

Attracting Tomorrow

TDK

Integrated Report 2023

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Editorial Policy

TDK is focused on working to maximize long-term corporate value, and it focuses on the P/B ratio as an indicator that expresses that corporate value. With that perspective in mind, we study what sort of impact the activities connected to the various themes of materiality have on corporate value, create a tree diagram, and administer them internally.

In our Integrated Report 2023, our goal is for the officers and managers from our various divisions related to those respective TDK Group's materiality—including financial strategy, human resource strategy, technology and intellectual property, quality control and Monozukuri (manufacturing excellence), and marketing—to convey in an easily comprehended way in their own words, their individual thoughts, examples of various initiatives, and progress reports.

Starting with a message from our president and based on a perspective framed by the questions of "How will TDK grow?" "What underlies its competitiveness?" and "How is governance evolving?" the Integrated Report is positioned as a document focused presenting the value creation stories of the diverse team members (employees) who comprise our "TDK United" so awash in character. Meanwhile, information too comprehensive to include with the Integrated Report such as information for shareholders and investors, along with information regarding sustainability/ESG, has been posted to our website as indicated by the diagram shown above.

Cautionary statements with respect to forward-looking statements

TDK's plans, strategies, and future business prospects set forth in this Integrated Report are judged to be reasonable by TDK at the present point in time based on information available at present. They are subject to risks and uncertainties. Please be aware of the possibility that depending on various factors, actual business results may differ from the contents of this Integrated Report.

Contents

Contents 01
TDK's Founding Spirit 02



Chapter 1
How Will TDK Grow?

Message from the President and CEO 06
Value Creation Process 12
TDK's Solutions for Social Challenges 14
Changes in TDK's Portfolio 16
TDK's Current Businesses 18
Strategy by Segment 20



Chapter 2
What Underlies TDK's Competitiveness?

The TDK Group's Materiality 26
Message from the Corporate Officer of Finance & Accounting 30
Message from the CPSO and General Manager, Human Resources HQ 36
Talent Development and Human Growth Measures 39
Message from the Corporate Officer of Technology and Intellectual Property 40
Monozukuri Realizing a High Level of Quality as a Global Supplier 44
Strengthening Marketing, Innovation, and Incubation Capabilities Across the Group 46
Delegation of Authority 48
Supply Chain Management 50
EX Initiatives 52
Response to TCFD 54
Other Environmental Initiatives 57



Chapter 3
How Is TDK's Governance Evolving?

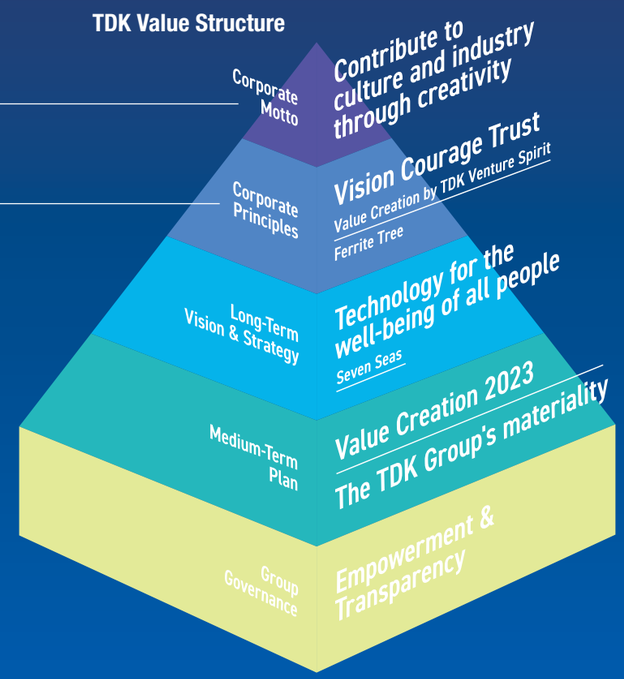
Corporate Governance Structure 59
Message from the Chairman 60
Strengthening of the Board of Directors' Monitoring Function 62
Risk Management 64
Group Governance 65
A Talk with Outside Directors 66
Skills Matrix/Succession Plan/Nomination Advisory Committee 69
Effectiveness Evaluation of the Board of Directors 70
Remuneration System 72
Directors, Audit & Supervisory Board Members, and Corporate Officers 74
Consolidated Business Results Highlights 76
Corporate Information 80
IR Activities 81

Corporate Motto

Contribute to culture and industry through creativity

Corporate Principles

"Vision" "Courage" "Trust"



The origins of TDK's founding story go back to 1930, when founder Kenzo Saito encountered ferrite, the world's first oxide magnetic material, invented by Dr. Yogoro Kato and Dr. Takeshi Takei of the Tokyo Institute of Technology. Saito was born in an isolated village where people survived mainly by farming rice and fishing during the winters, and he had an ambition to create a new industry in his impoverished hometown and enrich people's lives. However, he faced a series of challenges and failures, and later when looking back on his life, he said he had "two successes and 98 failures."

In the midst of these repeated failures, Saito had a fortuitous encounter with Dr. Kato and Dr. Takei through a connection. Dr. Kato showed him ferrite, a previously unknown magnetic material. Ferrite is a metallic oxide and has strong magnetism, but it was very much a technological invention whose specific uses were not clear. Nonetheless, Saito was deeply impressed by the Dr. Kato's statement, "Ferrite is an original invention created in Japan and will become an industry from Japan," and he was determined to commercialize ferrite. Moved by Saito's passion, Dr. Kato granted a license to him at no cost. Saito asked Shingo Tsuda, president of Kanegafuchi Boseki, Japan's largest company at the time, whom he had met through the Angora rabbit wool business, one of his 98 failures, to provide the startup capital. Tsuda was unable to use company capital for a purpose outside Kanegafuchi Boseki's business, so he provided his personal funds to Saito. This was venture capital, and instead of seeking a return on his investment, he entrusted Saito to achieve true industrialization in Japan using an invention created in Japan. Tokyo Denki Kagaku Kogyo (later TDK) was founded in 1935 with the invention of ferrite by two great scientists, the desire of an investor who dreamed on an industrialized Japan, and Saito's passion. Saito, who witnessed the founding of TDK, was succeeded as president by Teiichi Yamazaki, and later worked to establish the Science and Technology Agency and became its first vice minister in pursuit of his ambition to make Japan a science and technology nation. The two major wins that Saito staked his career on were the founding of TDK and the creation of the Science and Technology Agency.

Yamazaki, the second president of TDK after Saito, was a student of Dr. Kato. Yamazaki used specialized knowledge regarding ferrite and built the foundations of TDK's manufacturing base in Akita, and in 1961, TDK's shares were listed on the Tokyo Stock Exchange. With the listing, Yamazaki obtained massive gains, but he used all of the proceeds to make a donation to the Tokyo Institute of Technology and established a number of science and technology foundations with the hope of supporting the advancement of science in Japan, contributing to the development of future generations.

Fukujiro Sono, TDK's third president, was an exceptional salesperson from Kanegafuchi Boseki, but he joined TDK with the aspiration of contributing to venture business. Sono created new applications using ferrite, such as radios, household appliances, and television sets, and developed new customers, contributing to the advancement of Japanese electronics after the Second World War.

TDK's corporate motto, "Contribute to culture and industry through creativity," is the vision of founder Kenzo Saito, and the corporate principles—"Vision" "Courage" "Trust"—are an expression of the venture spirit of the six members who built up TDK in its founding days.


Kenzo Saito


Teiichi Yamazaki


Fukujiro Sono


Yogoro Kato


Takeshi Takei


Shingo Tsuda

Chapter 1

How Will TDK Grow?



Not being content with record-high net sales and operating profit, we will strive to dynamically and sustainably create value

Noboru Saito
Representative Director, President and CEO

Summary of fiscal 2023 performance

Three key businesses grew as expected, whereas improvements to problematic businesses were delayed

In the electronics market in fiscal 2023, EX-related demand for mainly xEVs and industry equipment was strong, though demand remained sluggish in some products for the ICT market. The Group's ability to reliably capture this demand enabled us to achieve a 14.7% year-on-year increase in consolidated net sales and a 1.2% year-on-year increase in operating profit, both record highs. In my first year as president of TDK, I believe we have achieved a certain level of success in terms of our performance figures.

Last year, when I assumed the post of president, I stated that growth strategies for three of our businesses were particularly important for TDK to work toward a new stage of growth. Those strategies were to strengthen our business in medium capacity rechargeable batteries; growth of the sensor business; and regrowth of the passive components business. Our assessment is that all three of these businesses have made good progress over the past year.

In the medium capacity rechargeable battery business, there has been strong growth in demand for residential energy storage systems (RESSs), contributing to earnings. Business through our joint ventures (JVs) with CATL, the world's largest maker of automotive batteries with which we formed an alliance in 2021, is also progressing steadily. The new production site built in Xiamen, Fujian Province began operating in April 2023.

The sensor business finally moved to profitability in fiscal 2022 and is now positioned to embark on its second chapter. Magnetic sensors performed well in fiscal 2023, with sales of Hall sensors growing for automotive and smartphone applications. In addition, sales of TMR sensors for automotive applications remained strong, and sales of new products for smartphones did well. As a result, the sensor business overall saw a significant increase in both sales and profit. In response, we have decided to invest approximately ¥35.0 billion to increase production of TMR sensors, which are the driving force behind this growth.

In the passive components business, both sales and profit increased significantly thanks to strong performance in products for the automotive market, especially for xEVs. In May 2022, we announced an investment of approximately ¥50.0 billion to increase production of multilayer ceramic chip capacitors (MLCCs) in order to meet strong market demand. Originally, we had planned to start mass production in September 2024, but we are now moving ahead with plans to push the start of mass production forward by about five months, to around April 2024.

While our growth strategies thus progressed as expected, or even better than expected, there were some areas in which we did not progress as planned, including improvement of low profit so-called problematic businesses.

In particular, in the magnet business, which continues to struggle, sales to the xEV market increased, resulting in higher revenues, but delays in boosting productivity prevented an improvement in profitability, resulting in recording of a ¥2.2 billion impairment loss. The magnet business is viewed in large part as an investment in the future in terms of capturing forthcoming demand for use in automobiles, wind power generation, and other products. Going forward, we will work to improve profitability while maintaining a more rigorous balance between investment and production.

Meanwhile, HDD heads saw a large decrease in profit due to significant inventory adjustments as data center investment was more restrained than expected because of the impact of the economic slowdown and other factors. With demand for HDDs expected to take some time to recover, and after reviewing the market needs and the competitiveness of our business in products for the ICT market that apply the HDD suspension, the decision was made to downsize that business. As a result, we recorded a one-time expense of ¥25.7 billion for impairment losses in and restructuring of the HDD-related business as a whole.

While it's unfortunate that the Magnetic Application Products business as a whole suffered significant losses, I appreciate the flexibility and speed with which the business divisions responded to the unexpected deterioration in business conditions. We will continue to implement measures to improve profitability as quickly as possible.

Management philosophy

Strengthening bonds within TDK United as the manager of a jazz band

Corporate leaders are frequently compared to the conductors of an orchestra, but in TDK's case, I think a big jazz band, with its greater emphasis on diverse personalities, is a more appropriate metaphor. I thus see my role as equivalent to the leader and manager of this big band.

Today, TDK is a global corporate group with over 250 locations across more than 30 countries and regions. Non-Japanese now comprise about 90% of our more than 100,000 employees. Through my 30-plus-year career with TDK, I've learned that this global company has many team members (employees) working all over the world who have outstanding abilities and unique talents. These diverse, highly individual players have gathered under the TDK flag, each performing in a style that brings out their unique personalities. Together, they form a band called TDK, one that improvises at times while swinging powerful melodies and beautiful harmonies.

This is why I call this band "TDK United" rather than "One TDK." As the band leader and manager, it is my role to ensure that the creativity, motivation, and desire of each of our diverse team members is brought to bear in the best way possible. As a result, while each player may seem to be taking their solos as each of them sees fit, a sense of harmony and tension is created as the notes they each play collide with one another, producing a high-spirited jazz number. I believe that my greatest role as president is to manage this band so that we achieve this kind of value creation. I do this by preparing the stage and the performance environment, coordinating the relationships among our band members, and always striving to keep the band in the best possible condition.

For me to fulfill this role, nothing is more important than close communication with each of our team members. I do this not through e-mail or phone calls, but emphasize, as much as possible, conveying my thoughts directly by discussing them face-to-face and by listening to what our people have to say. This is why, shortly after becoming president, I decided to hold monthly one-on-one meetings with all of our 18 corporate officers. A year later, these meetings continue, allowing us to deepen our mutual understanding by discussing personal thoughts that may be difficult to talk about in full group meetings.

I have also made a point of visiting our business sites through Japan and overseas to talk with our many team members working at those locations. Since becoming president, I have completed visits to all of our sites in Japan, and overseas, I have made the rounds of our main locations in Europe, the United States, and China. In the current fiscal year, I intend to deepen this communication not only by visiting those sites I have yet to travel to, but by actively conducting visits to the major customers in each of our businesses.

In addition, in April 2023 we held an online town hall meeting on a global basis. Everyone in the Group can attend these meetings, which offer time during which anyone is free to ask questions. I would like to continue holding these meetings, too, while listening to the opinions of our team members.

Key issues in fiscal 2024

Enhancing our strengths under the "Quality First" slogan

Fiscal 2024 is the final year of our current Medium-Term Plan. Of the numerical targets set out in that plan, we expect to meet our target for net sales, having already achieved it in fiscal 2023. Unfortunately, it may prove difficult to reach our profit targets of an operating profit margin of 12% and ROE of 14%. Naturally, we will continue doing our best to reach those numbers up until the last minute. We intend to further expand the three growth businesses mentioned earlier, while at the same time we work to increase earnings by further addressing issues in our problematic businesses.

To achieve the goals of the current Medium-Term Plan, I am now calling for a rigorous company-wide implementation of our "Quality First" policy. Of the material issues we have raised in striving toward sustainable growth, I am placing particular emphasis on quality. It is the top reason TDK is chosen as a brand, and I believe it is a fundamental element of trust in us as a manufacturer.

When talking about quality, the general tendency is to think only of product quality, but the quality I speak of encompasses a much broader meaning. I believe it includes enhancing quality in a more inclusive sense, from streamlining production and improving yield rates, to strengthening marketing and, further, improving the working environment and increasing team members' motivation. These factors are things that we can improve and enhance through our own efforts, regardless of macro market conditions. While it is of course important to address a changing market environment, aside from that I think we can find many things we can and should do to improve quality simply by reexamining what is right in front of us. That is what we might call growth potential.

Last year when I visited one of our sites in the Tohoku region, the person in charge on site told me that after reevaluating their quality standards, their yield rate rose, leading to an improvement of several tens of millions of yen annually. In other words, taking another look at excessive quality generated new value. I am certain that these kinds of small enhancements to quality, if put into practice across all of our global sites, can result in considerable improvement and growth. Under the "Quality First" slogan, we will continue to send out a strong message company-wide encouraging everyone to proactively review the quality of their work.

Another thing I believe is an issue in achieving sustainable growth is to further strengthen our market-in concept. This too is not only a management issue, but an opportunity for growth. Since its founding, TDK was strongly focused on a product-out or technology-out approach, hoping customers would use the amazing technologies and wonderful products we created. I believe this technology-out attitude is in itself important to a creative manufacturer like TDK. That said, however, it is also important for us as a manufacturer to keep a close eye on market trends and customers' potential needs, quickly feeding that information to development and offering new products and solutions in a timely manner. This is why my ideal is a hybrid structure that appropriately bridges the technology-out and market-in approaches.

To bolster our market-in stance, two years ago TDK established the Corporate Marketing & Incubation (CM&I) HQ, an organization with cross-sectional functions. This HQ functions as an antenna for TDK's wide range of markets, customers,



and applications. Its mission is to utilize information on cutting-edge technology trends obtained from TDK Ventures Inc. (TDK Ventures), which functions as a corporate venture capital (CVC) organization, while at the same time tying that information to the development of products that respond quickly to market trends, combining a variety of technological seeds in a manner that makes them available across our technology divisions and business companies. We will further strengthen these functions and maximize TDK United's value creation by offering the products and solutions the market and our customers need when they need them.

Vision for the medium and long term

Passing down our founding spirit to become an indispensable presence in society

Our corporate motto is to "Contribute to culture and industry through creativity." Our Sustainability Vision, which we established in 2020, is driven by the slogan "Technology for the well-being of all people." As these words suggest, my hope is that we will be a company that can bring people happiness through technology. Energy transformation (EX) and digital transformation (DX), which today are major global trends, are nothing less than a movement toward a happier state for humanity. While we at TDK are firmly on top of these major trends, we would like to become an even more indispensable presence in society than we are today.

TDK's strength in terms of technology is that in addition to materials technology, including in magnetic and ceramic materials, we also have process technology, which can bring out the properties of those materials to the utmost. These, along with evaluation and simulation technology (which provides accurate analysis of ultra-fine areas); product design technology (to create modules and solutions from a variety of materials and components); and production engineering (which supports mass production with consistent quality), form TDK's five core technologies.

Diversity is also one of TDK's major strengths. In terms of human capital, we employ people from a variety of countries and cultural backgrounds, forming teams with a variety of backgrounds and perspectives. This diversity is what makes it possible for us advisers to our customers on a wide range of issues and requests. It allows customers the expectation that, when they face difficulties, they can always turn to TDK for some kind of response.

Another thing that I think is a strength for TDK is our venture spirit. Even as the company has grown in scale to net sales in excess of two trillion yen, with more than 100,000 team members, we still retain and continue to pass down our founding spirit of challenge. You can sense, in whichever country or division you go to, the positive attitude behind the Group's willingness to courageously take on things of value and new challenges without fear of failure. In that sense, I think of TDK as a magnificent venture company.



The TDK spirit is never satisfied with the status quo, but rather drives us to boldly transform ourselves and constantly take on new challenges. TDK's current broad business portfolio was built as a result of that spirit. Our business structure may yet change going forward, to continue adapting to a changing environment or to address new customer expectations. Still, as long as we maintain this venture spirit, the company will continue to evolve and grow. I am convinced of that.

Sustainability initiatives

Creating corporate value in both financial and non-financial terms

In corporate management, it is important not only to pursue financial value, but also to focus on non-financial activities such as ESG, which might also be considered future financial value, and to contribute to the realization of a sustainable society while enhancing corporate value through a balance of these two. This, too, I see as both a management issue and, at the same time, an opportunity for growth, and I would like to describe our efforts in the areas of decarbonization and energy, human capital, and governance.

As part of our efforts toward helping to achieve a decarbonized society, in November 2022 TDK joined the RE100 international initiative, as we work toward ensuring that by 2050, 100% of the electricity used at our business facilities around the world will come from renewable energy. Initially, we have set a goal of achieving a Group-wide renewable energy introduction rate of 50% or more by fiscal 2026, and we expect to achieve this goal by the end of fiscal 2025, one year ahead of schedule. One of the specific initiatives backing this progress is that, effective from July 2023, we have transitioned to renewable energy sources for 100% of the electricity used at all of our domestic manufacturing sites. In parallel with these renewable energy initiatives, we continue to focus on lower energy consumption, and are working to reduce the amount of energy used at each of our sites, primarily manufacturing sites. Although overall production is currently on an upward trend, we are seeing a downward trend not only in CO_2 emission intensity but in the volume of emissions as well. Going forward, we intend to continue working to reduce emissions by streamlining our electricity use as much as possible.

