanding of different cultures and how to make use of this knowledge. They acquire the ability to engage in global business and establish a personal international network. Besides sending trainees overseas from Japan, TDK also sends people from other countries to Japan

#### Percentage of foreign national company presidents at Group subsidiaries

Approximately 90% of TDK Group employees are now nationals of countries other than Japan. We work to boost corporate value by placing the optimal human resources in the most appropriate position and location, regardless of factors such as nationality, race, and gender—in contrast making these differences our strength.

72%

## Forging a global human resources development environment conducive to innovative personnel

With a view to realizing our goal of becoming a genuine global company, the Global HR Department is now our primary center for developing and promoting ideal utilization of our human resources. General Manager Andreas Keller tells us about current issues as well as the progress of fiscal 2015 initiatives.



**Andreas Keller**

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

to maximize the effectiveness of our human resources is the key. Drawing out the potential of each of our individual employees and allowing them to manifest fully, we also optimize our overall capacity as an organization. We treat this as yet another role of the Global HR Department.

#### Making the utmost of our diverse pool of talent and human resources the world over

##### —Progress on major fiscal 2015 initiatives

The Global HR Department launched a new approach as of 2015 in light of the need to resolve a new set of issues. Firstly, in an initiative new to Japan, I joined the freshmen training program, delivering a presentation as General Manager of the Global HR Department. Though I intentionally gave all presentations in English without Japanese interpretation, I believe that the majority of freshmen present were able to grasp my

meaning for the most part. Judging from their capability and incredible eagerness, my sense was that these new employees hold excellent potential as global leadership candidates. The second initiative I'd like to mention here is the expansion of the Overseas Trainee Program, which gives our young employees the opportunity to gain various experiences abroad. Though until now the number of employees sent overseas was small, we are creating new opportunities for more trainees to be dispatched. Specifically, the Global HR Department acts as a coordinator, seeking out new overseas training posts and conducting interviews with candidates. Third is the implementation of our Global Talent Management System. Visualization of HR information is an essential issue to enhance HR mobility. The system has currently been taken up by the sales function and implemented at U.S.-based Group companies. We will be expanding the system to other functions and Group companies as we ascertain and analyze results and any issues that may arise.

#### Taking up the challenges posed by a new set of issues

Since the launch of the Global HR Department in 2013, the TDK Group has devised a full range of policies designed to facilitate sustainable growth for the company with a view to achieving our goal of "One TDK." While these initiatives have in fact resulted in growth and progress, they have also yielded a new set of issues. The TDK Group is comprised of a number of Group companies around the globe. In order to facilitate mutual understanding of our diverse cultural backgrounds and business cultures, cross-cultural communication and energetic interaction between fellow employees are now considered key initiatives to overcoming any barriers. Additionally, in order to serve our customers around the world and carry out our business beyond limitations such as time, geographic location, and organization, the ability

#### Organization of the Global HR Department



As of April 1, 2016

# IMD Training Aimed at Fostering Leaders from Around the World

The TDK Group's sustained growth and the development of society in the future will be supported by the Group's employees around the world. The International Management Development (IMD) training course is held every year to nurture a spirit of "One TDK" and to foster leaders capable of being active on the global stage.

## What Is IMD Training?

TDK conducts international management development (IMD) training to help our internal leaders acquire truly global skills and develop stronger borderless solidarity within the Group. This training is for candidates for managerial positions at the TDK Group's overseas affiliates. The training seminars have been held since 1997. They take the form of a week-long residential training course with lectures and workshops. The participants gain a deeper understanding of TDK's corporate philosophy, acquire a broader, more managerial perspective, and establish bonds that help build personal international networks. Some participants who have completed the IMD training have gone on to become presidents of overseas affiliates, playing a vital role in human resources development within the TDK Group.



IMD training

## “ VOICE IMD training (Fiscal 2015)

### Aiming to Understand TDK and Realize Vision 2035



**Nikias Meyer**  
Director  
Distribution, Regional  
Sales Germany,  
Netherlands, Switzerland  
TDK Europe GmbH

As an employee of EPCOS, a relatively new member of the TDK Group, I participated in the IMD training course in order to deepen my understanding of TDK's heritage and philosophy and of Vision 2035, as well as to find my own personal targets for 2035. The discussions leading to the common target of making TDK "the most admired electronic company by 2035" were a good opportunity to come into contact with TDK's policy of inventing outstanding solutions to advance society and the power of the other participants and to once again keenly sense the strength of "One TDK." From now on, as a member of TDK, I want to spread the TDK corporate motto and heritage within our organization and grow myself as well.

### Understanding and Overcoming Differences to Achieve a Common Goal



**Arlene LAY**  
Sales & Marketing Office -  
Marketing & Planning Div.  
TDK Hong Kong Co., Ltd.

I was selected as a project manager to support SAP implementation and development in Hong Kong. I participated in the IMD training with the hope of finding more effective ways to manage and coordinate the project. In the training, by deepening my understanding of TDK's corporate motto and corporate principles, I realized how important it is to move in one direction. Although the participants all had different ideas, professions, strengths, and weaknesses, I could feel a harmony within those differences based on trust and respect. I learned a lot, and I will keep on passionately practicing the skills in my daily work.

## COMMENT

### Taking Advantage of the Chance for New Ideas and Inspiration

An organization requires good managers and good leaders to achieve its goals. I participated in the IMD training in 2003, and leadership has always been a major topic of the course. One of my biggest challenges is to practice what I learned in the training so as to lead my team to a higher level and transform it. The IMD training is an important opportunity to meet other members of the worldwide TDK Group and to be inspired. I hope every participant can realize something new that will help them to review and reform their mindsets and strategies toward the achievement of their personal and corporate goals.



**Jiun Shen Chong**  
Managing Director  
TDK (Malaysia) Sdn. Bhd.

# "Diversity" in the Eyes of TDK Group Around the World Human Resource Managers

For the TDK Group, we operate our business globally, the question of how to most effectively transform diversity as a global company into one of its core strengths ranks as an urgent issue. In this report, we examine the views of the managers of human resource related units engaged in the quest for diversification within the major regions in which TDK does business.



