

# Continued Expectations to TDK as a Trustworthy Company

— Stakeholder Dialog —



TDK continues to emphatically pursue CSR to make sure that it truly earns the trust placed in the company by society. Following on from last year, we invited key figures from outside the company to participate in a dialog event, with the aim of reviewing our track record during FY2010 and obtaining pointers for future efforts.

Further strengthening our commitment to CSR, to ensure continued trust — This is the reason why, in addition to the existing Business Ethics & CSR Committee and the activities of the CSR Task Force, we created the dedicated CSR Task Force Office in October 2009. The four key action items being tackled from the CSR viewpoint are “technological innovation and impressive quality product creation aimed at solving major issues facing society,” “fostering human resources who can implement these aims,” “conducting supply chain management from the CSR perspective,” and “harmonic coexistence with the environment.”

The dialog event held in April 2010 was intended both to reflect on past activities and look towards the path to be followed in future. From the TDK side, two board members and 18 representatives of the various departments took part, along with three renowned outside experts, namely Mr. Fumio Kodama, Professor Emeritus at the University of Tokyo and the

leading scholar of innovation studies, Ms. Kikuko Tatsumi, Executive Director, Nippon Association of Consumer Specialists (NACS), and Mr. Toshihiko Fujii, Consulting Fellow at the Ministry of Economy, Trade and Industry, with extensive experience in negotiations with overseas governmental and industry circles.

This time, the main focus was on two topics, namely innovation and supply chain management. For each topic, the TDK managers in charge presented progress reports, and the experts were asked to provide comments.

Mr. Fujii who also took part in last year's dialog event and had pointed out the necessity of forming a dedicated CSR department, noted that he regarded the creation of the CSR Task Force Office as a great step forward. This year, we again intend to follow up on the various opinions garnered through this event and put the advice into practice wherever appropriate.

## Participants for TDK

**Seiji Enami**, Director and Executive Vice President  
**Junji Yoneyama**, Corporate Officer and General Manager, Human Resources Dept.  
**Akihiko Fujisawa**, Manager, Corporate Technology Planning Dept., Technology Management Team  
**Eiichi Shimomura**, General Manager, Legal Dept.  
**Hirofumi Inoue**, Sub Leader, Legal Group II, Legal Dept.  
**Akihiko Ayabe**, Senior Manager, Personnel Group, Human Resources Dept.  
**Toshinobu Shiokawa**, General Manager, Safety & Environment Office  
**Yasuki Yoshida**, Senior Manager, Environment Strategy Promotion Group, Safety & Environment Office  
**Osamu Yotsui**, General Manager, Management Review & Support Dept.  
**Koji Inukai**, General Manager, Quality Assurance Dept.  
**Yoshitaka Mochizuki**, Manager, Quality Planning Section, Quality Planning Group, Quality Assurance Dept.

**Eiji Inoue**, Manager, Chemical Substances Management Section, Product Environment Group, Quality Assurance Dept.  
**Yasuaki Fukuoka**, Senior Manager, Strategic Sales Division, Electronic Components Sales & Marketing Grp  
**Kimio Watanabe**, Manager, Planning Group, Procurement & Logistics Dept.  
**Shiro Maki**, Manager, Planning Group, Procurement & Logistics Dept.  
**Masayoshi Matsushita**, Manager, General Affairs Section, General Affairs Dept.  
**Tatsuhiko Atsumi**, General Manager, Corporate Communications Dept.  
**Kazuyuki Kawamoto**, Manager, Corporate Communications Dept.  
**Reiji Nakao**, General Manager, CSR Promotion Office  
**Kenichiro Fujisaki**, Manager, CSR Promotion Office

Note: Regarding each positions, as of April 2010.



Professor emeritus,  
Tokyo University

Fumio Kodama



Executive Director and Chair of the  
Environmental Committee  
Nippon Association of Consumer Specialists  
(NACS)

Kikuko Tatsumi



Director, Multilateral Trade System Department,  
Ministry of Economy, Trade and Industry Consulting Fellow,  
Research Institute of Economy, Trade and Industry

Toshihiko Fujii

## “New Business Model” Concept Fosters Significant Innovation

**Fujisawa** Research and development at TDK used to be mainly focused on short-term projects covering a time span of about two years. There were few research topics that spanned a longer period and extended to the marketing phase.