In the area of human capital, I think that people are the fundamental element supporting a company's sustainable growth. To make the most of the individuality and abilities of our highly diverse human resources, we have established and are currently running the Global Management Development Programs, which integrates everything from hiring and training, to compensation, skills development, and goal management. In April 2023, we appointed Andreas Keller, General Manager of our Human Resources HQ, to become our Chief People and Sustainability Officer (CPSO). The goal is to deepen collaboration between the Human Resources HQ and the Sustainability Promotion HQ, the Corporate Strategy HQ, and others in an effort to further evolve sustainability initiatives.

In February 2023, we conducted our first global Team Member Engagement Survey. Based on those results, going forward we will consider measures that will contribute to team member engagement and improving motivation. In addition, we also intend to put even more effort than before in maintaining and improving members' health, one of the areas of quality I mentioned earlier. In conjunction with this effort, we established the TDK Health Declaration to actively support managing and improving the health of our members. We also joined the Health & Productivity Management Alliance, the goal of which is the co-creation of a model and solutions for health and productivity management in Japan.

In the area of governance, based on our basic policy of Empowerment and Transparency we have established rules that every team member of the Group must follow as the Global Common Regulations, while structuring an autonomous and decentralized organization that allows us to make the most of our members' individuality.

As part of delegating authority to the front lines, we are also advancing efforts to expand the authority of our regional headquarters. Since October 2022, we have appointed both the heads of our regional headquarters in China and the Americas as corporate officers. This is intended to allow our regional headquarters, which have traditionally focused on business management functions, to further evolve by integrating a variety of functions such as marketing and R&D. We would like each of them to build a dynamic value creation chain that leverages the characteristics of their respective regions and constituent team members, leading to strengthening TDK United as a whole. With this delegation of authority to the front lines, I would also like to see the Board of Directors focus on broader or more medium- to long-term themes and engage in vigorous discussion.

To our stakeholders

Putting even greater effort into our dialogue with you, as we work to execute our value creation story

As I mentioned earlier, given that EX and DX have become such powerful trends worldwide, we foresee growth potential in the seven areas we are currently focused on (the Seven Seas). And in fact, I sense a significant increase in the expectations of our customers, shareholders, investors, business partners, and the varied other stakeholders in TDK's orbit. Everything else depends on our ability to execute. "The stage is prepared. Now it is up to how well each of you can perform!" That is the call I am putting out to the diverse players in the TDK United band.

I believe that by maximizing the strengths of TDK United—the venture spirit we have inherited as part of our DNA since our founding; our core technologies from material science; our wide range of business domains and diverse human resources running across the company; and our organizational ability to smoothly integrate these into a single jazz big band—we will continue to create new value that meets your expectations as we pursue our goal of becoming an indispensable presence in society.

I would like our shareholders, investors, and other stakeholders to gain a deeper understanding of this value creation story. To that end, we will make even greater efforts to disseminate a variety of information as a company and to engage in dialogue with all of you. I hope you will continue to look forward to the future of TDK United.

TDK has voluntary adopted the IFRS on its consolidated financial statements in the annual Securities Reports from the fiscal 2022 in place of the US-GAAP. The figures for the fiscal 2021 are also presented in accordance with IFRS.

Our Driver

Corporate Motto
Contribute to culture and industry through creativity

Corporate Principles
“Vision” “Courage” “Trust”

Sustainability Vision
Technology for the well-being of all people

Our Business Model

INPUTS

Financial capital
Financial position and investments that support value creation
- Total assets (fiscal 2021) ¥2,359.7 billion
- Capex (fiscal 2022 to fiscal 2024) ¥750.0 billion

Manufactured capital
Competitive global network
- Manufacturing sites Approx. 100 locations

Social and relationship capital
Strong customer base and co-creation of innovation
- Long-term, good relations with major global corporation customers
- TDK Ventures investments in 26 companies

Intellectual capital
Unique core technologies that continue to grow
- Global development system for creating technologies of value
- Ferrite Tree and five core technologies
- Research and development (fiscal 2021) ¥127.4 billion

Human capital
Diverse human resources
- Consolidated number of employees (fiscal 2021) 129,284
- Non-Japanese corporate officers: 9 of 18 in total (as of the end of June 2023)
- Overseas employee ratio (fiscal 2021) 92.0%
- Diverse and abundant engineering staff

Natural capital
Effective use of resources
- Total energy consumption (fiscal 2021) 16,068,546GJ
- Total water withdrawal (fiscal 2021) 17,783 thousand m^3

BUSINESS ACTIVITIES

Realization of 2CX
Customer Experience, Consumer Experience

Seven Seas (see page 14)

Robotics
Medical/ Health Care
Mobility EV
Renewable Energy
AR/VR
Beyond 5G
Mobility ADAS
IoT

EX DX

Kotozukuri
Systems
Modules
Parts
Monozukuri

TDK Group’s Materiality (see page 26)

Core Competencies
New designs from material science × Manufacturing capabilities that will continue to evolve → Sales and marketing to strike at the center of the world

Unique employee culture for value creation

Empowerment and Transparency (see page 65)

OUTPUTS

High-value-added products and services

Passive Components



Sensor Application Products



Magnetic Application Products



Energy Application Products



(see page 20)

By-products and waste

CO_2	Emissions	Chemical substances
Achieve net zero CO_2 emissions by 2050	Improving the emission intensity	Reducing the use and emission of chemical substances

OUTCOMES

Financial capital
- OP margin (fiscal 2024): over 12%
- ROE (fiscal 2024): over 14%

(see page 30)

Manufactured capital
- Achieving zero-defect product quality
- Management of ISO certification maintenance Certification maintenance ratio: 100%
- Furthering activities of all types to reduce quality-related costs

(see page 44)

Social and relationship capital
- CSR compliant supplier rate (fiscal 2024): 100%
- “A rank” in degree of customer satisfaction: At least 95%

(see page 50)

Intellectual capital
- Total number of patents claimed globally: Approx. 18,000
- Deepening of core technologies and accumulation of production technology know-how

(see page 40)

Human capital
- Female managers ratio (by 2035): 15% (Japan)

(see page 36)

Natural capital
- CO_2 emission intensity from energy use Reduce by 12% compared with fiscal 2015 (fiscal 2024)

(see page 52)

Return on capital

Changes in the external environment

Necessity of EX and DX in industry

Climate change
Resource depletion
Geopolitical risks
Changes to social structure and industrial structure
Expansion of the pandemic
Heightened awareness of human rights

TDK's seven focal areas

Seven Seas

TDK has stipulated seven focal areas as the "Seven Seas."

As energy transformation (EX) and digital transformation (DX) further advance as the main currents of society, we have cited Beyond 5G, IoT, Robotics, AR/VR, Medical/Health Care, Mobility ADAS/EV, and Renewable Energy as fields to be tackled in a priority manner going forward.

TDK's four business companies (BCs), the HQ R&D function, and the corporate marketing department will work together to promote product development and contribute to the solution of social challenges.



Beyond 5G

Anytime, Anywhere, Anything: Delivering a More Connected Future

Beyond 5G refers to the next-generation communications system, which will further advance the functions of 5G network communications. It will enable the real-time processing of vast amounts of data from around the world. Transcending the conventional communications infrastructure, it is expected soon to become the core of social infrastructure. TDK's technologies will contribute to such innovations as augmented reality (AR) powered by ultra-high-speed and high-bandwidth communications, as well as vehicle-to-everything (V2X) communications.



Chip antennas for smartphones and automobile applications

Applications: Smartphones, tablets, mobile routers, etc.
▶ Click here to learn more



IoT

Turning Connectivity into an Emotional Experience

The Internet of Things (IoT) connects everything around us to a network and exchanges data between cars, household appliances, industrial equipment, and medical devices. The technologies are creating new value and culture in our society and lives. TDK supplies devices and promotes innovations to further evolve IoT equipment, such as haptic technology, which transmits information through not only sight and hearing but also touch.



The ultra-thin actuators PiezoHapt™

Applications: IoT, etc.
▶ Click here to learn more

Robotics

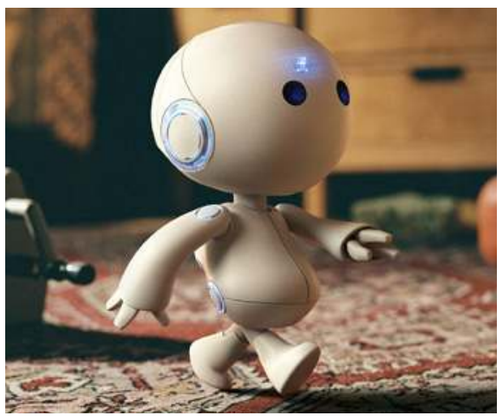
A Partner Who Is Always by Your Side

The new society in which robots and human beings coexist is just around the corner. Sensors, such as temperature sensors, angle sensors, and inertial sensors, are essential for the high-level control of robot movement. In addition, a robot equipped with optical image stabilization (OIS) technology will be able to communicate with you smoothly by constantly acquiring steady visual information even during intense movement.



TMR angle sensors

Applications: Service robots, etc.
▶ Click here to learn more





AR/VR

A Whole New World, Right Before Your Eyes

Technologies like VR enable a realistic experience of the virtual world, while AR overlays the virtual world onto the real world. These technologies are being used to create simulated experiences not only in entertainment, but in education, as well as in medical and travel and so on. Through the development, for example, of a compact and light laser module that projects high-quality images, TDK will help realize easy access to digital space.



Ultrasmall full color laser modules

Applications: AR/VR (augmented reality/virtual reality), etc.
▶ Click here to learn more



Medical/Health Care

Living Healthier with Technology

Innovations in medical and health care technology are advancing at a faster pace. They include daily health management through wearable devices, online consultations via the Internet, image diagnosis using AI and the development of new drugs, are advancing. TDK's inertial measurement units (IMUs) in wearable devices sense and track human movement with high degrees of accuracy to support biometric measurements. Thus, we promote the health and well-being of people of all ages.



Inertial measurement units (IMUs)

Applications: Medical and health care, etc.
▶ Click here to learn more



Mobility ADAS/EV

Mobility Experiences That Are Safe, Secure, and Sustainable

The emergence of advanced driver assistance systems (ADASs) and electric vehicles (EVs) enables mobility experiences that are safe, secure, and sustainable. Notably, sensors that detect the status of the vehicle and its surrounding conditions are playing increasingly important roles. By detecting road and vehicle conditions and coordinating with next-generation communications systems, TDK's sensor solutions will enable safer driving.



Smart sensing InWheelSense™

Applications: Automotive, etc.
▶ Click here to learn more



Renewable Energy

Renewable Energy as the New Normal

What can technology do to help achieve a sustainable global environment? For one, it can help ensure a stable supply of electric power through the use of energy storage systems (ESSs). Through the supply of medium capacity rechargeable batteries and power-supply products for residential energy storage systems (RESSs), TDK will contribute to the diffusion of renewable energy and the solution of issues relating to climate change, such as the energy problem.



Residential energy storage systems (RESSs)

Applications: Smart energy, etc.
▶ Click here to learn more

Together with the changing times, TDK has continued to create new businesses

Throughout this history of more than 85 years, TDK has responded to the constantly changing market and continued to supply valuable products. To supply products that meet the needs of the society, TDK has promoted technological innovations applying and developing our core technologies, such as material technology rooted in ferrite and process technology. With our eyes on future social requirements, we have also actively addressed such things as our main business portfolio transformation.



Diffusion of electric products



Diffusion of cassette tapes

Diffusion of personal computers and continued expansion of memory capacity





Promoted electrification of automobiles



Diffusion of cloud computing

Diffusion of smartphones and continued upgrading of functions

Ferrites
Inductors

Magnets

Capacitors

Magnetic tapes

HDD heads

Power modules

RF components

Batteries

Sensors & actuators

(Net sales)



1935 ≪ 1970 — 1980 — 1990 — 2000 — 2003 — 2010 — 2020 — 2023

Changes in the portfolio since 2000

(Percentage of net sales)

Changes in the portfolio since 2000

2000
- Acquired Headway Technologies, an U.S.-based magnetic head manufacturer.

2005
- Acquired ATL, a Hong Kong-based manufacturer and seller of lithium-ion batteries.
- Acquired Lambda Power Group, a company specializing in power supply business, from Invensys plc.

2007
- Acquired Magnecomp, a Thailand-based manufacturer of suspension applications for HDDs.

2008
- Acquired EPCOS (now TDK Electronics), a Germany-based electronic components manufacturer.

Expansion of the magnetic application products business

2007
- Marketing and sales operations for TDK brand recording media sold to Imation Corp. in the United States.

Deep cultivation of the markets for energy application products and passive components

2012
- Withdraw from OLED display business

2013
- Discontinuation of magnetic tape production

2014
- Withdraw from recording media business

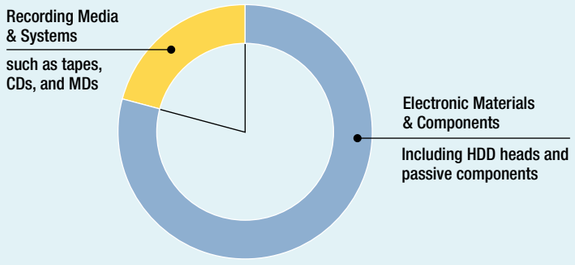
2016
- Acquired Micronas, a Switzerland-based developer and manufacturer of magnetic sensors. (Subsequently, absorbed and merged into TDK Magnetic Field Sensor Switzerland)

2017
- Acquired InvenSense, a U.S.-based sensor business company.

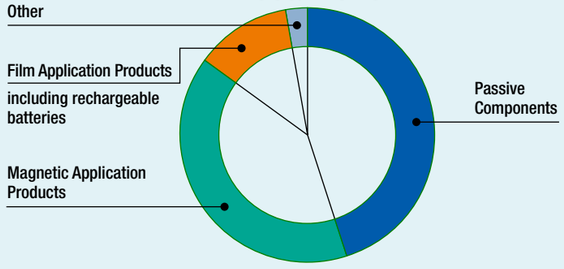
Expansion of the sensor application products business

2017
- Part of the high-frequency components business sold to Qualcomm

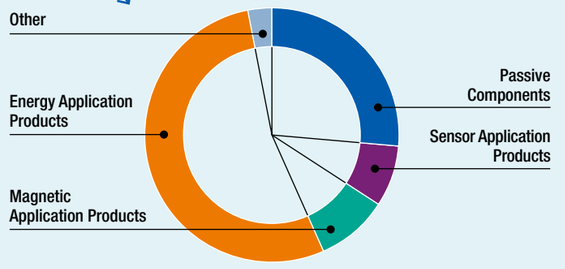
Fiscal 2003



Fiscal 2013



Fiscal 2023



TDK's Current Businesses

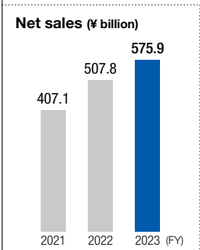
(Fiscal 2023, IFRS)

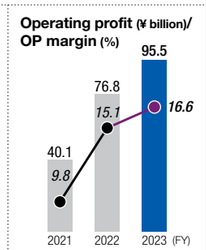
*In accordance with the reorganization for the first quarter of the fiscal 2023, certain products of Other are reclassified into Other passive components and certain products of Other passive components are reclassified into Capacitors and Inductive devices. Thus, the prior year's figures are also reclassified to conform to the new segmentation.