Japan

## Workplace Improvements in Support of Women

Actively incorporating the perspective of diversity into business operations is indispensable for raising the competitive edge of any company. Within this truth, however, a theme of particular importance is the "advancement of women." Under the current conditions, the share of women managers at Japanese companies remains low, with this particularly true to the manufacturing industry. The TDK Group, in consideration of the Act of Promotion of Women's Participation and Advancement in the Workplace, which came into effect this April, maintains a set numerical target in the hiring of female employees, while channeling renewed energy into improving workplace environments to empower greater progress and success by women.



**Takashi Otake**  
Department Head of the Human  
Resources Development  
Human Resources Group  
Corporate Strategy HQ  
TDK Corporation



China

## Sharing Values and Building Diversified Systems

TDK China is made up of employees with extremely diversified backgrounds in terms of age, nationality, gender, religion, culture and other categories. To harvest the maximum capacity of this resource, the company has constantly strived to achieve solid acceptance and sharing of TDK action guidelines rooted in the uncompromising principle of "Respect for Diversity," while likewise advancing the formation of flexible welfare systems and diversified career cultivation schemes. Working from that stance, we are determined to transform diversity into a core TDK strength.



**Lemon Li**  
HR Department  
TDK (Shanghai) International  
Trading Co., Ltd.



Thailand

## Considerations for Other Religions

At present, the majority of our company's employees were born and raised in Thailand, and over 90% are Buddhists. Needless to say, however, we also view keen considerations for the needs of employees hailing from different cultural and religious backgrounds as an extremely important posture. Based on this commitment, we have established a simplified mosque for the use of our Muslim employees, while providing a menu of halal foods in our company cafeteria and advance other strategic steps designed to accommodate the needs of those subscribing to that faith.



**Watcharin Permgusol**  
Personnel Department Manager  
TDK (Thailand) Co., Ltd.



India

## Targeting "Unity in Diversity"

India harbors one of the world's most ethnically diverse populations, with people representing numerous different cultures and languages living together in harmony. This social fabric, a characteristic that may also be referred to as "Unity in Diversity," corresponds to the "Oneness" on which TDK sets its sights as a corporate entity. At TDK, a company that develops its business across the entire nation of India, we maintain steadfast compliance with the different legal systems and controls existing in each separate state. Along with this, information is supplied in various different languages, with other meticulous measures taken to realize a more work-friendly environment for a rich array of employees.



**Uttam Rathod**  
Vice President  
Human Resources  
EPCOS India Private Ltd.



United States

## Accepting Differences Invisible to the Eye

In the United States TDK makes every effort to remain in compliance with a complex range of federal, state and local laws structured to "ban discrimination" based upon such factors as age, gender, and race. Diversity, however, is much more than not discriminating. Diversity is also more than understanding and tolerating people's differences, seen or unseen (thinking style, sexual orientation, special skills, religion, national origin, etc.). Diversity is about creating a culture that values people's differences and enables EVERYBODY to fully contribute to the best of their ability.



**Jon (Jay) Sebastian**  
Director & CCO  
Human Resources and General  
Affairs  
TDK Corporation of America



France

## Diversity as the Driver of Development

The employees of TDK France and TDK Spain are a group of truly diversified human resources representing over 12 different world nations. Recruitment and promotions are determined solely on the benchmarks of the skills, competencies and potential for development of each individual involve. No consideration whatsoever is extended to gender, personal situation, age, religious conviction or other nonessential factors. We fully believe that energetic promotion of diversity is the source of richness and growth as a contributing company, functioning as one of the pivotal drivers of development in this region.



**Aline Cariou**  
Human Resources Manager  
TDK Electronics France SAS

## Consider the Societal and Environmental Impact of the Supply Chain

### The importance to our company

TDK is a midstream company group that functions as both a supplier and a buyer. Along with avoiding risk by taking steps to protect the environment and social interests by way of our supply chain, we also boost the competitiveness of our supply chain through training and guidance.

### Expectations by stakeholders

At TDK, we not only comply with and observe the relevant laws and global industrial regulations, we also fulfill our social responsibilities by providing assistance to our suppliers. Additionally, we work to ameliorate the social impact of corporate activities including issues such as conflict minerals.



### Basic policy

Consider the Societal and Environmental Impact of the Supply Chain represent extremely important issues for the TDK Group as a midstream company. In light of the latest related laws and ordinances as well as global industrial regulations, as part of our responsibilities as a supplier we take note of the labor environment at TDK Group production sites. Similarly, as a buyer, we ascertain the labor environment conditions of our business partners. We then implement training and guidance as required with a view to improvement. In this way we forge a solid supply chain—from upstream to downstream—to fulfill our social responsibilities.

## Main achievements in Fiscal 2015

**No. of CSR audits**  
(Fiscal 2014–15 cumulative total)

We see CSR audits 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 companies will lead to a confused response and fatigue. Therefore, we see the number of CSR audits as an important barometer. We will continue to gauge the number of audits and search for effective methods of implementing CSR audits in the value chain as a whole.



**CSR check sheets for suppliers**  
(No. of companies given improvement guidance)

In order to realize CSR procurement that enhances corporate value for both ourselves and our suppliers, we believe it is important for suppliers themselves to notice things and make their own improvements. That is why we see the number of companies given improvement guidance as a result of CSR check sheets for suppliers as an important barometer.

**Response to conflict minerals**  
(Ratio of items confirmed to be not involved in conflicts)

Our customers fully expect that TDK products do not contain conflict minerals. To ensure that conflict minerals are not used, we ask that our suppliers apply the same standards as the TDK Group on conflict minerals and also conduct regular surveys on the subject.



## Response to Conflict Minerals

Response to conflict minerals is an important theme for the TDK Group as a midstream company. As interest is growing annually in our responsibilities for responsible mineral procurement and global initiatives gain momentum, TDK is stepping up not only its in-house operations but also initiatives to resolve issues with our stakeholders throughout the supply chain.

### Our Initiatives

In the Democratic Republic of the Congo (DRC) and adjoining countries, sometimes the proceeds from the mining and sale of minerals have been used to fund armed groups. These actions serve to further conflict and violations of human rights treatment of local people.

