

Highlight 2

New Environmental Vision

TDK has established the TDK Environment Charter, consisting of the Basic Principle on the Environment and the Basic Policy on the Environment, as our entire group's environment policy. In line with the Charter, TDK formulates environmental action plans as the fundamental framework for implementing specific environmental activities. TDK Environmental Action 2015 plan, the second-stage platform has been progressing favorably. In response to the rapidly changing social climate, we have now formulated the third-stage platform called TDK Environmental Action 2020, and have started to implement it from April 2011.



TDK Environmental Action 2020 platform

Achieving carbon neutrality by FY 2021

The TDK Environmental Action 2020 sets a goal for achieving carbon neutrality based on environmental activities centered on environmental contributions through products, which is a first in the electronic component industry. The TDK Group aims to reduce CO₂ emissions caused by operations at manufacturing

sites as much as possible. At the same time, TDK actively contributes to the reduction of CO₂ emissions by society at large, through the group's products and know-how. The goal for these activities is to have the contributions to emission reduction exceed actual emissions by the end of FY 2021.

Achieving carbon neutrality—the TDK way

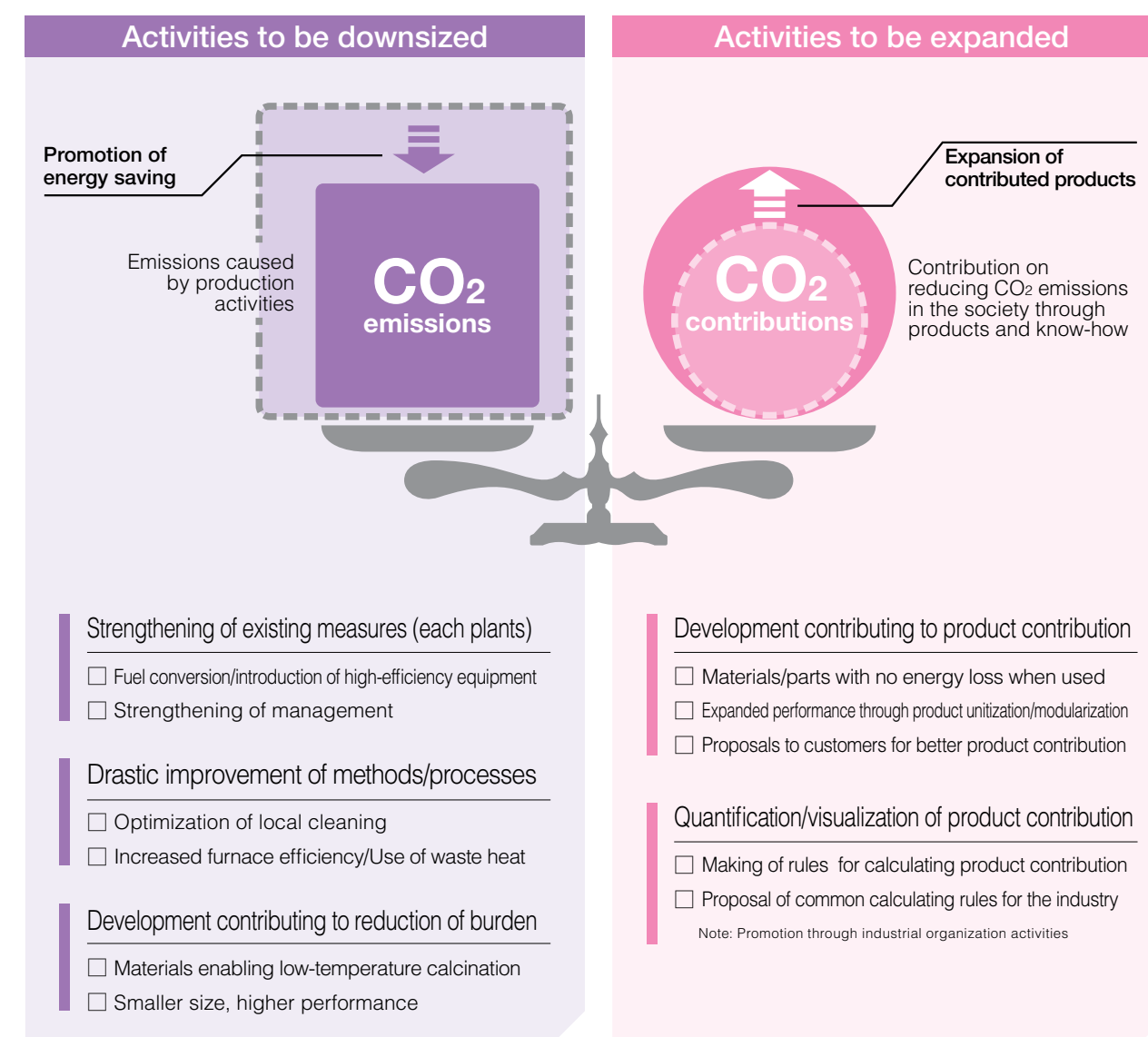
CO₂ emissions (environmental load) due to manufacturer operations
 – (minus) reduction of CO₂ emissions through products (environmental contributions) ≤ zero