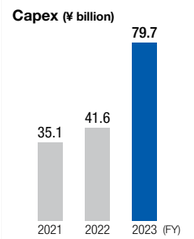


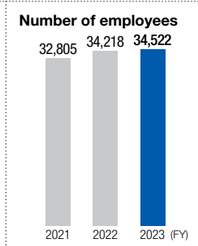
Passive Components

Share of net sales **26.4%** ¥575.9 billion



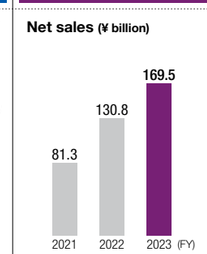


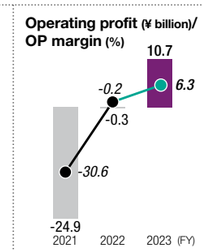


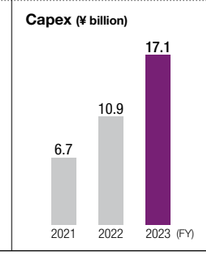


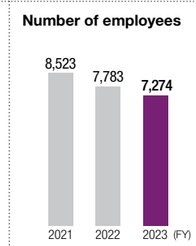
Sensor Application Products

Share of net sales **7.8%** ¥169.5 billion



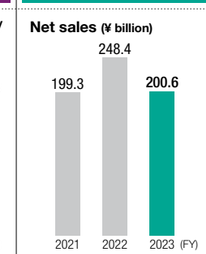


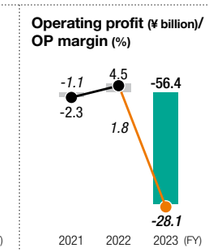


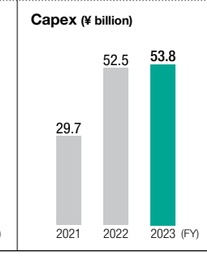


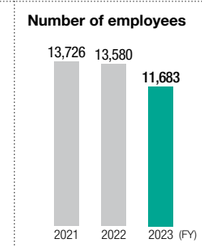
Magnetic Application Products

Share of net sales **9.2%** ¥200.6 billion



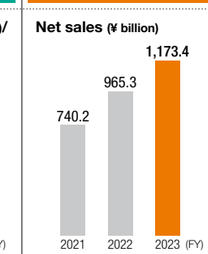


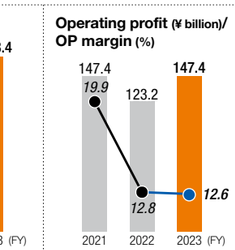


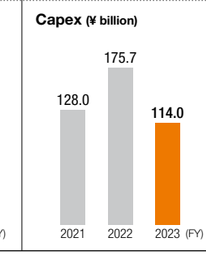


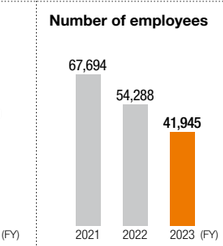
Energy Application Products

Share of net sales **53.8%** ¥1,173.4 billion



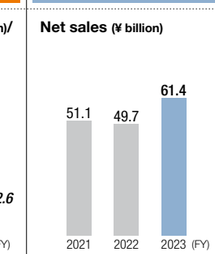


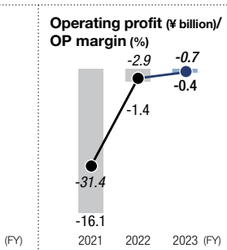


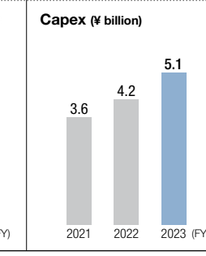


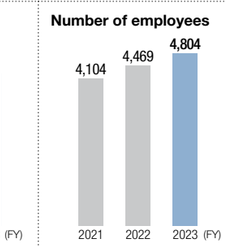
Other

Share of net sales **2.8%** ¥61.4 billion







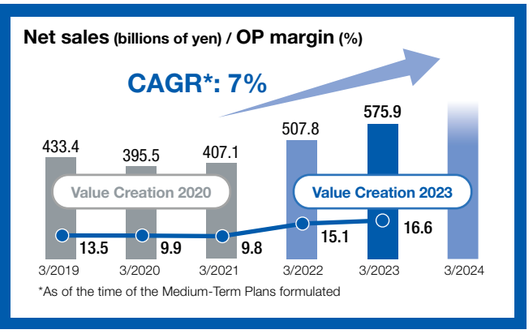


	Passive Components	Sensor Application Products	Magnetic Application Products	Energy Application Products	Other
	**Capacitors** Soft-termination multilayer ceramic chip capacitors, aluminum electrolytic capacitors, etc. **Inductive devices** SMD inductors with guaranteed high-temperature ratings, common mode filters for automotive-use LAN, etc. **Other passive components** Piezo actuators, etc.	**Sensors** Sensors (temperature, pressure, angle, current, acceleration, gyroscope, etc.)	**Magnets** Magnets for motors (cooling fan, door lock, etc.), magnets for xEV drive motors, etc.	**Energy devices** Lithium-ion batteries (for electric motorcycles) **Power supplies** DC-DC converters, onboard chargers, programmable power supplies (for inspecting) etc.	
	**Capacitors** 3-terminal feed-through capacitors, etc. **Inductive devices** SMD inductors, thin-film common-mode filters, etc. **Other passive components** Ceramic high-frequency components, multilayer chip varistors, etc.	**Sensors** Sensors (acceleration, gyroscope, MEMS microphones, magnetic, barometric pressure, etc.)	**Recording devices** HDD magnetic heads, HDD suspension applications, etc. **Magnets** HDD magnets, etc.	**Energy devices** Lithium-ion batteries (for smartphones, tablet devices, notebook computers, wearable devices, game consoles, etc.) **Power supplies** POL converters, etc.	Camera module micro actuators (VCM/OIS) for smartphones, etc.
	**Capacitors** Film capacitors, aluminum electrolytic capacitors, etc. **Inductive devices** Transformers, EMC filters, etc. **Other passive components** Varistors, arresters, etc.	**Sensors** Sensors (temperature, pressure, acceleration, gyroscope, current, etc.)	**Magnets** Magnets for industrial equipment motors, etc.	**Energy devices** Lithium-ion batteries (for drones, residential energy storage systems, etc.) **Power supplies** Switching power supplies (AC-DC, DC-DC), bidirectional DC-DC converters, etc.	Load ports, flip chip bonding systems, flash memory application devices, anechoic chambers, etc.
Competitors	**Capacitors** Murata Manufacturing, TAIYO YUDEN, SEMCO (Korea), Yageo (Taiwan), etc. **Inductive devices** Murata Manufacturing, TAIYO YUDEN, SEMCO (Korea), Cyntec (Taiwan), etc. **Other passive components** Murata Manufacturing, ALPS ALPINE, Panasonic, AMOTECH (Korea), etc.	**Sensors** Bosch Sensortec (Germany), STMicroelectronics (Switzerland), Infineon (Germany), Allegro (USA), Melexis (Belgium), Asahi Kasei Microdevices, Shibaura Electronics, Amphenol Corporation (USA), Sensata Technologies (USA), Murata Manufacturing, etc.	**HDD magnetic heads**[*1] Seagate Technology (USA), Western Digital Technologies (USA) **HDD suspension applications** NHK SPRING, etc. **Magnets** Shin-Etsu Chemical, Proterial, ZHONG KE SAN HUAN (China), etc.	**Energy devices** Samsung SDI (Korea), LG Energy Solution (Korea), Murata Manufacturing, Panasonic, BYD (China), etc. **Power supplies** Delta Electronics (Taiwan), Advanced Energy (USA), XP Power (Singapore), MEAN WELL (Taiwan), Cosel, etc.	

*1 TDK is the world's only specialized manufacturer of HDD magnetic heads. HDD magnetic head production is currently concentrated at three companies: TDK, Seagate, and Western Digital.

Passive Components Business Strategy

Achieve growth by firmly grasping EX and DX trends with diverse elemental technologies



As a result of the robust market for electronic components that continued from 2021 into the first half of 2022 and the weak yen, the Passive Components business segment was able to register record-high net sales and operating profit in the first and second fiscal years of the current Medium-Term Plan. Since the summer of 2022, however, demand from mainly the ICT market, such as smartphones, has shrunk. At the same time, the increase in energy and commodity prices has put pressure on profits. But from a long-term perspective, the electrification of automobiles, as well as ICT technology, are going to push up demand for electronic components worldwide. Therefore, we will continue to actively undertake capital investment and to supply outstanding and high-quality products without being flustered by any temporary business downturns.



Taro Ikushima CEO, Electronic Components Business Company

Market needs

- The passive components market has expanded to the automotive and the industrial equipment fields. There are also signs of expansion to the IoT, use of AR/VR and AI fields.
- As a result of the diffusion of electric vehicles and other types of xEVs, and the accelerated electrification of automobiles, such as advanced driving assistance systems (ADASs), the number of electronic components installed per vehicle is increasing.
- It is necessary that power electronic components become even more efficient so that a decarbonized society can be achieved.

Growth strategies

- The fields of ICT, automotive, and industrial equipment are fusing together, a variety of new applications are being created. We have seen these as a growth market and are bringing together our unique elemental technologies to put products into the market that have a high degree of originality.
- Regarding multilayer ceramic chip capacitors (MLCCs), we are focusing on products for automobiles, industrial equipment, mobile phone base stations, etc. that are required to have high quality and large capacity. These fields demand elaborate and complex manufacturing technology, so the barrier against the entry of rival companies is high.
- We provide a diverse range of inductors that use magnetic material as well as wire winding, layering, and thin-film technologies. We are now focusing on supplying products for automotive applications such as ADASs and autonomous driving, markets that are expected to grow and demand high quality products.
- We possess a high level of elemental technologies, including a wide range of processing techniques, materials, simulation, and analysis, enabling product development tailored to markets and uses.

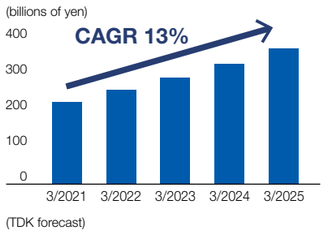
Opportunities

- Electrification and multifunctionalities of automobiles
- Creation of new applications

Risks

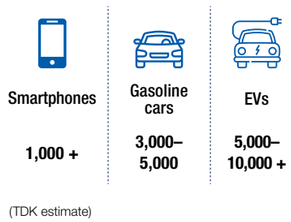
- Catching up technologically by passive components companies in China and other Asian countries
- Unpredictable price fluctuations in energy, raw materials, and distribution costs
- Geopolitical issues

Value of demand for automotive MLCCs



(TDK forecast)

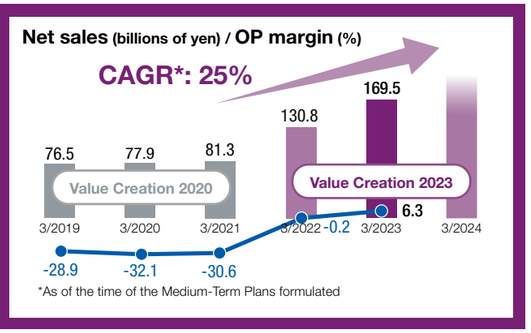
Upward trend in the number of MLCCs carried per product



(TDK estimate)

Sensor Application Products Business Strategy

Expand customer base and applications and move into the growth phase



In the current Medium-Term Plan we are focusing on the ICT and IoT markets, and thanks to an expansion of the TMR and motion sensors businesses, it looks like we will be able to achieve our numerical goals. Sensors have become able to gather and output even more advanced information, and, following the electrification of automobiles, as “Episode 2” we will undertake further value creation for xEVs and ADASs. The Sensor Systems Business Company is a team gathering members from not only TDK but also various other companies, and our new slogan is “Creating and connecting differences.” In accordance with the “market-in, concept-out” strategy, we connect various differences in a single line so that people come into contact with different values and thereby create new ideas and innovations.



Takao Tsutsui CEO, Sensor Systems Business Company

Market needs

- With the diffusion of AI in the wake of digital transformation, and to link the real world and the virtual world, the need for sensors able to digitalize all kinds of information is growing.
- It is becoming increasingly important to supply solutions embracing a complexity of sensors, AI technology, network technology, etc.
- The widespread adoption of xEVs and ADASs will result in the diverse use of temperature, pressure, magnetic, motion, ultrasonic sensors and others.

Growth strategies

- Sensors and sensor solutions are areas where we anticipate growth in the future. TDK is striving to expand a product lineup that combines AI and machine learning (ML) with a broad range of elemental technologies, all aimed at satisfying customer demands and solving social issues.
- TMR sensors, which were developed by using the thin-film and magnetic technologies, are a strategic product that TDK is focusing on. We are pushing forward on the development of products suited to a wide range of applications from ICT to industrial equipment and automotive uses.
- Our temperature sensors, pressure sensors, magnetic sensors, and motion sensors are being used in products for automotive uses, and we are seeking to grow our business in particular in conjunction with the expansion of uses with xEVs. As examples of magnetic sensors, we are working to further development efforts that should deliver sensor solutions that are both highly reliable and accurate by combining Hall and TMR sensors.
- We offer motion sensors, ToF sensors, MEMS microphones, and barometric pressure sensors all based on our MEMS technology and will further create a lineup of sensors of various types.

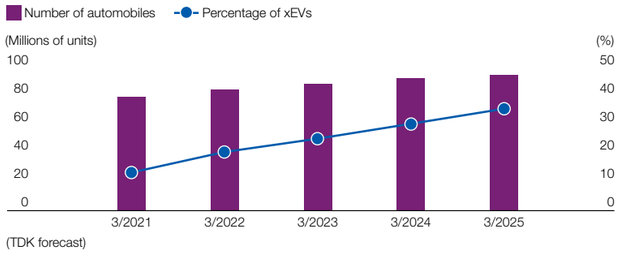
Opportunities

- Expansion of sensor demand in the wake of DX
- Electrification and multifunctionalities of automobiles

Risks

- The rise of new competitor companies
- Unpredictable price fluctuations in energy, raw materials, and distribution costs
- Geopolitical issues

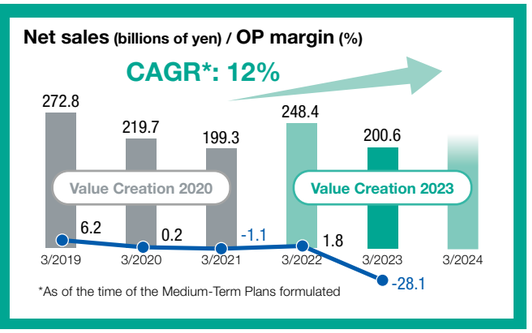
Percentage of automobiles that comprise xEV is on the rise



(TDK forecast)

Magnetic Application Products Business Strategy

Supply advanced technologies to meet the needs of the high-capacity storage age



The HDD industry has a long history of successes in developing advance breakthrough technology to increase areal density. The previous major technology was perpendicular recording, which replaced traditional longitudinal recording, thereby allowing a major increase in areal density and hence HDD storage capacity. TDK has been working very closely with our key customer in advancing heat assisted magnetic recording (HAMR) technology. In the meantime, we have also, in parallel, developed microwave assisted magnetic recording (MAMR). Although the current HDD industry is going through a difficult transition due to macro-economic events and circumstances, we firmly believe that the ever-increasing growth in digital creation will continue to drive HDD demand especially for data centers and the high-capacity storage industry.



Albert Ong CEO, Magnetic Heads Business Company

Market needs

- Thanks to the expansion in cloud and other services, investments in HDD servers for data centers are forecast to experience further growth. The technology requirements for HDD magnetic heads are likewise becoming ever more sophisticated.

Growth strategies

- By combining magnetic technology and thin-film process technology, we have commercialized magnetic heads for HDDs such as TMR/PMR heads. TDK, the world's only independent manufacturer specializing in HDD magnetic heads, will focus on the continuous development and mass production of new technology products such as MAMR heads and HAMR heads by providing advanced technologies that meet the needs of the era of large-capacity data storage.
- In preparation for the increased demand for new-technology products, we will continuously promote automation and increase the utilization of big data to optimize production capacity and operational systems.
- We will further enhance our share in the nearline HDD market by launching next-generation Tri-SA suspension for large-capacity nearline HDDs.

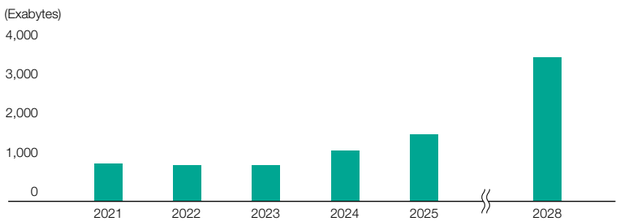
Opportunities

- Expanding demand for data storage through advances in AI technology and popularization of cloud services, etc.
- Take the lead in medium- to long-term technological innovation in cutting-edge technologies (MAMR, HAMR)

Risks

- Curbs on investments in data centers and storage
- Cost reductions due to SSD technology innovations
- Unpredictable price fluctuations in energy, raw materials, and distribution costs
- Geopolitical issues

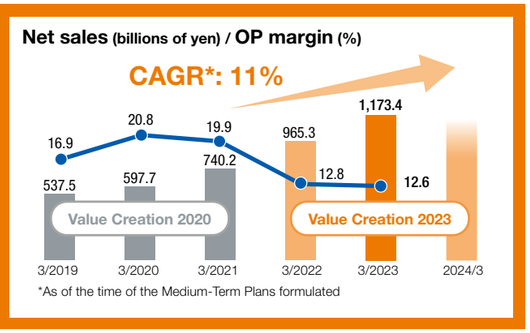
Storage capacity of nearline HDDs shipped worldwide



Source: Techno Systems Research
*1 Exabyte (EB) = 1,000,000 Terabytes (TB)

Energy Application Products Business Strategy

Contribute to the realization of a sustainable society through the batteries and power supplies businesses



Our medium capacity (mid-cap) rechargeable batteries joint ventures, which began full-scale operations in 2022, already has acquired a globally top-class share of the mid-cap rechargeable batteries market for RESSs. In fiscal 2024 and beyond, we will further accelerate the mid-cap rechargeable batteries business, including batteries for electric motorcycles, and, while grasping customer needs, contribute to the realization of a decarbonized society and to enhancing the convenience of society through the timely supply of industrial/automotive power supplies using the highly efficient power conversion and control technologies that are TDK's forte. When it comes to small capacity rechargeable batteries intended for the ICT devices that are our main business, smartphone demand is forecast to be sluggish in the short-term but we are working to boost our competitiveness through continual technological innovation with the goal of achieving further growth.



Fumio Sashida CEO, Energy Solutions Business Company

Market needs

- Demand is increasing for power supplies and rechargeable batteries due to the proliferation of xEVs, electric motorcycles, 5G communications, IoT and wearable devices.
- As the utilization of solar power, wind power, and other renewable energy increases toward the realization of a decarbonized society, demand is increasing significantly for batteries of ESSs for residential and industrial use.
- In such fields as smart cities and advanced medicine, demand is expanding for power supplies and ESSs for the effective utilization of electricity.

Opportunities

- Expansion of storage battery market and related equipment demand as a result of the accelerated introduction of renewable energy (rechargeable batteries and industrial power supplies businesses)
- Increase of demand and advance of higher added value, such as high voltage driving and autonomous driving (automotive power supplies business for xEVs)

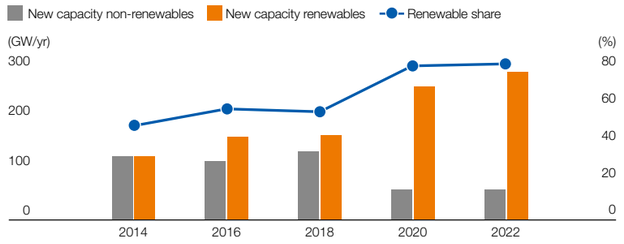
Risks

- Uncertain supplies of raw materials and semiconductors due to sharp expansion of the EVs and renewable energy markets
- Unpredictable price fluctuations in energy, raw materials, and distribution costs
- Geopolitical issues

Growth strategies

- We will maintain and expand our front-runner status in rechargeable batteries through the development of cutting-edge technologies and performance improvements in the ICT market. At the same time, capitalizing on the cell technology that we have nurtured through small capacity batteries, we will pursue business expansion in the field of highly safe, long-life, and high-output medium capacity batteries. Furthermore, with future business expansion in mind, we will strengthen our undertakings throughout our supply chain, including the upstream of raw materials.
- Regarding power supplies for industrial equipment, we contribute to solve energy issues of society through the development and supply of, among other things, bidirectional converters for the highly efficient charging and discharging of storage batteries, which are essential for the utilization of renewable energy; programmable power supplies that are widely used in semiconductor manufacturing equipment and so on; and switching power supplies for various medical equipment requiring a high level of safety, such as MRI machines and PCR test devices.
- Regarding power supplies for xEVs, in addition to its technology of the compact and low-profile, and the light power supplies through the original design, we will contribute to solve issues in automobile society by the provision of added value enabling it to respond to the increasing demand for electricity due to the multifunctionality of automobiles and the need for rapid charging.

Annual power capacity expansion



Source: International Renewable Energy Agency (2023)

Chapter 2

What Underlies TDK's Competitiveness?

Materiality

In order to both achieve the goals of the Medium-Term Plan and balance a sustainable society with sustainable corporate growth, we identified materiality by defining key issues as those which should be addressed by giving them top priority in investment of the organization's management resources. On the premise of long-term value creation for all stakeholders, including customers, suppliers, and employees, the TDK Group focuses on long-term investors and shareholders that are the beneficiaries of residual profit.

EX
Contribution to energy and environmental solutions by minimizing waste heat and noise with electronic devices

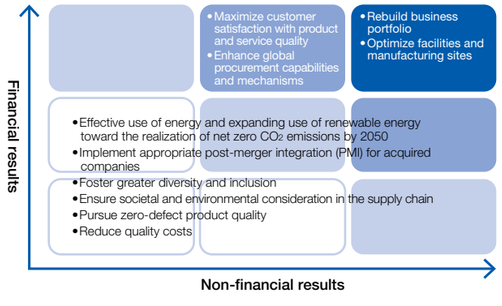
DX
Promotion of the digitalization of society by adding software technology to material science and process technology

- Quality Management
- HR Management
- Supply Chain Management
- Opportunity & Risk Management
- Pursuing Both Delegation of Authority and Internal Controls
- Asset Efficiency Improvement

Please see the website for information about materiality identification process.
https://www.tdk.com/en/sustainability2022/tdk_sustainability/tdk-materiality/definition

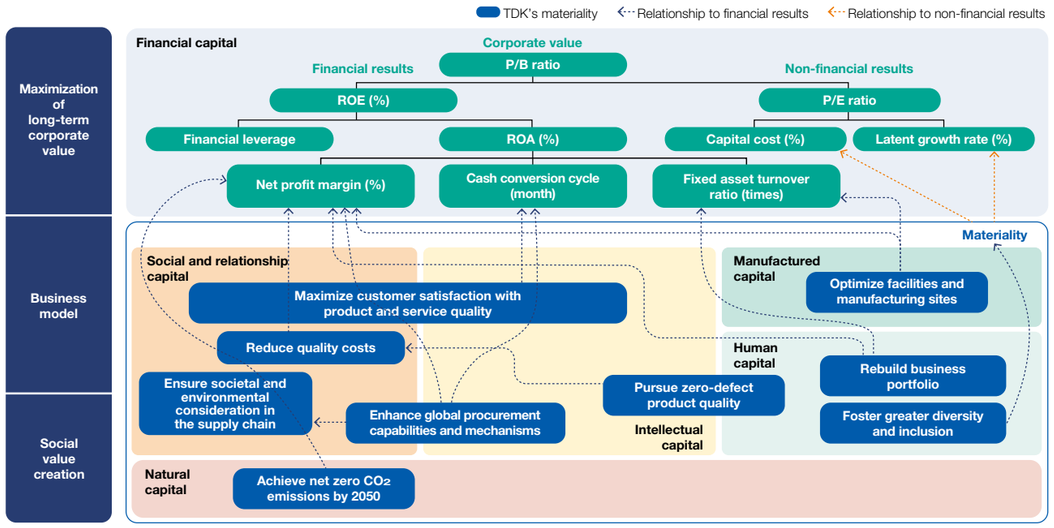
Rigorous selection of materiality

Regarding the 22 themes linked to the identified materiality, we conducted hearings with related headquarters functions. After that, we carried out a qualitative assessment of the relationship of each theme to corporate value, centering on the two axes of financial results and non-financial results, and selected rigorous KPIs (diagram on right) linked to the six materiality targets from the perspectives of the effectiveness of KPIs and the impacts on corporate value.