TDK began its response to the problem of conflict minerals following the enactment of the US Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. A conflict minerals policy<sup>\*1</sup> for the TDK Group was formulated in April 2013. Surveys of suppliers are handled mainly by the Procurement Function and responses to customers by the Quality Assurance Function. In addition, each business group has designated persons in charge of the conflict minerals issue. Our suppliers implement surveys using the Conflict-Free Sourcing Initiative (CFSI<sup>\*2</sup>) Conflict Mineral Reporting Template (CMRT). Surveys are carried out regularly on new purchases, and for those items for which the smelting site cannot be identified through past surveys, new surveys are conducted. In a fiscal 2013 survey, 86%<sup>\*3</sup> of 15,754 items surveyed were deemed to have no association with conflict minerals. As for queries from customers, the entire process is integrated spanning the initiation of a query at our sales divisions to responses by our operations divisions—yielding a rapid and accurate response system. In fiscal 2015, we issued 2,505 responses, which was an increase of 16 on the previous fiscal year. At TDK, we understand the necessity of initiatives throughout the supply chain; therefore, to approach the various issues of conflict minerals as effectively as we can, we collaborate with industry groups.

\*1 Details of the TDK Group's policy on conflict minerals, please refer to the following URL: [http://www.global.tdk.com/csr/supplier\\_responsibility/csr02210.htm](http://www.global.tdk.com/csr/supplier_responsibility/csr02210.htm)

\*2 Organizations addressing conflict mineral issues established by The Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI)

\*3 Suppliers of TDK Corporation.

**“ VOICE**  
Making proposals with a view to problem resolution from the midstream company perspective

TDK participates in the Responsible Minerals Trade Working Group<sup>\*4</sup>. Due to the presence of multiple stakeholders, it is impossible to resolve the issue of conflict minerals by ourselves, making collaboration essential. JEITA collaborates with the CFSI, an organization that works on resolution of these issues, so JEITA can provide proposals that have an impact internationally. In addition, because integration and efficiency of supply chain surveying serves to greatly lower costs throughout the supply chain, we take part in the devising of rules on data exchange standard as well as on establishing international specifications and guideline rules. In the future, from our vantage point as a midstream company, we will be making proposals based on our vast experience with customers and business partners to do our part to engender even better efficiency throughout the supply chain.

\*4 For details on JEITA's Responsible Minerals Trade Working Group, please refer to following URL: [http://home.jeita.or.jp/mineral/eng/index\\_e.html](http://home.jeita.or.jp/mineral/eng/index_e.html)



**Hiroshi Kobayashi**  
CSR Office  
General Affairs Group  
Corporate Administration HQ  
TDK Corporation



**Masahiro Yamazaki**  
Manager, International Group  
International Affairs Department  
Japan Electronics and  
Information Technology  
Industries Association

**COMMENT**  
Drawing from perspective and experience, great expectations of increasingly more efficient use of business resources

TDK, as team leader of the working group for Data Exchange Standard Developing team by the Japan Electronics and Information Technology Industries Association (JEITA), is the Japanese representative on revisions made to the global CMRT tool for sharing information on smelters with business partners. As users demand a balance of easy data input and degree of sophistication of the content for the CMRT tool, I have high expectations that TDK will apply its tremendous experience with the supply chain to chemical substances contained in products. Responses to the issue of conflict minerals are spreading around the world, starting with legislation passed in the U.S. Talks are currently underway for similar legislation in Europe, while Chinese industry groups are working with the OECD on guidelines. I would like to work with companies such as TDK with a view to doing my part for sustainable solutions to the primary issue of human rights.



## Efforts as a Supplier

TDK, which is a supplier of products to customers, endeavors to incorporate social 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 (EICC) Code of Conduct, with the aims of identifying issues in CSR activities and replying speedily to customers. This self-diagnosis is implemented at all 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, including these customer CSR audits, once every two years we conduct internal audits by third-party organizations. Since 2013 TDK has also been implementing CSR internal auditor training every year with the aim of conveying a systemic understanding of the requirements of these CSR audits to employees and upgrading CSR activities at production sites.

### Response to CSR Audits

In fiscal 2014–15 TDK implemented CSR internal audits at 10 sites. Together with customer CSR audits, we undertook CSR audits at an aggregate total of 75 sites. In China, where there is a high risk of labor-related issues, audits were conducted at all sites. In Malaysia, where the forced labor of foreign workers has become a social issue, four production sites voluntarily accepted CSR audits in fiscal 2015. Each audited site made improvements regarding matters that were pointed out, and the CSR Office shared information with related head office functions, calling for attention to be paid to these problems and getting them reflected in measures. Furthermore, CSR internal auditor training was implemented in China and Malaysia in fiscal 2015, bringing the total number of employees who have received this training to 171 persons.



CSR internal auditor training (Malaysia)

## VOICE

### Addressing New Issues and Making Improvements

I am in charge of CSR promotion and auditing at the TDK-Lambda Kuantan factory. My work involves tackling new issues and making improvements all the time. Take the problem of foreign workers in Malaysia, for example. Third-party agents facilitate the employment and management of foreign workers, but there are some agents who cause social problems, so we have to be very careful about the selection of agents and conclusion of contracts with them. We also conduct living environment audits and educate agents about unjust employment, such as forced labor. Furthermore, we create opportunities for the company and candidate workers to directly assess each other so that no deception or discord arises over employment or conditions. As a new challenge, the internal audit by third-party organization that we received this year revealed the need to build a formal structure addressing the EICC requirements, so I intend to positively tackle this issue.



**Koo Siew Chin**  
Manager Human Resource  
TDK-Lambda Malaysia  
Sdn. Bhd.



## Efforts as a Buyer

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.

### 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 every year, and if there are any issues with their answers, we request them to make improvements individually. In fiscal 2015 TDK provided guidance and called for improvements at seven companies.\*

TDK also implements CSR audits with the aim of objectively understanding the situation, selecting targeted suppliers in consideration of such factors as their degree of importance and our dependence on them in the delivery of products to our customers.

\*Suppliers of TDK Corporation

### Expansion of CSR Audits among Main Commissioned Manufacturers Too

In China, where working environment risks are high, TDK has been expanding CSR audits since fiscal 2015 not only among suppliers but also among commissioned manufacturers on which it depends. Of the areas specified by the EICC, these audits focus on the three items of labor, safety and health, and environment in order to check that conditions in manufacturing workplaces are appropriate.

In fiscal 2015 TDK conducted CSR audits on six companies and made a total of 78 findings. Many of these findings concerned a lack of consideration for the storage and management of harmful substances and for workers engaged in handling them, and improvements were requested.



