

TDK CSR REPORT 2017

English version





Shigenao Ishiguro
President and CEO TDK Corporation

Creating new value through innovation, TDK pioneers a promising future

Rising to the challenge of “*Kotozukuri*” through fusion

For more than 80 years since its foundation, TDK has harnessed the power of materials technology focused on ferrite. This cornerstone grounds the Company’s approach to integrated production – namely, the pursuit of products taking full advantage of the characteristics of magnetic materials from the materials and process development stage. To elevate that strength to even greater heights, it is vital to fully grasp the nature of the changing environment surrounding our business. For example, we are witnessing dramatic advances in our lives by the Internet of Things (IoT), greater attention paid to artificial intelligence, and other particularly rapid and stunning shifts in technological fields.

For its part, the TDK Group must also innovate above and beyond its achievements to date. Conventionally, our business has consisted of “creating fine products for customers (and therefore the larger society)”. Now, however, there is also a crucial need to attune our endeavors to best leverage our knowledge of materials and technologies to address market needs and social themes. In other words, TDK’s strategic approach continues to be to layer

Kotozukuri (integrated solutions) onto our heritage of *Monozukuri* (supplying components). Besides simply supplying components independently, we must combine and integrate products and technologies as “solutions” that create value with and for our customers. For TDK, a company that has traditionally flourished as a components manufacturer, this stipulation poses a stiff challenge indeed. But we are up to this challenge.

Within today’s move toward open innovation, TDK clearly perceives the need to utilize distinctive technologies and know-how to the maximum degree, while simultaneously using external resources for areas in which we are lacking. This promises to be a major pillar in the move toward progressive fusion.

During fiscal 2016, we advanced an aggregation program of merger and acquisition (M&A) to expand our portfolio. Mustering the combination of our unshakable core technology and assets acquired through M&A, we are more determined than ever to supply the global market with increasingly higher value-added products and services.

Targeting redoubled growth and rapid market responses

Plotting reliable courses for growth strategies and earnings structure reform

After assuming the post of President at the beginning of fiscal 2016, I declared two major corporate missions. The first was to decisively advance our growth strategies. The second was to raise our corporate earnings power. The road to be taken for growth strategies includes the ongoing business expansion of our strategic growth products of “sensors and actuators”, “energy units” and “next-generation electronic components”. Sensors, for example, are devices particularly indispensable to underpin the growth of the IoT. Therefore, we aim to offer wide-ranging sensor solutions for our customers through the synergies from the sensor manufacturers we acquired during fiscal 2016. The IoT also has tremendous potential for us to further our mission of contributing to our world through our business and technologies. Helping resolve some of the various issues our society faces through the creative solutions with our products and technologies at their core, is truly the heart of *Kotozukuri*.

As a case in point, wearable activity trackers excel as truly typical IoT devices. The biosensors within these trackers make it possible to automatically measure body temperature, pulse counts, numbers of steps taken, and other data, which can then be monitored with smartphones and other means. Advancing beyond fitness use cases, the information gleaned from such sources can be utilized for more effective medical services at hospitals, driving the industry towards customized optimal insurance for each individual. In other words, we’re being asked to clearly understand a variety of society’s issues and needs in order to deliver solutions through the fusion of our resources.

Beyond the conventional market focus on Information and Communication Technology (ICT), our goal is expansion in the automotive, the industrial and energy, and the emerging healthcare markets as well as other fields to complement the areas in which we have excelled to date. In support of the second major mission of improved earning power, there is a critical need to redouble

our focus on supplying the top caliber components (*Monozukuri*) truly worthy of a Japanese company. Taking this to heart, we will further accelerate *Monozukuri* reforms to ensure their integration with both the “Industry 4.0” thinking advanced to date and the unique TDK approach to “Zero Defect Quality”. During fiscal 2016, we added new wings to both the Honjo Factory and Inakura Factory in the Akita region, outfitting these “mother factories” to carry on the *Monozukuri* revolution at a global level. Modeling *Arubeki-Sugata* (ideal process) *Monozukuri* activities, we strive, down to the individual worksite level, to accurately identify what needs to be done to give each product optimum quality and productivity. Unlike traditional approaches, in which inspections are performed at completion, our approach of *Arubeki-Sugata* ensures nonstop monitoring of products throughout the manufacturing process. Working to achieve the ultimate goal of zero defects at completion, meanwhile, also leads to minimal waste of resources. By analyzing the massive data yielded by each process, our factories have an effective means of eradicating factors capable of causing defects after delivery, thereby facilitating improvements in our “post-shipment quality”. Close inspection of production lead-times indicates that waiting times result from quality evaluations, idle equipment, and other reasons. We are taking appropriate steps to automate and otherwise reduce such non-value-added time to dramatically lift productivity.

In parallel, we are pursuing a “First to Market” philosophy, pioneering new solutions and products that address the needs of the marketplace. Our R&D system spans our four-pole global network, and we continually revise the planning cycle to define and redefine those products that customers most need and when they want them. From this base, we will reduce the “Design → Evaluation → Product Proposal” cycle time to achieve a more rapid rate of response to our customers’ needs.

Drawing from the dynamism of diversity as the driving force

Encouraging our employees to build a powerful new organization

From our proud Japanese heritage, we have grown into a global organization, as the times have demanded us to do. As we have expanded our Group through M&A and other means, companies from a wide range of different cultures and environments have joined our ranks. The transition has required many sacrifices of us all, as we cope with governance, management, and other issues, to focus on a shared, single objective. TDK has also prospered from the dynamism of the companies we have acquired. Rather than requiring that they become absorbed into TDK, we encourage them to use their strengths to continue to excel in their own fields. This has proven effective to driving new progress, and will not be changed anytime soon. Yet another critical point is to allow the dynamism of diversity to effectively function throughout the overall Group, while transforming this energy into bold new strength. Toward this end, we spare no time or energy in helping acquired organizations feel rewarded for their decisions to become TDK Group members. Equally indispensable is the push for diversification throughout the ranks of our human resources. We have taken considerable steps at the management level, growing the number of our corporate officers representing nationalities from around the world. This diversity makes possible advanced

discussions that consider the needs of our global customers and partners. Our goal is to continue to fully marshal the skills of all our employees representing a wealth of diversified backgrounds from around the world, to create an environment that puts the right person in the right job. Within the TDK Group, there is also the governing corporate motto of “Vision” “Courage” “Trust”. As the CEO of this organization, I face constant demands to render smart decisions. I regularly ask myself if a decision I am considering represents true “vision”, if it will lead to actions embodying “courage”, and if it will earn the “trust” of our stakeholders. In a very real sense, I regard this clear and simple motto as being rich in wisdom that can be shared on a global scale. My hope is that employees who are seeking answers about the proper direction in which to proceed or the best action to take will also find this foundation to be a precious source of strength and direction. Our collective striving to make our professional actions and decisions a living testimony to the ideals of our corporate motto are knitting us together as a cohesive team, while also enabling us collectively to fulfill the long-standing TDK mission to “Contribute to culture and industry through creativity”.

CONTENTS

Top Commitment..... 1

Editorial Policy 3

Corporate Philosophy..... 4

TDK's Three Priority Markets and Products, New Businesses..... 5

The TDK Group's CSR

 A Society Created through CSR Undertaken in Business Activities 7

 The TDK Group's CSR Management..... 9

 The TDK Group's Materiality 10

 Fiscal 2016 Activity Goals and Achievements, Fiscal 2017 Goals..... 11

 Important CSR Issues within the Value Chain..... 13

TDK Group Outline..... 15

The TDK Group's Important CSR Issues

 1 Contribute to the World through Technology 16

 2 Develop Human Resources 22

 3 Consider the Societal and Environmental Impact of the Supply Chain 26

 4 Develop and Prosper in Harmony with the Global Environment..... 32

Corporate Governance..... 36

Compliance 37

Third-Party Opinion 38

Editorial Policy

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.

Here, we report on progress and achievements over the past year in addressing important themes based on the Group Materiality set forth in fiscal 2015, while also listing comments from employees engaged in those efforts. As activities closely attuned to today's social trends, we have also engaged in talk sessions with experts and stakeholders and are pleased to introduce selections from such exchanges.

In addition, we present an online profile of our Environment, Social, and Governance (ESG) Information by sectors, and encourage viewing of this data as well.

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 2016 activity reports
<http://www.global.tdk.com/corp/en/csr/>

Period Covered:

Fiscal 2016 (April 1, 2016 – March 31, 2017)

* Some information covers activities outside this period.

Organizations Covered:

TDK Group*

* TDK Group: TDK Corporation and 138 consolidated subsidiaries in Japan and overseas

Major Organizational Changes during the Period Covered:

During the period under review, three special subsidiary companies were excluded from our scope of consolidation: TDK (Shanghai) Electro-Energy Co., Ltd., due to the sale of shares held in that company, together with RF360 Holdings Singapore PTE. Ltd. and RF360 Technology (Wuxi) Co., Ltd. (for which equity holdings were transferred accompanying the launch of a joint venture with Qualcomm Incorporated).

Date of Issue:

September 2017 (Previous issue: October 2016; next issue: scheduled for August 2018)

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Corporate Philosophy			
Corporate Motto	Contribute to culture and industry through creativity		
Corporate Principles	<p>Vision</p> <p>Always take a new step forward with a vision in mind. Creation and construction are not born without vision.</p>	<p>Courage</p> <p>Always perform with courage. Performing power is born by confronting contradiction and overcoming it.</p>	<p>Trust</p> <p>Always try to build trust. Trust is born from a spirit of honesty and service.</p>

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

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

TDK Code of Conduct*

The TDK Code of Conduct stipulates specific behavior guidelines so that the TDK Group and all of its directors and employees comply with laws and ordinances, social norms, and so on. Furthermore, the TDK Group has compiled the Corporate Charter of Business Behavior outlining the universal matters that should be practiced commonly by the Group.

* The complete text of the TDK Code of Conduct is available at the following website. http://www.global.tdk.com/corp/en/about_tdk/code_of_conduct/

TDK's Three Priority Markets and Products, New Businesses

1 Priority market: Automotive



Realizing zero traffic accidents and autonomous driving

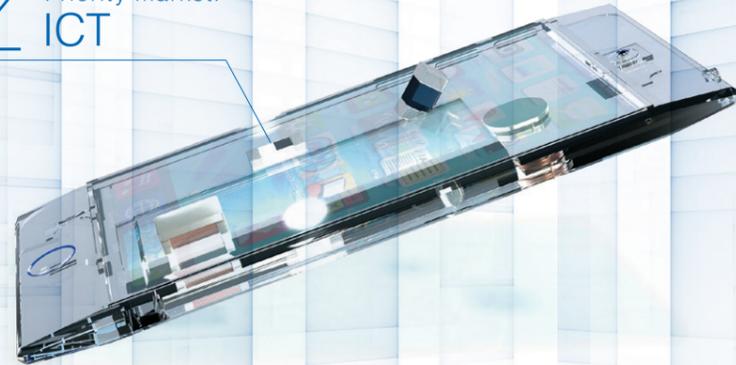
In the quest for greater safety, comfort, and harmony with the environment, critical issues include mounting effective responses to the rapidly evolving field of car electronics, minimizing automotive emissions to help resolve the CO2 pollution problem, and other challenges. High expectations are also being placed in realization of so-called "connected" cars linked to the Internet, the advanced driving assistance system (ADAS), autonomous driving, and other progress. TDK prides itself for its impressive lineup of highly reliable products supporting greater automobile safety and comfort, hand in hand with environmental-friendly technology.



Targeting next-generation mobile communications systems

Smartphones now excel not only in support of communications functions, the Internet, personal computers, cameras, etc., but also as social infrastructure linking the home, automobiles, and industrial plants. They have truly emerged as key devices in the age of IoT, during which most all things will become connected online, with TDK products emerging as an indispensable presence in the quest for new networks. Electronic components and modules, utilizing the original core technologies for which TDK is famed, promise to further expand the promise and application scope of smartphones.

