



Society and Environmental Considerations in the Supply Chain

As a midstream company at a time when CSR is demanded throughout the entire supply chain, the TDK Group is surrounded by a business environment that is heavily influenced by legislative systems, international industrial standards, and other factors in the supply chain. That is why we see society and environmental considerations in the supply chain as an important aspect of our activities.

As a supplier

No. of CSR audit requests received

(FY 2013–14 cumulative total)

72 audits

We see CSR audit requests as an opportunity to upgrade our CSR activities. At the same time, amid moves to strengthen CSR activities in the supply chain as a whole, we are concerned that CSR audit redundancies among the companies will lead to a confused response and fatigue. Therefore, we see the number of CSR audit requests received as an important barometer. We will continue to gauge the number of audit requests and search for effective methods of implementing CSR audits in the value chain as a whole.

No. of employees receiving CSR internal auditor training

(FY 2014 cumulative total)

121 employees

We believe that giving employees a systemic understanding of requirements in CSR audits and having them master the basic skills for evaluating TDK's CSR activities will be important in upgrading our CSR activities in the future. That is why we see the number of employees receiving CSR internal auditor training as an important barometer.

Response to conflict minerals

(No. of responses)

2,489 responses

We are aware that TDK's response to conflict mineral surveys from customers reflects our sincerity in tackling this serious social issue. At the same time, we believe that gauging the number of responses to surveys is an important barometer for determining our response burden.

As a buyer

CSR check sheets for suppliers

(No. of companies given improvement guidance)

13 companies

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

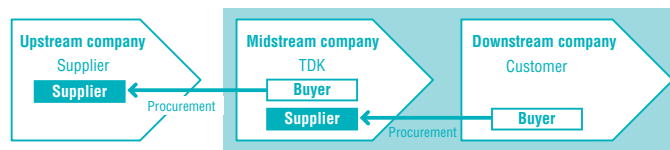
Response to conflict minerals

(Questionnaire retrieval rate)

99%

The distribution and retrieval of conflict mineral questionnaires for suppliers is an essential activity in response to this serious social issue. We see the questionnaire retrieval rate as an important barometer for gauging awareness among suppliers of the problem of conflict minerals.





Efforts as a Supplier

TDK, which is a supplier of products to customers, endeavors to incorporate society and environmental considerations at all of its sites. Through self-checks, audits, and other measures, we promote CSR which leads to enhanced corporate value.

Efforts at TDK's Production Sites

TDK has compiled the TDK CSR Self-Check Sheet, based on the Electronic Industry Citizenship Coalition's Code of Conduct, with the aims of understanding issues in CSR activities and replying speedily to customers. This self-diagnosis is implemented at main production sites every year. Furthermore, TDK responds to requests from customers for CSR audits, which have been increasing in recent years, seeing them as a good opportunity to further raise the level of CSR activities. Regarding high-risk regions and production sites, as well as customer CSR audits, we conduct internal audits by third-party organizations once every two years. Since 2013, TDK has also implemented CSR internal auditor training every year with the aims of conveying a systemic understanding of the requirements of these CSR audits and upgrading CSR activities at production sites.

Response to CSR Audits

In fiscal 2013-14, TDK implemented CSR internal audits at five sites. Including responses to customer audit requests, we undertook CSR audits at an aggregate total of 72 sites. Audits were conducted at all sites in China, where there is a high risk of labor issues. Each site made improvements regarding highlighted matters, and the CSR Group shared information with related head office functions, called for attention to be paid to these problems, and reflected them in countermeasures.

Furthermore, continuing from fiscal 2013, CSR internal auditor training was implemented in fiscal 2014 in Japan and China. In particular, in China, where many audits are carried out, the emphasis was placed on case studies, and quality training was provided at an even higher level than the previous year.



Voice

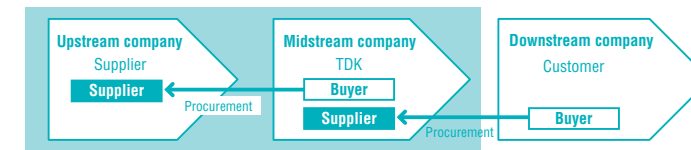
Responding to Customer Expectations with a High Level of CSR

I am currently assigned to CSR promotion at TDK Xiamen Co., Ltd. In order to promote CSR throughout the entire supply chain, I believe that it is our responsibility as a supplier to respond to the CSR standards required by customers. At TDK Xiamen, we have received CSR audits on five occasions since our CSR Promotion Office was launched in 2013. The standards required by customers get higher each time, and the audits have become increasingly rigorous. So each audit poses a challenge for us, but we have been able to pass all of these audits due to thorough preparations, which include people in charge sharing audit aims, communicating closely with one another, and getting an understanding of the situation.

As a trend in CSR auditing recently, the maturity of our CSR management system has increasingly come into question, including topics such as the tasks of people in charge, assessment methods, and the sharing of audit results, so we must respond appropriately, including in the revision of our conduct guidelines. We will continue to make relentless efforts toward improvement and build a more systemic and effective mechanism.

Shelly Chen

CSR Promotion Office,
TDK Xiamen Co., Ltd.