Relationship between materiality and corporate value

In endeavoring to maximize long-term corporate value, TDK emphasizes a P/B ratio as an indicator of corporate value. Following this approach, we studied and formulated a tree showing how activities linked to each materiality theme impact corporate value. The tree also indicates which of the six capitals defined by the International Integrated Reporting Council (IIRC) corporate activities linked to each theme contribute to. (These six types of capital are financial, manufactured, intellectual, human, social and relationship, and natural.) In addition, we monitor the degree of achievement of KPIs set for each materiality theme by contrasting planned figures and achieved figures with a tool called a management dashboard that analyzes and visualizes data.



To examine activities that really do enhance corporate value, we quantitatively analyze the relationship between the P/B ratio, a proxy for corporate value, and ESG and other non-financial indicators.

In promoting more effective non-financial activities, such as ESG, to further enhance corporate value, we are utilizing outside opinions and conducting demonstrative studies of nonfinancial activities. Specifically, using information released by 85 electric appliance companies listed in the Prime Market of the Tokyo Stock Exchange (as of March 2023) as a data source, we conduct causal estimates by the following analytical model and statistically evaluate and identify significant nonfinancial indicators against the P/B ratio, ROE, and P/E ratio. In addition, we also carried out an identification of ESG and other non-financial indicators that promote the enhancement of corporate value in qualitatively explicable terms with reference to analyzed results based on a data source of manufacturing industries as a whole and manufacturing businesses other than electric appliance companies, as well as previous research in business management and so on.

As a result, it can be said that such nonfinancial indicators as the ratio of recycled waste to total waste do contribute to the enhancement of corporate value. These items are not included in the materiality set by the current Medium-Term Plan, but we are continuing to tackle them as activities. Going forward, we will increase the data and improve the analytical model so as to raise its authenticity. At the time of formulation of the next Medium-Term Plan, giving due consideration to comparable issues in non-financial information disclosed by other companies and the limits of the analytical model caused by the problem that the evaluation of non-financial indicators is still at the developmental stage, we will carry out a review of our materiality based on these analyzed results and our value-creation story and even more proactively promote the enhancement of corporate value through non-financial activities.

1. Analytical model

- Implemented causal estimates for each of three objective variables (the P/B ratio, ROE, and P/E ratio) using our original regression equation.
- In consideration of the nature of the objective variables, besides one non-financial factor to be analyzed, six financial factors of the previous term's results are added to the explanatory variables.

i: Company t: FY

Regression equation applied this time:

$$y_{it} = \beta_0 x_{it-1} + \beta_1 x1_{it-1} + \cdots + \beta_6 x6_{it-1} + u_{it}$$

Non-financial factor (one)

Financial factors relating to business performance selected in consideration of the characteristics of the industry (six)

2. Analysis results

Classification	Non-financial indicators*1	Unit	P/B ratio		ROE		P/E ratio	
			Regression coefficient*2	P value*3	Regression coefficient*2	P value*3	Regression coefficient*2	P value*3
Environment	Amount of recycled waste/ total amount of waste	%	2.623	p<0.01	4.075	p<0.05	–	–
	No. of ISO 14001 certified facilities/no. of employees	No. of facilities/ 1,000 persons	0.069	p<0.01	–	–	–	–
Social	Period of paid leave obtainable under maternity leave system	Week	0.044	p<0.1	0.145	p<0.05	–	–
Governance	Ratio of outside directors possessing shares	%	0.011	p<0.1	0.039	p<0.05	–	–
	Average remuneration paid to directors	million yen	0.054	p<0.01	–	–	–	–

*1 This shows partially extracted non-financial indicators recognized as being statistically significant in causal estimation with objective variables and for which qualitative interpretation was possible.
*2 This shows the rate at which the P/B ratio, ROE, or P/E ratio increases in this model when the non-financial indicators are increased by one unit, assuming that other explanatory variables remain fixed.
*3 This is an indicator to investigate whether there is any statistical relationship between objective variables and explanatory variables. The p value shows the probability of a calculated regression coefficient being observed. The smaller the value, the higher is the possibility of a statistical relationship between the objective variables and explanatory variables.

Analysis method and data analysis method: Employed the panel data analysis method (fixed effect model)
Analysis method: Employed the panel data analysis method (fixed effect model)
Data source: Used data released by companies in the electric appliance industry (industrial classification of the Tokyo Stock Exchange)
Data population: Narrowed down to 35 electronic components companies among the electric appliance companies listed in the Prime Market of the Tokyo Stock Exchange
Data period: Last nine years

Please see the Sustainability Website for related information and other themes.
https://www.tdk.com/en/sustainability/index.html

KPIs, medium-term targets, and achievements for rigorously selected materiality themes

Fields	Themes	Responsible department	Goals in three years	Action items	KPIs	Medium-term target (fiscal 2022-2024)	Progress of fiscal 2023
EX (see page 52)	Effective use of energy and expanded use of renewable energy toward the realization of net zero CO_2 emissions by 2050	Safety & Environment Group	CO_2 emission intensity from energy use (Scope 1, 2) is reduced by 12% compared with base year (fiscal 2015)	Aim at halving CO_2 emission intensity, as advocated in the TDK Environmental Vision 2035, through the following two activities: • Strengthen energy efficiency by improving productivity at manufacturing sites • Expand the use of renewable energy	CO_2 emission intensity from energy use	Reduce by 12% compared with fiscal 2015	Reduced 30.7%
Quality Management (see page 44)	Pursue zero-defect product quality	Quality Assurance HQ	Manufacturing in business divisions is moving toward upstream management in order to eliminate quality defects in the four areas of design, material, process, and management	• Strengthen the quality education in design, development, and manufacturing departments • Manage and maintain the certification at all applicable sites • Promote activities to eliminate the four quality defects (design, material, process, and management) by improving quality awareness and improvement methods and using AI	Implementation of quality education at all applicable sectors	Promote the globalization of quality education utilizing DX	Creation and deployment of online quality education content in collaboration with the global HR function and overseas sites
					Management of certification maintenance at all applicable sites (ISO 9001)	Certification maintenance ratio: 100%	100%
					Consideration of the development of systems by utilizing AI	• Develop a system for detecting signs of equipment failure • Consider the development of design screening by AI search	• Development of an automatic failure mode classification system as an elemental technology for indicative detection • Investigate introduction and develop prototype of AI into design review
	Reduce quality costs	Quality Assurance HQ	Measures have been taken to strengthen design reviews during design phase and to improve 4M (man, machine, material, method) at manufacturing sites, and improvements are promoted autonomously in business divisions	• Promote 4M improvement in manufacturing aimed at reducing quality loss (improving yield) • Promote small-group activities	Quality improvement activities for each cause	Implement measures for each cause	• Implementation of improvement activities for defects caused by foreign objects • Establishment of product security measures mechanism in IoT products (confirmed in design review) • Deployment of new quality diagnostics (process, equipment) to China by Headquarters functions • Horizontal deployment of best practices for small group activities
	Maximize customer satisfaction with product and service quality	Quality Assurance HQ	The speed of response to quality complaints is improved by enhancing and strengthening the semiconductor analysis functions and, in the case of especially serious complaints, a company-wide cross-functional activity is conducted to respond to the customer	• Accelerate measures to improve customer satisfaction through cross-functional activities	"A rank" in degree of customer satisfaction (calculated based on TDK/Japan) *Among the total of supplier evaluations obtained from customers, "A rank" means the ratio of customers expressing satisfaction	At least 95%	95.0%
HR Management (see page 36)	Foster greater diversity and inclusion	Human Resources HQ	Employees' understanding of the significance and purpose of activities to promote diversity and inclusion are deepened, and a foundation and talent pool are created that will continuously produce female candidates for managerial positions	• Penetrate the significance and purpose of activities to promote diversity and inclusion • Foster female candidates for managerial positions • Share TDK (Japan) activities globally and vice versa	Attendance ratio of workshop for managers (calculated based on TDK/Japan)	70%/year	97%/year
					% of female candidates for promotion to manager position (calculated based on TDK/Japan)	4%/year	10.3%/year
					Female managers ratio (calculated based on TDK/Japan)	3%	4.3% (as of April 2023)
Supply Chain Management (see page 50)	Ensure societal and environmental consideration in the supply chain	Procurement & Logistics Group	The working environment of suppliers is regularly monitored utilizing CSR check sheets and continuously improved through feedback or guidance to suppliers	• Appropriately manage the working environment of suppliers	CSR compliant supplier rate	100%	100%
	Enhance global procurement capabilities and mechanisms	Procurement & Logistics Group	• Continuous cost reduction is achieved by sharing and utilizing the latest information of common critical suppliers of the TDK Group • Procurement risks, including potential risks, are reduced through supply chain optimization • Compliance with Global Common Regulations (GCR) is achieved through regular monitoring and support for subsidiaries	• Analyze the Approved Supplier List (ASL), formulate cost reduction plans, negotiate with common suppliers, study information sharing platforms, and launch a Global Procurement Collaboration Committee (GPCC) • Analyze high-risk components and materials and consider countermeasures; restructure and optimize the supply chain through negotiations with suppliers • Consider monitoring mechanisms, collect feedback from subsidiaries, support formulation of individual regulations, and conduct regular monitoring	Visualization and utilization of supplier information and purchasing data	Build a platform to uniformly visualize the TDK Group's supplier information and purchasing data and utilize it in procurement strategy	Consolidated procurement data of subsidiaries within the group (in progress)
					Reduction of procurement risks for high-risk parts and materials	Conduct supply chain risk analysis and implement countermeasures	Promoted risk mitigation of high-risk parts/materials
					Conformity with global common rules	100%	Confirmed/corrected individual regulations of subsidiaries
Pursuing Both Delegation of Authority and Internal Controls (see page 48)	Implement appropriate post-merger integration (PMI) for acquired companies	Corporate Planning Group	Pre- and post- acquisition processes are established and practiced, enabling acquired companies to display synergy and to grow and enhance their value under the TDK Group's governance	• Implement pre-acquisition due diligence by each function • Compile pre- and post-acquisition plans and monitor activities to create synergy based on these plans	–	–	• Implement pre-acquisition due diligence by each function • Conducted PMI activities for the U.S. subsidiary acquired in February based on a list of items to be complied with by the newly joined group companies and the grace period until compliance
Asset Efficiency Improvement (see page 30)	Rebuild business portfolio	Corporate Planning Group	Through the implementation of various measures to improve asset efficiency, for example, the following indicators have been achieved: • OP margin: 12% or more • ROE: 14% or more • Capex (three years): 750 billion yen	• Reduce operating losses by certain execution of improvement measures in priority challenging businesses based on business portfolio management • Effectively use R&D costs with optimization by setting new, continuation, and withdrawal criteria for R&D themes	OP margin	12% or more	7.7%*
					ROE	14% or more	8.3%*
	Optimize facilities and manufacturing sites			• Optimize capital investment budget of each business by priority allocation based on asset profitability and business potential along with the rule in business portfolio management • Improve operation rate of manufacturing sites	Capex (three years)	750.0 billion yen (three years)	275.7 billion yen (one year)*

*IFRS



Message from the Corporate Officer of Finance & Accounting

Flexibly reconfiguring allocation to meet changes in the business environment and demand, while pursuing improved profitability and capital efficiency

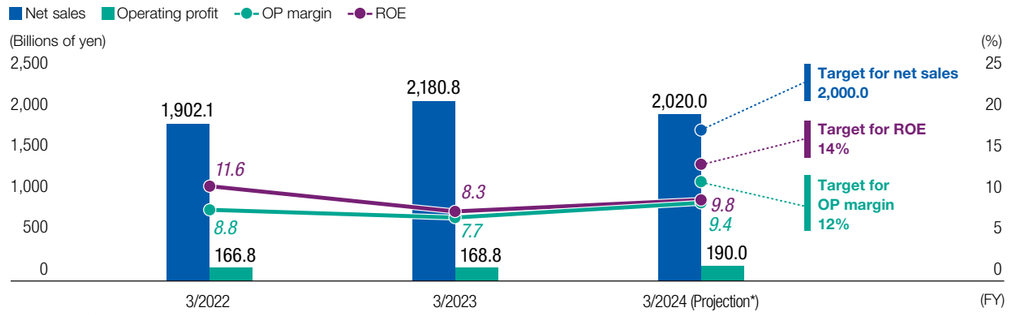
Tetsuji Yamanishi

Representative Director
Executive Vice President
General Manager of
Finance & Accounting HQ

Medium-term management targets (Key financial KPIs)

(as of May 2021)

	Net sales	OP margin	ROE
Fiscal 2024 target	¥2,000.0 billion	12%	14%



* As of April 2023

Please see the website below for the information about fiscal 2023 results.
https://www.tdk.com/en/ir/ir_events/conference/2023/4q_1.html

Measures set out in the Medium-Term Plan delivered steady results, resulting in new record-high net sales and operating profit

We have completed the second year of Value Creation 2023, our three-year Medium-Term Plan that began in fiscal 2022 and which now enters its final fiscal year. During the term of the current Medium-Term Plan, the market environment and demand trends that formed our assumptions behind that plan changed significantly with the impact of a resurgence in COVID-19 infections and Russia's invasion of Ukraine. The impact of semiconductor supply shortages and other factors on automobile production continues to this day, and the COVID-19 epidemic has triggered an ongoing slump in smartphone demand. Further, we are also beginning to see a recoil from that special demand for PCs and tablets that arose during COVID-19. In Europe and the United States, economic uncertainty is increasing as inflationary pressures curb consumption, corporate costs increase, and housing and capital investment is restrained, leading major IT companies and others to hold back on data center investments. Meanwhile, the move toward a decarbonized society is accelerating on a global scale, and demand for renewable energy, xEVs, and energy storage system for corporate and residential use continues to grow.

Amid these changes in the business environment, our performance in fiscal 2023 continued to reach record highs in both net sales and operating profit. We consider the fact that we were able to reach our ultimate sales target of ¥2,000 billion under the Medium-Term Plan ahead of schedule to be a particularly significant achievement. Progress has also been made in moving away from a business structure heavily dependent on the batteries business, something which had been an issue since the previous Medium-Term Plan. Assets that had largely been allocated to the growth in small capacity rechargeable batteries, primarily for smartphones, were reduced in anticipation of declining demand. In addition, the burden of capital expenditures (capex) in medium capacity rechargeable batteries, where future growth is expected, was reduced through the effect of the joint ventures (JVs) with CATL, and the assets allocated to mainly MLCCs and TMR sensors expected to grow going forward. As a result of this flexible reassessment of asset allocation, not only is the passive components business becoming into a major pillar of earnings second only to the batteries business, but the sensors business has also grown its net sales as it maintains a certain level of profitability, resulting in steady progress being made in the transformation of our profit structure.

On the other hand, one of the major issues for those of us in the corporate management divisions was to strengthen our risk hedging function against changes in markets and demand within each of our businesses. Although each business division takes the initiative in formulating plans for specific investments and businesses based on their own demand forecasts, in order to effectively hedge risk, the corporate management divisions must verify the feasibility of these plans based on market trends from a broader, medium- to long-term perspective. In fiscal 2023, we recorded significant restructuring costs—including impairment losses—in several of our businesses, due in part to major changes in the demand environment. In the process of reaching that result, the Finance & Accounting HQ worked closely with the Corporate Planning Group to repeatedly verify the suitability of profit plans and the possibility of recovering additional investments, offering proposals for the future direction of the business in an effort to prevent additional risks from arising.

Let me next explain about cash flow. First, regarding capital allocation, the current Medium-Term Plan initially called for ¥750.0 billion in capex in response to ¥900.0 billion in operating cash flow. As we enter the final year of the plan, however, we have revised the amount of capex to ¥830.0 billion. The increase is in part due to the weaker yen, but also to a major review of asset allocation that brings forward investments in boosting capacity in passive components—mainly MLCCs—and TMR sensors, investments originally scheduled for the next Medium-Term Plan. Under the previous Medium-Term Plan, this allocation was nearly 90% of EBITDA ratio, and while we planned to keep it at around 65% in the current Medium-Term Plan, due to these additional investments made ahead of schedule, it is now about 75%.

The ultimate goal of achieving positive cumulative free cash flow after shareholder returns over the three-year period of the current Medium-Term Plan has been made difficult by an expenditure of ¥110 billion in prepaid funds, announced for fiscal 2022, to secure long-term supplies of cobalt in the batteries business. However, this is an advance to ensure materials for the future, and excluding this amount, we expect to secure a positive result, with a D/E ratio of approximately 0.4 times, nearly in line with plan. While shareholder returns will vary with each fiscal year, if profit for fiscal 2024 is as planned, we expect to achieve a cumulative payout ratio of about 30% over three years.

Rigorous management of business profit to form an optimal portfolio

While we set new records for net sales and operating profit in fiscal 2023, numerous problems remain to be

solved. One of these is the need to improve problematic businesses. In order to achieve more flexible asset allocation in line with changes in the business environment, beginning in fiscal 2022 we stratified our approximately 80 business units into six categories along two axes: asset profitability and business potential, and are allocating investments according to the positioning of each. We have set a weighted average cost of capital (WACC) of 10% as a hurdle rate for return on invested capital. We will prioritize investments in business that clear this rate and have strong potential, including MLCCs, small capacity rechargeable batteries, motion sensors, and TMR sensors, treating them as “sustained high-profit businesses.” Conversely, “problematic businesses” are those deemed to have profitability issues and no significant growth potential, and include magnets, power supplies for EVs, and suspension application products. Basically, reinvestments will not be made in these businesses, and the business divisions and the corporate management divisions will work together to implement measures seeking an early turnaround (business restructuring).

My role in the corporate management division is to support management as a business partner to each of our business divisions. For problematic businesses in particular, we need to clarify the key success factors (KSFs) for business restructuring and management reform and enact specific measures. To do that, we need to strengthen our global finance and accounting network, and through appropriate communication, ensure that finance and accounting in the corporate management divisions and the business divisions share the same sense of purpose and awareness of issues, while implementing everything from establishment of KSFs, to the execution of various measures and monitoring of progress. I believe my mission is to lead this series of processes.

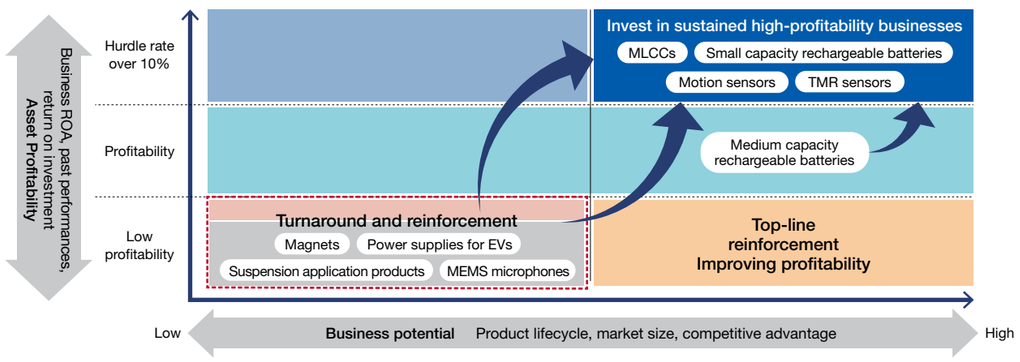
Of course, among these problematic businesses, it is important to support management in strengthening their top lines and improving profitability in businesses where future growth can be expected, such as MEMS microphones, even if profitability does not currently meet the hurdle rate. TDK thus strategically invests in areas like these where future growth is anticipated. That said, for each of these businesses we have of course established clear KPIs for achieving our investment plans and are closely monitoring their progress, and we intend to work together with the finance and accounting departments of each business to anticipate and deal with market environment changes and risks.