2 Priority market: ICT

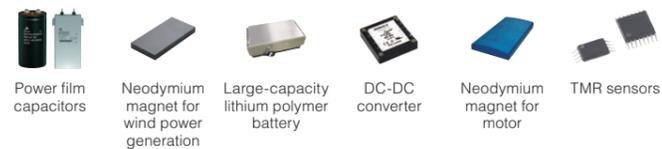


3 Priority market: Industrial & Energy



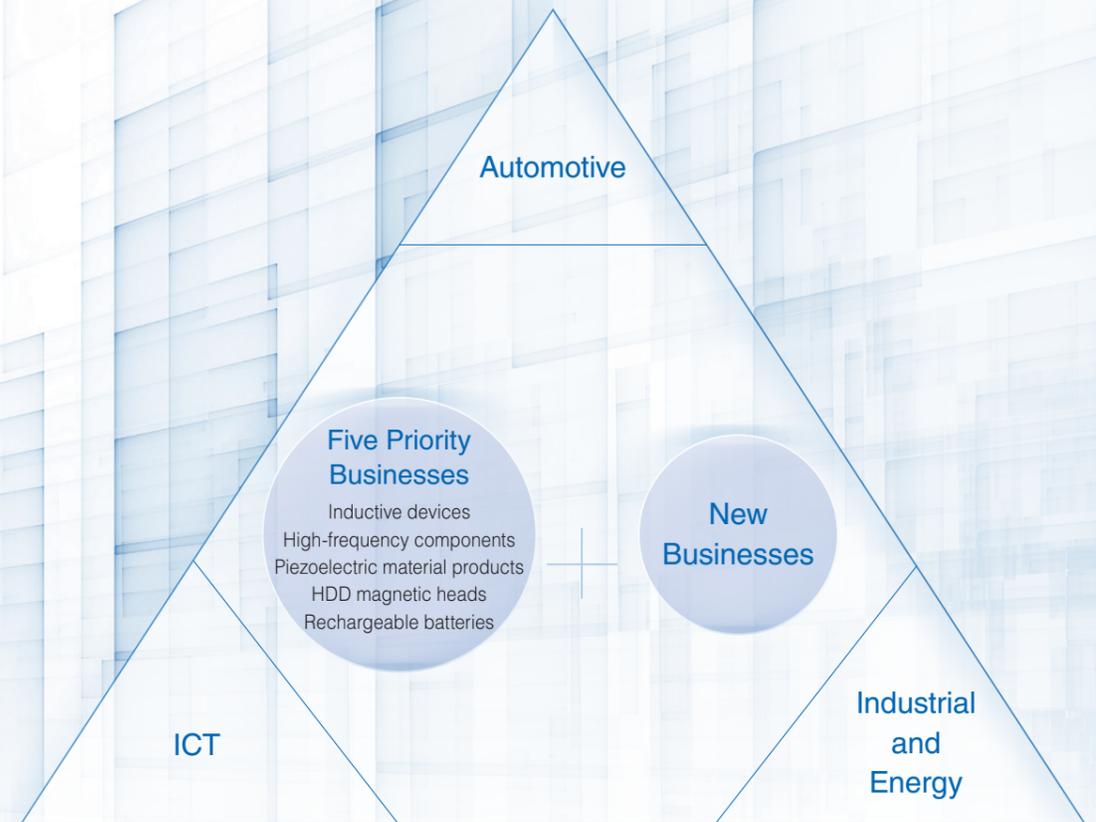
Contributing to a clean and smart society

Against the backdrop of hopes for solutions to the CO2 emissions problem, more effective use of natural resources, and other environmental challenges, attention has come to focus on potential use of wind power, solar power, and other renewable energy sources. In industrial equipment, railroads, and other fields as well, there are demands for greater efficiency, weight reduction, and precision in pursuit of more effective energy use. Targeting these needs, TDK marshals its innovative materials and processing technologies to bring key devices to these sectors, contributing to an increasingly clean and smart society.



The markets in which TDK is most firmly committed today consist of the three priority markets of Automotive, ICT, and Industrial and Energy. Targeting these three priority markets, the Company champions formidable growth strategies in five priority businesses as its core fields, while also advancing new business endeavors.

Five Priority Businesses and New Businesses



TDK promotes its business activities on the foundation of medium-term plan. This approach seeks to vigorously advance initiatives viewed as key in the quest for redoubled expansion of corporate value on the strength of sustained growth. While treating the three priority markets of Automotive, ICT, and Industrial and Energy, as well as growth strategies in the five priority businesses as the hub of this stance, staunch commitments are also channeled into thin-film components, wearable devices and health care, automotive and industrial equipment sensors, automobile and industrial equipment energy units and other dynamic new growth field businesses.

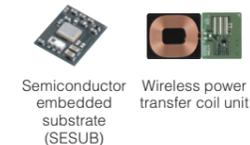
Thin-film components

Fusion of materials technologies fostered through thin-film technology and the passive components business, fueling expansion in new product sales.



Wearables and health care

Expanded sales of power management units rooted in applications of semiconductor-embedded substrates (SESUB), compact module technology, and other cutting edge know-how.



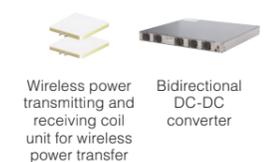
Automobile and industrial equipment sensors

Expanded sales of TMR/GMR sensors, barometric pressure sensors, and other products that utilize advanced sensing technology.



Automobile and industrial equipment energy units

Expanded sales of high-efficiency bidirectional DC-DC converters for the renewable energy field, industrial equipment wireless power transfer systems and other products.

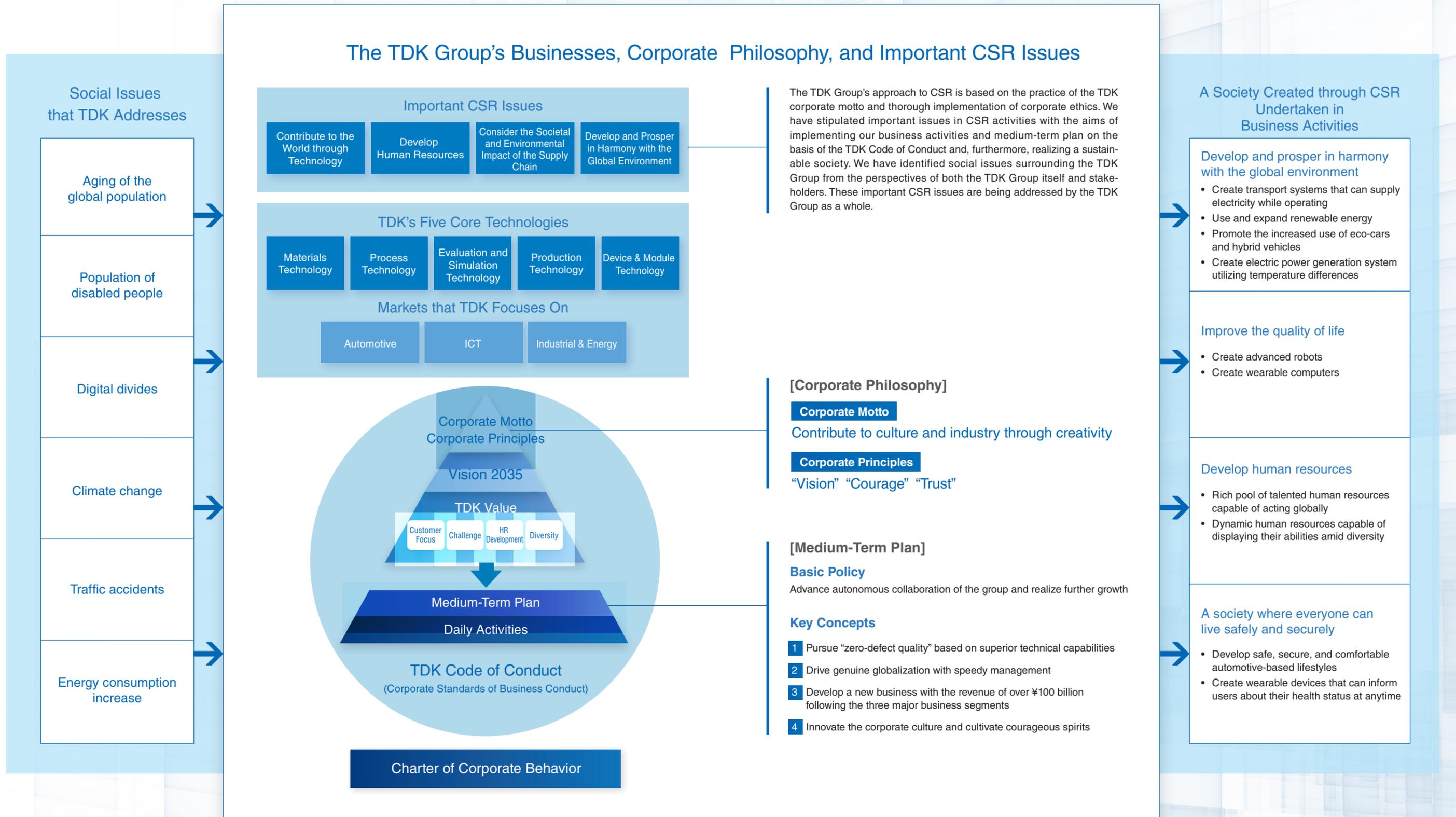


—The TDK Group CSR—

A Society Created through CSR Undertaken in Business Activities

Our society is facing various issues.

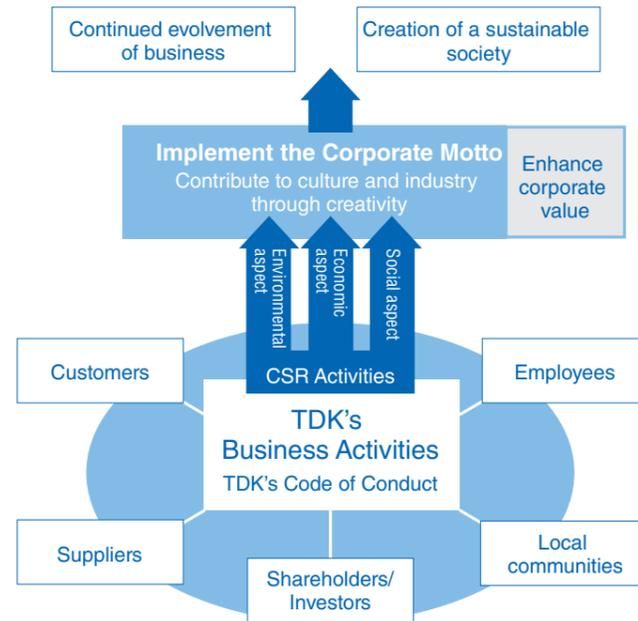
The TDK Group seeks to solve social issues through business activities based on our corporate principles.



The TDK Group CSR Management

Linkage between TDK Group CSR and the Corporate Philosophy

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.



CSR Promotion Structure

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

Business Ethics & CSR Committee

The TDK Business Ethics & CSR Committee, an organization reporting directly to the Board of Directors, is chaired by a director or corporate officer appointed by the Board, with its membership designated by major HQ Function Managers and the Chair. The Committee's mission is to resolve TDK Code of Conduct related problems impacting employees in TDK Group companies around the world. It also issues reports at the start of each quarter addressing the status of implementation and operation of the Code of Conduct.

CSR Group

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

Organization



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 has 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. With regard to the designated important CSR issues of "Contribute to the World through Technology," "Develop Human Resources," "Consider the Societal and Environmental Impact of the Supply Chain" and "Develop and Prosper in Harmony with the Global Environment," a new activity portfolio was launched from fiscal 2016.

* The details of the Materiality Finalization Process may be viewed on the following website. http://www.global.tdk.com/corp/en/csr/csr_philosophy/csr02000.htm

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.



