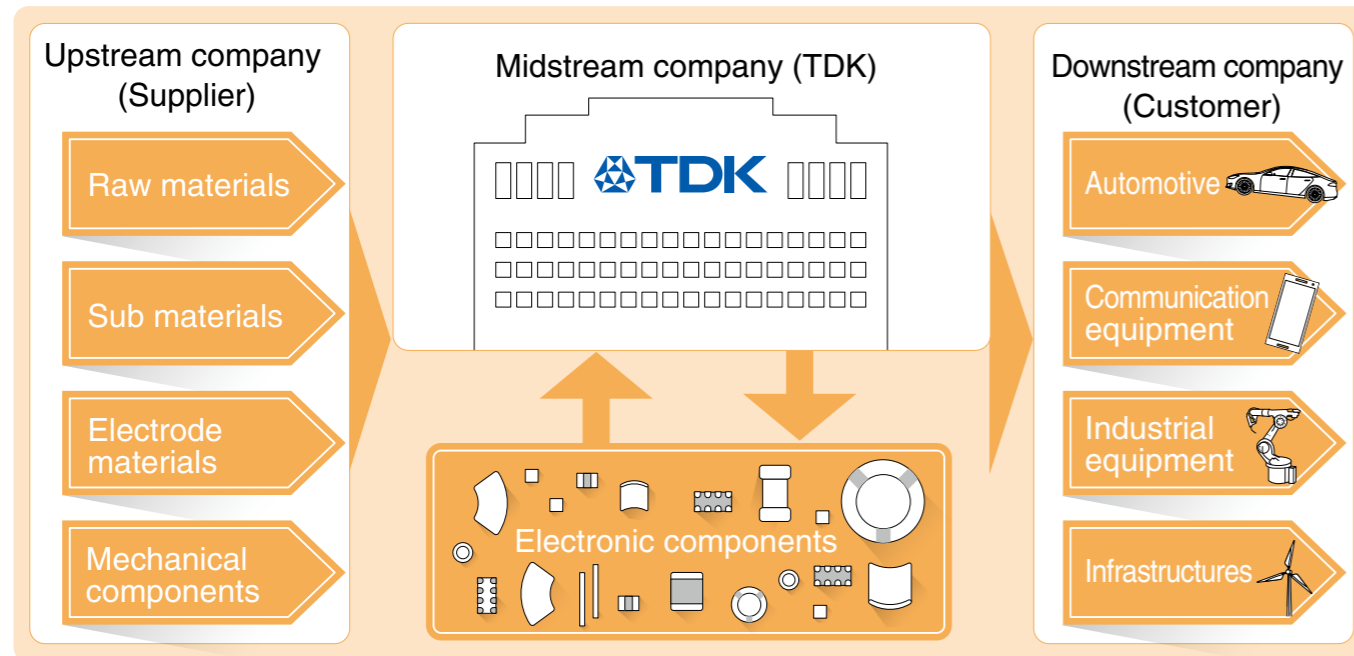


## Consider the Societal and Environmental Impact of the Supply Chain

- Important Themes**
- Consider the work environment at manufacturing sites
  - Consider the work environment of suppliers
  - Response to conflict minerals

## TDK's Supply Chain Responsibility



### Executing Our Responsibility as a Midstream Company

TDK offers high-value-added solutions based on materials and components technologies. As globalization accelerates and we expand our target markets, we develop ongoing relationships with a wide range of customers and business partners. Buyer and supplier relationships with other companies are not uncommon in some business areas.

Responsible management of supply chains is coming under strict scrutiny with the strengthening of legal systems and international industry initiatives. For example, the United Kingdom passed the Modern Slavery Act in March 2015, and the Electronic Industry Citizenship Coalition (EICC) changed its name to the Responsible Business Alliance (RBA) in October 2017. Because these trends greatly affect TDK's business environment, it is vital that we take suitable measures in our business supply chains.

A shared understanding of social issues and common investigative practices is essential for the practical and effective implementation of CSR in the supply chain. To bring improvements in efficiency to the entire supply chain, TDK is working with other organizations from the stage of formulating rules, cooperating with the industry as a whole, and proposing the standardization of investigative methods.

## Response to Conflict Minerals

Against the backdrop of rising interest in responsible mineral sourcing, we act in the capacity of a midstream company to promote problem-solving initiatives throughout the entire supply chain.

