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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”.