Finalization of the Materiality

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 are taking the initiative in setting key performance indicators in coordination with TDK Group companies in order to promote related activities.

	Important CSR Issues	Important Themes
High Importance for stakeholders	1 Contribute to the World through Technology	<ul style="list-style-type: none"> Contribute to resolving social issues through development and provision of new products in three priority markets Pursue zero-defect product quality
	2 Develop Human Resources	<ul style="list-style-type: none"> Develop global human resources Cultivate a corporate culture that respects diversity
	3 Consider the Societal and Environmental Impact of the Supply Chain	<ul style="list-style-type: none"> Consider the work environment at manufacturing sites Consider the work environment of suppliers Response to conflict minerals
	4 Develop and Prosper in Harmony with the Global Environment	<ul style="list-style-type: none"> Reduce environmental load throughout life cycle stages Creating a framework for gauging product contributions
	Management	<ul style="list-style-type: none"> Ensure corporate governance and compliance
	Business activities in consideration of biodiversity	Supply of product information to consumers
		Protection of customer privacy
	Importance for the TDK Group	
		High

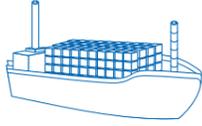
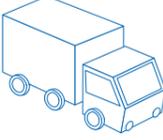
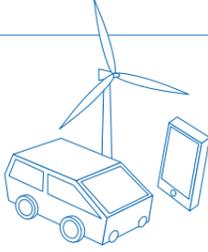
Fiscal 2016 Activity Goals and Achievements, Fiscal 2017 Goals

Based on its newly finalized materiality, the TDK Group works through the PDCA (plan-do-check-act) cycle to promote initiatives aimed at realizing a sustainable society and company. Here, we report on our fiscal 2016 activity goals and achievements, and fiscal 2017 goals.

Important CSR Issues	Important Themes	Main Points	Functions	Fiscal 2016 Goals	Fiscal 2016 Achievements	Fiscal 2017 Goals
1 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 helping to save, store and reuse energy, through original technological development and supply of products in markets, especially the automotive, ICT, industrial and energy.	Technology HQ Each business group	<ul style="list-style-type: none"> Continue to promote the development of products that contribute to the solution of social issues in the priority strategic markets of automotive, ICT, and industrial and energy 	<ul style="list-style-type: none"> Promoted the development of direct angle sensors, micro electro mechanical system (MEMS) microphones, and industrial equipment wireless power transfer systems 	<ul style="list-style-type: none"> Continue to promote the development of products that contribute to the solution of social issues in the priority strategic markets of automotive, ICT, and industrial and energy
	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.	Quality Assurance Function Each business group	<ul style="list-style-type: none"> Number of important claims: 0 	<ul style="list-style-type: none"> Number of important claims: 0 	<ul style="list-style-type: none"> Number of important claims: 0
2 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.	Human Resource Development Function	<ul style="list-style-type: none"> Set global-scale key performance indicators (KPI) 	<ul style="list-style-type: none"> Revised related themes 	<ul style="list-style-type: none"> Establish a worldwide consolidated human resource database
	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.	Human Resource Development Function	<ul style="list-style-type: none"> Set global-scale key performance indicators (KPI) 	<ul style="list-style-type: none"> Revised related themes 	<ul style="list-style-type: none"> Compile consolidated management database, and get a solid grasp of the data
3 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.	CSR Function	<ul style="list-style-type: none"> Perform 100% CSR self-checks at manufacturing sites Secure 100% opportunities for third-party CSR audits once every two years (China and ASEAN region) 	<ul style="list-style-type: none"> 100% implementation 100% implementation 	<ul style="list-style-type: none"> Perform 100% CSR self-checks at manufacturing sites Secure 100% opportunities for third-party CSR audits once every two years (China and Asia region)
	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.	Procurement Function	<ul style="list-style-type: none"> Set global-scale key performance indicators (KPI) 	<ul style="list-style-type: none"> Complete the setting global-scale key performance indicators (KPI) 	<ul style="list-style-type: none"> CSR-compliant supplier ratio: over 95%
	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.	Procurement Function Quality Assurance Function	<ul style="list-style-type: none"> Set global-scale key performance indicators (KPI) 	<ul style="list-style-type: none"> Complete the setting global-scale key performance indicators (KPI) 	<ul style="list-style-type: none"> DRC conflict-free procurement supplier ratio: over 85% Monitor number of customer responses
4 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.	Safety and Environment Function	<ul style="list-style-type: none"> Improve energy origin CO₂ emissions basic-unit by 1.1% Improve product-based CO₂ reduction contributions basic-unit by 2.7% 	<ul style="list-style-type: none"> Worsened by 6.0% compared with fiscal 2014 Improved by 23.0% compared with fiscal 2014 	<ul style="list-style-type: none"> Improve energy origin CO₂ emissions basic-unit by 2.0% compared with fiscal 2014 Improve product-based CO₂ reduction contributions basic-unit by 2.7% compared with the previous year
	Creating a framework for gauging product contributions	Through the setting of common gauging product contributions in the industry, we will promote social understanding of TDK's environmental contribution value.	Safety and Environment Function	<ul style="list-style-type: none"> Implement standardization and awareness activities in collaboration with industry associations 	<ul style="list-style-type: none"> Implemented awareness activities in Germany and Japan 	<ul style="list-style-type: none"> Continue to implement standardization and awareness activities in collaboration with industry associations
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.	CSR Function Compliance Function	<ul style="list-style-type: none"> Achieve 100% participation in compliance e-learning 	<ul style="list-style-type: none"> Achieved 98% participation in compliance e-learning Established compliance HQ in October 2016 Established Basic Policy on Corporate Governance 	<ul style="list-style-type: none"> Achieve 100% participation in compliance e-learning

* For goals and achievements of activities other than those above, please see the following website:
http://www.global.tdk.com/corp/en/csr/environmental_responsibility/csr03200.htm



<p>Important CSR Issues within the Value Chain</p> <p>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.</p>	 <p>Procurement</p> <p>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.</p>	 <p>Development</p> <p>The development process of technology and human resources hold the key to how TDK products can contribute to society and the environment.</p>	 <p>Manufacturing</p> <p>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.</p>	 <p>Logistics</p> <p>The mission of logistics is the stable, reliable, and timely supply of TDK products to customers.</p>	 <p>Sales</p> <p>We seek to maintain high product quality while providing products that satisfy customers through contribution to society and environment issues.</p>
<p>[Important CSR Issues] Contribute to the World through Technology</p> <p>[Important Themes]</p> <ul style="list-style-type: none"> Contribute to resolving social issues through development and provision of new products in three priority markets Pursue zero-defect product quality 	<ul style="list-style-type: none"> Ensure the quality of purchased products 	<ul style="list-style-type: none"> New product development through sustained research and development Research and development expenditure 91,254 million yen Product assessments Building of upstream-management-type quality assurance structure 	<ul style="list-style-type: none"> Manufacturing process capable of reproduction without variation 	<ul style="list-style-type: none"> Ensure logistics quality 	<ul style="list-style-type: none"> Promote sales of products that solve environmental and social issues Customer satisfaction
<p>[Important CSR Issues] Develop Human Resources</p> <p>[Important Themes]</p> <ul style="list-style-type: none"> Develop global human resources Cultivate a corporate culture that respects diversity 	<p>• Promote Global Human Resource Training Program IMD Training participants (total to date): 328 persons Overseas Trainee Program participants (total to date): 28 persons</p>				
<p>[Important CSR Issues] Consider the Societal and Environmental Impact of the Supply Chain</p> <p>[Important Themes]</p> <ul style="list-style-type: none"> Consider the work environment at manufacturing sites Consider the work environment of suppliers Response to conflict minerals 	<ul style="list-style-type: none"> Use CSR check sheets and implement CSR audits No. of companies given check sheets improvement guidance* 7 companies Conflict minerals survey DRC conflict-free item ratio*: 91 % <p>* Targeting suppliers engaged in transactions with TDK Corporation.</p>	<ul style="list-style-type: none"> Technological innovation 	<ul style="list-style-type: none"> Innovative craftsmanship training 		<ul style="list-style-type: none"> Appropriate responses to CSR surveys and other inquiries from customers
<p>[Important CSR Issues] Develop and Prosper in Harmony with the Global Environment</p> <p>[Important Themes]</p> <ul style="list-style-type: none"> Reduce environmental load throughout life cycle stages Creating a framework for gauging product contributions 	<ul style="list-style-type: none"> Green procurement 	<ul style="list-style-type: none"> Creation of products contributing to the environment Product assessments 	<ul style="list-style-type: none"> Reduce the environmental load of plants CO₂ emissions from production activities 1,463 thousand t-CO₂ 	<ul style="list-style-type: none"> Reduce the environmental load in logistics 	<ul style="list-style-type: none"> Promote sales of products that contribute to the environment Reduction of CO₂ emissions through products 1,675 thousand t-CO₂

TDK Group Outline

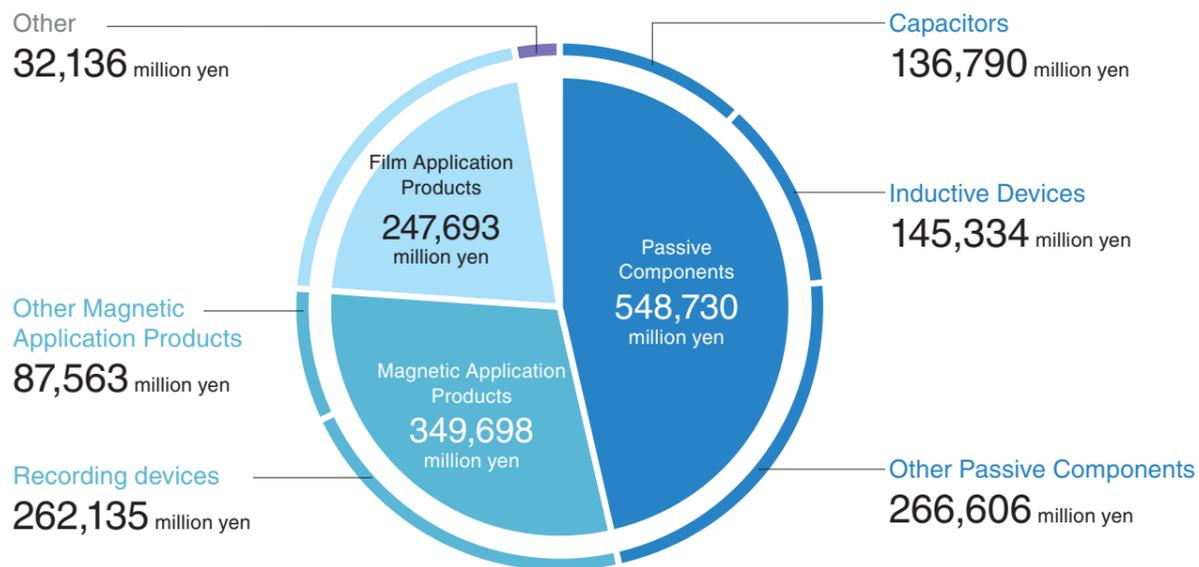
High level of globalization

The TDK Group is active in over 30 countries and regions all over the globe, selecting suitable bases for plants, research facilities, and sales offices from the viewpoints of marketability, product range, distribution, etc. The TDK Group consists of 138 consolidated subsidiaries—18 in Japan and 120 overseas (58 in Asia, 42 in Europe, and 20 in the Americas). The Group's total work force is 99,693 persons.

Net sales **1,178,257** million yen | Operating income **208,660** million yen | Net income **145,099** million yen



Net sales by product segment (fiscal year ended March 2017)



* Following organizational changes conducted in the first quarter of the fiscal year ended March 2017, one portion of products belonging to Other was reassigned to Inductive Devices and Other Passive Components under the Passive Components segment. Likewise, selected products belonging to Film Application Product were reassigned to Other.