## VOICE

### CSR Is a Must for Our Entire Supply Chain

My job is to make sure that our suppliers conform to our standards. These days CSR is a must for our entire supply chain. My work includes on-site audits to check what programs are in place, how they are implemented, and their results and benefits for employees, society, and the environment. If existing suppliers do not have a CSR program, I help them develop one, providing guidance based on our requirements. It is not always easy, but I believe we have to start with small steps. My purpose is to strengthen our suppliers' awareness of the importance of CSR and thus make a contribution toward improving the environment and the working conditions for people in our industry.



**Gabriele Preu**  
Head of Supplier Quality  
Engineering  
Systems, Acoustics, Waves BG,  
EP COS AG

## Develop and Prosper in Harmony with the Global Environment

### The importance to our company

To support sustainable development of society, the TDK Group unites in the quest to reduce CO<sub>2</sub> emissions, effluents and waste in production activities, and otherwise use its business activities to minimize the global environmental load.

### Expectations by stakeholders

TDK complies with all environmental laws and regulations, working to lower the environmental load of its business activities, promote and invigorate the natural environment and advance other basic initiatives. Through its products, the Group also contributes to reducing energy consumption and implementing climate change countermeasures.



### Basic policy

As stated in the TDK Environmental Charter, "Develop and Prosper in Harmony with the Global Environment" is one of the TDK Group's most important business themes. "TDK Environmental Vision 2035" has been established to contribute to developing a sustainable society. Based on this vision, "TDK Environment, Health and Safety Action 2025" has been formulated as a basic action plan for specific steps. Work is also underway to formulate industry-wide environmental standards promoting greater public understanding of the value of TDK environmental contributions.

### | Main achievements in Fiscal 2015 |

CO<sub>2</sub> emissions from production activities (environmental load)



Environmental load involves many factors, such as resource and water use, but we realize that the biggest factor at TDK is CO<sub>2</sub> emissions from production activities. That is why we are making efforts to reduce these emissions.

The calculation method was subjected to a third-party review. For the contents of that review, please refer to the following URL: [http://www.global.tdk.com/csr/csr\\_data/csr05900.htm](http://www.global.tdk.com/csr/csr_data/csr05900.htm)

Reduction of CO<sub>2</sub> emissions through products (environmental contribution)



Environmental contribution involves many factors, such as the use of renewable energy, but we realize that the biggest factor at TDK is the reduction of CO<sub>2</sub> emissions through products. That is why we are making efforts to expand the scope of emission-cutting products.

## Formulation of the New "TDK Environmental Vision 2035" and "TDK Environment, Health and Safety Action 2025"

The TDK Group fast tracked the goal of "carbon neutral" status originally outlined in "TDK Environmental Action 2020" (our third basic environmental action plan), achieving the stated targets in fiscal 2014.<sup>\*1</sup> Being launched from fiscal 2016 is a new environmental vision with a more global and long-term perspective, and a medium- to long-range action plan to achieve that mission.

<sup>\*1</sup> In view of the early attainment of TDK Environmental Action 2020, a dialogue with experts was held to help draft the Group's next environmental vision. For details, please refer to the following URL: <http://www.global.tdk.com/csr/dialog/csr40000.htm>

### Formulation of the New "TDK Environmental Vision 2035" toward 100th Anniversary

In "Vision 2035," TDK pledge to strive to achieve further innovation and create value for customers through the delivery of outstanding quality products and services, by utilizing the diverse global resources. Based on this corporate motto, TDK will continue to "contribute to culture and industry through creativity", by revitalizing and protecting the global environment and creating a pleasant and safe society. With the horizon of "Vision 2035", we envision business operations under the environmental load within natural circulation. According to this idea, the goal of "to halve the CO<sub>2</sub> emission basic-unit in a life-cycle perspective by 2035" has been formulated as "TDK Environmental Vision 2035."

This stance stems from the belief that minimizing the environmental load in business activities, and revitalizing the natural environment, is the duty of companies that supply products designed to contribute to its customers and the society. Moreover, modeled on the United Nations Climate Change Conference (COP 21) Paris Agreement, which seeks to curb global warming by achieving a balance between greenhouse gas emissions and absorption sources, this is also considered the ideal corporate posture for all TDK activities.



### "TDK Environment, Health and Safety Action 2025" Basic Environmental Action Plan

Achieving environmental initiatives requires a basic plan with a long-term horizon. In TDK Environmental Action 2020, which began in April 2011, the ecological contributions of products were positioned as the focus of environmental activities for the first time in the electronic components industry. TDK achieved "carbon neutral" status on the strength of that plan. From fiscal 2016, TDK began steady implementation of TDK Environment, Health and Safety Action 2025, a new basic eco-action plan founded on TDK Environmental Vision 2035. The action categories and target figures of "TDK Environment, Health and Safety Action 2025" <sup>\*2</sup> reflect dual consideration for "backcasting" from TDK Environmental Vision 2035, and continuity and "forecasting" from "TDK Environmental Action 2020."

#### | Environment, Health and Safety Action 2025 Action Plan |



<sup>\*2</sup> To examine the action categories and target figures, please refer to the following URL: [http://www.global.tdk.com/csr/environmental\\_responsibility/pdf/csr03209.pdf](http://www.global.tdk.com/csr/environmental_responsibility/pdf/csr03209.pdf)

# Reduction of CO<sub>2</sub> Emissions from Production Activities (Environmental Load)

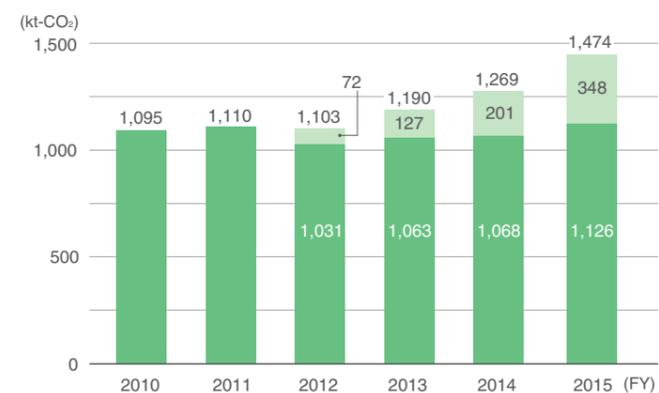
The TDK Group engages in capital investment and energy-saving activities at each site in order to reduce CO<sub>2</sub> emissions from production activities.