There are many different aspects both to environmental load and environmental contributions, but the “TDK Environmental Action 2020” identifies energy source CO₂ reduction as the major element and defines carbon neutrality as a state of balance in this regard.

Working towards carbon neutrality

To achieve the stated goal, intensive efforts are needed both to reduce the environmental load and to increase the environmental contributions. We have therefore set down specific action items in both fields. To reduce the environmental load, manufacturing sites need to use highly efficient equipment that is tightly managed and controlled. Furthermore, the development of new materials and new processes to increase manufacturing efficiency will also be pursued with increased vigor. To increase environmental contributions, the development of products that ensure low

energy losses during use and that provide expanded functionality through unit integration and modular construction is essential. Creating innovative products that reduce environmental impact is a high priority. At the same time, we are in the process of establishing assessment methods to numerically quantify the environmentally beneficial effects of electronic components and make the evaluation process more transparent. We are also promoting the standardization of such assessment methods in consultation with industry associations.



Practical and effective environmental activities

The “TDK Environmental Action 2020” platform not only defines the above mentioned carbon neutrality goal, it also comprises action items for other aspects that remain of high importance, such as conserving limited resources, effective use of water and other resources, and reducing environmental impact through

social contributions.

The entire TDK Group is working towards these aims. Each fiscal year, we assess the results achieved in various areas and review the targets for the future, to constantly elevate our environmental activities to a higher level.

What We Need to Do for the Environment Now

—Dialog with an Expert—

In September 2010, TDK became the first electronic components manufacturer to receive a special award under the environmental assessment scheme of the Development Bank of Japan (DBJ). In 2011, TDK formulated the TDK Environmental Action 2020 platform focusing on environmental contributions through its products, and began to implement it from April of the same year. We invited Mr. Keisuke Takegahara, Head of the Environment / Corporate Social Responsibility Promotion Office of the DBJ for an exchange of opinions regarding TDK's new vision for the environment and our environmental initiatives.



■ Outlining TDK's environmental activities from an outside perspective

Takegahara: The environmental ranking of the Development Bank of Japan was introduced as a concept for assessing the value of corporations, taking into account non-financial information as well. Out of the approximately 120 evaluation criteria that we use, let me cite two which are especially important: "Does the company have a system in place for properly managing environmental risks?" and "Does the company link its environmental stance to its core business and use it as an incentive for growth?"

TDK has an excellent Environmental Management System in place, and also sends a clear message with its "Eco Love" and "Super Eco Love" product classification. It is evident that the company, rather than resting on its laurels, is always repositioning its aims for a higher target, therefore we gave it the top ranking.

Shiokawa: Thank you for your kind words which will motivate us to try even harder.

■ Open-minded corporate culture inspires "TDK Environmental Action 2020"

Shiokawa: In April, we established the new TDK Environmental Action 2020 platform and embarked on its implementation. The platform introduces environmental contributions through products as a new topic and proposes the goal of achieving carbon

neutrality by FY 2021.

Takegahara: If one focuses only on CO₂ emissions, one can lose sight of the value brought by end products to society. In this regard, establishing environmental contributions as a new aspect and looking both at environmental load and the environmental contributions strikes me as a good approach.

Shiokawa: More than 40 years ago, TDK started to produce magnetic and optical media products aimed at end users, such as audio and video tapes and CD-Rs which were well received. Through this side of our business, we came into contact not only with manufacturers of end products but also directly with consumers. This led to a culture of open-mindedness within the company and prompted us to always think not only of our corporate customers but also of consumers and society at large.