The importance to our company

In accordance with our Medium Term Plan which started in fiscal 2015, we are focusing on the three priority markets of automotive, ICT and industrial & 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.

1

Important CSR Issues

Contribute to the World through Technology

Important Themes

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

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 & 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 in the future. Providing high quality products and services is our way of striving for the advancement of humankind.

Summary of Fiscal 2016 and Outlook Going Forward

Under the basic policy of the Medium-Term Plan through fiscal 2017, "Advance autonomous collaboration of the group and realize further growth", TDK mobilized magnetic technology, the core of its engineering expertise, to develop next-generation products for the IoT market, while also channeling keen energies into building an even more efficient development system. As one phase for pioneering magnetic sensor technology, an area being strengthened as a key TDK growth field, we realized the world's first measurement and visualization of cardiac activity using MR sensors. Completed in October 2016 were a streamlined new *Monozukuri* mother factories in the Akita region, earmarked as a driving force in promoting growth strategies. In the quest for "Industry 4.0 + Zero Defects," these factories are positioned to function as pivotal sites in supplying state-of-the-art parts and components "from Akita to the world."

Interview

TDK technology contributes to building a "Super Smart Society," ensuring greater affluence and fulfillment

Dai Matsuoka

General Manager of Technology and Intellectual Property HQ
TDK Corporation



Creating new value to address social needs

For the TDK Group, which subscribes to the corporate motto of "Contribute to culture and industry through creativity," utilizing technical expertise to enrich people's lives is an unwavering corporate mission. Under the guidance of the government's 5th Science and Technology Basic Plan, Japan is currently working to emerge as a "Super Smart Society*." Revolutionary social changes driven by innovation are christened "Society 5.0*"—a domain we are positioned to contribute to through the various technologies of the TDK Group. The "Society 5.0" vision speaks not only to Japan, but also to advancing global culture and industry. TDK is now grappling with the question of how best to approach this vital new challenge. Closer communications with customers, while raising the synergy between the Technology and Intellectual Property HQ and other TDK business groups, holds the key to creating new value. This also harbors potential for expanding new products and services beyond the current three priority markets of Automotive, ICT, and Industrial and Energy. The cornerstone of such progress promises to be magnetic technology—the DNA embodying the TDK Group. Recent years have witnessed steady expansion in fields in which TDK products and services are being put to use. Examples include magnetic sensors applying HDD head technology, automotive electronic components for EVs, HEVs, and other eco-friendly cars, and sensors for use in the medical and health care field. Fully harnessing strengths that only TDK can deliver, our goal is to help pave the way to making "Society 5.0" a reality.

Developing highly social-sensitive engineers

People must shoulder the technologies that support society, pointing to an equally critical need for individual engineers to raise their awareness and sensitivity toward the world around them. Demanded today is the perspective of identifying special social issues, systems to help resolve those challenges, and the products to get the job done. As CTO, I believe that my foremost role is to promote the milestone mindset shift from *Monozukuri* to *Kotozukuri*. From the standpoint of training young people, the Technology and Intellectual Property HQ dispatches engineers to the various business groups in their third to fifth years with TDK. There, they are expected to actively engage in new product launches, etc., think on their own and steadily accrue opportunities to expand experience. Moving forward, one of the key challenges is to establish an effective R&D system on the foundation of worldwide personnel exchange. Likewise, in view of the growing number of engineers also raising families, a scheme to support a positive balance between work and child-raising is another key to success. Taking this to heart, my mission is to make TDK a work-friendly company for our vastly diversified employees, fully utilizing people potential to raise the essential technologies at TDK to ever-greater heights.

*Super Smart Society
Addressing a vast range of needs with the supply of the necessary goods and services to customers when they need them and in the proper quantities, in support of an energetic and comfortable society where everyone enjoys access to top-caliber services.

*Society 5.0
Creation of a new social mode, following in the footsteps of the hunting, agricultural, industrial, and information societies before it, championed by technological innovation.

TDK's Three Priority Markets



AUTOMOTIVE

Contribute to environmental burdens reduction with new HAC 37xy sensor

This new direct angle hall sensor provides high performance in strength evaluation of horizontal and vertical magnetic field components and enables angle measurements of up to 360° or linear measurements of up to 40 mm. It contributes to reduction of fuel consumption and CO₂/NO_x emissions, and also provides cost reduction. This product is the accomplishment of collective effort of several experts.



HAC 37xy uses a so-called pixel cell consists of horizontal and vertical Hall elements and provides multidimensional measurement.



ICT

Bringing professional audio quality to smartphones

Smartphones and action cams already offer great video. My team's design goal was to create a miniature microphone with the best audio. Thanks to our patented MEMS* design, the T4071 MEMS microphone sets the benchmark for nearly noise-free signal quality and lowest distortion – a true competitive advantage for TDK. As a result, users of these compact devices can now make videos with professional audio, even with really high sound levels.

* Micro electro mechanical systems (MEMS) are extremely small highly-functional devices and systems. Their miniaturized integrated mechanical components and electronic circuit are manufactured using microfabrication techniques similar to those used for ICs.



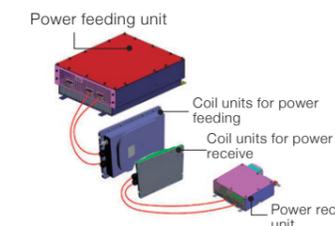
The T4071 MEMS microphone features the industry's lowest noise and distortion in loud environments.



Industrial and Energy

Further enhancing wireless power transfer technology, bringing innovation to the industrial equipment market

A revolutionary product engineered for wireless and automatic charging of batteries primarily onboard industrial equipment. This eliminates the need to insert and extract plugs and replace batteries. The results include 24-hour operation based on the automatic charging system, reduced maintenance costs, lower electric shock risk, and other benefits. For the emerging industrial equipment market, this product holds outstanding potential for use in automatic guided vehicles, industrial robots and other applications. Looking ahead, our goal is to raise overall system efficiency based on keen attention to safety and the environment.



A system built to utilize the magnetic resonance between power feeding and receiving units combining coils and capacitors



Mr. Michael Besemann (Left)
Project Leader R&D
TDK-Miconas GmbH

Mr. Jens Schubert (Right)
Product Marketing Manager Magnetic Sensors
TDK-Miconas GmbH



Dr. Anton Leidl
Head of R&D MEMS Microphones Business Division,
TDK Sensor Systems Business Company, Munich
EPCOS AG



Yoichi Kyono
Development Office II,
Energy Unit Development Division
Technology and Intellectual Property HQ
TDK Corporation

Interview

Mobilizing the Akita Future Project to triumph in global competition

Hiroyuki Uemura

Senior Executive Vice President,
Chief Executive Officer of Electronic Components Business Company,
in charge of Magnet Products and Safety & Environment
TDK Corporation



Cutting-edge *Monozukuri* site drives growth strategy

Zeroing in on the future from Akita

The Akita region is a birthplace of TDK, and for many years has served as the thriving hub of *Monozukuri* in the passive components field. Each business division has pooled people and technology rich in regional strengths, launching subsidiaries to serve as manufacturing sites, and charting steady progress. This approach generated solid growth in the midst of the fierce competition that characterized Japan's period of accelerated economic growth and other market boom times. However, as global rivalry heated up against the backdrop of market stagnation and offshore transfer of production bases, concerns emerged regarding possible declines in the essence of *Monozukuri*. Such worries reflected signs of lowered efficiency, scattering of elemental technology and other consequences of transfers between business sites. This directed attention to the need for initiatives targeting the strength of TDK, a company that had accumulated major capacity in the Akita region. We regarded how best to utilize that capacity as a corporate group, ensure sustained growth, and effectively link such approaches to renewed progress. The Akita Future Project was conceived with this background in mind.

The goal of the Project is to integrate business sites that have grown decentralized, pursue optimization and improved efficiency for both people and technology, build employee-friendly workplace environments and use other activities to achieve sustained progress for the electronic components business, nurturing the power to compete in the global marketplace.

Production base reorganization, mobility of human resources, and sustained earning power

The Akita Future Project is conceived from the three cornerstones of "production base reorganization," "mobility of human resources," and "sustained earning power." While products may differ, there are numerous areas shared in common for elemental and other basic technology. However, with sites and business departments having drifted apart, it has become difficult to surmount the walls to link those operations together. Thus, one key goal of the Akita Future Project is to concentrate and reorganize production bases with the focus on elemental technology, thereby enabling a rapid response to market changes with swift new product development. Regarding effective utilization of human resources as well, the idea is to eliminate the conventional sense of distance between the "thinkers" and the "manufacturers," advance optimum mobility in the use and placement of personnel and promote greater technology sharing and efficiency.

When attempting to infuse change, it is vital for each team member to shoulder their own responsibilities. For older and outdated sites, the Company will do everything in its power to make improvements aimed at comfortable working environments. As such, one of the key messages in the Akita Future Project is to encourage all employees to manifest the full extent of their abilities within such new workplaces.

My aim is to encourage everyone to work hard to realize a reliable cycle devoted to creation of quality products generating positive fruits and profit, empowering growth of human resources and the ability to sustain our business at this location.

— Honjo Factory East Site

A mother factory for multilayer products, aiming for zero defects

Completed in September 2016 in Yuri-Honjo City, Akita Prefecture. The Factory is designed mainly to serve as a mother factory for multilayer products, covering the development of new products, from prototyping to mass production, as well as the development of elemental technology. In addition, a model line targeting zero defects is to be configured here, to demonstrate TDK's *Monozukuri* power to visiting customers.



— Inakura Factory East Site

A mother factory for ferrite, the magnetic material in TDK's DNA

Completed in August 2016 in Nikaho City, Akita Prefecture as a ferrite mother factory. This facility features an integrated production system ranging from ferrite through coil products, located adjacent to a materials technology development center. Engineers specializing in capacitors, high-frequency components, and various other products gather here, where they engage in precious information exchange.



Global support as mother factories

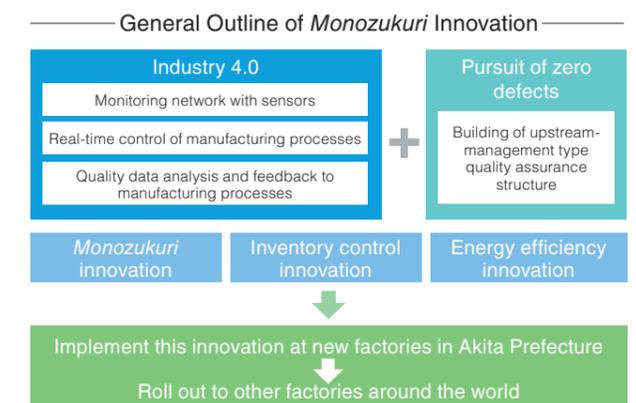
Under the Akita Future Project, we are incorporating model lines envisioned to fundamentally transform the mother factories of the Honjo Factory East Site and Inakura Factory East Site into the realm of *Monozukuri*.

The greatest emphasis within such efforts is the pursuit of "Defect-free *Monozukuri*." In my view, the most critical need is to firmly grasp how customers actually use TDK products and how best to satisfy them, then use that knowledge to build in optimum product quality. For that, we must thoroughly pursue the four quality domains in which TDK truly shines—design, materials, process, and management technology. This stems from the belief that quality is clearly the ultimate service, as well as the source of all competitive strength.

The primary mission of the mother factories is to use the launch of this type of model line construction to empower manufacture of products with equal quality at any site around the world, in other words, location-independent capability. While moving forward in that direction, each site will also continue to innovate and evolve on its own, increasingly carrying those achievements overseas in a genuinely endless challenge.

The environment currently surrounding our business is both global and marked by a complex mix of diversified issues. Change, furthermore, is certain to grow increasingly fast and fierce. Within such a climate, it is critical to staunchly develop our business on the foundation of sustained growth, remaining keenly aware of market changes as all employees approach their work with a firm understanding of the respective roles and responsibilities. My aspi-

ration is to join with all of you in advancing this Project, beaming out the message and lessons of cutting-edge *Monozukuri* from Akita to the world.



