

Corporate Governance

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Basic Concept of Corporate Governance

We are keenly aware that a corporation is a social entity and its existence is dependent upon all its stakeholders, including shareholders, customers, suppliers, employees and local communities. As a good corporate citizen, a corporation must not only comply with laws, regulations and social norms, but also act justly and fairly in its dealings with society. We believe that it is important to establish a corporate governance system that ensures efficient and sound corporate activities in order to fulfill our corporate social responsibilities.

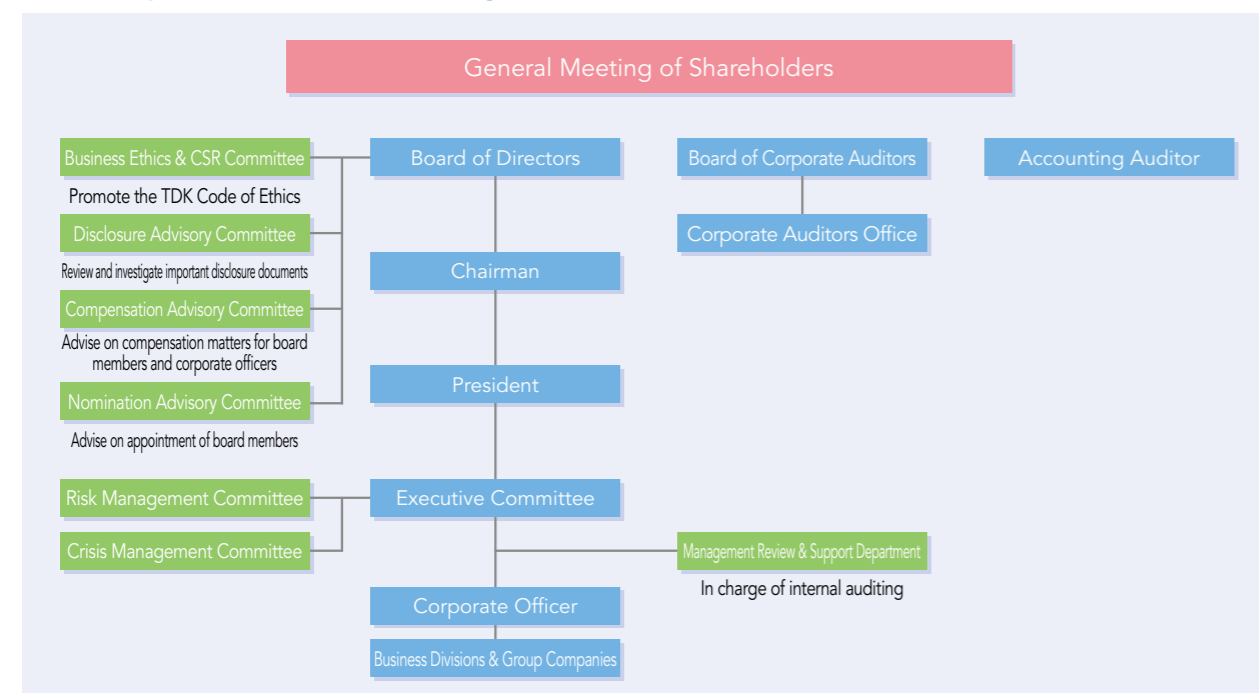
Outline of TDK Corporate Governance Organization

TDK has established the below-mentioned management system to maintain compliance, transparency and soundness in conducting business operations and to achieve business objectives.

Outline of TDK Management System

- 1 To strengthen the functions of the Board of Directors and strictly evaluate a Director's performance, the number of Directors is limited to seven, three disinterested outside Directors are appointed, and the term of a Director is set at one year.
- 2 The corporate officer system is adopted to separate decision-making/supervising functions from the operating function and enable rapid business operations.
- 3 The Board of Corporate Auditors (five Auditors in total) is established. Out of the five Auditors, three disinterested and independent outside Auditors are appointed to enhance the supervisory function for operations.
- 4 The Business Ethics & CSR Committee, the Disclosure Advisory Committee, the Compensation Advisory Committee, and the Nomination Advisory Committee are established as advisory bodies to the Board of Directors.

TDK Corporate Governance Organization



Compliance with SOX Act

The Sarbanes-Oxley Act (SOX) is a U.S. law enacted in 2002 and aimed at achieving strict internal control. TDK has been complying with its requirements by establishing internal control systems across the entire company based on the COSO control framework, and by continuously upgrading and improving these systems. Since we have delisted our stock from the U.S. Stock Exchange in April 2009, we will be changing over to the internal control requirements of the Japanese Financial Instruments and Exchange Act, Article 24 (which can be considered as the Japanese equivalent of SOX). However, the internal control systems established for compliance with the U.S. SOX Act will be retained and further strengthened within the group.

Enterprise Risk Management (ERM) Framework

To deal appropriately with possible risks involving its business activities, the TDK Group has implemented an Enterprise Risk Management (ERM) framework. We established a Risk Management Committee reporting directly to the Executive Committee and headed by an executive vice president. In 2008, we began a company-wide drive to identify risks, in particular those that are significant to business operations and the achievement of business objectives. The framework is aimed at effectively containing and minimizing such risks.

Information Security

In July 2005, TDK established an information security policy which forms the basis for our active engagement in this area. The main activities as listed below together form our information security management framework.

- Exercise tightened control of data and other information obtained from customers as well as confidential business information
- Operate Information Security Management System (ISMS) certified on December 2005, centered around TDK information system functions
- Implement provisions of Japanese Personal Information Protection Law (in full force since April 2005)



e-Learning training sessions are held regularly in order to promote proper awareness of information security among all staff members.

Information Security Management Framework