## Achievements in Fiscal 2015

TDK Environmental Action 2020 sets the target of reducing the TDK Group's global CO<sub>2</sub> emissions to less than one million tons by March 2021.\* In Fiscal 2015, TDK continued to promote energy-saving activities at its production sites in all countries. Unfortunately, those efforts failed to produce the targeted value of lowering CO<sub>2</sub> emissions to 1,050 thousand tons or less, with the final level tracked at 1,126 thousand tons.

\*Applicable to sites at the time of compilation of TDK Environmental Action 2020 that commenced activities in fiscal 2011.

## Trends in CO<sub>2</sub> Emissions from Production Activities (Global)



The light green parts of the graph indicate emissions at plants that were newly added after compilation of TDK Environmental Action 2020.

## Biomass Boiler Introduction

Over the past three years TDK has studied the introduction of the biomass boiler—a system anticipated to contribute to lowering both CO<sub>2</sub> emissions and cost. Such boilers are engineered to run on renewable energy with animal- and plant-derived resources as fuel, while exerting a minor impact on the environment. For this project, the Honjo Plant of TDK-MCC Corporation (a facility with high demand for steam year-round) was selected as the installation site. Once operations begin, it is projected that CO<sub>2</sub> emissions at Honjo will be lowered by 3.4%, while simultaneously cutting existing boiler fuel costs by 15%.



Biomass boiler (TDK-MCC Corporation Honjo Plant)

## “ VOICE

### Pursuit of Sustainable Monozukuri for a Sound Environmental-Economic Balance



Biomass Boiler Project Team  
TDK-MCC Corporation  
TDK Corporation Safety & Environment Office

The biomass boiler plan is based on the three core concepts of (1) reducing CO<sub>2</sub> emissions, (2) cutting costs and (3) diversifying energy sources. With the introduction of such a system, the goal is to achieve balanced plant management effective in lowering the environmental load while simultaneously generating economic benefits. The concept extends to generating new value from the perspective of lowering oil dependency through the use of wood chips, and advancing local consumption of locally produced energy through procurement from the vicinity of Yuri Honjo City in Akita Prefecture. In moving to introduction, the ability to secure a stable supply of wood chips posed the single greatest challenge. This was resolved by cooperating with the plant divisions in charge of facilities, materials and other areas in conducting on-site studies of nearly all suppliers near the Honjo Plant. Such investigations, necessary for effective use of facilities and considered indispensable for maintaining and improving fuel quantity and quality, and will be continued after introduction as well. As beneficial side effects of this boiler introduction, it will also become feasible to study potential use as fuel of wooden pallets adopted in transporting materials and other waste disposed of by the plant, sparking high hopes for approaches aimed at in-plant resource recycling. We visualize further reduction of the environmental load through production activities, spearheading the push toward a truly ideal operation mode.

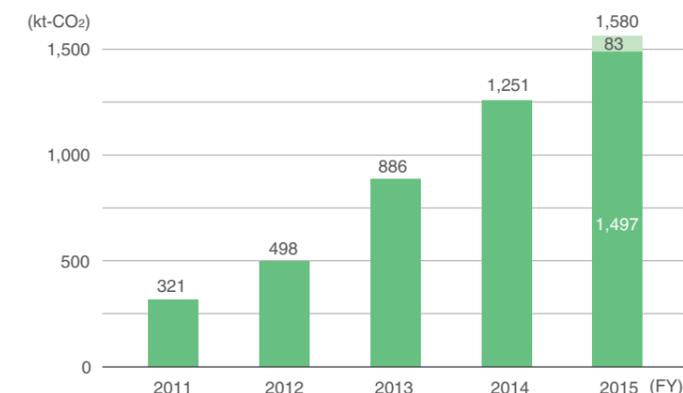
# Increasing the Reduction of CO<sub>2</sub> Emissions through Products (Environmental Contribution)

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 Fiscal 2015

TDK Environmental Action 2020 sets the target of increasing the reduction of CO<sub>2</sub> emissions through products to more than 1.0 million tons by fiscal 2020. Efforts to reach this target were subsequently accelerated, enabling that level to be achieved in fiscal 2014. Declared in fiscal 2015 was the new aim of raising this contribution above 1,050 thousand tons, expanding the magnetic products and multilayer chip inductors were included among the targets and putting effective calculating standards into place. As a result, the fiscal 2015 product contribution volume was at 1,580 thousand tons.

## Trends in the Reduction of CO<sub>2</sub> Emissions through Products



The light green parts of the graph indicate new efforts made possible by the completion of criteria for calculating environmental contributions.

## Lowering Environmental Load through a Diversified Multilayer Chip Inductor Lineup

The multilayer chip inductors used in the signal processing lines and power supply circuitry of general electronic equipment also play a role as components of mobile phones and computers. By switching from the conventional coil format to a multilayer construction using ferrite or ceramic materials, smaller and thinner sizes can be achieved, which contributes to reducing the environmental impact of the end product. This environmental contribution amounted to 14,000 tons.



Multilayer chip inductor and use examples

## “ VOICE

### Fulfilling Customer Demands and Expectations, Realizing a Balance with Reduced Environmental Load



Products Technology Division  
Ouchi Plant  
TDK Ugo Corporation

Multilayer chip inductors were a global-first development by TDK, based not on the “winding” of wire but rather on the creative concept of “layering.” This layering technology enables unique, “one-of-a-kind” designs to be tailored to specific customer uses or needs, helping address rising demands for smaller size and lower height. When product development commenced, the work was advanced with a keen stress on the importance of customer demands, reliability, production efficiency and other parameters. In time, however, it was learned that improving the properties, downsizing the configuration and other pursuits of monozukuri were also effective in contributing to the environment. Multilayer chip inductors are electronic components small in size and stellar in performance, while coming in rich-ranging lineups. There is the sense, in other words, that ample potential exists for these inductors to further contribute to the downsizing and slimming of numerous electronics devices. Going forward, TDK is motivated by the high expectations placed in companies to continue to help lower the environmental load. We therefore stand ready to excel as a bold corporate leader in the electronic components industry, drawing from the strengths of outstanding environmental load reducing technology that only TDK can truly deliver.