This allows us to ask ourselves, what then is the best course of action, with the entire society in mind? In the past, concern for the environment meant mainly anti-pollution measures and compliance with regulations, such as acquiring ISO14001 certification. However, this kind of "reactive stance" is not sufficient for creating something new. As a result of extended and wide-ranging internal discussions about ways of moving from such a mindset to a more "proactive engagement" with the environment, we hit upon the thought of aiming for carbon neutrality. By this we mean a target where the environmental load really is zero, surpassing legal requirements. In the electronic component sector, we are the first company to make a commitment to achieve the challenging goal.

Takegahara: CSR by definition is a "responsibility," not an "obligation." Therefore simply aiming to keep within the law is not enough. It seems to me that proactively setting targets like TDK is doing with its carbon neutrality policy is the proper way that CSR should be handled.

Shiokawa: I believe that such things come about quite naturally in our company. This may well hark back to the days when the company was founded.

Takegahara: An open-minded culture that gives rise to ideas, and the determination to translate these into action within the context of the core business – that seems to be TDK's strength.

■ What we can do from a midstream position in the industry

Shiokawa: The majority of TDK's operations involves sourcing materials and parts to build components which are then supplied to companies producing end products. This could be characterized as a "midstream" position. We cannot afford to only focus on ourselves, rather we always need to keep the bigger picture in mind. Therefore, engaging in environmental activities naturally has a special meaning for us. Determining the needs of society comes first, and then we consider how the most effective way to make a contribution through our own products.

Takegahara: Working in a midstream position within the industry while also keeping track of the business to consumer angle can be challenging. While it is very important to produce goods that fulfill society's needs, sometimes society itself is not even clearly aware of what its needs are. However, there is the belief that if performance and price are equal, then consumers will prefer a product that is environment-friendly. The industry is expected to provide suggestions along these lines. If the contribution of electronic components to the environment can be made more transparent, the reduction in overall CO₂ emissions afforded by TDK products and thereby the improvement in the quality of life for consumers could be a strong point of appeal.

Shiokawa: Since our components are used as components in end products made by other manufacturers, their value may be hard to realize for consumers. As a component manufacturer, we were wondering what options were open to us. We believe it's important to participate in an open exchange of opinions and information with end product manufacturers. Based on cooperation with other companies in the same industry, we are also promoting a new approach for quantifying and assessing the environmental impact of products over their entire lifecycle. Such an index is becoming essential also in the components industry.

Takegahara: In response to rising concerns about environmental performance, end product manufacturers are also making considerable effort in many ways. While working towards raising environmental performance, it is possible that energy consumption at the development and manufacturing stage may temporarily rise. But as an overall result, the environmental impact on society at large will decrease. Focusing only on the partial increase would not be a correct assessment of the problem.

Shiokawa: Yes, indeed. Along with highlighting



Keisuke Takegahara

After graduating from Hitotsubashi University Faculty of Law, Mr. Takegahara joined Japan Development Bank (now Development Bank of Japan Inc.). He holds his current position after assignments that include being located in Germany, working in the Research Department and Policy Planning Department, and as Manager of the CSR Promotion Office of the Public Solutions Department. Mr. Takegahara is also a member of several councils, including the Expert Committee for Environment and Economy of the General Policy Subcommittee of the Central Environment Council, and the Japanese Ministry of the Environment's Deliberative Committee on Target Industries and Services in the Survey on Environment Business Market Size and Employment Size.

other advantages of our products, we must find ways to demonstrate overall improvements in the energy balance. To this end, we are working on defining index values and other numerical indicators that will make environmental parameters more transparent.

■ Enhancing each other to further environmental initiatives

Takegahara: Currently the main focus is on CO₂ emissions, but one could also imagine defining numeric indicators for aspects such as preservation of rare metals and other scarce resources, biodiversity, and protection of human rights. Using its midstream position in the industry, I would encourage TDK to communicate closely on various aspects with companies both upstream and downstream.

Shiokawa: To this end, it is important that the people within the company are on the same page. Management is fully aware of this and is making strong efforts to get the message across to all members of the TDK Group.

Takegahara: On the other hand, the opinions of people outside the company, those who are at the information receiving end, are vital, too. All in the financial industry, including myself, have a responsibility here. Unless we endeavor to raise evaluation standards that allow us to correctly recognize environment related merits, the efforts of those working on environmental issues in the industry may go unrewarded.

Shiokawa: Outside recognition of our work really makes a difference for the people involved. It is a great source of inspiration and motivation.

Takegahara: When the value of proactive environmental activities such as those instituted by TDK is realized and an assessment framework is established, other companies can be expected to follow suit. This will become a positive trend that can only grow stronger when the evaluating side and the industry side cooperate properly to raise standards.