However, to produce technological innovation that contributes to finding solutions for various problems facing humanity, a comprehensive and long-term approach to R & D combined with the development of advanced negative-premise technology are required. The Corporate Technology Planning Dept. is in the process of creating a framework based on this way of thinking. We want to foster a company climate in which researchers and technical staff feel stimulated to challenge even the most difficult and complex tasks.



**Kodama** An expression often heard these days in the industry is “open innovation,” which means that various technology fields interact with each other. However, there is a frightening aspect to this, because it can also be taken to mean that large companies that only pursue their own specialty are bound to lose their competitive edge.

For example, assume that a big enterprise perfects a certain technology. In turn, other companies then use that technology in products and in ways that the originators could not foresee at the point of development. True innovation can only occur when new technology is accompanied by the development of a completely new business model. The question whether the company where the technology originated can also achieve this is a crucial point.

**Tatsumi** In that sense, it may be important for a company like TDK that normally has little contact with ordinary consumers to obtain information about their

point of view. Who knows, good ideas may come out of completely unexpected directions. Of course, the company will not be able to suddenly stand entirely in the shoes of the everyday consumer. But there should be openness and the leeway to converse with people on the outside.

**Fujii** On the other hand, for a manufacturer such as TDK whose component products are used in a wide variety of end products, it will be easier to imagine a range of different applications than for a set product manufacturer. This is the kind of environment where the latent potential for innovation is relatively great.

Just as personal computer manufacturers are a branch of the industry that simply didn't exist in the past, the future users of technology currently being developed may be in a field that doesn't even exist yet. Imagination must try to reach forward as well. What will the society of tomorrow be like, what kind of challenges will it face, and what does this mean for the application of technology? This is known as the backcasting approach.

**Kodama** We must think not only about the customers of today but the customers of tomorrow. There will be different markets, which may lead to major innovations. And at the center of this will be elemental technology. Elemental technology, also called component technology, is bound to revolutionize technology systems on a global scale, a process that has already begun.

Japan has the potential to become a pioneer nation of elemental technology, and TDK is one of the leading players in this field. Technical experts should be aware of this and be proud of their work.





## Creating Products of Striking Quality through Dialog with Society

**Inukai** As expressed also in one of the action items, a key aspect of TDK Quality Assurance policy is that “Consistently create products that thrill customers through quality.” Furthermore, such products must be created on an ongoing basis. We should not only meet but exceed customer expectations, and maintain the number one spot with regard to product quality. To achieve this, the design process has to be restructured to create a framework that allows only good products to emerge. And since it is people who create the products, we also have to enhance the quality of the people themselves.



The product environment is another important factor for achieving impressive quality. TDK is working hard to promote the development of set products that impose even less of a burden on the environment than existing ones, and we are providing our customers with easy to understand information in this regard.

**Tatsumi** The term “impressive quality” is quite a good one. The reason why we select certain things is because they make a strong impression on our mind.

The other day I had the opportunity to visit a mobile phone manufacturing site and was highly impressed by the fact that tiny parts no bigger than the tip of a needle play such an important role, and by the high level of technology needed to enable this kind of manufacturing process. For the people doing it, it may seem as par for the course, but from the outsider’s point of view, it is truly impressive.

We usually don’t have the opportunity to see how and from what materials the things that we normally use are being manufactured. However, when we learn a bit about what goes into them, we feel much more inclined to treat them carefully, and our whole outlook may change. Fostering the



communication with consumers is definitely something that the industry should pursue more vigorously.

**Inukai** The same can be said for sites where craftsmanship is at work. For the people making things, it can also be very edifying to show them how the product is being used, and how important it is within another context.

## Listening to Public Opinion and Determining What to Do

**E. Inoue** Another important action item is “conducting supply chain management from the CSR perspective.” Recently, we are getting more and more environmental surveys from customers, asking for disclosure of chemical substances used in products.

This is of course part of the process whereby customers ensure compliance with legal requirements, but individual requests often end up being very time-consuming and costly to meet. Therefore the industry, under guidance by the Ministry of Economy, Trade and Industry but on its own initiative has formed the so-called Joint Article Management Promotion (JAMP) consortium, which is currently working on a common framework for information disclosure. A trial where companies publish the relevant product data on the web site is also under way.



**Fujii** As can be seen from this example, CSR by nature is a passive rather than an active undertaking. That is to say, it is governed by the need to respond to requests and expectations from stakeholders, who may come up with questions from unexpected angles. It is harmful to try and block this, adopting an attitude that says “we will only do this much.” To listen to stakeholders needs to be the first priority.