Interview

Pursuing the *Arubeki-Sugata* to create the best *Monozukuri* and workplace environment

Toshiaki Yamamoto

General Manager of Production Engineering Center in Production Engineering HQ
Head of Akita Admin. Dept., Japan Administration Division,
Human Resources & Administration HQ
TDK Corporation



Mobilizing the Akita Future Project to reorganize domestic *Monozukuri*

Roughly half of TDK Group sales come from the passive components business. The Akita region undertakes new product and elemental technology development as the location of passive components business mother factories, with those fruits channeled to manufacturing sites worldwide. However, as a regrettable result of the relocation of manufacturing operations overseas and other developments in recent years, the quality of the *Monozukuri* here has declined. In reaction to that impending crisis, and in the interest of competing globally, we reached the conclusion that revamping our factories in the Akita region was crucial. That mindset prompted the launch of the Akita Future Project—a vision based on three core policies.

In practice, we outline the specific *Arubeki-Sugata*, and advance endeavors to achieve that state. This term is difficult to translate into English. In our experience, it has proved more effective to earn the understanding of our colleagues at overseas sites by showing them the actual activities, rather than verbal explanations.

While *Arubeki-Sugata* is sometimes translated as "ideal process," it actually differs from the realm of "ideal." It lies closer, rather, to the idea of "processes possible to adopt and achieve." Specific explanations are provided of the targeted processes, with computation of the technical skills and time needed to realize them. In this way, we identify processes absolutely possible to achieve. To bolster "sustained earning power," the third pillar of the Akita Future Project, it will be indispensable to raise the caliber of our *Monozukuri* and human resources as the two *Arubeki-Sugata* in this area.

Teaming up to achieve the *Arubeki-Sugata* of *Monozukuri*

One initiative being energetically advanced at *Monozukuri* worksites is zero-defect quality. While quality must naturally be maintained when shipping products, it also needs to be ensured when customers actually incorporate products in their own systems and put them to use. In a word, our *Arubeki-Sugata* must consist of *Monozukuri* promising that products will not grow defective during use. To take that step, it is necessary to advance the rather plain and unrefined task of reassessing the *Monozukuri* advanced over the years by the TDK Group, and by Japan in general. Bringing on-board elemental technology development, process development,

and control technology as well, our key personnel must unite in meticulous pursuit of the essence involved, striving to build up a series of small successes. Only when this is achieved do we reach the realm of zero-defect quality. Simply stated, we mobilize new processes to create new products through the zero-defect quality mindset. This begins by establishing solid and reliable *Monozukuri*, paving the way to the next stage of *Kotozukuri*. At our frontlines, I sense a marked increase in professional awareness compared to what has existed in the past. Our roles and responsibilities lie in bringing this stance to fruition at the earliest possible point in time. The know-how cultivated in this way must also be spread globally, through horizontal deployment, throughout the TDK Group at large.

The workplace environment and communication *Arubeki-Sugata* for staffers

We also energetically advance endeavors to realize the *Arubeki-Sugata* at the staff level. While the workplaces where we report daily are naturally key sites of *Monozukuri*, we must also devote serious consideration to the proper status of employee cafeterias, restrooms, entrances, etc. These areas also fall under the realm of *Monozukuri*, as well as the pursuit of the essence of our business. My aim, therefore, is to muster the staffers of our personnel, general affairs, facilities, and other administrative divisions as the focus in drafting rules for the *Arubeki-Sugata*, and apply those same tenets throughout the entire Akita region.

What we are after, in short, is the creation of factories that customers will yearn to visit again. In addition to customers, we are equally inspired to build workplace environments where TDK Group employees and staffers from the Akita region itself can relax and focus on performing their jobs. The Akita region spans numerous sites, each with its own distinctive culture. The Akita Future Project vision seeks to integrate the Akita region into an integrated whole. While we have linked the factories there with a focus on elementary technology, the presence of largely invisible walls poses an extremely serious problem. Communication provides a vital tool in surmounting such barriers. My own upbeat impression is that such communication is currently unfolding with substantial energy and momentum. My goal is to also carry and develop these activities overseas, devoting close consideration to the cultures and customs in those regions. Going forward, I am more determined than ever to direct the full thrust of our energies into realizing the ONE TDK ideal.

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.

2

Important CSR Issues

Develop Human Resources

Important Themes

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

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.

Summary of Fiscal 2016 and Outlook Going Forward

The TDK Group positions diversity as one key TDK Value, promoting activities toward that end around the world. In Japan, we have compiled three action plans in response to the Act on Promotion of Women's Participation and Advancement in the Workplace, legislation enacted in April 2016. As one such plan, our goal is to raise the percentage new women employees entering TDK to 30% or more in 2018. To keep pace with the rapid changes in our markets, meanwhile, the Human Resources & Administration HQ was launched in April 2017. This new unit is being utilized to further strengthen our development of human resources plans in promoting the quest for genuine globalization. We are also taking steps to build the caliber of information infrastructure needed to advance such initiatives throughout the TDK Group.

Pedersen X Keller

Stakeholder Dialogue on Global — Human Resource Development

In the run-up to the launch of the human resources master plan that takes effect on April 1, 2017, General Manager of Human Resources & Administration HQ Andreas Keller sat down with sustainability expert Peter David Pedersen. In the dialogue, the two men identified and discussed specific human resource challenges, upcoming initiatives, and action areas for the future in the context of TDK positioning the development of global human resources as one of its CSR materiality issues.



Peter David Pedersen

Co-founder, E-Square Inc.
(sustainability consultancy),
Executive Director, TACL
— The Academy for Corporate Leadership



Andreas Keller

General Manager,
Human Resources &
Administration HQ
TDK Corporation



Date of implementation: March 21, 2017

Background: State of Human Resources

Mergers, acquisitions, and partnerships have forged a TDK that is more vibrant and diverse than ever. At the same time, this process has been accompanied by welcoming different cultures and values that make management and communication more complex. TDK now boasts close to 100,000 employees with less than one-third from the original TDK operations.

In the belief that people make the difference, Keller explained how TDK is working to create a global pool of TDK Group talents that enables individual employees to realize their potential while maximizing organizational performance.

In Pursuit of Resilience

Peter David Pedersen facilitated the dialogue, laying out a conceptual framework for building a resilient organization. Pedersen praised TDK for an approach that frames the development of human resources as a component of CSR policy. "More important than ever is a management mindset allowing the company to be anchored, adaptive, and

aligned" he said. Dubbing these terms the three As, Pedersen stressed the importance of being anchored in purpose with a foundation of trust, being highly adaptive, and being aligned with society and stakeholder expectations.

Leveraging Diversity as a Strength: Challenges and Opportunities

The dialogue touched on several issues integral to addressing the complexity of TDK's Group growth and fully parlaying diversity into a differentiating factor. One topic identified as being of paramount importance was cross-cultural communication.

"In my 17 years at TDK, I've seen that we have many creative individuals, but we're not always able to transmit our ideas in the most constructive way due to diverse management styles or cultures. That is why communication is a key requirement to connect across the Group," Keller said.

Trust Through Transparency

Improved communication is intricately related to two additional recurrent dialogue themes: transparency and trust,

both of which are seen as key to taking full advantage of TDK's diversity. TDK's Global Human Resources Department (GHRD) is promoting transparency and trust in a number of direct and indirect ways. It is in the midst of establishing a common talent management platform, succession planning for key positions, global grading, evaluation and incentive schemes, and global English communication and training.

Through heightened transparency and better communication, TDK seeks to implement more global management to develop global talent and, through better visualization of HR information, bring immense value to the Group by better harnessing its many talented human assets around the world. In addition, it also aims to better share best practices to maximize synergy to create advantages of scale with enhanced competitiveness. At the same time, the overseas trainee program is also a powerful tool for HR development.

As such, TDK plans to leverage it more efficiently to develop young employees by time spent at Group companies abroad. "I see trust as an issue that also relates to anchoring. If employees feel that they are part of a company and can trust each other, then it is possible for people from diverse

backgrounds to come together around an issue and provide their own ideas and create something together," said Pedersen, stressing that it is equally important to ask if people feel they have a "license to create" (relating to adaptiveness) as this enables the unleashing of innovation across an organization.

He also stressed the need to remember that there is not only alignment internally but also with society, which is where CSR can enter into the equation. He added that sustainability goals and tackling big challenges such as solving societal issues can be both exciting and deeply motivating for staff.

Conclusion: Moving Forward

Through the dialogue Keller and GHRD were able to gain new insights and reaffirmed the validity of current initiatives. At the same time, the discussion also served to reinforce an understanding of the importance of moving forward together to foster global human resources in a corporate environment that values diversity.

Report on major initiatives targeting regional diversity

In addressing the critical theme to “Cultivate a corporate culture that respects diversity,” programs are advanced with keen consideration for the respective patterns of diversity in each region. Here, we present the progress made in such efforts during fiscal 2016, examining the comments of managers in their local human resource divisions.

 Japan

Major expansion of female employment



Takashi Otake
Senior Manager,
Labor Relations Department
Japan HRD Division
Human Resources &
Administration HQ
TDK Corporation

To address efforts to promote the advancement of women, one of the crucial issues faced by Japan today, TDK has channeled energies into environmental improvements geared to enable women to remain in the workforce, while likewise strengthening our hiring activities in that regard. In fiscal 2016, we set our percentage for regular hiring of women at 25%. While the final performance fell short of that target at 19%, that represents a considerable gain over the average 13% for the most recent five year period. For fiscal 2017, we have further raised this goal to an aggressive 30%.

 China

Value the workplace with diversity



Yvonne Ha
Senior Director
Human Resources
EPCOS Greater China Sales

In China, workplace environments with diversity are so important that we foster an environment which enhances diversity in our multi-cultural environment. We believe that a diverse workforce encourages and enforces a respectful dialogue between different groups, it strengthens the generation and implementation of new ideas and creates an environment where employees feel safe to learn with and from each other. Each Sales team is made up of diverse members with individual backgrounds, we provide equal opportunities to all employees independent of their age, gender, etc.

 Thailand

Deepening understanding for other religions



Watcharin Permgusol
Human Resources & General Affairs
Department Manager
TDK (Thailand) Co., Ltd.

In TDK Thailand, the majority of its employees are Buddhists, so we plan candle casting on Important Buddhist day. In other hands, not only for Buddhists, we also have engaged into considerations for other religions such as preparing the praying room for Muslim employees. Moreover, we hold the workshops which enhances employees' understanding of different religions.

 Israel

Aiming “Equal”, contributing handicapped employment



Ariel Yerushalmi
Director
TDK-Lambda Ltd.

In order to achieve “Full Equality”, we have progressed improving workplace environment that any employees with any background can feel themselves as “company nation”. In recent years, we have made a strong effort to hire disable people, and set a goal of employing those people at least 5% in total employees. We have contributed to make adjustments in the company to create work-friendly environment for disability employees while communicating with external associations that promoting the disabled to work.

 America

Broadening qualified candidates, hiring diversified employees



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

At TCA we are working to develop effective sources of qualified diverse candidates. In February we attended a career fair held by the Society of Women Engineers. We also utilize their resume database. Through efforts like these we are striving to increase the number of qualified diverse candidates for open positions. Ultimately, it is the hiring manager's responsibility to hire the most qualified candidate regardless of gender, age, race, etc. HR works to ensure that the hiring manager has a diverse group of qualified candidates from which to choose.

 Germany

Bringing out diversified employees' potential



Stephanie Deml
HR Manager
TDK Europe GmbH

TDK Europe Germany is made up of employees with diversified backgrounds in terms of age, gender, nationality, religion, existence of disabilities, etc. We believe that it is our important role to create a working environment without prejudice and exclusion. Our recruitment and promotions are determined solely on the benchmarks of the skills and potential, not biased by individual backgrounds. Diversity means giving room for different cultures, individual perspectives, experiences and ways of thinking and acting, so we can meet challenges in a creative and fast way.