# Corporate Governance

## Basic Policy

TDK was established in 1935 as the world's first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has unremittably pursued originality and increased corporate value through provisions of products and services which have created new value, based on the founding spirit "Contribute to culture and industry through creativity" as its corporate motto. In addition, the TDK Group will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees, local communities, etc.), continue to be helpful by resolving social issues, and contribute to the development of a sustainable society. The TDK Group clearly declares as its Corporate Charter of Business Behavior that the TDK Group will continue to respect human rights, comply with relevant laws and regulations, both domestic and international, and carry out its social responsibility domestically and overseas with a strong sense of ethics. All members of the TDK Group seek to behave in strict compliance with the Corporate Standards of Business Conduct prescribed by the TDK Code of Conduct. In addition, TDK aims to achieve its management targets and further improve corporate value through the creation of products by adhering to corporate motto. At the same time, the TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, TDK will be accountable to stakeholders through the comprehensive, accurate, timely, and impartial disclosure of information. As mentioned above, TDK sincerely and devotedly seek to achieve its management philosophy, and to establish the effective and orderly corporate governance systems to continue to ensure soundness, compliance, and transparency in its business operations.

## Response to the Corporate Governance Code

In response to the Corporate Governance Code, which has applied to companies listed on the Tokyo Stock Exchange since June 2015, TDK compiles reports based on the principles of the code. In addition, in 2016 TDK formulated the TDK Basic Policy on Corporate Governance with the aim of contributing to the Group's sustained growth and enhancement of corporate value over the medium to long term. From now on also, the TDK Group will strive to ensure appropriate information disclosure and transparency, to properly fulfill the roles and responsibilities of the Board of Directors, and to further invigorate constructive engagement (dialogue) with shareholders and investors.

## Corporate Governance

### 1. Adoption of the Company Auditor System and Strengthening of the Supervisory Function:

TDK has adopted the Company Auditor System pursuant to the Companies Act of Japan and has appointed three independent Outside Company Auditors (of the five Company Auditors) who have no conflicts of interest in TDK in order to strengthen the supervision of TDK's management.

### 2. Strengthening the Function of the Board of Directors and Increasing the Accountability of Directors:

TDK has a small number of Directors to expedite the management decision-making process. At the same time, TDK has appointed objective, independent Outside Directors (three) in order to enhance the supervision of TDK's management. In addition, the Directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors' performance every business year.

### 3. Adoption of a Corporate Officer System for Expeditious Business Execution:

TDK has adopted a Corporate Officer system that separates the management decision-making and Director supervisory functions of the Board of Directors from the execution of business. Corporate Officers are in charge of business execution and carrying out decisions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

### 4. Establishment of Advisory Bodies to the Board of Directors:

The Business Ethics & CSR Committee, Disclosure Advisory Committee, Compensation Advisory Committee, and Nomination Advisory Committee have been established as advisory bodies to the Board of Directors.

# Compliance

## Basic Policy

The TDK Group endeavors to gain the satisfaction, trust, and support of all stakeholders, including customers, suppliers, employees, shareholders, and local communities; to continue as an entity that solves social issues and is useful to society; and to contribute to the development of a sustainable society. To this end, we have stated clearly in the TDK Charter of Corporate Behavior that both in Japan and in other countries we shall respect human rights, obey related laws, international rules, and their spirit, and fulfill our social responsibility with a high ethical sense. All members of the TDK Group shall act in strict accordance with the standards of behavior stipulated in the TDK Code of Conduct.

Furthermore, in order for employees to abide by the TDK Group's management philosophy, including the corporate motto and corporate principles, and social norms, including related laws, international rules, and their spirit, the Business Ethics & CSR Committee thoroughly publicizes the TDK Code of Conduct, which stipulates specific behavior guidelines, and endeavors to imbue practice of the corporate motto, through implementation of corporate ethics, and understanding of the significance of social responsibility.

## Help Lines

In order to prevent violations of compliance in advance and also to detect violations as quickly as possible and deal with them, the TDK Group enables all TDK Group members to report compliance violations. As a system contributing to the thorough permeation of compliance, TDK has established consultation hotlines in Ethics Councils and an internal help line in each region. Furthermore, in order to facilitate the speedy resolution of serious compliance problems, third-party help line have been set up in the Americas, Europe, and Asia to enable employees to directly inform the Business Ethics & CSR Committee through a third party, such as a law office. The TDK Code of Conduct Program stipulates the protection of informants so that they do not suffer any unfair treatment or disadvantages.