### TDK's Approaches

Human rights issues surrounding mineral procurement have emerged as a crucial social challenge worldwide, prompting keen and rising interest in responsible procurement of such resources. For example, there are cases when minerals mined in the Democratic Republic of the Congo (DRC) and adjoining countries serve as the source of funding for armed groups. This brought notice to how such minerals are used to bankroll conflict, resulting in human rights violations against local residents and other crises. At TDK, in April 2013, the TDK Group Policy on Conflict Minerals<sup>\*1</sup> was issued. This prompted each company to set up survey response systems based on the new rules, along with efforts in compliance with the OECD due diligence guidelines.

<sup>\*1</sup> Details of the TDK Group Policy on Conflict Minerals, please refer to the following website: [https://www.global.tdk.com/corp/en/csr/social/supplier\\_responsibility/csr02210.htm](https://www.global.tdk.com/corp/en/csr/social/supplier_responsibility/csr02210.htm)

### Fiscal 2017 Goals and Achievements

Goal	Achievement	Main activities and measures
<ul style="list-style-type: none"> <li>● Confirmed DRC conflict-free supplier ratio: over 85%</li> <li>● Monitor number of customer responses</li> </ul>	<ul style="list-style-type: none"> <li>● Confirmed DRC conflict-free supplier ratio: 92.3%</li> <li>● Implement monitoring</li> </ul>	<ul style="list-style-type: none"> <li>● Implementing surveys at Group companies and promotion of DRC conflict-free initiatives based on Group common KPI</li> <li>● Promotion of issue solutions in collaboration with industry associations</li> </ul>

### Responses to Surveys and Promotion of DRC Conflict-free at Each Group Company

TDK is calling upon suppliers to be DRC conflict-free and uses the Conflict Minerals Reporting Template (CMRT) developed by the Responsible Minerals Initiative (RMI)<sup>\*2</sup> to facilitate the collection of sourcing information relating to conflict minerals. In fiscal 2017, according to the conflict mineral survey conducted by our group companies, 92.3% of TDK's suppliers are DRC conflict-free, exceeding the year's goal of 85%. At this point in time, no minerals suspected of being involved in the funding of armed forces in the DRC and adjoining countries have been confirmed. Furthermore, TDK has been responding appropriately to requests from customers, and is monitoring the number of responses.

<sup>\*2</sup> Responsible Minerals Initiative (RMI): An organization of over 350 companies and associations that leads the effort for responsible mineral sourcing.

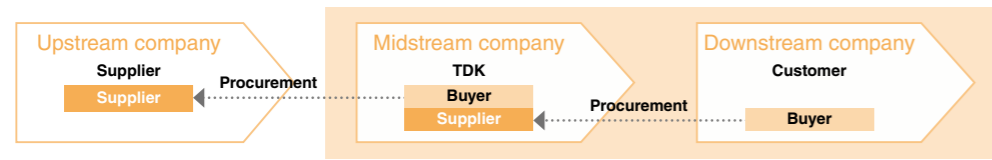
### Promotion of Issue Solutions in Collaboration with Industry Associations

TDK is a founding member of the Japan Electronics and Information Technology Industries Association (JEITA)'s Responsible Minerals Trade Working Group.<sup>\*3</sup> In fiscal 2017 TDK helped to lead JEITA's Conflict Minerals Inquiry Briefing. We have been cooperating with efforts to revise the EU's Conflict Mineral Data Exchange Standard (IPC-1755) and have been working on conflict-free certification for smelters.

<sup>\*3</sup> For details on JEITA's Responsible Minerals Trade Working Group, please refer to following website: [http://home.jeita.or.jp/mineral/eng/index\\_e.html](http://home.jeita.or.jp/mineral/eng/index_e.html)



JEITA's Conflict Minerals Inquiry Briefing (June 2017)



## Efforts as a Supplier (Consider the work environment at manufacturing sites)

As a supplier from which customers procure products, TDK channels tireless efforts into fulfilling its social and environmental responsibilities at all of our sites.

### TDK's Approach

As a supplier from which customers procure products, TDK is aware that making efforts to consider social and environmental factors at the Group's production sites and fulfilling its social responsibility are important also for the continuation of business. TDK strives to identify issues and make improvements by, for example, implementing CSR self-checks and conducting CSR audits in response to risks in the countries where sites are located.