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.

3

Important CSR Issues

Consider the Societal and Environmental Impact of the Supply Chain

Important Themes

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

Summary of Fiscal 2016 and Outlook Going Forward

Fiscal 2016 also saw implementation of CSR self-checks and CSR self-audits by third party organizations TDK Group manufacturing sites. Likewise advanced were CSR procurement initiatives targeting customer companies keyed to the conditions at each Group company, replies to conflict mineral surveys, the setting of global key performance indicators (KPI) and clarification of the status of the various efforts to advance measures with a sense of solidarity. In each and every case, workshops, customer briefings, and other steps were advanced in recognition of the critical need to earn the understanding and collaboration of our stakeholders. For action on conflict minerals, TDK continued its participation in the JEITA's Responsible Minerals Trade Working Group, while also promoting programs on an industry-wide basis.



Implementation Date: April 14, 2017

Targeting Human Rights Responses at the Supply Chain

The United Kingdom passed the Modern Slavery Act in March 2015—a clear indication of rising global moves toward human rights related legislation at the supply chain level. In such an environment, and with the overseas production ratio of the TDK Group rising above 80%, the need has definitely emerged for responses keyed to the international trends. To more thoroughly explore the proper approach for TDK in addressing human rights within its supply chain, two outside experts were invited to take part in a study session addressing that very theme.

Learning from Frontline Human Rights Responses

For this study session, welcomed as speakers were Mr. Takeshi Shimotaya of Sustainavison Ltd., a figure with penetrating insight in the field of global human rights issues, and Mr. Masaki Wada of Energetic Green Co., Ltd., a man with a long history of promoting CSR procurement at corporate frontlines. Five TDK employees also took part, including two corporate officers in charge of procurement and CSR.

TDK clearly declares its posture of respect for human rights within the Group's Code of Conduct, moving to fulfill those social responsibilities rooted in close consideration of human rights, workplace environments, and other crucial matters in all procurement transactions as well.

In fiscal 2016, three important themes were established within one of our CSR issues: Consider the Societal and Environment Impact of the Supply Chain. This was a move to bolster the Group stance on that front. In the wake of passage of the UK Modern Slavery Act, the TDK Group Policy on Human Rights was formulated in August of 2016, followed by regular disclosure of the status of approaches under the guidelines.

This study session was positioned to further expand the depth of initiatives advanced to date to more closely zero in on the future. The idea was to acquire outside perspectives to help determine specific areas demanding keener attention, rethinking our conventional approaches to widen the channels of mutual understanding. The talks by Mr. Shimotaya and Mr. Wada were both presented from their respective specialized viewpoints. They sought to profile international moves toward human rights friendly legislation, the status of forced labor, child labor, and other illicit practices confirmed worldwide, the rising global attention to Japan and the supply chains of Japanese companies in the run-up to the 2020 Tokyo Olympic and Paralympic Games, and other relevant developments. At the opinion exchange following the main session, brisk discussions ensued with TDK personnel in attendance. Key queries included how to establish more pronounced awareness of CSR throughout the Group as a whole, and what approaches to adopt upon difficulties in achieving the understanding of such matters from suppliers.

Opinions and Proposals from the Experts 1



Takeshi Shimotaya
President & CEO
Sustainavison Ltd.

Highly transparent supply chain management through communication with industry groups, suppliers, and newly acquired companies

The United Nations Human Rights Council approved its Guiding Principles on Business and Human Rights in 2011. Since then a steady stream of international guidelines addressing the need to respect human rights have been announced. Related moves include disclosure of human rights related intelligence in many different nations, passage of laws to confirm and report upon human rights issues within supply chains for companies to take action in this area. International initiatives have also picked up steam at the Electric Industry Citizen Coalition (EICC) and other industrial bodies. Clearly, TDK can also expect to face demands for global collaboration with other companies in its field from here on. Being viewed with particular importance these days are moves to engineer effective CSR procurement approaches through cooperation with suppliers. To further heighten transparency, more and more companies are also choosing to publicly disclose their specific suppliers. Going forward, it will grow increasingly important to maintain a firm grasp of one's own company's international business structure and supply chain, followed by the use of country risk and other publicly available information as references in clarifying risk, establishing priorities and otherwise advancing human rights due diligence. In the promotion of CSR procurement as well, active communication with firms acquired through M&A promises to be indispensable. If progressive precedents are available, the know-how from such cases should be constructively infused and developed within the sphere of the corporate group.

Opinions and Proposals from the Experts 2



Masaki Wada
CEO
Energetic Green

Proactive human rights initiatives, followed by management infusing the voices of frontline workers

Laws and regulations for corporate compliance in adoption of supply chain based labor management are emerging with the focus on Europe and the U.S. They include bans on imports and exports of products for which forced labor is detected along supply chains, with substantial impact on business practices already being reported. The consequences of related problems will inevitably be felt on stock prices, not to mention prompting comments from the media and NGOs. In advancing procurement, therefore, it is critical to constantly put yourself in the position of the stakeholders. Moreover, while laws and guidelines are naturally important, being content to simply satisfy such demands can generate mistaken impressions of what truly needs to be done. With supplier audits, although detailed checks of documents must be performed, it is more critical to directly listen to the voices of workers. Potent methods on that front include setting up hotlines with supplier employees and other schemes to speedily identify problems. When understanding with suppliers is slow in coming, communication as an extension of "5S" activities or other initiatives already widely used in the manufacturing sector offers the potential for progress. Workplace-based human rights problems are prone to lead to quality defects in sectors characterized by human operation, with efforts to promote understanding of the linkage between such dynamics and quality control suggesting one potentially effective countermeasure.

Reflections on the Expert opinions



Atsuo Kobayashi
Executive Vice President
General Manager
SCM & Management System HQ
TDK Corporation

This session provided the opportunity to inquire about global trends and specific examples, underscoring the severe risks posed by forced labor within the supply chain. Grasping the nature of such risks makes it easier to mount countermeasures in advance, enabling rapid responses to actual issues occurring at the supplier level. I also felt that appropriate human rights responses play an extremely important role in raising competitive strength as a progressive company, and otherwise transforming risk into opportunities. We must avoid becoming overly preoccupied with laws, guidelines, and other administrative rules. Instead, we need to set our sights on moving beyond that domain with initiatives capable of realizing the ideal process at a higher dimension of understanding.



Takakazu Momozuka
Corporate Officer
Chief Compliance Officer &
General Manager
Legal & Compliance HQ
TDK Corporation

While confirming the status of supply chains that reach around the world is obviously no easy task, this exchange reconfirmed that the first step in that direction is to develop a firm grasp of the overall schemes in place. After that, we need to prioritize the risks to target, formulate policies and then work through the PDCA cycle to promote effective initiatives. As we move to advance aggressive M&A, companies with different cultures and labor practices will also join the Group. This creates the need for solid human rights due diligence, proper sharing of the TDK corporate philosophy and DNA throughout the Group as a whole, thereby paving the way to genuine growth as a combination of financial and non-financial operations alike.



Efforts as a Supplier

(Consider the work environment at manufacturing sites)

As a supplier from which customers procure products, TDK channels tireless efforts into fulfilling its social and environmental responsibilities at all of our sites.

Fiscal 2016 Goals	<ul style="list-style-type: none"> Perform 100% self-checks at manufacturing sites Secure 100% opportunities for third-party CSR audits once every two years (China and ASEAN region)
Activity Details	<ul style="list-style-type: none"> TDK CSR Checksheet at 78 targeted sites during fiscal 2016 Third-party auditing companies CSR self-audits at four of the 38 targeted sites in the region in question. (In fiscal 2015, CSR audits by customers and CSR self-audits by third-party auditing companies were performed at 25 sites; in fiscal 2016, CSR audits by customers were performed at 13 sites) CSR internal auditor training sessions in China (courses completed by 198 persons through fiscal 2016)

Efforts at TDK

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 production sites in high-risk regions of China and ASEAN, including these customer CSR audits, once every two years we conduct CSR self-audits by third-party auditing companies. Since 2013 TDK has also been implementing CSR internal auditor training every year with the aims of conveying a systemic understanding of the requirements of these CSR audits to employees and upgrading CSR activities at production sites.

CSR Workshops in China and Malaysia

CSR workshops were held in China in September and Malaysia in November. The objective was the use of information exchanges between Group bases to further raise the caliber of CSR activities. In China, 21 persons participated in the session, which included explanations of activities conducted in various locations nationwide, as well as exchanges of views on audit initiatives, work environment troubleshooting, and other topics. The Malaysia workshop attracted 15 participants, who joined with experts in discussing how to deal with issues related to foreign workers.



CSR workshops in China

Voice



Tang Xiao Yan
EHS
Amperex Technology Limited

The frequency of customer CSR audit has been trended up year by year, and ATL has received a lot of CSR audits in this trend. ATL had no significant nonconformity in these audits, and established strategic partnership with customers, also shared our best practice with our customer's suppliers. Besides, ATL has contributed to the Industry through participating in compiling the international standards and guidelines. ATL and partners are willing to assume corporate social responsibility, and grow together on the path of ATL.



Efforts as a Buyer

(Consider the work environment of suppliers)

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.

Fiscal 2016 Goals	<ul style="list-style-type: none"> Set global-scale key performance indicators (KPI)
Activity Details	<ul style="list-style-type: none"> Perform CSR procurement and audits at each Group company Set group-wide shared KPI based on the results of actual CSR procurement

Efforts at TDK

TDK treats CSR as a key component of its purchasing policy, while striving to earn understanding of the importance of CSR from suppliers and encourage increased awareness in that area. We incorporate provisions into contractual agreements keyed to the specific conditions at each of our Group companies, while industriously advancing evaluations based on CSR check sheets, CSR audits, and other efforts. When problems are found in the details, individual requests for improvements are issued. As one example of such a request from a CSR audit, the detection of defects in wastewater treatment equipment led to improvements by the supplier involved.

Supplier Meeting in Zhuhai

Zhuhai FTZ invited some 50 of its suppliers to improve their understanding of the plant's CSR requirements, among others. The factory, which produces film capacitors, varistors, PTCs and temperature sensors, presented the company's CSR organization and summarized its CSR situation in 2016: of course no child labor, 0 employees work more than 6 consecutive days, 0 employees work more than 60 hours a week, and the plant fully complies with the ISO 14001 and OHSAS 18001 standards for environmental and occupational health and safety management systems. Zhuhai FTZ selects only suppliers that likewise comply with the UN Global Compact's Ten Principles for human rights, labor, environment and anti-corruption. Compliance is a knock-out criteria in the procurement process. Supplier representatives confirmed that the Supplier Day greatly increased their awareness of CSR.



Supplier Day at the Zhuhai FTZ plant

Voice



Helen Ye
Head of Sourcing
EPCOS (Zhuhai FTZ) Co., Ltd.

In 2016, we completed process audits with an integrated CSR focus for 17 suppliers. We also certified 7 experts from our procurement team as CSR internal auditors. In 2017 four of the 20 suppliers to be audited will be selected for an intensive CSR audit. We also take every opportunity to meet with suppliers, either in our plant or theirs, to explain our CSR requirements. It is my goal to further promote CSR compliance throughout the entire supply chain.

Response to Conflict Minerals

Against the backdrop of rising interest in responsible mineral procurement, we act in the capacity of a midstream company to promote problem-solving initiatives throughout the entire supply chain.

