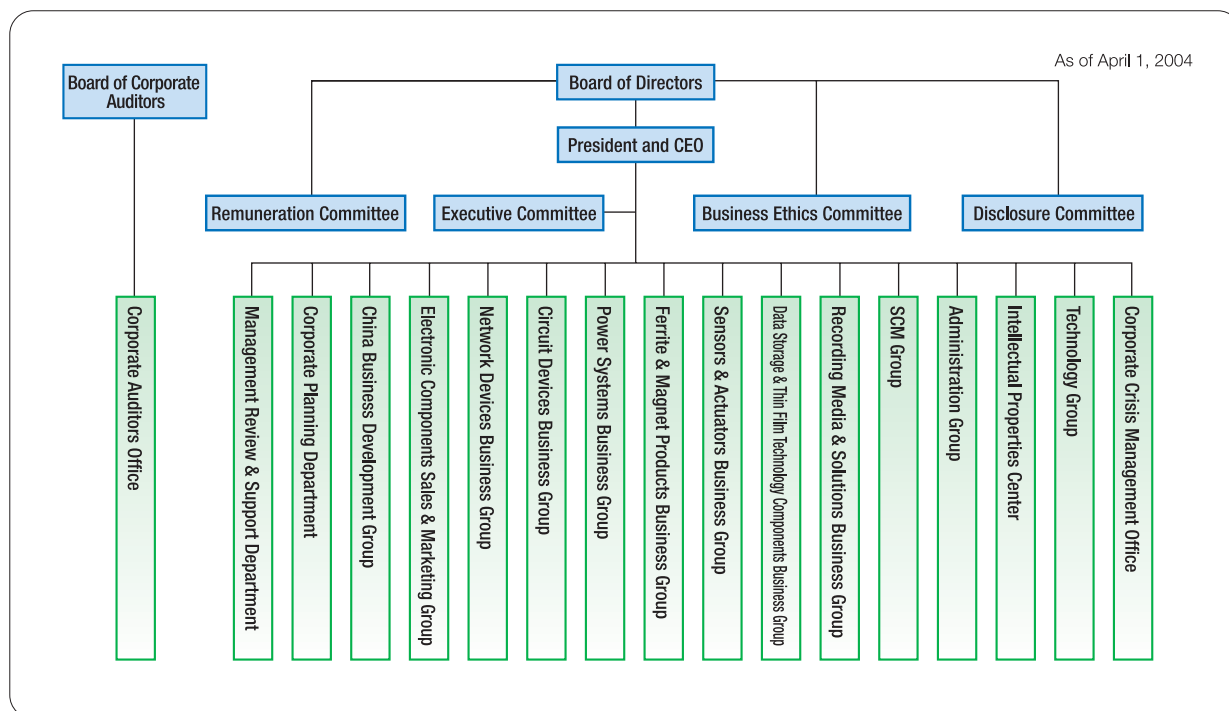


Corporate Governance

Companies must conduct their activities and manage their operations in a fair, impartial and transparent manner, abiding by laws and regulations, and with the recognition that their existence is supported by shareholders, customers, suppliers, employees and society. TDK has put in place internal control systems with this fundamental recognition in mind. It has also implemented a number of other measures in the same vein, such as appointing an outside director and corporate auditors, involving people outside the company in setting directors' remuneration, and ensuring that corporate ethics are strictly observed.



One of TDK's 7 directors is an outside director, who also serves as the chairperson of the Remuneration Committee, which was set up to ensure the transparency of directors' remuneration. Two more committees, the Business Ethics Committee and Ethic Council, were established to ensure that TDK upholds corporate ethical standards. At the same time, TDK is continuing activities to build a global corporate ethics framework that also encompasses all domestic and overseas subsidiaries. All subsidiaries have an ethics council. Independent of these committees, TDK has a "helpline" that encourages employees to report matters relating to corporate ethics and offer suggestions. Moreover, having introduced the post of corporate officer, TDK has clearly demarcated responsibilities: directors are responsible for decision making and oversight, while corporate officers have responsibility for executing day-to-day operations. Corporate officers execute policies set by the Board of Directors in their respective areas of responsibility.

TDK applies the Corporate Auditor System in accordance with the Commercial Code of Japan, and 3 of its 5 corporate auditors come from outside the company. The role of the corporate auditor is not restricted to the supervision of directors'

activities. As required, they also audit the performance of duties. In addition, the Management Review & Support Department is primarily responsible for auditing business activities.

Another defining aspect of TDK's corporate governance system is that it receives advice and cautionary counsel from outside legal counsel regarding risks associated with TDK's corporate activities.

To comply with the U.S. Sarbanes-Oxley Act of 2002, a strict law relating to corporate governance that was prompted by a series of scandals involving major corporations, TDK has formed a project team that includes outside experts to undertake a fundamental review of corporate systems and to establish internal controls. The team is also implementing measures restricting the outsourcing of work to preserve the impartiality and independence of the independent auditors. Moreover, at the ordinary general meeting of shareholders held in June 2003, a resolution was approved that shortens the terms of directors to one year. This change was made to give the company the best management structure with which to respond flexibly to changes in its operating environment and to build greater trust with shareholders.