Pursuing an appropriate balance between capital efficiency, shareholder returns, and financial soundness

At TDK, our intent is to build a financial position that supports sustained growth by enacting capital policies that emphasize an appropriate balance between capital efficiency, shareholder returns, and financial soundness.

With regards to capital efficiency, for example, we will further strengthen our portfolio management, working to improve the efficiency of capital invested in individual businesses while monitoring business ROA.

Decision-making criteria for capital allocation

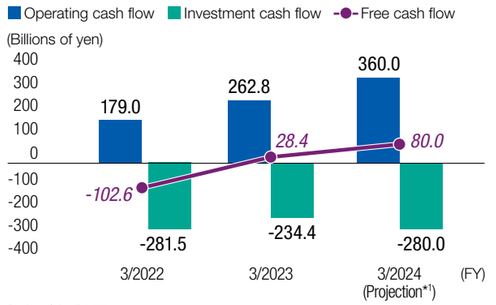


In terms of shareholder returns, our current medium-term guideline calls for a payout ratio of 30%, but over the long term we will implement returns based on an optimal financial balance structure without necessarily fixating on this figure.

In terms of financial soundness, our goal is to achieve a financial structure that allows us to obtain appropriate ratings while improving capital efficiency. To that end, going forward I believe we must enact financial measures to address global geopolitical risks. As symbolized by the situation in Ukraine, these risks have increased significantly in recent years. Naturally, these geopolitical risks must be addressed by the company as a whole, but the finance department must also work to diversify risk by reviewing the balance of assets and cash position by individual region.

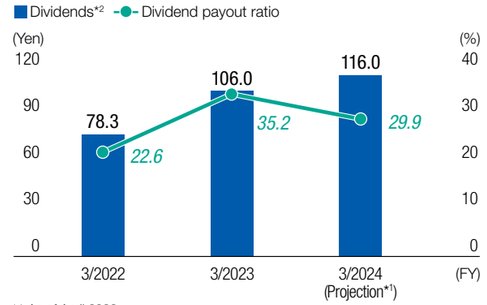
Strengthening global finance and accounting governance is important in ensuring the smooth implementation of such measures. Under its previous Medium-Term Plan, TDK introduced Global Common Regulations, and in finance, we also established rules covering pooling, netting, inter-company loans, dividends and other areas. For example, ATL, a mainstay of the batteries business, has in the past given priority to reallocating retained earnings to investment for growth. However, due to changes in

Cash flows



*1 As of April 2023

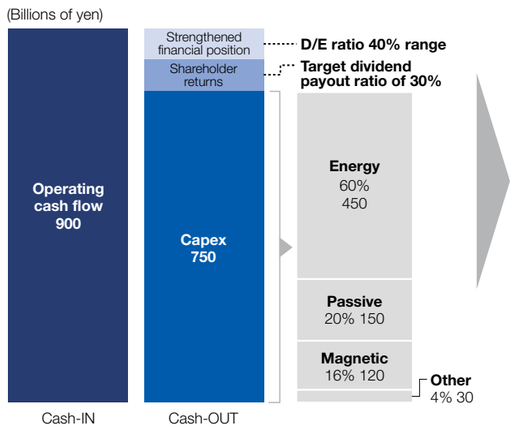
Shareholder returns



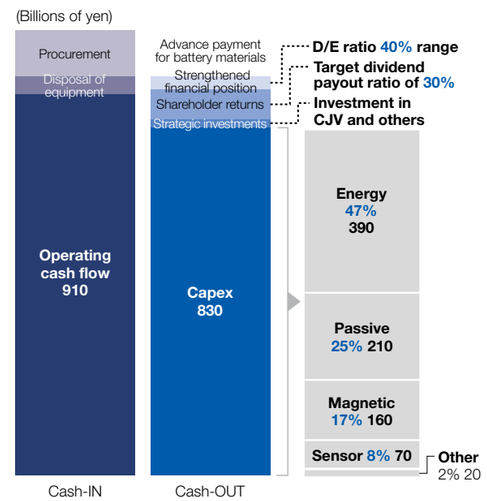
*1 As of April 2023
*2 Dividends are calculated on the basis of the 3-for-1 share split as of October 1, 2021.

Review of capital allocation plan

Medium-Term Plan (as of May 2021)



Medium-Term Plan (as of April 2023)



demand for small capacity rechargeable batteries and the effect of the JVs with CATL for medium capacity rechargeable batteries, required investment levels have also decreased. Based on these regulations, beginning in fiscal 2023 all retained dividends will be returned to Japan in an effort to optimize our cash position as a Group. Further, to strengthen global financial management, the Group has established finance departments at regional headquarters in Japan, China, the Americas, and Europe, and has built a network connecting the finance and accounting functions of each regional headquarters and the subsidiaries under their respective jurisdictions, allowing for timely monitoring of financial information at each company. Going forward, under this governance structure we will continue to strengthen our risk response as a Group, intensifying global finance and accounting communication while keeping in mind Empowerment and Transparency.

As quantitative targets in our long-term financial policy, we will maintain a financial balance of a ratio of at least 50% of equity attributable to owners of the parent and a D/E ratio of 0.2 to 0.3 times. We intend to return profits to shareholders in a variety of forms, premised on maintaining this balance.

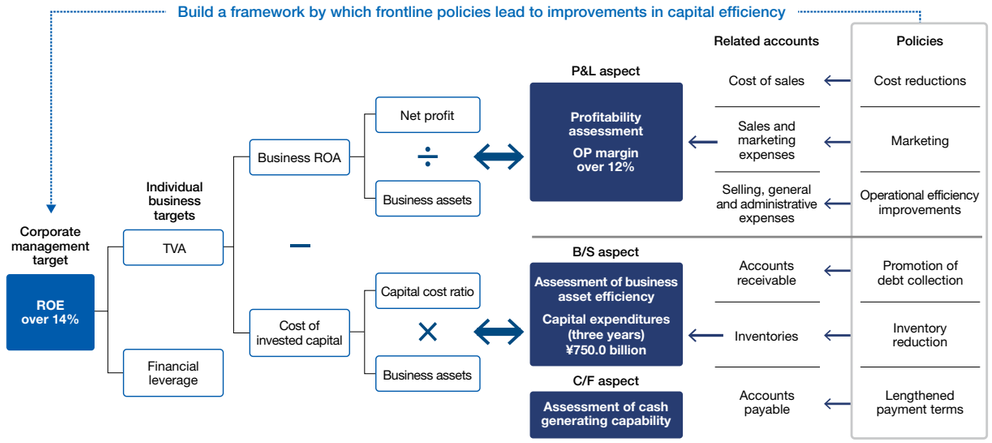
Achieving an ROE in excess of cost of shareholders' equity, with the goal of sustained enhancement of corporate value

Our understanding is that our cost of shareholders' equity is currently about 10%. Because of leverage, WACC is a little more than 7%. However, because the cost of shareholders' equity and WACC are both variable, we have set a WACC of 10% as a hurdle rate for our business portfolio, as noted earlier. We plan to establish ROIC as a company-wide management target in the next Medium-Term Plan, and if we can realize an earnings portfolio that achieves this WACC of 10%, we naturally expect to clear the company-wide WACC of just over 7%, ultimately achieving an ROE that exceeds the cost of capital.

We are aware that, seen from the vantage point of current performance and stock price levels, we have yet to fully meet the expectations of our shareholders. Going forward, we must continue our efforts to further improve profitability and capital efficiency and to continuously enhance corporate value. The Group's strength lies in materials, and we have developed a wide range of products and businesses comprising the Ferrite Tree by combining our materials technology, mainly ferrite, with process technology for commercializing those materials. We believe that further accelerating the creation of synergies on a global scale by combining these proprietary technologies, and enhancing our presence in each market, will be the key to increasing our corporate value in the medium to long term and enhancing our price-to-book-value (P/B) ratio.

Of course, dialogue with shareholders, investors, and other stakeholders is important in forming an appropriate share price, and to date, the president, along with myself as a corporate officer of finance and accounting, have played a central role in focusing our efforts on this dialogue. That said, in TDK's case there are so many business units within a single business segment that there is a limit to how much time we can spend explaining the strategies and long-term thinking, etc. of all of them. This is why, going forward, we would like to provide opportunities for those in charge of business units that are of great interest to our stakeholders, or that are expected to achieve high growth in the future, to participate in dialogue and provide more detailed explanations so that those stakeholders can gain a deeper understanding of the company.

Financial and operation logic tree



Treating non-financial information as "future financial information" to communicate it quantitatively and rationally

In recent years, it has become extremely important to disclose not only financial information that can be expressed in numbers and quantities, but also to provide appropriate disclosure of non-financial information in areas such as sustainability initiatives, human capital, and intellectual property. Those of us in the Finance & Accounting HQ have mainly been involved in the management and disclosure of financial information, but as a new challenge for myself, going forward I would like to be actively engaged in the management and disclosure of non-financial information as well.

I consider non-financial information not as unrelated to financial information, but as future financial information. In other words, this is information related to management resources that underpin ongoing business activities and initiatives essential to future business growth, even if it is not yet directly reflected in financial indicators. While this information is thus difficult to quantify, I believe we need to explain to our stakeholders in as quantitative and rational manner as possible how it is linked to enhancing our corporate value.

To do so, it is important that in reviewing materiality for our next Medium-Term Plan, we first solidly identify any key issues that will lead to future improvements in corporate value. At the same time, we need to establish appropriate non-financial KPIs for achieving those goals, and build a system to enable the quantitative management of progress with those initiatives. We then need to disclose and explain this non-financial information with a view to its contribution to future finances and its relationship to the enhancement of corporate value, and gain the understanding of our investors and other stakeholders. The Finance & Accounting HQ would like to be more deeply involved in these processes in cooperation with a variety of other departments, including the Corporate Strategy HQ, the Human Resources HQ, and the Sustainability Promotion HQ.

Opaque, uncertain conditions are expected to continue in the business environment surrounding the TDK Group. That said, in response to drastic changes in the market environment and demand trends during period of the current Medium-Term Plan, we successfully achieved record highs in both net sales and operating profit by flexibly shifting asset allocation and implementing structural reforms. I believe that our resilience in the face of environmental changes and our risk management capabilities have steadily grown stronger. At the same time, I have no doubt that, as medium- to long-term changes in our business environment, we will see an acceleration of trends such as the shift to xEVs, the expansion of market related renewable energy aimed at achieving a decarbonized society, and the growth of EX and DX markets in conjunction with the digitalization of society.

Going forward, the TDK Group will continue striving to build a strong, flexible corporate foundation that can respond quickly to changes in the business environment. At the same time, we will work to achieve sustained growth and enhancement of corporate value by ensuring we take advantage of these growth opportunities, thus responding to the expectations of our stakeholders. I look forward to your continued support of the TDK Group.



Prioritizing global talent to ensure a sustainable future for the company

Andreas Keller
Senior Vice President
Chief People and Sustainability Officer and
General Manager, Human Resources HQ

The TDK Group's success is closely tied to its strategy of creating value through human resources, with over 90% of overseas sales. Mr. Keller, the newly appointed Chief People and Sustainability Officer (CPSO), intends to show how the TDK Group can utilize its global human resources to strive the company's sustainability goals.

Revamping global HR and elevating talent management

We take pride in our team of over 100,000 employees across more than 100 Group companies worldwide. To help them reach their full potential and shine on the global stage, we have developed a range of programs to help team members (employees) expand their skills and knowledge worldwide, including global management development programs, support for English language learning, and TDK's internal global Incubator Program which is called "TDK Kindergarten."

We maintain that enhancing the capabilities of each individual will not only contribute to the development of their team and division but also the entire company and Group as a whole. Our efforts to nurture our team members' talents are what set the TDK Group apart from other companies.

To effectively manage team members information on a global scale, we rely on centralized talent management and HR evaluation systems that offer greater flexibility and expanded capabilities. This enables us to identify and promote our members for higher positions based on factors such as skills, performance, competency, assessment outcome, internal/external working history, and geographical / functional individual preferences. We leverage these tools to optimize the assignment of members, ensuring that the right people are assigned to the right position regardless of company or region.

Additionally, we are committed to attracting talented individuals from outside by promoting large-scale sustainability projects involving several of our Group companies and showcasing our commitment to sustainability.

Enhancing our business performance through team members' engagement

We can strengthen trust relationships internally and externally by enhancing team members' engagement and communicating this openly to all.

In February 2023, we conducted the first-ever global team members' engagement survey, achieving an impressive 80% response rate thanks to our efforts to ensure everyone had access to the survey not only via their PCs but also through their smartphones. The survey asked two key questions: "How happy are you working at this company?" and "Would you recommend this company as a great place to work?" It is important to analyze the real answers and comments from employees to understand the situation on the ground, rather than just looking at engagement ratings or percentages. To achieve this, we have been analyzing over 40,000 comments using AI to identify issues and discussed how to deal with them. Understanding what our people are thinking and feeling is vital for the TDK Group's growth and for unlocking their human potential. The results also help drive discussions on how to enhance our working environment and business activities. This will position us as a more sustainable, stronger, and resilient company that can prepare for the future with confidence.

Diversity, Equity, and Inclusion (DE&I) are also important for running a successful organization, especially since we have a diverse workforce from around the world as a result of many mergers and acquisitions. We will work to ensure that our workforce is representative of the communities in which we work (diversity) and that all team members have equal opportunity to develop (equity). Moreover, we will foster a culture where all members feel they are part of the TDK family, respect each other, and are comfortable sharing/exchanging ideas regardless of their uniqueness (combination of many characteristics, including gender, generation, nationality, ethnicity, sexual orientation, personality style, thinking style, disability, education, experience, etc.) (inclusion). We have created a global DE&I team comprised of members from the US, Germany, China, and Japan to focus on and achieve this vision.

By fostering a diverse and inclusive work environment, we can motivate our existing team members and inspire them to be more engaged, while also attracting talented individuals from outside the company. Our policies are already reaping the benefits, as 50% of our leaders are female within our global HR organization.

As an employer, we are also making efforts to improve our communication and become more visible to the outside world. For instance, we have established a worldwide agreement with a global, large-scale direct recruiting platform that is gaining in popularity also in Asian countries. We recognize that our primary business is now B2B, and as a result, the younger generation may not be familiar with the TDK Group. Therefore, we are working on various channels to improve our presence and attract talented individuals. We believe that once people learn about the TDK Group and what we do, they will become interested in working with us.

The CPSO spearheads the TDK Group's Sustainability Vision

In my new role as the CPSO for the TDK Group, I recognize the crucial role that our human resources and environmental initiatives play in driving our sustainability strategy. As the global challenge of attracting and retaining talented individuals continues to grow, the importance of human resources and development strategy becomes increasingly critical for sustained success in our business. At the same time, as we encounter the mounting expectations of stakeholders regarding societal sustainability, and the need to fulfill our Sustainability Vision, it is imperative that our human resources and sustainability strategies will be more closely aligned in order to enhance our corporate value. I firmly believe that

Team Member Engagement Survey 2023

My Voice 2023

Response Rate	Engagement Index	Comments
80%	72	43%
Benchmark* 75%	Benchmark* 76	Benchmark* 33%

Top Strengths

Purpose	Belonging Company	Customer Focus

Top Opportunities

Barriers to Execution	Communication	Recognition

* Glint's 2022 global industry benchmark

- We believe that people are everything and the value each team member creates is the sum of TDK's value.
- Engaged team members will enhance TDK's value and help us achieve success as an organization. Therefore, we gave team members' engagement a strategic priority in our Medium-Term Plan.
- With the systemic approach of implementing the TME system, we will not only measure engagement, but create a work environment where engagement can flourish.
- The 1st company-wide Team Member Engagement Survey ("MyVoice") was conducted in February 2023. A participation rate of 80%, an engagement index of 72%, and more than 42,000 comments and suggestions show that team members embrace the chance to make their voice be heard and to co-create their work environment.
- Team leaders across the globe have team conversations with their teams to discuss the survey results and agree on one step forward they want to take, to enhance each team members' work experience.

there is a strong correlation between people and sustainability, and I am committed to promoting team members' development and finding ways for our entire Group to address sustainability issues. My previous experience in supply chain management at the TDK Group has deepened my interest and connection to sustainability. As a father of two children, I am further motivated to take immediate action in order to help shape a more sustainable future for the generations to come.

During Global Advanced Management Program in 2022—one of our management development programs—a group presented an impressive sustainability project. They found ways to significantly accelerate the reduction of CO_2 emissions and successfully implemented it in a factory. What struck me most was the energy and motivation the group generated toward a common cause that addresses all forms of sustainability. This inspiring project, which originated from an HR program, further reinforced my belief in the importance of developing our people. As such, I am determined to unlock the potential of our members to accelerate our sustainability initiatives even further.

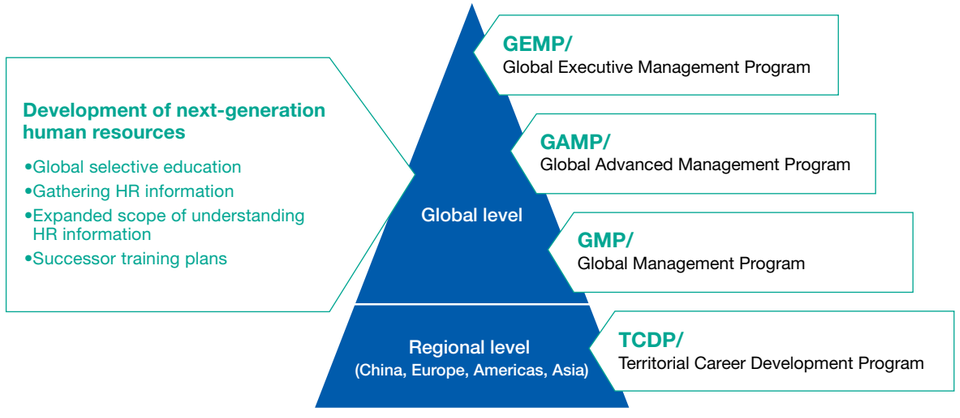
The TDK Group is actively pursuing three key initiatives in line with our corporate philosophy, as we strive to achieve our Sustainability Vision of "Technology for the well-being of all people" and address societal challenges through our business endeavors. Firstly, we leverage our products, solutions, and activities throughout our supply chain to address global issues such as climate change and human rights, in line with the TDK Group's materiality. Secondly, we establish a trusted relationship with society through engagement with stakeholders. Finally, we promote Empowerment and Transparency throughout all our Group companies.

We use a top-down approach and employee-centered management in a balanced manner to establish and maintain a sustainable management and stable human resource infrastructure. By doing so, we will continue to drive success even in times of uncertainty and create a sustainable company and society for the next generation.

The TDK Group is committed to being a positive force in the world by addressing major social issues like digital transformation (DX) and energy transformation (EX). This is reflected in our 2023 Medium-Term Plan, where we strive to enhance customer and consumer experience (2CX). As CPSO, I am convinced that it is critical to focus on two key areas to achieve this goal. Firstly, we must continue to attract and develop specialized team members to create high-quality products and solutions in the fast-evolving digital world. Secondly, we need to strengthen collaboration across our global group of companies to generate optimal solutions and ideas. By consistently creating value, I believe that the TDK Group can offer sustainable products and solutions that drive the growth of those who rely on us.