Fiscal 2016 Goals

- Set global-scale key performance indicators (KPI)

Activity Details

- Responses to surveys and promotion of DRC conflict-free procurement at each Group company
- Setting of group-wide shared KPI based on the results of survey results
- Promotion of issue solutions in collaboration with industry associations

Efforts at TDK

Human rights issues surrounding mineral procurement have emerged as a crucial social challenge worldwide, prompting keen and rising interest in responsible procurement of such resources. For example, there are cases when minerals mined in the Democratic Republic of the Congo (DRC) and adjoining countries serve as the source of funding for armed groups. This brought notice to how such minerals are used to bankroll conflict, resulting in human rights violations against local residents and other crises. At TDK, conflict mineral countermeasures were launched in 2010, the year of passage for the Dodd-Frank Wall Street Reform and Consumer Protection Act in the U.S. In April 2013, the TDK Group Policy on Conflict Minerals¹ was issued. This prompted each company to set up survey response systems based on the new rules, along with efforts in compliance with the OECD due diligence guidelines. Moreover, with growing awareness that resolutions to the conflict mineral problem require that initiatives be incorporated throughout the supply chain, such efforts are being promoted through close cooperation with industry organizations.

¹ Details of the TDK Group Policy on Conflict Minerals, please refer to the following website: http://www.global.tdk.com/corp/en/csr/supplier_responsibility/csr02210.htm

Participation in Work to Revise Conflict Mineral Data Exchange Standards

The Conflict-Free Sourcing Initiative (CFSI)² CMRT,³ a shared tool for investigating conflict minerals, is formulated from the contents of the Conflict Mineral Data Exchange Standard (IPC-1755). In view of the potential impact on survey responses throughout its entire supply chain, TDK collaborates with activities advanced by the Japan Electronics and Information Technology Industries Association (JEITA)'s Responsible Minerals Trade Working Group⁴ to join in formulating and revising the IPC-1755 standard. The actual studies began from 2014, with the focus on clarifying interpretations of Securities and Exchange Commission (SEC) regulations and the handling exchanges of smelters information, with revisions made in 2017. In recognition of its contributions to this standard revision work, TDK was honored by IPC with the Distinguished Committee Service Award.

² An organization addressing conflict mineral issues established by the Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI)

³ Conflict Minerals Reporting Template

⁴ For details on JEITA's Responsible Minerals Trade Working Group, please refer to following website: http://home.jeita.or.jp/mineral/eng/index_e.html

Comment



Kazuko Andersen

Washington DC Office
Japan Electronics and
Information Technology
Industries Association (JEITA)

The JEITA Washington DC Office collaborates with CFSI in its quest to find solutions for the conflict minerals problem. JEITA joined CFSI soon after it was inaugurated, working from the perspective of Japanese companies within CFSI, a body comprised almost exclusively of OEM firms, particularly to share opinions with companies located along the supply chain. We make every possible effort to propose balanced solutions designed to avoid unfair burdens. CFSI meetings are convened weekly, with discussions of CMRT, IPC Data Exchange Standards, methods for companies to effectively respond, and other topics. In the event of specific proposals or demands, prompt responses are a must. From TDK, we always receive timely feedback on the technical and practical application fronts in our work of preparing industry standards focused on supplier surveys, with that intelligence reflected in the IPC and CFSI. As the scope of our activities expands through the formulation of EU regulation on conflict minerals, the vital importance of leadership and commitment will steadily grow. Joining with top-caliber companies like TDK, we look forward to continuing to team up with all stakeholders in a rigorous push to hammer out resolutions for human rights problems.

The importance to our company

To support sustainable development of society, the TDK Group unites in the quest to reduce CO₂ 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.

4

Important CSR Issues

Develop and Prosper in Harmony with the Global Environment

Important Themes

- Reduce environmental load throughout life cycle stages
- Creating a framework for gauging product contributions

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. The Company also strives to formulate industry standards for gauging product contribution, thereby promoting greater social understanding of the value of its eco-friendly contributions

Summary of Fiscal 2016, Outlook Going Forward

Throughout fiscal 2016, which marked the start of both TDK Environmental Vision 2035 and TDK Environment, Health and Safety Action 2025, concerted efforts were advanced to instill greater awareness of these schemes throughout the TDK Group. With the expression of the Environmental Vision based on our specific corporate vision, activities are being steadily expanded with aim of motivating each Group employee to devote profound thought to these issues and take concrete action. With the new Environmental Vision stressing the importance of lifecycle perspectives, strong moves are afoot to deploy foundations for activities in domains beyond the scope covered to date. Looking ahead, preparations will be advanced for conversion of each TDK environmental load factor into CO₂ levels, seeking to provide valid standards for quantification of the ideal targets of our Environmental Vision. Efforts will likewise be redoubled in moving toward shared standards across the electronic components industry for computation of the specific magnitude of CO₂ reduction contributions.

Reduce Environmental Load throughout Life Cycle Stages

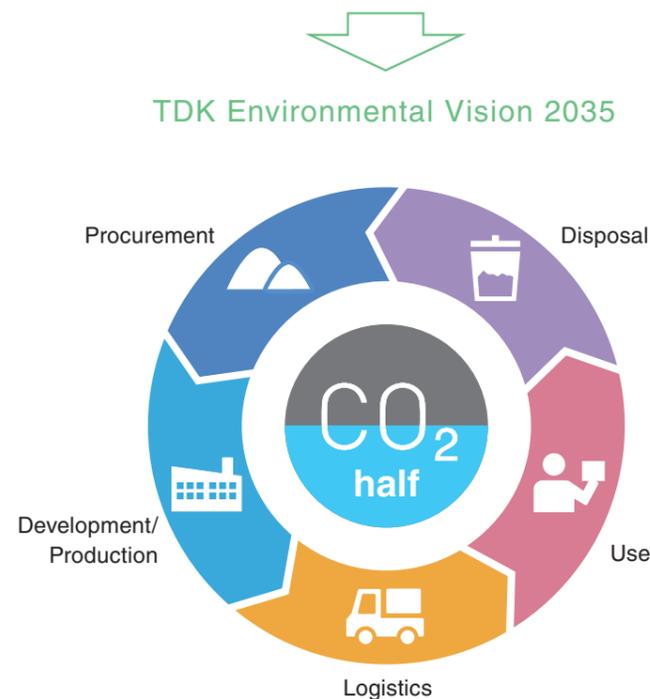
At TDK, we view promotion of long-term environmental action as a vital key in realizing sustained development for our society. Within TDK Environmental Vision 2035, newly launched from fiscal 2016, the goal is outlined for reducing the overall environmental load, from procurement through disposal, firmly rooted in a constructive lifecycle perspective.

Formulation of the TDK Environmental Vision 2035



Revitalizing and Protecting the Global Environment in Preparation for the TDK Centennial Anniversary

The TDK Group achieved its carbon neutral target, originally outlined in our third basic environmental action plan TDK Environmental Action 2020, far ahead of schedule in fiscal 2014. Announced in 2015, prior to the formulation of our next regular environmental vision was Vision 2035, a corporate commitment keyed to the Company's centennial year still two decades away. 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. Our Environmental Vision comprises one phase of Vision 2035, we envision business operations under the environmental load within natural circulation. According to this idea, the goal of "to halve the CO₂ 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.



Expanding Action Spheres from a Lifecycle Perspective

Within TDK Environmental Vision 2035, the declaration is made to reduce the environmental load from a lifecycle perspective. This represents an initiative not limited to measures at the manufacturing stage in factories and the use stage for customers, aspects outlined in the conventional TDK Environmental Action 2020 policy. To expand in this way, we deem it critical for all TDK Group employees to share the same vision and move forward with the same objectives in mind.

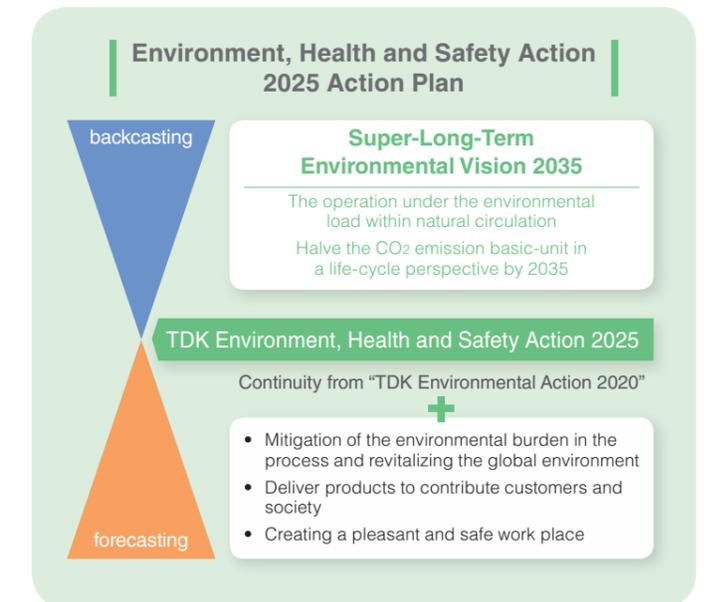
The "revitalizing and protecting the global environment" expressed in this corporate vision refers to the skillful operation of our business hand in hand with the natural environment. Without that commitment, there will be no sustainable development on the horizon. Going forward, the aim is for all members of the TDK Group to share the same vision, while structuring their activities in means friendly to the formulation of autonomous initiatives.

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

Conceived on the cornerstone of TDK Environmental Vision 2035 was a new basic environmental plan extending through year 2025, namely TDK Environment, Health and Safety Action 2025. The action categories and target figures of "TDK Environment, Health and Safety Action 2025" reflect dual consideration for "backcasting" from TDK Environmental Vision 2035, and continuity and "forecasting" from "TDK Environmental Action 2020". At present, seven action categories have been determined. In the near future, plans call for integrating the environmental loads of these targets through CO₂ conversion, followed by the promotion of action plans targeting the ideal targets enumerated in TDK Environmental Vision 2035.

With regard to safety and health as well, steps will be taken to newly stipulate original action categories and goals, thus moving to realize truly safe and healthy workplace environments.

* Details on the TDK Environment, Health and Safety Action 2025 Action Plan may be assessed on the following website:
http://www.global.tdk.com/corp/en/csr/environmental_responsibility/csr03200.htm



Conversion of Pure Water Production Heat Sources

Due to the risk of electronic component metal plating acting to undermine quality due to impurities in the water, pure water is used for this work. At the Iwaki Factory of TDK Akita Corporation, conversion from the fuel heating method to heat pump style electric heating has been engineered in the heat source for producing and heating the pure water used in electronic component plating. This approach allows easier temperature management, while also lowering CO₂ emissions. For fiscal 2016, CO₂ emissions reduction volume was computed at 117 tons for the year.



Heat pump type electric heating equipment installed at the factory

Die Bonder Systems Contribute to Lower Environmental Load

Die bonders are mounting devices mobilized within the manufacturing process for semiconductors embedded substrates (SESUB)—components used to downsize and slim electronic machinery. More specifically, these bonders serve to actually embed the slimmed IC in substrates. TDK mobilizes its advanced production technology, one of the Company's core technological strengths, in structuring these bonders to meet the needs of actual production sites. The reduced installation area and energy-efficient design are instrumental in lowering the environmental load upon their delivery to customers, as well as upon actual operation. In terms of CO₂ conversion, the environmental contribution of these products is 289 tons.



Die bonder equipment

Achievements in Fiscal 2016



Achievements in Fiscal 2016



*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/corp/en/csr/csr_data/csr05900.htm

Building Factories with Maximum Environmental Consideration

When constructing new factories or other buildings, TDK works closely with the architects to adopt designs and execution methods based on maximum environmental consideration. The new factories in Akita, completed in 2016 as cutting-edge *Mono-zukuri* site, were designed with keen attention to raising energy efficiency. For example, taking advantage of the winter weather in Akita Prefecture, the Honjo Factory East Site is able to store accumulated snow in pits. The snow is then channeled through heat exchangers to assist in cold energy recovery, while accumulated rainwater is used to flush toilets. Solar power generation there reaches a maximum of 125kW. That capacity is sufficient to supply up to 70% of the total lighting power consumed across the entire Honjo Factory East Site. The angles of solar panels installed on the rooftop are optimized, while adoption of panels capable of generating power on both sides ease the impact of winter snowfall to help raise power generation efficiency. On a related front, the workplace environments here are engineered to be superbly employee-friendly. Parking lots, for instance, are installed with in-factory arcades and snow-melting systems to prevent damage from wind and snow. The parking lot snow-melting equipment utilizes terrestrial heat and factory waste heat—further examples of the concerted push to realize a factory based on maximum environmental consideration.