### Fiscal 2017 Goals and Achievements

Goal	Achievement	Main activities and measures
<ul style="list-style-type: none"> <li>Perform 100% CSR self-checks at manufacturing sites</li> <li>Secure 100% opportunities for third-party CSR audits once every two years (China and Asia region)</li> </ul>	<ul style="list-style-type: none"> <li>100% implementation</li> <li>100% implementation</li> </ul>	<ul style="list-style-type: none"> <li>Implement CSR self-checks at all 82 sites</li> <li>Of the 39 targeted sites in the China and Asia region, implement independent third-party CSR audits at eight sites that have not undergone CSR audits by customers in the last two years</li> <li>Implement CSR internal auditor training in Japan (received by a total of 217 persons up to and including fiscal 2017)</li> </ul>

### Self-checks, Audits and Ongoing Improvement Efforts

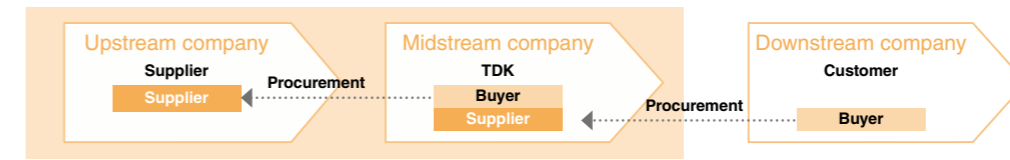
TDK has compiled the TDK CSR Self-Check Sheet, based on the self-assessment requirement for membership in the RBA with the aims of identifying issues in CSR activities and replying speedily to customers. This self-assessment is implemented annually at all targeted manufacturing sites. Furthermore, TDK responds to requests from customers for CSR audits, seeing it as a good opportunity to further raise the level of CSR activities. Regarding manufacturing sites in high-risk regions of China and Asia, once every two years we conduct CSR self-audits using third-party auditing companies, including customer CSR audits. TDK has also been conducting CSR workshops and internal auditor training regularly to convey a systemic understanding of the requirements of CSR audits to employees and enhance CSR activities at manufacturing sites.

### CSR Trainings in Japan, China and Malaysia

In fiscal 2017, CSR training was conducted in Japan, China, and Malaysia to further enhance CSR activities. In Japan, 19 people participated, with RBA internal auditor training carried out. In China, 28 people participated, deepening understanding of the revised RBA Code of Conduct and the training system. In addition, 14 people participated in Malaysia, with a local CSR voluntary audit carried out, along with practical training on CSR auditing methods.



CSR training in Malaysia (December 2017)



## Efforts as a Buyer (Consider the Work Environment of Suppliers)

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

### TDK's Approach (Purchasing Principles, Purchasing Policies)

TDK engages in global production with production bases in Japan and other Asian countries, the Americas, and Europe. Within the procurement activities that support production, the development of global procurement structures are crucial, and we strive to use those systems to develop products rapidly to remain competitive in the race to be first to market in the electronics industry. Production bases engage in local procurement, but in today's society with ubiquitous IT networks, materials procurement activities require close collaboration with suppliers in ways that overcome time and distance. In addition, measures to fulfill corporate social responsibilities such as compliance with applicable laws and regulations, observance of social norms, and preservation of the global environment are promoted actively through partnerships between TDK and its suppliers. TDK puts these principles into practice by engaging in purchasing activities that adhere to our Purchasing Policies.\*1

\*1 Details of the TDK Purchasing Policies, please refer to the following website: [https://www.global.tdk.com/corp/en/about\\_tdk/procurement/pro02.htm](https://www.global.tdk.com/corp/en/about_tdk/procurement/pro02.htm)

### Fiscal 2017 Goals and Achievements

Goal	Achievement	Main activities and measures
<ul style="list-style-type: none"> <li>CSR-compliant supplier ratio: over 95%</li> </ul>	<ul style="list-style-type: none"> <li>CSR-compliant supplier ratio: 91.2%</li> </ul>	<ul style="list-style-type: none"> <li>Request CSR check sheet returns or implement CSR audits in response to conditions at Group companies based on Group-wide shared KPIs</li> </ul>

### Promotion of CSR procurement

TDK treats CSR as a key component of its purchasing policy, while striving to earn understanding of the importance of CSR from suppliers and encourage increased awareness in that area. We incorporate provisions into contractual agreements keyed to the specific conditions at each of our Group companies, while industriously advancing evaluations based on CSR check sheets, CSR audits, and other efforts. When problems are found in the details, individual requests for improvements are issued. In fiscal 2017, audits confirmed that 91.2% of suppliers of our Group companies were CSR compliant, an 8.8% improvement over fiscal 2016, but still short of the 95% target. We will continue to strengthen our efforts with regard to Group companies and suppliers.



Group CSR procurement training (November, 2017; Japan)

### CSR Audits of Major Contract Manufacturers

Since fiscal 2015, TDK has been conducting CSR audits of major contract manufacturers upon whom TDK has high dependence in China, a country in which there is high risk in the labor environment. In fiscal 2017, three CSR audits were conducted, and 21 issues were identified in total. One important item was a deficiency in protective equipment for workers, and requests were made for improvements in this area.