Global management development programs

The nurturing of successors capable of leading the TDK Group in the next generation is essential for ensuring TDK's sustained growth. Therefore, TDK has launched four Global Management Development Programs aimed at developing future candidates for top management and director positions and building ties among them. Through the drafting of management strategy and workshops, we build an environment in which candidates can display their skills.



Talent Development and Human Growth Measures

The TDK Group consists of more than 100 companies out 90% operating work in over 250 countries sites in other more than 30 countries around the world. Of the Group's team members (employees), about 90% work in countries other than Japan. About 80% of these members joined the TDK Group through M&A.

In addition to its human resources, the company has a diverse range of businesses. All our four main businesses span multiple regions around the world.

Realizing that the nurturing of next-generation leaders capable of steering this diverse business portfolio would be impossible with only the traditional Japan-led, uniform type of education and training, TDK was quick to shift the pivot of training from Japan to the global level.

Visualization of the HR skills of Group members

We are pressing ahead with the introduction of a system to unify and visualize HR management and training, centering on managers in the TDK head office and Group companies. In this system, which is called the Talent Management System (TMS), we have prepared such modules as "Performance evaluation," "Competency assessment," "Succession planning," and "HR training plan" so that we can comprehend the abilities of each individual. This system is an important initiative to fully display the individual qualities of our human resources on a global scale. Going forward, our aim is to introduce it for key talents in our global group.

Global unification of HR training and development methods

We are implementing the Global Communication & English (GCE) educational program for all members with the aim of polishing communication skills in English, which are essential for global engagement within the Group. In addition, we have introduced the Weconnect platform, which enables the online study of digital teaching materials covering about 25,000 courses, including IT skills and management. We have built this environment enabling members to study what they want and when they want so as to support their skill improvement.

Formulation of global mobility regulations

To promote the ideal placement of members within the Group transcending country and company, we are formulating common regulations for Group companies on transfer not only from HQ functions to subsidiaries but also in the opposite direction and between Group companies.

Implementation of exchange and development programs for next-generation leader candidates

TDK has launched four Global Management Development Programs aimed at developing future candidates for top management and director positions and building ties among them. Through the drafting of management strategy and workshops, we build an environment in which candidates can display their skills.

Active invitation of outstanding global members to Japan

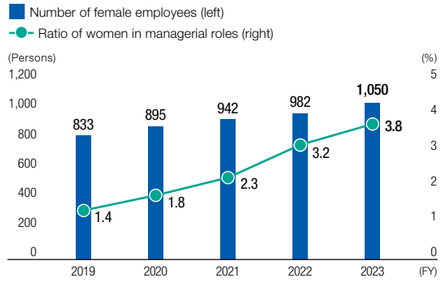
TDK actively invites outstanding members in our overseas affiliates to Japan to enable them to display their abilities to the full. This scheme not only helps the person concerned to grow but also serves as a stimulus for Japanese members.

Diversity, Equity & Inclusion

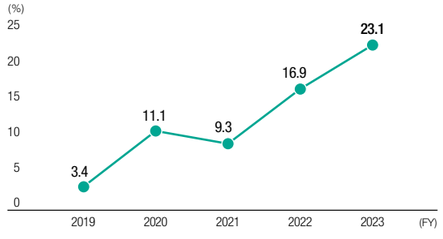
TDK believes that we can continue generating innovative creativity be establishing an environment in which all members respect one another, feel included, and are motivated to contribute to the best of their ability regardless of any way which makes them unique, including race, religion, gender, sexual orientation, age, thinking style, and nationality, just to name a few. In order to accelerate DE&I activity we have established a global DE&I Department comprised of members from China, Japan, Germany, and the US.

We will continue to build upon our current efforts to empower the women of Japan and work towards our goal of having women comprise 15% of our managerial ranks in Japan by 2035, TDK's 100th anniversary. In another effort to support the advancement of women in TDK, we have actively encouraged male members to take childcare leave. This program aids the transition of new working mothers back into the workplace and allows new fathers more time to support mom and enjoy taking care of their new baby.

Number of female employees (non-consolidated) / Ratio of women in managerial roles



Percentage of male employees taking childcare leave





Message from the Corporate Officer of Technology and Intellectual Property

Advancing to the next stage of utilizing technology and IP while continuing TDK's culture of creating original technology

Shigeki Sato

Director, Senior Vice President, General Manager, Technology and Intellectual Property HQ

Promoting R&D from three angles to accelerate TDK's original Monozukuri

TDK's business started with the invention and commercialization of ferrite, a magnetic material, and subsequently spread to derivatives, piezoelectric materials, and semiconductors, developing into today's wide range of technologies and products that we call the Ferrite Tree. The main features of TDK's technological development is that we can develop and propose devices and applications meeting the needs and expectations of customers speedily, because we can develop products from materials in-house. Almost without exception, our developed products employ typically TDK technology.

To further accelerate this original Monozukuri (manufacturing excellence) of TDK, our Technology and Intellectual Property HQ is focusing on three angles. The first is R&D of so-called disruptive technology that brings about radical innovation in existing technology and business. In the world of electronics, an innovative technology appears that makes it difficult for an existing technology to survive. For example, the cathode-ray tube disappeared following the appearance of flat-panel displays, such as liquid-crystal and plasma screens. With an eye on future technological trends, our aim is to play a leading role in innovation.

The second angle is to develop basic technologies, such as process technology and evaluation and simulation technology, that can be commonly used throughout the Group. And the third angle is to research what technological domains TDK should tackle with a view to the solution of future social challenges.

TDK was established in 1935 in accordance with the founder's dream and belief in commercializing ferrite, an original magnetic material of Japan, and contributing to the development of society by boosting local employment and safeguarding people's lives. In the field of R&D, we have continuously inherited this philosophy as our corporate motto of "Contribute to culture and industry through creativity."

Building research setups suited to regional characteristics and realizing strategic international collaboration

Customer needs have advanced in recent years, and the business of supplying not only electronic devices but also their modularization and systematization is becoming increasingly important. TDK, which has based its business on Japan's materials technology, has abundant experience in making products, but systematization requires new knowledge. In addition, we must also enhance our market-in planning capabilities to quickly grasp the future technologies and challenges expected by customers and markets.

Each region where the TDK Group operates has its own customer needs and technological strengths. In accordance with these regional characteristics, I want us to build the optimum technological development structures and to respond to the needs of the time.

For example, the United States has many users of state-of-the-art electronic devices; it is a market with the world's foremost needs in software, system development, and so on. Therefore, we have set up an R&D organization in the United States specializing in software and system development, and we have appointed Jim Tran, who previously was responsible for product management at Qualcomm in the United States, to take charge of it. Tran serves as a corporate officer of TDK, and under his powerful leadership, we are strengthening our development regime there.

The European market, meanwhile, has many leading makers of automobiles and industrial equipment, so we will improve our R&D organization there so as to respond to technological requirements in these fields. In Japan, we do, of course, respond to the wide-ranging technological needs of domestic customers, and we will further strengthen our R&D functions in such areas as materials research and process development, which have been TDK's forte ever since its founding.

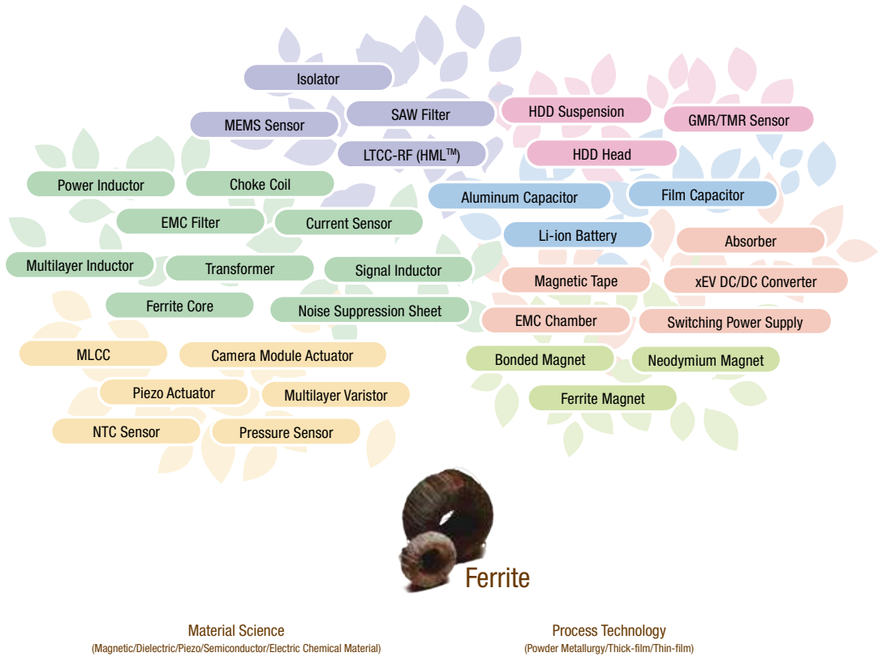
In addition, we are further bolstering collaboration with sites, for example by getting European sites to assemble piezoelectric devices developed in Japan as applications for automobiles in Europe. One example of the results of development through such collaboration is the i3 Micro Module (see page 46), the world's first ultracompact sensor module featuring embedded edge AI. This module has been modularized and systematized in the United States using devices developed in Japan. It not only makes users easier to aggregate, integrate, and process data, which was difficult before, but also, because it is ultracompact and battery-powered, realizes ideal predictive maintenance without physical constraints like wiring. In recognition of its role as a proposal-type product in contributing to the elimination of downtime in various industrial equipment, in October 2022 the i3 Micro Module won the grand prix in the Smart x Industries category of the CEATEC AWARD 2022. We will continue to actively engage in such joint international collaboration.

Focusing research on the solution of future social challenges

We are also actively conducting research on what technological domains—in other words, what future technologies—TDK should tackle with a view to the solution of future social challenges.

For example, we have identified Beyond 5G, IoT, Robotics, AR/VR, Medical/Health Care, Mobility ADAS/EV, and Renewable Energy as the seven focal areas (Seven Seas), and steady progress is being made here. In the area of Beyond 5G, we are promoting R&D on antenna technology for the upgrading of millimeter-wave and terahertz band base stations jointly with the National Institute of Advanced Industrial Science and Technology and Osaka University as an industry-government-academia

Ferrite Tree



collaboration project. In this project, we are aiming to establish materials technology, materials evaluation technology, antenna design technology, and so on toward the practical use of antennas responding to the 100–300 GHz frequency band, which is being considered for use as a post-5G next-generation communication standard.

Also, in the area of Renewable Energy, in October 2022 we established the Co-creation Research Center for Renewable Energy Conversion Devices and Materials jointly with Tohoku University in Japan. This center is promoting R&D toward the practical use of next-generation wind power generation systems, including research into new methods of solving technological issues associated with offshore wind power generation.

Furthermore, to upgrade materials technology, which is an important core technology essential for tackling the Seven Seas, we are actively utilizing materials informatics (MI). The conventional materials development process consumed a huge amount of time and labor power, because after the engineers had made their theoretical calculations, we had to search for new materials by repeatedly making prototypes of candidate materials and carrying out physical property evaluations. In contrast, because MI can analyze huge volumes of experimental data and papers using AI, big data, machine learning, and so on, it shows the way toward candidates for desired new materials and manufacturing methods without actually making any prototypes. Moreover, another merit of MI is that it helps to stimulate flashes of inspiration in engineers. It is my hope that MI, which comes up with solutions that never occur to humans, will provide new hints for engineers to work on.

We are also challenging technologies that look even farther into the future than the Seven Seas. For example, of the electricity consumed in the world today, data processing by data centers and so on accounts for an extremely large share. Recently Chat GPT, an AI chatbot, has been in the news a lot. In the future, when such services begin to be used routinely, the load on data processing used in data centers and communications-related base stations is going to increase enormously. At present energy is used to cool them down. But if the amount of energy consumed in data processing in the first place can be lowered, we can surely realize more efficient operations.

For this purpose, we are researching a neuromorphic device that emulates the human brain and is characterized by having both memory and computation functions together. At present computation takes place at a high speed and large capacity by taking data from the memory and returning it. Obviously, this requires a huge amount of energy. The device that we are developing is an epoch-making technique that renders such read/write unnecessary, because we are trying to make a neural circuit, as a device, that can conduct memory and computation functions simultaneously.

Actually, we know that if a technology called magnetic tunnel junction (MTJ), which is used in magnetic heads, is applied in this device, we can reduce the amount of electricity consumed to about 1/300th of the present level. I hope we can put this device on the market.

Self-thinking by engineers in a typically TDK culture

As General Manager, Technology and Intellectual Property HQ, one of the things that I place importance on and want to pass on to the next generation is TDK's culture of encouraging engineers to think about themes themselves and make challenges. At TDK many of our engineers are nurturing themes of interest to them, topics in which they have spotted potential, and so on. There are many people who are steadily continuing their research. It is such initiatives that lead to TDK's unique technologies and products.

As an engineer, I was involved in ceramic-related materials development. Even when told to stop by my bosses, there were times when I could not give up and secretly continued my research on techniques and materials that interested me personally. And lo and behold, in many cases my efforts led to unexpected results, such as our development of the X8R device that can withstand temperatures of up to 150°C. I think TDK has a unique culture in which engineers not only do what they are asked but also pursue themes that fascinate them by themselves. One of my missions, I believe, is to transmit this culture, so I am creating opportunities for our young engineers to make presentations on technological themes that they come up with themselves.

Another feature of TDK is our deep knowledge and wide-ranging technology, which enable us to engage in discussions with customers about future technologies and products. Our technologies cover almost every area of electronics, including materials, electronic components, sensors, recording devices, and batteries. Also, we have five core technologies supporting our Monozukuri—materials technology, which pursues the properties of materials from the atomic level; process technology, which bring out the properties of materials to the utmost; evaluation and simulation technology, which accurately analyzes ultra-fine technology; product design technology, which enables development of the best devices, modules, and applications; and production engineering, which makes it possible to manufacture products of the same quality anywhere in the world.

In addition to these five core technologies, TDK is in a position to quickly get to know about future

The five core technologies supporting TDK manufacturing



Materials technology

The culmination of over 85 years of experience and know-how



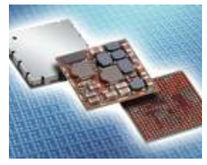
Process technology

Realizes control on the nanometer level



Evaluation and simulation technology

Accurately analyzes ultra-fine technology



Product design technology

Creating product value with accumulated know-how and new ideas



Production engineering technology

Outstanding facilities developed and manufactured in-house

technologies in each industrial field thanks to information obtained from customers through the Corporate Marketing & Incubation HQ, our Group-wide marketing function, and through TDK Ventures, which handles our CVC function, about the cutting-edge technologies of startups and new business models. I think this gives rise to a positive spiral in which we can quickly understand the reasons and intentions behind customer requirements and speed up development.

Utilizing IP landscaping to strengthen IP strategy

For a high-tech company like TDK, patents and other intellectual property are an essential management resource for maintaining and strengthening our competitive advantage in the market. At present TDK possesses about 18,000 patents; we are especially strong in the materials and product design fields.

Following the globalization of business in recent years, as well as Japan, our patent applications are increasing in North America, China, and Europe too, but there are still problems relating to the acquisition and utilization of patents overseas. Therefore, we are setting up intellectual property divisions in business companies in each region and endeavoring to conduct patent applications and intellectual property management in accordance with the business characteristics and laws and regulations of each region. In addition, our corporate intellectual property department supports patent applications and management by the head office's R&D departments and the intellectual property strategies of each business division and each region. It also devotes much effort toward securing and appointing personnel with a good knowledge of technologies and intellectual property, including principal modules and software.

Based on this setup, going forward we will build a robust patent network in each business that rival companies will find difficult to avoid and strengthen our advantage in the market. In addition, we will, of course, increase license revenue utilizing the patents in our possession, and we also will regularly implement the maintenance of intellectual property, including the abandonment of patents that have become less important.

One more thing that I am actively promoting is the inclusion of intellectual property strategy into the Group's business strategy and the utilization of intellectual property landscaping to capitalize on IP in management. This idea stemmed from the question of whether intellectual property could be not only defensive but also an offensive tool in business development. Rather than simple patent mapping, I want us to develop a management tool combining various information, such as technological trends in the market, R&D trends in rival companies, and TDK's business and product roadmaps, to analyze the current situation and compile future strategy.

The key to the success of this IP landscaping, I believe, lies in whether the responsible personnel in each division can be made to think that they want to utilize it in their own business division too. Our aim is to develop a tool that can be utilized not only at the top management level but also in business and technical management in each business division.

Going forward, while making full and effective use of these IP strategies, we will continue to promote R&D and product development, realize competitive advantage, and achieve medium- and long-term business growth in line with our corporate vision and the direction of our business strategy.

Monozukuri Realizing a High Level of Quality as a Global Supplier

Enhancing customer satisfaction as much as possible by fostering the 3Qs of human resource quality, technological quality, and systematic quality in pursuit of zero-defect product quality

Takeshi Takahashi

Corporate Officer
Chief Officer of Quality, Safety and Environment
and General Manager, Quality Assurance HQ



As one of the leading companies in the electronic components industry, TDK believes that quality is the crux for building trust with society and customers, and we continuously strive to improve quality as a top-priority issue. Accordingly, we are pursuing zero-defect product quality in quality management—in other words, the pursuit of zero defects throughout the product lifecycle, from not only the shipment stage but also the distribution stage, the stage of assembly by customers, and onto the stage of use by consumers and final disposal.

To achieve our objective, at the moment we are bolstering efforts in four steps: identification of causes, outflow prevention activities, preventative and predictive activities, and upstream-management-type manufacturing that does not produce defects. In each step, we are improving ways and means to raise the quality awareness of employees and promoting activities to eliminate defects in design, material, process, and management through integration with digital transformation (DX). In addition, we are striving to predict and prevent the outbreak of in-process defects through DX technology, including the building of basic technologies for deep learning[*1] and AOI. [*2]

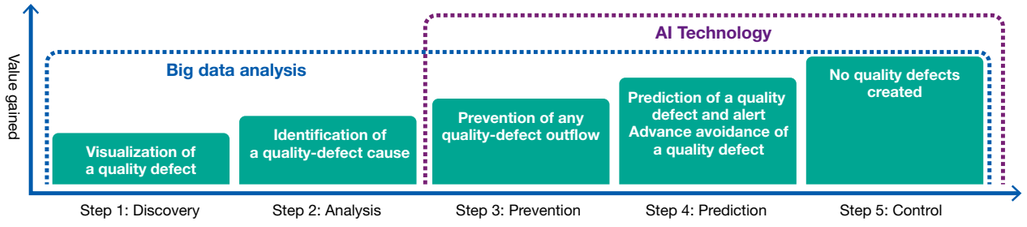
If we can continue to constantly supply high-quality products in this way, the degree of customer satisfaction with TDK products is sure to be optimized. Going forward, by further strengthening our quality assurance activities based on the 3Qs of human resource quality, technological quality, and systematic quality and by capitalizing on the expanding synergy effect that comes from diversity, which is our strength as a global enterprise gained through M&A, we will become a truly leading company in the electronic components industry.

*1 Deep learning is a type of machine learning that boosts learning ability by combining artificial neural networks imitating the neural circuits of the human brain, thereby enabling the learning of various things and response to complicated problems.
*2 AOI stands for automated optical inspection, which refers to the quality inspection of products by means of continuous photography using a high-resolution camera system with different light sources, such as fluorescence, ultraviolet rays, LED (light-emitting diode), and infrared rays.

What are the “3Qs”?