Honjo Factory East Site



Solar power generation (located not only on the rooftop, but also installed vertically as blind walls)



Arcade and snow-melting system installed in the parking lot



Snow use pit (left: Input port; right: pit interior)

Creating a Framework for Gauging Product Contributions

Striving through formulation of industry-shared standards, steps are taken to promote social understanding of the Company's environmental contribution value.

Efforts at TDK

Expand reduction of CO₂ emissions through products (product contributions) is one of the core initiatives within TDK Environmental Vision 2035 and Environment, Health and Safety Action 2025. To mount potent appeals for the social contributions by TDK products as the fruits of technical initiatives, these product contributions have been calculated and disclosed from TDK Environmental Action 2020 (the Company's previous medium- to long-term plan). Public awareness activities are also being advanced to gain understanding of the contributions of electronic components as intermediary parts, along with moves to formulate coherent industry standards for calculation methods positioned to serve as the basis for earning appropriate evaluations of product contributions performance.

During fiscal 2016, TDK held a lecture event at Electronics Goes Green 2016+, in an international environmental related conference convened in Berlin, Germany in September, under the title of Methods to Calculate GHG Reduction Contributions of Electronic Components. At a later date, employees from TDK Group company EPCOS familiarized German industry groups with the contents of that presentation. In November, at the JEITA 3rd Environmental Seminar—IT and Electronics Contributing to Prevention of Global Warming, TDK represented the electronic components industry with a talk used to discuss Contributions by Electronic Components to Reducing CO₂.



Lecture delivered at JEITA Environmental Seminar

Corporate Governance

Basic Policy

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. The basic views behind this policy is outlined below (selected excerpts).

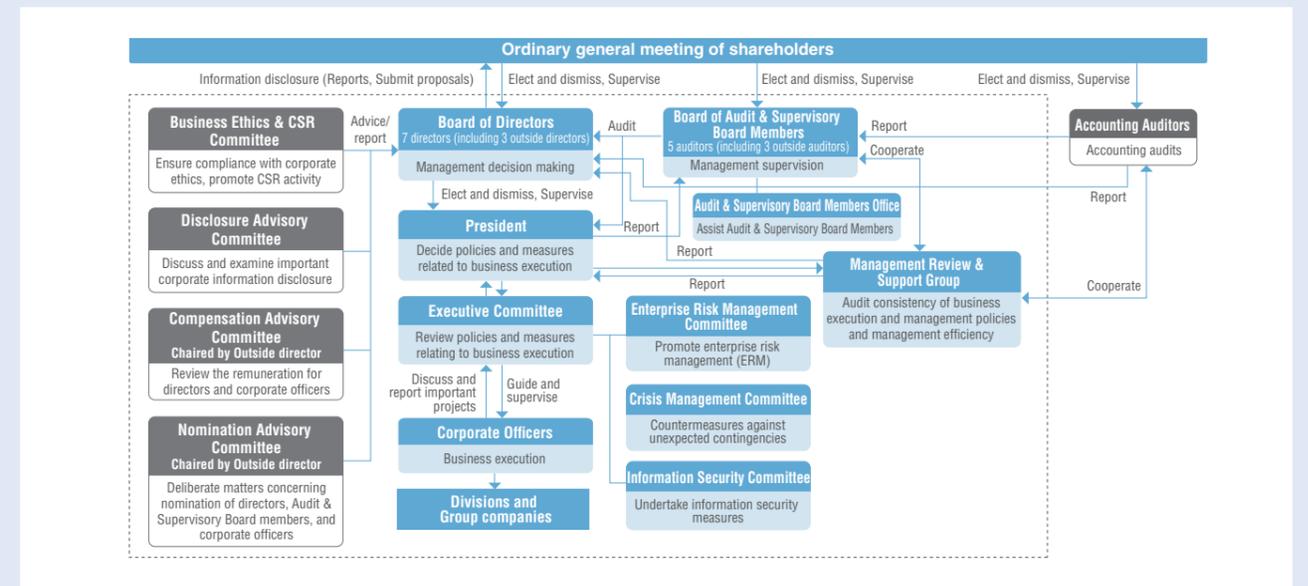
- (1) Based on the founding spirit "Contribute to culture and industry through creativity," as the Corporate Motto of TDK which was established in 1935 as the world's first company to industrialize a magnetic material called ferrite, TDK unremittingly pursues originality and increased corporate value through provisions of products and services which have created new value.
- (2) TDK builds satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees and communities, among others), continues to be helpful by resolving social issues, and contributes to the development of a more sustainable society.
- (3) TDK clearly declares as the TDK Charter of Corporate Behavior that TDK will continue to respect human rights; comply with relevant laws, regulations, and international rules and the spirit thereof; and carry out its social responsibility with a strong sense of ethics, domestically and overseas. 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.
- (4) 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, TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society.
- (5) TDK will be accountable to stakeholders through comprehensive, accurate, timely, and impartial disclosure of information.

* For the full text of the TDK Basic Policy for Corporate Governance, please refer to following website:
http://www.global.tdk.com/corp/en/ir/tdk_management_policy/governance/basic/

Corporate Governance System

- 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 Expedient 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.

TDK group's corporate governance system



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.

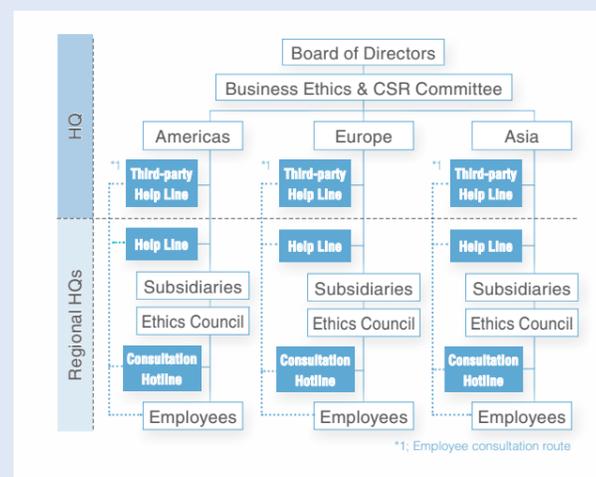
Furthermore, in order for employees to abide by the TDK Group's management philosophy, including the corporate motto and corporate principles, and social norms, including related laws, international rules, and their spirit, the Business Ethics & CSR Committee thoroughly publicizes the TDK Code of Conduct,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

TDK's Worldwide Internal Reporting System



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. During fiscal 2016, e-learning programs were arranged for 98% of all TDK Group employees.



Lecture by an outside speaker

Compliance Strengthening Efforts

Recent years have seen increased prosecutions of competition law in nations around the world. This is prompting numerous cases of companies being taken to court by the antitrust (competition law) authorities for suspected cartel activities, with many ordered to pay massive fines for their alleged actions. There has also been a steady stream of criminal charges filed against individual officers and employees, damage claims from suppliers and consumers, shareholder lawsuits, and other harsh developments.

The TDK Charter of Corporate Behavior stipulates that TDK will comply with the laws and regulations in each and every nation where it does business, while living up to its social responsibilities from a powerful ethical perspective. Against this backdrop, education aimed at preventing cartel activities is provided in the form of workshops taught by outside experts, e-learning and other programs advanced worldwide.

Despite this stance, however, the Japan Fair Trade Commission launched an on-site investigation at TDK related to the HDD suspension business, with the Company fully cooperating with the investigating authorities.

In October 2016, Compliance HQ was newly established, with regional compliance officers assigned to each region, a system deployed to promote related global activities and employee compliance programs implemented in increasingly thorough fashion.

Third-Party Opinion

Gearing up for Redoubled Progress

TDK made steady progress in promoting its CSR initiatives over the past year. This stance included the issue of an annual report targeting a vast range of stakeholders, edited to be easy to read and understand and address expectations. The report clarifies a number of themes and issues aimed at propelling the Group to even more pronounced progress going forward. Here, I would like to comment on four core issues, as well as make brief mention of compliance.

1. Contribute to the World through Technology

The quest for "Kotazukuri through fusion" is a core theme underscored by TDK President Ishiguro. The report clearly conveys the positive social impact of the numerous technologies possessed by TDK, hand in hand with the fusion that they generate. In the midst of the steady surfacing of technical potential throughout society that is certain from here on, endeavors to more precisely communicate the image of the world that TDK seeks to create would provide an even greater support for moving in that direction. Steps to articulate the presence and role of "Koto (solutions)" within the dynamics of our society, phrased in even more integrated images, will raise the power of appeals to TDK stakeholders.

2. Develop Human Resources

From the setting of global-scale key performance indicators (KPI), an effort advanced as a major goal in fiscal 2016, the target for the current fiscal year is to deploy a database instilled with an expanded range of tangible facts and conviction. In the setting of global KPI for human resources, the high degree of difficulty proportionally reflects the very importance of such progress. The dilemma involved in achieving the goals in a single fiscal year is understandable. In that sense, this current year's target of firmly grasping the situation at hand appears appropriate. Having said that, I also believe that more efforts are needed to disclose the status of specific efforts being advanced, to better illustrate the specific difficulties the company seeks to surmount. For development of human resources, stakeholder dialogues have generated significant insights. They deserve high marks for furnishing a birds-eye view of the direction in which TDK is striving to advance. At the same time, disclosure of such progress reports from the systems involved comprises a step best promoted through the setting of KPI. As noted by President Ishiguro, therefore, increased attention should be directed to the vital query of "whether the trust of shareholders will be forthcoming."

3. Consider the Societal and Environmental Impact of the Supply Chain

TDK initiatives in this field are consistently progressive and worthy of stellar commendation. The setting of global KPI and other targets from the past fiscal year have all been achieved. Likewise impressive has been the strong leadership displayed in formulation of a solid TDK Group Policy on Human Rights and revision of the Conflict Minerals Data Exchange Standard.

From the perspective of disclosure, however, certain issues remain. While partial mention is made of the number of companies to which supplier improvement guidance has been issued as CSR procurement KPI, the report provides no data on the overall ratio of its CSR-compliant suppliers. Consequently, it is difficult to assess the contents of such progress from the outside. There is a critical need to continue to move forward with KPI and human rights policies under the constant scrutiny of society, effectively raising their quality and impact. From that perspective as well, I look forward to such disclosure in the report for next fiscal year. This is even more vital considering the high caliber of TDK efforts in the supply chain, initiatives that serve as excellent models for so many companies to follow.

4. Develop and Prosper in Harmony with the Global Environment

TDK efforts on the environmental front have been outstanding—notably, achievement of the Group's carbon neutral target ahead of schedule. I harbor high hopes for the commitment by President Ishiguro to increased introduction of ICT into the manufacturing process, as well as the Akita Future Project—a worksite-generated environment countermeasure as an embodiment of that commitment. A core theme in this area is moving to reduce the environmental load throughout life cycle stages.

The targets at the current time are positioned as extensions of the carbon neutral vision. From here on, I look forward to deployment of foundations for activities beyond the scope covered to date, with setting of goals capable of strategically incorporating lifecycle perspectives as well.

5. Compliance

TDK deserves praise for reporting on its cooperation with an on-site investigation by authorities during the past fiscal year. In efforts to bolster corporate compliance systems, the combination of high transparency and after-the-fact responses to problems, comprises a critical key to progress.

On this occasion, it has been my pleasure to comment on the five preceding categories. I award the report solid marks for its high overall quality, while also issuing several requests. For TDK, I would be honored if those suggestions play a role in supporting moves toward redoubled progress throughout the next fiscal year.



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