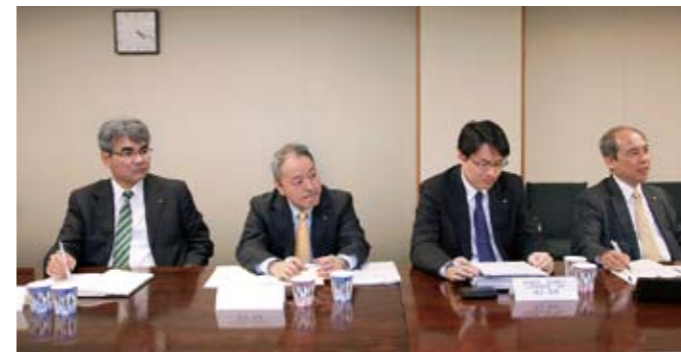
So while this can be seen as a passive approach, it is nevertheless most effective to proactively create a framework that accommodates input and makes it possible to respond quickly. For example, with regard to the problem of palm oil production leading to the destruction of tropical forests, European firms created a system for sustainable palm oil on their own accord. Eventually, the question of whether a company subscribes to this system becomes intricately linked to their competitiveness.

In other words, how quickly a system is established also is an important aspect of CSR strategy. Japanese companies tend to excel in technological innovation, but are much less adept at this kind of systematic innovation. Therefore the fact that the consortium for chemical substance management mentioned earlier was formed in Japan is a great development.

**Watanabe** CSR procurement undertaken from the perspective of the customer is also has high priority. We are having major suppliers provide us with information through survey type CSR check sheets. However, in part due to cost and labor considerations, on-site inspections so far are limited to quality checks. But we are building a framework that allows both company-internal cooperation between departments and promotes CSR through on-site checks at out-side suppliers.



**Fujii** Actual inspection visits are necessary, I believe, because they will help us understand the environment in which the product is being manufactured. The “social climate” of a manufacturing site definitely has an influence on the product. If workers have to toil for 20 hours a day, high-quality products will never be the result. Therefore we have to go there and actually talk with people. But of course, there are limitations. Complete auditing is not possible, which is something that also NGOs asking for audits do realize. The important thing is not how far we can go, but what we do when problems are found, and how we explain them. Whether a proper and compre-



hensive explanation can be provided to the public has a decisive effect on the consequences that will follow.

## Earning the Continued Trust of the Public

**Tatsumi** As Mr. Fujii has said, providing comprehensive and satisfactory information is paramount. This applies not only to supply chain management. All our business activities as well as our policies and beliefs need to be grounded in clear and logical thinking that can be readily explained. Such a kind of enterprise is the one that will have the public’s trust.

Even if consumers do not demand information or disclosure right away, a business must anticipate the possibility and provide proactive information. Nowadays, this has become crucial.



**Kodama** If we look at fields such as natural energy sources and the Smart Grid for power distribution within a limited local area, in which TDK is currently involved, these are more than just technical systems. They could even be considered “social systems.” And such systems have become possible thanks to the availability of elemental technology.

When these systems progress beyond the originally conceived scope, manufacturers with elemental technology have an important role to play in creating the backbone and providing the components for them. The uses of technology should not be limited to conventional, well-known patterns. Rather, they need to constantly evolve towards more effective forms of implementation. I believe that this is one of the responsibilities that TDK must shoulder, and it will lead towards continued trust in the company.

## Responses from TDK



Director and Executive Vice President  
TDK Corporation  
**Seiji Enami**

The idea that “elemental technology has the power to change the world” was very inspirational to me. I believe we need to constantly hone our technology towards this aim. The discussion also touched upon communication, and in that regard, I think that the CSR Report which shows us as we are is an important communication tool. I want to make sure that the advice received today will further vitalize our activities.



Corporate Officer and General Manager,  
Human Resources Dept., TDK Corporation  
**Junji Yoneyama**

Through the set products in which TDK components are used, TDK is linked to the consumers. Today’s dialog has made me realize again that we need to be more aware of this fact. To distinguish ourselves when Japan becomes a “pioneer nation of elemental technology,” our engineers and technical staff must take pride in their work and have the best possible work environment. I believe we need to think about the human resources angle and how to create the framework that best supports this.