Fostering the 3Qs	Main measures of the QAHQ
Human Resource Quality Sustained quality improvement activities facilitated by raising quality awareness and practical skills	• Upgrading of the abilities of engineers and workers by quality education • Enhancement of quality awareness through small group activities • Promotion of the globalization of compliance and other quality education by utilizing DX
Technological Quality Sustained quality assurance initiatives keyed to improvements in quality technology and preventive measures	• Product analysis and reliability test support to Business Groups (BGs) • Improvement of process quality and raising of inspection process levels by means of tools • Design support by system development utilizing AI • Establishment of product security regulations for IoT products and its evaluation technology
Systematic Quality Sustained quality improvement activities mobilizing quality management systems structured to integrate TDK’s distinctive Monozukuri know-how with international standards	• Reliable response to Global Common Regulations by the entire TDK Group • Monitoring of laws and regulations and Group-wide rollout of information • Building of customer-oriented quality management system

Pursuit of zero-defect product quality by DX



Building smart factories achieving seamless integrated management to realize Industry 4.0

Hisayuki Abe

General Manager,
Production HQ and General Manager,
Production Strategy Planning Group



Over many years TDK has accumulated Monozukuri capabilities to give shape to and mass-produce electronic components born from our original materials technology, from the stage of product prototypes to quality design, process design, process building, and the refinement of quality through worksite competence. And this know-how is still evolving through the integration of TDK’s five core technologies.

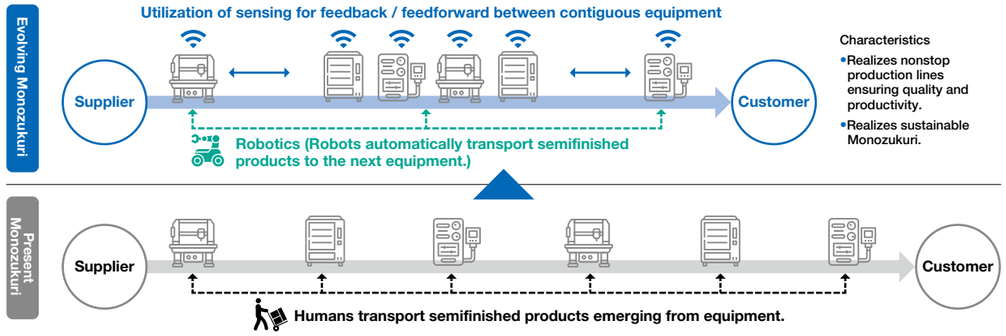
The challenge for us now is to build smart factories achieving seamless integrated management from the acceptance of orders to production and shipment. For this purpose, we are aiming for Monozukuri that realizes high productivity and stable quality by deploying not only TDK’s core technologies and know-how but also such state-of-the-art technologies as big data, AI, and sensing technology.

For example, by utilizing sensing technology, we can visualize invisible phenomena as wave forms and numerals and realize nonstop equipment that predicts the outbreak of future trouble and defects from minor changes and nips them in the bud. Furthermore, since we would be able, by means of electric current and vibration sensing, to diagnose various situations in real time, such as equipment process fluctuations or transportation abnormalities, it would be an effective means of checking whether equipment is repeating correct operations.

Going forward, we will absorb various technologies and know-how in our bid to realize the “Quality First” and new value creation advocated by TDK.

Quality refinement	Automation	Autonomy	Smart factories
Product design + Process design Process development Equipment development + Worksite competence	Building of mass-production lines + Automated transportation Automated operations + Sensing technology Analysis technology	Utilization of big data by mass-production lines + Utilization of AI + Feedback / Feedforward	Seamless integrated management from acceptance of orders to production and shipment 

Reduction of energy intensity and utilization of renewable energy



Strengthening Marketing, Innovation, and Incubation Capabilities Across the Group



At CM&I we propagate early market trends and support market-in product developments—including cooperations with external partners and incubation activities.

Michael Pocsatko

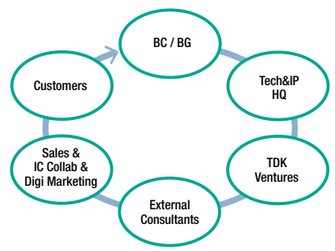
Senior Vice President
General Manager, Corporate Marketing & Incubation HQ

In April 2021, the Corporate Marketing & Incubation (CM&I) HQ was established as a new organization with the goal to look into the future identifying “Mega Trends” and to accelerate incubation activities—communicating and collaborating across innovators both inside and outside the company. This is creating a strong outside-in perspective, a more customer-oriented approach and language.

Additionally, it is our task to have a broad, company-wide view to bring together TDK’s diverse technological know-how and study the potential of future combinations. In all these roles, by adopting not only a market-in but also a product-out approach across the Group, we can promote product development that responds swiftly to market dynamics, thus we create and incubate new products/solutions which do not exist in TDK’s portfolio.

In fiscal 2023, the Corporate Marketing team continued its ongoing investigation, exploration, identification, and dissemination of mega trend intelligence in the context of TDK’s Seven Seas, our focal seven areas (see page 14). Also, the members facilitate market desirability, feasibility, and viability studies for emerging TDK technologies. Moreover, the team is championing external alliances with key value add entities across a variety of market verticals. These results enabled the team to make tangible achievements, such as the development of the new i3 Micro Module, which is a groundbreaking sensor module (see the column below).

Responding to market potential/needs in a cross-sectional manner



The team strives to deliver new corporate value through innovation and novel approaches to address the pain points of both established as well as emerging customers. Our aim is to generate a strong, contagious, lasting, bridge building and transformative mindset for the team. After two years activities, everybody has truthfully internalized this direction and lived up to it in every way. We also observe strong support and collaboration for our new ideas from all TDK Innovators. I’m very grateful and believe we will be able to accelerate the CM&I contributions to TDK, customers & society.

i3 Micro Module—realization of predictive maintenance based on edge AI, ultracompact sensor module redefines the status quo of equipment maintenance.

In recent years, manufacturing sites are expected predictive maintenance, which reduces the downtime and raises productivity, by predicting problems and performing maintenance preemptively, instead of reacting only after breakdowns have occurred. To meet these needs, TDK has developed i3 Micro Module—the world’s first ultracompact sensor module featuring embedded edge AI.

This module enables users to facilitate data aggregation, integration, and processing, which had been difficult in the past, and to achieve sensing without physical constraints like wiring due to an ultracompact, battery-powered wireless sensor module. As part of the transition toward smart factories, i3 represents one of TDK’s smart edge sensor platform solutions which is scheduled for release to the market in 2023.





Driving the creation of synergy within and outside the Group, aiming to realize TDK’s vision and fulfill my mission.

Jim Tran

Corporate Officer
General Manager, Americas HQ and Deputy General Manager, Technology & Intellectual Property Center

My mission as a corporate officer, and the head of TDK USA Corporation (TUC) is to create and drive cross-synergies across multiple functions like the CM&I HQ, Technology & Intellectual Property HQ, and the various Group companies and other regional headquarters. For this reason, we are broadening our scope to not just TUC, but with a wider view encompassing the entire Group.

External relationships are essential to complement what the Group lacks. To this end, through partnerships with external companies, M&A, or the CVC support, we are pursuing the creation of synergies in line with the Seven Seas—our seven focal areas. For example, the acquisition of Qeexo, Co., which develops a platform for automated machine-learning, in January 2023 (see the column below) is one of the achievements. Looking forward, by combining their expertise with TDK’s industry-leading knowledge in areas like sensors and batteries, we anticipate being able to propose innovative solutions to drive digital transformation (DX) across a wide range of industrial fields.

The reason I joined the TDK Group in June 2021 is because I felt it presented an opportunity to realize my longstanding passion, which is to find technologies to help society for the future. I thought I had some degree of knowledge of TDK’s business and technologies, but after actually working here, I experienced its allure firsthand. In addition to the advanced technology, what particularly surprised me was the culture of TDK, where people treat each other with respect and value the opinions of others. TDK, possesses an openness to hear the opinions of the people, is indeed a global company with the diversity required for a future society. I feel that the regional headquarters and the Group companies around the world can each bring their strengths and create a powerful synergy.

Leveraging these strengths to lead robust growth across the entire Group is not only my role within TDK, but it is key to fulfilling my mission.

Profile

Mr. Tran graduated with a BSEE and begin his career as an engineer at Boeing, while concurrently earning his MSEE. Following this, he transferred to Qualcomm as a member of their marketing and product management team. Leveraging his experience as an engineer, Mr. Tran made significant contributions across a broad range of product sectors. He was also involved in the establishment of a joint venture with TDK. After leaving, he joined TDK in June 2021 and held multiple marketing and general management positions within the company before assuming his current role in October 2022.

Acquiring Qeexo with an automated machine learning (ML) technology to enable complete smart edge platforms

In January 2023, TDK acquired the U.S.-based company Qeexo, Co. to strengthen their foundation in both hardware and software development. This move is aimed at accelerating the development of smart sensor platforms, for which demand is growing globally.

Qeexo, a venture-backed spin off from Carnegie Mellon University, recognized as a world leading institution in computer science, is the first company to automated successfully end-to-end machine learning for edge devices. By combining their expertise in ML automation with TDK’s leadership positions in sensors, batteries, and other critical components, TDK aims to become a leading company in the field of smart edge solutions.

Qeexo

Delegation of Authority



Building a framework through the delegation of authority to strengthen regional headquarters functions, establish R&D and marketing functions, and enable a flexible response to conditions in each region

Unique employee culture for value creation

Based on our corporate motto of “Contribute to culture and industry through creativity,” TDK’s corporate culture is our stance of delivering value to customers through the collaboration beyond national borders of team members (employees) with diverse personalities working around the world. Even today, when the TDK Group has expanded to more than 30 countries and regions, this corporate culture remains unchanged. Regarding M&A, rather than controlling acquired companies, we adopt a policy of post-merger integration (PMI) by which we maintain equal relationships and respect one another’s corporate culture. In this way, we position acquired companies as partners and accept their technologies, strengths, and values, thereby creating synergy on a global scale.

Examples of major acquisitions in recent years

- 2000 Headway (U.S.)
- 2005 Lambda Power Group (now TDK-Lambda, Japan)
- 2005 ATL (Hong Kong, China)
- 2007 Magnecomp (Thailand)
- 2008 EPCOS (now TDK Electronics, Germany)
- 2016 Micronas (now TDK-Micronas, Germany)
- 2016 Hutchinson (U.S.)
- 2017 ICsense (Belgium)
- 2017 InvenSense (U.S.)

Organization building to display diverse strengths

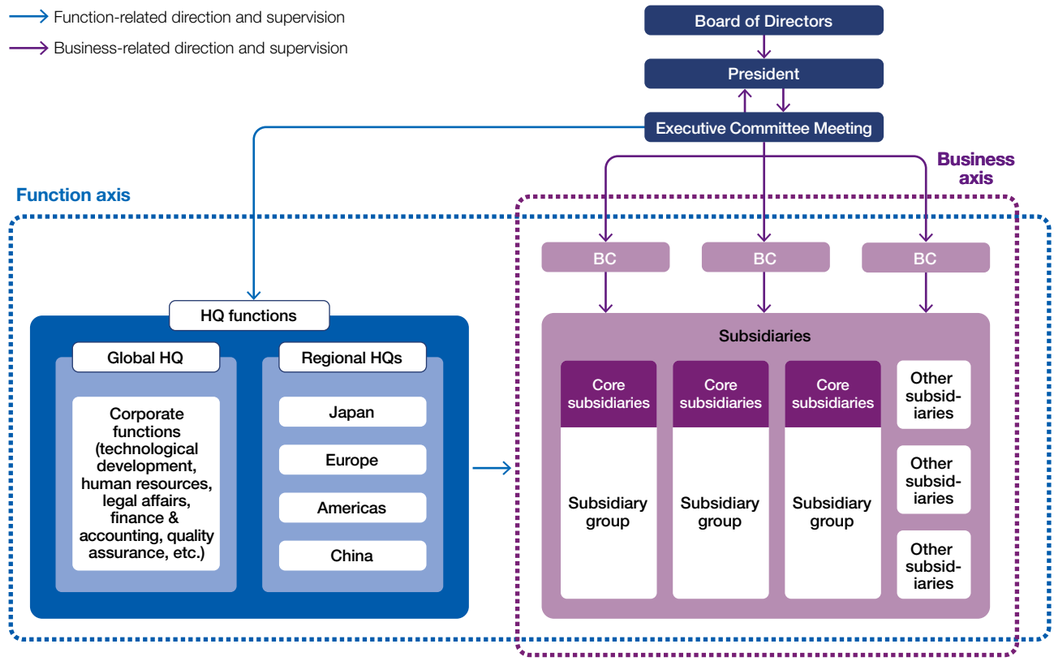
To realize growth amid a volatile environment, it is necessary to build a management setup emphasizing agility. Based on a spirit of enhancing Empowerment and Transparency, while abiding by corporate ethics, laws and regulations, and commercial customs, we are establishing Group governance that respects diversity and realizing a proactive management setup.

As a Group governance setup to realize Empowerment and Transparency, we are adopting a matrix management system based on two axes—the business axis, which is the chain of command for the execution of work, and the function axis, which involves the support of business operations and monitoring of the state of operations by headquarters functions.

To operate this function axis globally, we have set up regional headquarters in Japan, Europe, Americas and China. In cooperation with the global headquarters, these regional headquarters implement support and monitoring of our subsidiaries in each region. To further strengthen these regional headquarters functions, since October 2022 we have appointed both the heads of the regional headquarters for the Americas and China as corporate officers. We have also established R&D and marketing functions in tune with the special characteristics of each region, thus forming setups capable of responding to regional needs and technological trends in a timely manner.

Furthermore, in addition to our internally generated organic growth so far, TDK has acquired growth-phase companies and aimed for the growth of the TDK Group. When utilization of the management system already possessed by the acquired company is deemed to be effective and efficient, we position the former headquarters of the acquired company as a core subsidiary and encourage it to play a part in the function axis.

Group management structure with the policy of Empowerment and Transparency



KITEI Project envisions building of autonomous and decentralized organization

In order to turn the diversity of the TDK Group into a strength in the true sense, in recent years we have devoted much effort to building an organization that binds the potential and energy of team members (employees) around the world. As one aspect of these initiatives, we are promoting the KITEI Project to establish a global governance structure. This project envisions the building of an autonomous and decentralized organization centered on the concept of empowerment and transparency. While establishing basic rules that every member of the TDK Group must follow as the Global Common Regulations, we are building a structure that enables dynamic decision making on the frontlines by delegating authority to Group companies.

Compilation of the TDK Navigation Book to share TDK’s corporate culture throughout the entire Group

TDK was founded as a venture company in 1935 with the aim of commercializing ferrite, a magnetic material invented at the Tokyo Institute of Technology in Japan. Based on the founding spirit of “Contribute to culture and industry through creativity,” which is our corporate motto, we have been creating and supplying value to all stakeholders. In March 2022 we compiled the online TDK Navigation Book and made it available to all members on the Group’s intranet. The contents of the TDK Navigation Book include a history of the TDK Group, thoughts and values that should be shared by members, an outline of the Group’s management, corporate ethics and the fundamental Global Common Regulations that should be observed, and a glossary of acronyms used in the Group.



Supply Chain Management

Basic policy

As materiality that should be addressed by the entire Group, TDK cites “enhance global procurement capabilities and mechanisms,” “ensure responsible procurement,” and “ensure societal and environmental consideration in the supply chain” with the aim of building a competitive supply chain.

TDK recognize that stakeholders have expectations for not only response and compliance with legislation and international industrial standards in the supply chain but also the execution of social responsibilities, such as support for suppliers, and the minimization of social impact caused by corporate (business) activities, such as the problem of conflict minerals.

Today, when consideration of social issues, such as human rights, and the environment has become an essential condition of business, such initiatives clearly have an influence on relations with business partners and investment decisions by shareholders and investors.

We have numerous manufacturing sites and about 4,500 suppliers around the world. The promotion of societal and environmental consideration at these sites and suppliers is highly significant not only for TDK but also for society at large. Given our position as both supplier and buyer, we are conducting various initiatives from each of these standpoints.

Supply chain performance data

(FY)

Category	Item	Unit	2019	2020	2021	2022	2023
Initiatives as a supplier	Number of manufacturing sites covered by CSR self-checks	Site	81	78	79	80	80
		%	100	100	100	100	100
	Number of manufacturing sites covered by labor, human rights and ethics risk assessment	Site	81	78	79	80	80
		%	100	100	100	100	100
	Number of manufacturing sites performed CSR voluntary audits by third-party organizations	Site	5	5	6	5	10
	Number of employees participated in CSR internal auditor training (accumulated)	Person	253	303	303	333	374
	% of customers covered by the satisfaction evaluation*1	%	7.0	7.3	6.6	5.8	5.6
	% of A rank customers*2	%	89.8	93.8	95.9	96.8	95.0
Initiatives as a buyer	Number of dispatch companies covered by CSR self-checks (dispatch companies used by manufacturing sites in high-risk countries of Asia)	Company	81	73	78	68	61
		%	100	100	100	100	100
	CSR-compliant supplier ratio	%	94.4	96.1	98.0	99.0	100
Responsible sourcing of minerals	Ratio of suppliers confirmed conflict-free*3	%	92.6	93.1	94.5	93.6	86.5
	Number of conflict minerals survey*4	Number	2,381	2,423	2,832	2,810	3,167

*1 % of sales amount (consolidated)
*2 % of customers who evaluated their satisfaction as “A rank” (fully satisfied), calculated by aggregating satisfaction evaluations provided by customers
*3 The target mineral is 3TG (3TG: tantalum, tin, tungsten, and gold)
*4 Number of responses that were generated by TDK Corporation

Introduction of our activities

As a supplier
Starting in fiscal 2022, we launched an initiative to conduct either the Responsible Business Alliance (RBA)-authorized audit, a customer CSR audit, or a CSR assessment based on the RBA VAP Operations Manual at all manufacturing sites at least once every three years. In the two years of fiscal 2022–23, 63% of sites accepted audits, so our target by the end of fiscal 2023 was achieved.

In fiscal 2024 we will pour further energy into each activity aimed at achieving our plan, and, while keeping a close eye on trends at the RBA, pursue efforts on a global level to strengthen CSR management in accordance with RBA standards.

As a buyer
In fiscal 2023 TDK’s CSR compliant supplier rate, including newly affiliated Group companies, exceeded our target to reach 100%. Also, while 15 suppliers implemented CSR audits in fiscal 2023, the number planning to do so in fiscal 2024 is 22 companies.

Regarding sub-contractors, in conjunction with a renewal of the survey form, we aim to implement 100% self-checks in the two years of fiscal 2023–24.

Responsible sourcing of minerals
In fiscal 2023, as in past years, we requested that suppliers continue to make procurements from RMAP-compliant smelters. We requested maximum efforts from suppliers whose compliance we could not confirm. Unfortunately, because of striking changes in the social situation due to Russia’s invasion of Ukraine and other factors, the ratio of suppliers confirmed to be procuring from RMAP-compliant smelters was just 86.5%, which meant that our target was not achieved.

For fiscal 2024 also, we have set “a ratio of at least 92% of suppliers recognized as procuring the 3TG minerals from RMAP-conformant refineries” as a common KPI of the TDK Group and will continue to promote Group-wide efforts. Specifically, we will continue our requests to suppliers and, in response to inquiries from customers, make even more proactive efforts to provide pertinent replies. Furthermore, since collaboration with industrial organizations is essential to solve the expanding problem of responsible sourcing of minerals, we will continue to participate in such industrial discussions.

Human rights due diligence

The TDK Group undertakes human rights due diligence processes and promotes its due diligence activities in line with the procedures set out in the UN Guiding Principles on Business and Human Rights. We also continue to dialogue with internal/external parties and stakeholders to make our activities more effective.