## Spreading Compliance Awareness

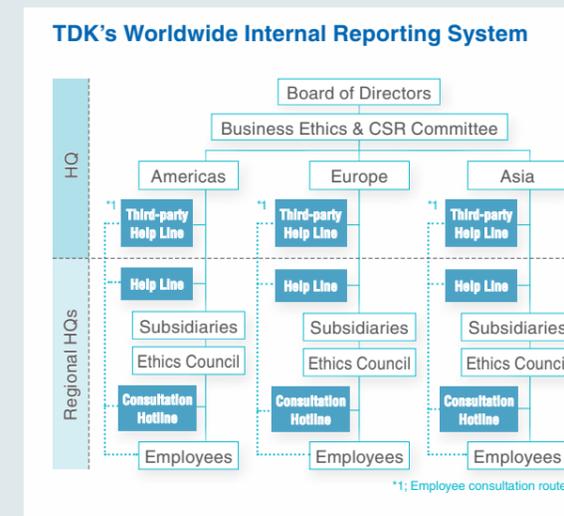
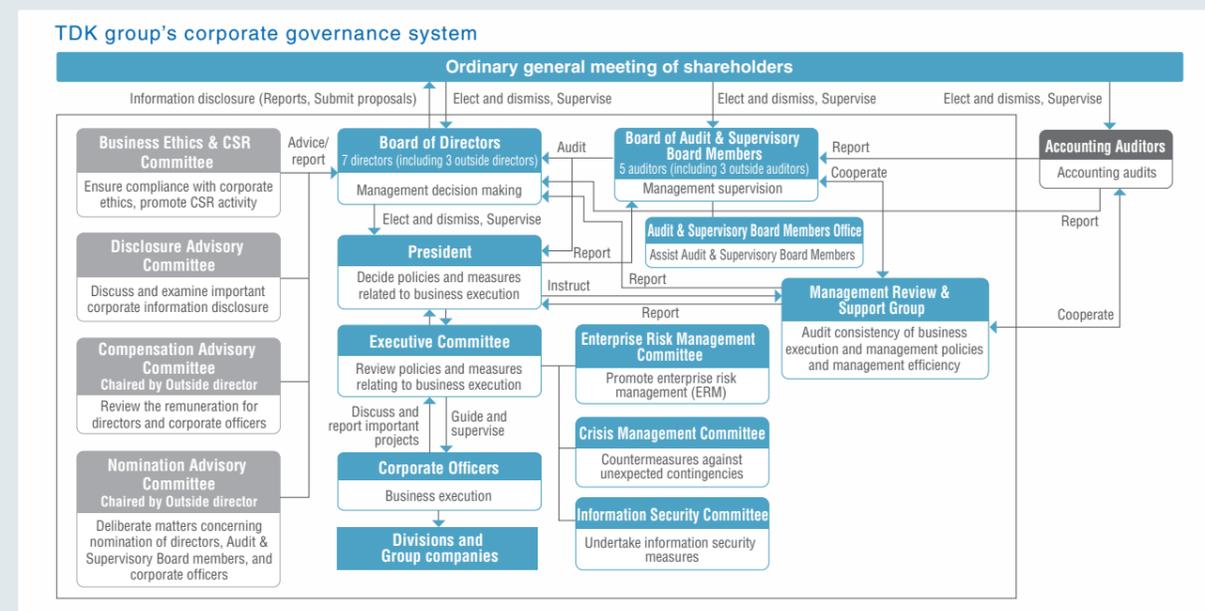
TDK provides every TDK Group employee with a copy of the *TDK Code of Conduct Handbook*, which they can use as a guide for their individual business activities, and also endeavors to spread awareness by, for example, displaying posters. Also, in order to deepen employees' understanding of compliance, TDK implements training for specific ranks and e-learning for all employees, as well as lectures for management by responsible directors and outside speakers.



Lecture by an outside speaker

## Implementation of Cartel Education

In recent years there has been a strengthening of controls over violations of competition laws in countries around the world. As a result, companies engaging in cartel behavior have been exposed by antimonopoly law authorities. Not only have the companies themselves been ordered to pay huge penalties, but also their directors have been subject to criminal punishment. Moreover, such cases frequently escalate, with business partners and consumers seeking compensation and shareholders filing lawsuits. The TDK Group stipulates in TDK Charter of Corporate Behavior that it abides by national laws, ordinances, and rules and fulfills its social responsibility with a strong sense of ethics. Against this background, TDK implements education for the prevention of cartel behavior worldwide. E-learning was implemented in fiscal 2015.



# Supporting TDK as Outside Directors

TDK became aware of the vital importance of management supervisory functions from early on, and has made vigorous efforts to bring outside directors into its organization. In Japan, greater attention is being paid to the critical role of outside directors, as evidenced by the introduction of the nationwide Corporate Governance Code in June of 2015 and other developments. In this feature, we report on a talk session held with three TDK outside directors, focusing on their hopes and requests for the company with a brighter future foremost in mind.

## Passing on the Culture of Respect for Discussion

By its very nature, the position of outside director involves rendering advice that utilizes various types of knowledge from an independent position, fulfillment of supervisory functions and otherwise helping to uphold sound corporate management. At TDK Board of Directors meetings, the typical pattern is for outside directors to pose questions and otherwise contribute to brisk and often heated debate. Makoto Sumita, an outside director who currently serves as Chairman of the Board, offered the following assessment: "TDK acted from early on to introduce third-party evaluations of the contents of its Board of Directors meetings, along with other forceful steps to bolster corporate governance. It is my impression that this stance has succeeded in deepening the awareness of directors and corporate officers, leading to greater transparency toward investors as well." Outside Director Kazumasa Yoshida gave us his candid assessment of the TDK Board of Directors: "There are many issues that must be constructively confronted—for example, how to respond to the needs of today's ever-changing marketplace, the accelerating trend of globalization and other crucial areas. In addressing these and other challenges, we benefit from extremely spirited discussions developed from the perspectives of both management and supervision dynamics." Our third interviewee was Outside Director Kazuhiko Ishimura, who assumed that position from June of last year. He went on record with his hopes that the TDK corporate culture rooted in respect for dialogue and discussion that has been cultivated to date will receive even greater emphasis from here on. That wish can be traced to his following view of the system: "Outside directors and auditors deliver opinions based on the respective knowledge and experience they have built up to date, with it being my sense that such views are exerting a significant and lasting impact on the state of TDK management."

## The Quest to Emerge as a Leading Company Supported by Medium- to Long-Term Perspective

Director Sumita also pointed out: "Obviously, it is important to sustain the process of sound evolution rooted in a clear view of the future." In that context, he went on to summarize his hopes for TDK: "Although TDK can be said to be advancing a progressive vision among the ranks of Japanese domestic companies, I look forward to its sustained efforts to keep that evolution going, effectively striving to excel as a corporate leader in the arena of governance reform." According to Director Ishimura: "As a manufacturer of electronic components, TDK is extremely unique insofar as it has fostered an independent technology at the materials level. For myself, I want to see the company continue to exploit that strength to uphold and further grow its distinctive presence in the industry." Director Yoshida agrees: "While the majority of companies operate with short-term goals, the preferred approach for TDK, in gearing up for the future, is to formulate its growth strategies from a medium- to long-term vision. I look forward to TDK further expanding its technological leadership and brand power, putting a global scheme into force able to serve as a powerful engine of medium- to long-term investment growth." As reflected in the input provided by these three gentlemen, TDK can be expected to stay the course in incorporating the views of outside directors into its management. That, we are confident, will inspire spirited debate in the mission to spawn new ideas and progress.