Efforts as a Buyer

As a buyer procuring materials, TDK engages in CSR procurement emphasizing communication and builds solid relationships of trust. We believe that these efforts enhance the corporate value of both suppliers and TDK.

Promotion of CSR Procurement

CSR procurement, which is included in TDK's purchasing policy, is an important issue for our company. Because we are a components manufacturer, we promote CSR from our position as a supplier. But it is also necessary for us to demand CSR among our own suppliers. Therefore, we require our suppliers to reply to a CSR check sheet every year, and if there are any issues with their answers, we request them to make improvements individually.

In addition, we have been implementing CSR audits with the aim of acquiring an objective understanding of the situation since fiscal 2012. We select suppliers for these audits in consideration of such factors as degree of importance and level of dependence in relation to products delivered to customers.

Summary of CSR Audit Results (TDK Xiamen)

TDK Xiamen implemented CSR audits at 9 companies in 2014 and made a total of 118 findings. Of them, findings relating to health and safety accounted for 49% of the total. These included multiple instances of inadequate protection for workers engaged in jobs handling hazardous substances (specific medical examinations, protective gear, etc.), failure to secure evacuation routes, and inappropriate storage management of dangerous chemicals.

Breakdown of CSR Audit Findings



Voice

Addressing Management Issues together with Suppliers

I am currently assigned to CSR audits of suppliers. The content of CSR audits covers a wide range of fields, and legal and professional knowledge is required. In actual audits, it can often be difficult to spot risks and determine problems, so it is necessary for auditors like us to make efforts to upgrade our own skills by regularly participating in training, taking legal courses, and receiving guidance from experts.

Furthermore, when we conduct audits, I think it is important for us, in consideration of the scale of the risk detected in the audit and the management conditions of the supplier, to point out problems and measures for improvement. By doing so, we can answer questions from suppliers accurately and with sincerity, which leads to suppliers understanding the importance of CSR and builds relationships of trust which ultimately enhances the corporate value of both parties.

I intend to continue making efforts to promote CSR by steadily mastering CSR knowledge and accumulating experience.

Yafei Yan

Procurement Division,
Management Planning HQ,
TDK Xiamen Co., Ltd.



CSR Promotion in the Supply Chain

What are the expectations of TDK and on what points can TDK be praised in terms of promoting CSR in the supply chain as a whole? We invited Mr. Masaki Wada of Energetic Green for an exchange of opinions.

Masaki Wada
CEO, Energetic Green

From 2001, Mr. Wada worked for companies related to sporting goods and apparel, and was active mainly in relation to the problem of human rights in the supply chain. From June 2013, he became involved in a foreign national training program at a public-interest foundation, and in August 2014, was appointed as co-representative of Energetic Green, where he conducts CSR-related research and consulting.



Date of implementation: May 11, 2015

■ Mr. Wada's Main Opinions and Proposals

Efforts of TDK as a Supplier

As audit requests from customers continue to increase, the burden on TDK sites of responding to those requests can be expected to increase in the future, too. Regarding human rights and labor in the workplace, regardless of industry it is certain specific issues that are likely to be questioned, such as forced labor, child labor, and long working hours. Therefore, it is important to gather your own survey results prior to requests and be ready at all times to submit material if an inquiry is received.

At present, I hear that TDK is making attempts to standardize records at its sites, such as the contents and results of external and internal audits conducted so far and countermeasures, and plans to disclose this information. That is a wonderful effort. It is an effective means of avoiding future risks and also has much

significance in terms of continuing to respond to customer requests. I definitely hope that you will actively promote this measure.

Furthermore, when preparing to establish an overseas site, TDK makes a checklist of items that should definitely be implemented and conducts a feasibility study including not only quality, equipment, cost, and so on but also the CSR perspective. This is an excellent approach as well. I hope that TDK well understands the importance of conducting operations on the basis of the 4Gs and acts accordingly. (Known as the "four gen principles" in Japanese, the 4Gs are go to the source, go down to the factory floor, grasp the actual situation, and get together with local employees.)

Efforts of TDK as a Buyer

When you have so many suppliers, it is difficult to conduct self-assessment questionnaires, audits, and improvement guidance in a uniform manner. So priority is important. It is essential for TDK to clarify its guidelines taking into account such factors as dependence on suppliers.

TDK currently conducts CSR audits on suppliers and is putting a lot of effort into audit training, so now you have reached the stage where you must ask yourselves what should be the aim

beyond that. The concept of capacity building is going to become increasingly important. This means including the perspective of growing together in improvement guidance for suppliers and supporting the strengthening of the supplier's organization through guidance. As one aspect of information disclosure, it might be a good idea to include the guidance provided on each matter in future reports.

Required Role in the Industry as a Midstream Company

Since TDK is a midstream company, you are able to view the supply chain from the perspectives of both supplier and buyer. It is essential at all times to have an understanding of what is trending in the supply chain. It might also be a good idea to team up with NPOs and NGOs and seek their guidance on the latest human rights issues and CSR audits.

It is unfortunate that so far midstream companies have not shown a strong presence in compiling self-assessment questionnaires and so on. As globalization proceeds, it will be unavoidable for midstream companies to firmly express their thoughts. I hope that TDK will strengthen collaboration in the industry and across other industries and formulate standards so that you can take the initiative in international society.