**Makoto Sumita**

Outside Director  
Chairman of the Board, Chairman of Nomination Advisory Committee



**Kazumasa Yoshida**

Outside Director  
Chairman of Compensation Advisory Committee



**Kazuhiko Ishimura**

Outside Director  
Member of Nomination Advisory Committee, Member of Compensation Advisory Committee

Date of birth: Jan. 6, 1954
Apr. 1980 Entered Nomura Research Institute, Ltd
Jun. 1996 Director of INNOTECH CORPORATION
Apr. 2005 Executive Vice President & Representative Director of the said company
Jun. 2005 Director of IT Access Co., Ltd.
Apr. 2007 President & CEO of INNOTECH CORPORATION
Jun. 2011 Outside Audit & Supervisory Board Member of the Company
Apr. 2013 Chairman & CEO of INNOTECH CORPORATION (present post)
Jun. 2013 Resigned as Outside Audit & Supervisory Board Member of the Company Outside Director of the Company (present post)
Feb. 2015 Chairman & CEO of INNOTECH FRONTIER, Inc. (present post)

Date of birth: Aug. 20, 1958
Oct. 1984 Entered Intel Corporation
Oct. 1999 Manager of Technology/OEM Alliance Business Strategy of Enterprise Service Group of the said company
Mar. 2000 General Manager of Communication Product Group of Intel K.K.
May 2002 General Manager of Intel Architecture Business of the said company
Jun. 2003 Representative Director and President of the said company
Dec. 2004 Vice President of Sales and Marketing Group of Intel Corporation
Jun. 2012 Outside Director of Onkyo Corporation (present post)
Feb. 2013 Outside Director of Gibson Brands, Inc. (present post)
Jun. 2013 Outside Director of CYBERDYNE Inc. (present post)
Oct. 2013 Advisor of Intel K.K.
Jun. 2014 Outside Director of the Company (present post)
Jun. 2015 Outside Director of Mamezou Holdings Co., Ltd. (present post)

Date of birth: Sep. 18, 1954
Apr. 1979 Entered ASahi GLASS CO., LTD.
Jan. 2006 Executive Officer of the said company
Jan. 2007 Senior Executive Officer and GM of Electronics & Energy General Division of the said company
Mar. 2008 President & COO & Representative Director of the said company
Jan. 2010 President & CEO & Representative Director of the said company
Jan. 2015 Chairman & Representative Director of the said company (present post)
Jun. 2015 Outside Director of the Company (present post)

# Third-Party Opinion

## 1. Articulating Determination for the Future

The TDK CSR Report continues to steadily evolve and grow each year. This year's report expresses with strong determination the mission of the new president, Shigenao Ishiguro, based on the Vision 2035 announced in 2015. Clearly, this year's report consists of highly motivated contents above and beyond the previous year's version.

## 2. Materiality Settings

I give high marks to the "materiality settings" for success in raising TDK Group CSR to a new and more systematized stage. In particular, detailed indication of the process for establishment of four different steps, along with mention of benefiting from participation by overseas experts makes this a very convincing approach. The arrangement of each pivotal theme in the value chain provides a bird's-eye view of the overall plan, along with the path to be followed from here on.

## 3. Deference to Diversity and Cultivation of Global HR

The consistent devotion to respect for people and globalization inherent in TDK corporate management is clearly manifested in each year's report, especially as it pertains to the cultivation of human resources. Within this latest edition, mention of the International Management Development (IMD) training is highly encouraging for underscoring the strong commitment of the participants at that gathering to obtaining solid leadership skills. For some time, I have advocated the view that when treating social responsibilities pertaining to HR in the context of management globalization, the need for fair evaluations rooted in globally integrated assessment standards comprises one of the major issues faced by Japanese companies today. On this front, however, TDK excels as a perennial and recognized pioneer. As such, I hope that the company will not be content to rest on past laurels, and push forward to further tweak and improve its global human resource management system.

## 4. Initiatives as a Supplier and Buyer

When asked for my third-party opinion on the TDK CSR Report issued in 2014, I opened with the following words: "All around us today, human rights and environmental issues relevant to the supply chain have emerged as a strong area of interest not only for NGOs, but for regulatory authorities as well. For companies, meanwhile, these challenges represent the most difficult area to address among the many CSR themes demanding our attention." Two years on, nothing has changed. Looking to the future, meanwhile, it is clear that there will be no decline in the importance of these issues, which can be expected to continue to grow. From that standpoint, there are numerous aspects that deserve our attention and praise for indicating the strength of the TDK commitment to the question of human rights. They include the company's prompt and voluntary acceptance of a CSR audit in Malaysia, where forced labor by foreign workers emerged

as a keen social issue. The results of that audit revealed that the setup in response to the requirements of the Electric Industry Code of Conduct (EICC) was inadequate. In addition, I also welcome the company's expansion of CSR audits of its major processing subcontractors, along with ready disclosure of the fact that, as a result of that move, it has chosen to implement strengthened guidance on the handling and management of hazardous substances, as firm evidence of important progress.

## 5. Formulation of an Environmental Vision for 2035

On the environmental front, TDK has come out with "Environmental Vision 2035"—a newly phrased mission statement in reflection of last year's Paris session of the United Nations Climate Change Conference (COP 21) and other global developments relevant to the environment. With this, the company has effectively gained a compass for what is shaping up as the need for "super-long-term" initiatives in coping with the environmental challenge.

## 6. Upcoming Themes and Hopes

First, as a truly indispensable step after the setting of "materiality standards," I point to what I see as the need to draft Key Performance Indicators (KPI) and implement the PDCA (plan-do-check-act) cycle as the most critical theme on the immediate horizon. Regarding human rights issues within the supply chain, my advice is to opt for disclosure of more detailed data on the results of major processing subcontractor audits. Conflict minerals, meanwhile, pose an issue characterized by technological limitations for the mounting of independent initiatives. In that sense, I definitely hope to see TDK contribute to the creation of an international framework positioned to improve the level of traceability. On the environmental front, I have stellar expectations for tenacious efforts toward the goal of to reduce the CO<sub>2</sub> emissions intensity throughout life cycle stages by half by 2035.

All in all, I find the contents of this year's CSR Report to be highly substantial and appropriate as the definition of a new push for progress by the 100th anniversary of the inception of TDK to be celebrated in 2035. In that regard, I have high hopes that it will prove possible to confirm that solid and reliable progress was made during the first year of this new environmental vision within the pages of next year's CSR Report.



**Toshihiko Fujii**  
Consulting Fellow,  
Research Institute of Economy,  
Trade and Industry



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