Human rights due diligence process of TDK Group



Initiatives for prevention and reduction of human rights risks
In 2020 TDK joined the RBA, an organization which is dedicated to improving social, environmental, and ethical conditions in the global supply chains. TDK utilizes the RBA code of conduct as the standard to promote our CSR activities in manufacturing sites. For the prioritized human rights key themes described above, we conduct activities to prevent and reduce risks in alliance with the RBA’s code of conduct, assessment items, and audit frameworks.

EX Initiatives

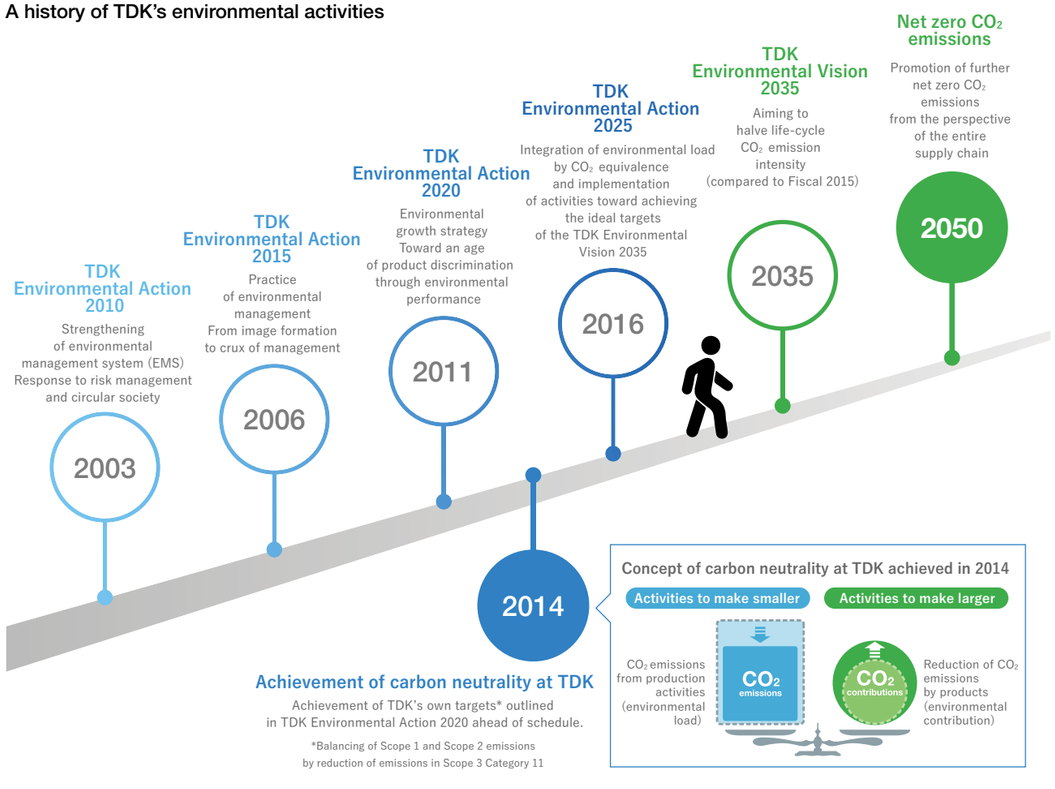
Looking ahead to 2050

As materiality to be tackled by the Group as a whole, TDK calls for the effective use of energy and expanded use of renewable energy toward the realization of net zero CO_2 emissions by 2050, the supply of products and solutions to create clean energy and realize a zero-carbon society, and the supply of products and solutions to realize an energy-efficient society by storing, converting, and controlling energy.

In addition, TDK already achieved carbon neutrality in fiscal 2015 through the concept of balancing CO_2 emissions from its manufacturing sites by means of TDK products that improve energy efficiency and thereby contribute to CO_2 reduction. Currently TDK is promoting further net zero CO_2 emissions from the perspective of the entire supply chain. Specifically, TDK is strengthening its activities for the reduction of greenhouse gas emissions, including further expansion of the scope of coverage to include emissions in other Scope 3 categories as well as Scope 1, Scope 2, and Scope 3 Category 11 and the setting of key performance indicators and monitoring indicators, toward the realization of a society with net zero CO_2 emissions by 2050. In the TDK Environmental Action 2025—our medium-term action plan—we aim to achieve 50% renewable energy at our manufacturing sites by 2025.

As proclaimed in the TDK Environmental Charter, TDK recognizes the importance of adopting measures to counter climate change and respecting biodiversity and the limited resources of the Earth. Under the slogan of "Eco TDK," TDK will further promote related activities, including the realization of a circular economy.

A history of TDK's environmental activities



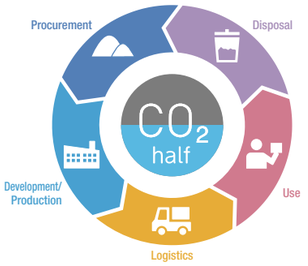
TDK Environmental Vision 2035

Halving the CO_2 emission intensity from a life-cycle perspective by 2035

TDK defined the ideal state of TDK in 2035 as "the operation under the environmental load within natural circulation," and formulated the TDK Environmental Vision 2035, which aims to "halve the CO_2 emissions intensity from a life-cycle perspective by 2035." This stance stems from the belief that minimizing the environmental load in business activities, and revitalizing the natural environment, is the duty of companies that supply products designed to contribute to its customers and the society. Moreover, modeled on the United Nations Climate Change Conference (COP 21) Paris Agreement, which seeks to curb global warming by achieving a balance between greenhouse gas emissions and absorption sources, this is also considered the ideal corporate posture for all TDK activities.

Within TDK Environmental Vision 2035, the declaration is made to reduce the environmental load from a lifecycle perspective. This represents an initiative not limited to measures at the manufacturing stage in factories and the use stage for customers, aspects outlined in the conventional TDK Environmental Action 2020 policy. To expand in this way, we deem it critical for all TDK Group employees to share the same vision and move forward with the same objectives in mind. The "revitalizing and protecting the global environment" expressed in this corporate vision refers to the skillful operation of our business hand in hand with the natural environment. Without that commitment, there will be no sustainable development on the horizon. The entire Group shares an Arubeki-Sugata (ideal process) and undertakes voluntary initiatives in pursuit of that vision.

TDK Environmental Vision 2035



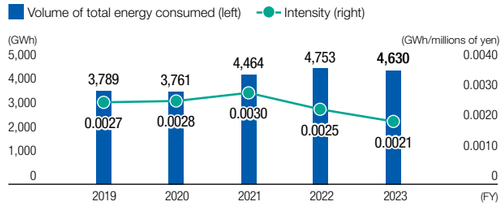
"The operation under the environmental load within natural circulation"
"Halve the CO_2 emission intensity from a life-cycle perspective by 2035"

Reduction of CO_2 emissions at manufacturing sites

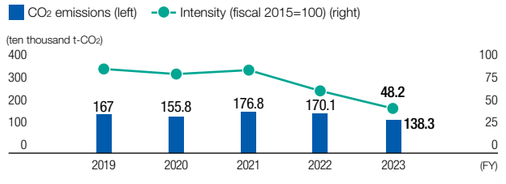
At TDK, we are working at "effective use of energy" and "expanded use of renewable energy" in order to reduce CO_2 emissions at our manufacturing sites.

In fiscal 2023 CO_2 emissions decreased by 18.7% from the previous year to 1.383 million tons due to the expanded introduction of renewable energy. Going forward, we will promote reduction efforts rooted in manufacturing activities across the entire Group based on a policy, as advocated in TDK's materiality, of achieving the effective use of energy and the expanded use of renewable energy toward the realization of net-zero CO_2 emissions by 2050.

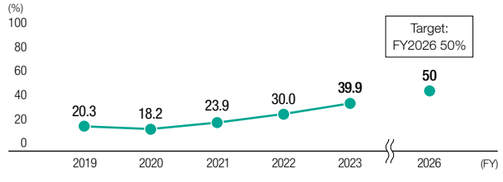
Trends in volume of total energy consumption and intensity



Trends in CO_2 emissions at manufacturing sites (global)*1



Percentage of electricity from renewable energy sources introduced*2



*1,2 The measurement and calculation methods, as well as the numerical results for fiscal 2020 and beyond, have been verified by a third-party.

Expansion of contributions to reduction of CO_2 emissions through products

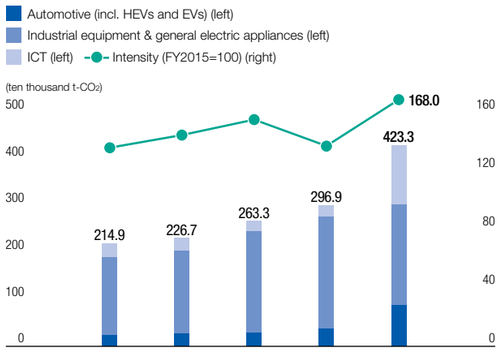
Expanding the reduction of CO_2 emissions through products (product contributions) is one of the core initiatives within the TDK Environmental Vision 2035 and Environment, Health and Safety Action 2025. To mount potent appeals for the social contributions by TDK products as the fruits of technical initiatives, these product contributions have been calculated and disclosed. Public awareness activities are also being advanced to gain understanding of the contributions of electronic components as intermediary parts, along with moves to formulate coherent industry standards for calculation methods positioned to serve as the basis for earning appropriate evaluations of product contributions performance, and the results were released in the form of guidance by industry groups.

Based on these results, TDK established the Guideline for Calculation of Product Contributions and is promoting the diffusion of global calculation work throughout the entire TDK Group by adding the calculation of product contributions to assessment requirements at the product development stage. Going forward, TDK will continue to establish calculation rules and endeavor to disseminate them throughout the Group.

The contribution to CO_2 reduction by products in fiscal 2023 was 4.233 million tons, a year-on-year increase of 42.6%. In terms of intensity, it was a 24.3% rise over the previous fiscal year, and so we were able to achieve our target by a wide margin.

Going forward, we will strive to develop eco-friendly products that contribute toward reducing the environmental load of customers and society and to popularize such products by publicizing their value.

Trends in CO_2 emission reductions by products*



*The calculation method was reviewed by a third party.
*The product contributions have been calculated based on the internal guidelines compliant with IEC's "TR62726 Guidance on Quantifying Greenhouse Gas Emission Reductions from the Baseline for Electrical and Electronic Products and Systems"; The Institute of Life Cycle Assessment, Japan's "Guidelines for Assessing the Contribution of Products to Avoided Greenhouse Gas Emissions"; and JEITA's "Guidance on Calculating GHG Emission Reductions Contribution of Electronic Components."

Response to TCFD

In May 2019 TDK expressed its approval of the Task Force on Climate-related Financial Disclosures (TCFD), which makes recommendations to analyze and disclose information on the impact of climate change on corporate finances. Established in 2015 by the Financial Stability Board (FSB), an international body that aims to stabilize the financial system, the TCFD makes proposals that are expected to be a catalyst for promoting information disclosure within companies and organizations and encouraging dialogue between financial institutions and business corporations.

TDK, under the TDK Environmental Vision 2035, is committed to halving the CO_2 emission intensity from a life-cycle perspective by 2035 across the entire value chain, from procurement to disposal. TDK is progressively working on activities that assessing the risks and opportunities posed by climate change to its business, coupled with appropriate information disclosure, indispensable for balancing future business growth and the building of a sustainable society.

In accordance with the TCFD framework, we disclose TDK's initiatives to tackle the problem of climate change.

Governance

Board's oversight of climate-related risks

At TDK, the environmental officer carries out a management review more than once a year of the state of progress in environment-related matters, including climate change, as well as plans and risks. The results of the management review and matters requiring management decisions are deliberated in the Executive Committee and, if necessary, the Board of Directors.

Management's role in assessing and managing climate-related risks

Positioning

Regarding risks relating to the environment, including climate change, TDK has clarified the responsibilities of the environmental officer, who is appointed by the chief executive officer.

In addition, to strengthen the risk management framework, TDK has established committees directly under the Executive Committee. Of them, the Enterprise Risk Management (ERM) Committee has been set up with the aim of ensuring a company-wide response to factors impeding the achievement of business targets and business operations, including climate change. The ERM Committee discusses important matters among environmental risks, including climate change. The chair of the ERM Committee is a corporate officer appointed by the CEO.

Responsibilities

Regarding a company's social responsibility, TDK recognizes that coexistence with the global environment is an important issue in management and has established the post of environmental officer. Appointed by the CEO, the environmental officer takes responsibility for environmental management in general, including climate change. In addition, the head of the Safety and Environment Group of the Sustainability Promotion HQ, which has been established under the environmental officer, is given responsibility for implementing environmental management, including climate change. In the TDK Group, all business groups, departments, sites, manufacturing subsidiaries, and head office functions come together in unison to work toward realizing the goals of the TDK Environmental Vision 2035 (operate under an environmental load within natural circulation and halve the life-cycle CO_2 emission intensity by 2035).

Among environmental risks, including climate change, important matters are reported through the ERM Committee to the Executive Committee and the Board of Directors.

Content of responsibilities

The Safety and Environment Group of the Sustainability Promotion HQ sets Group-wide targets for environmental matters, including climate change, and identifies environment-related risks for the Group. The ERM Committee identifies Group-wide risks in accordance with risk management regulations and handles problems relating to climate change as one aspect of Group-wide risks.

Monitoring

The achievements of environmental activities, including activities relating to climate change, are reported in the management report, and more than once a year the environmental officer carries out a management review, discussing and deciding important matters in the promotion of environmental activities, such as the compilation of reports and medium- to long-term targets for major KPIs and energy-saving investment. In addition, matters in this management review that are deemed to exert an important impact on management, such as visions and large-scale investment, are discussed in the Executive Committee and, if necessary, the Board of Directors.

Strategy

In the Medium-Term Plan "Value Creation 2023" that started in fiscal 2022, TDK advocates the basic policy of accelerating digital transformation (DX) and energy transformation (EX) in order to enhance customer experience and consumer experience (2CX) and to create value for a sustainable society. As well as setting the TDK Group's materiality as management issues that should be tackled to realize the Medium-Term Plan, we have positioned EX (contributing to energy and environmental solutions by minimizing waste heat and noise with electronic devices) as a business domain on which TDK focuses for both social value creation and corporate growth, and we are addressing it as one aspect of our business strategy.

Specifically, we are promoting the effective use of energy and the expanded use of renewable energy toward the realization of net-zero CO_2 emissions in 2050. Furthermore, we are striving to provide products and solutions for creating clean energy to realize a zero-carbon society and to supply products and solutions for bringing about an efficient energy society through the storage, conversion, and control of energy.

In these circumstances, TDK conducted scenario analysis with the aim of analyzing business risks and opportunities in problems related to climate change and reflecting the results in strategy.

Results of scenario analysis

In accordance with the Practical guide for Scenario Analysis in line with the TCFD recommendations issued by the Ministry of the Environment, TDK implemented scenario analysis based on the following preconditions:

Preconditions

Assumed period: fiscal 2031

Applicable scope: Entire TDK Group

Adopted scenarios: 2°C scenario (Sustainable Development Scenario [SDS] and New Policies Scenario [NPS] of the International Energy Agency [IEA]), 4°C scenario (the IEA's Current Policies Scenario [CPS], Stated Policies Scenario [STEPS], and Representative Concentration Pathway [RCP] 6.0 scenario)

The following are the main risks and opportunities identified based on the scenario analysis. Under the 2°C scenario, in which countries' regulations through decarbonization policies become stricter, we understood the possibility of transitional risks occurring with the introduction of carbon pricing and higher cost of renewable energy. The analysis estimated the financial impact of these risks in 2030 to be 5.9 billion yen in the case of carbon pricing and 17.6 billion yen for renewable energy. In the automotive market, which is one of TDK's key markets, since the shift to electric vehicles will progress, we also recognized the possibility of expanded sales opportunities for EV-related products and battery-related risks and opportunities.

Under the 4°C scenario, the analysis also showed the possibility of increased risks of flooding due to the frequent outbreak of abnormal weather.

Classification		Risks and opportunities	Occurrence*	Main countermeasures
Transition risks	Carbon pricing / carbon-emission targets of each country	Risk	Medium/long term	• Promotion of the effective use of energy, expanded use of renewable energy, etc. at manufacturing sites toward the realization of net-zero CO_2 emissions in 2050
	Increase of energy costs due to rise in renewable energy ratio	Risk and opportunity	Medium/long term	• Promotion of the effective use of energy at manufacturing sites toward the realization of net-zero CO_2 emissions in 2050 • Promotion of the development of products for renewable energy, etc.
	Increase in price of cobalt and lithium	Risk	Short-long term	• Monitoring of raw material price trends and implementation of risk hedging at time of procurement • Implementation of long-term supply contracts • Reduction of amount of cobalt and lithium used in products, etc.
	Increase of new business chances due to expansion of EV market	Opportunity	Medium/long term	• Promotion of product development with an eye on EV market expansion
	Development of next-generation battery materials	Risk and opportunity	Long term	• Promotion of the development of all-solid-state batteries
	Increase of customer demands regarding RE100	Risk and opportunity	Short-long term	• Analysis of customer initiatives to respond to climate change • Compilation of plan to introduce renewable energy, etc.
Physical risks	Increase of business risks due to rise in flooding	Risk	Medium/long term	• Implementation at sites of measures to counter flooding risks • Promotion of BCP response, building of BCM framework, etc.

*Time horizon: "short-term" is expected to be less than 1 year, "medium-term" between 1 and 3 years, and "long-term" between 3 and 20 years.

Risk management

To strengthen its risk management structure, TDK has established several committees that report directly to the Executive Committee. Among these committees, the ERM (Enterprise Risk Management) Committee has been organized for the purpose of taking a company-wide approach to factors that may hinder the achievement of business goals and business operations, and assesses important risks for management. Climate change risk is identified and assessed as one of them. Regarding risks deemed by the assessment to require Group-wide efforts, including climate change risk, the ERM Committee checks the progress of countermeasures approved by the Executive Committee and, after completion of the countermeasures, obtains the approval of the Executive Committee.

Metrics and targets

TDK has stated its aim to achieve net-zero CO_2 emissions by 2050 in the "TDK Group's Materiality" and has also set the goal of "halving the life-cycle CO_2 emission intensity by 2035" in the "TDK Environmental Vision 2035". Based on this vision, we have established the action items and target values in the "TDK Environmental, Health and Safety Activities 2025" as our basic environmental plan through 2025, and are monitoring progress. In 2022, we have also announced our commitment to obtain SBT certification and are currently working toward it.

GHG emissions (kt-CO_2)	Fiscal 2023
Total emissions	27,882
Scope1	146
Scope2	1,237
Scope3	26,499

Other Environmental Initiatives

Approach to biodiversity

At TDK, we recognize the importance of biodiversity and aim to avoid or minimize the negative impacts of our business activities on the global environment and ecosystems. Throughout the entire supply chain, from the procurement of raw materials to product disposal, we strive to operate with little environmental load and to conserve forestry resources and water resources. In collaboration with external partners, such as local communities, we also promote ecosystem restoration activities and initiatives to realize a circular economy that does not harm the cycle of nature.

All TDK employees are aware of the impact on the environment from production activities. We consider the relationship between business operations and the environment and strive to protect an affluent global environment. The TDK Environmental Charter, revised in April 2018, expressly provides that employees are to consider contributions to ecosystems and take proactive action at all times.

Please refer to the Sustainability Website for details.
Approach to Biodiversity
https://www.tdk.com/en/sustainability2022/environmental_responsibility/biodiversity

Effective use of resources

Amid the need to shift to a circular society, from the perspective of the effective use of limited resources, TDK achieved its own standard of zero emission in fiscal 2007 and, since then, has maintained this level and promoted initiatives to curb the discharge of waste itself. In addition, TDK makes regular visits to recycle businesses to check that recycling is being conducted properly.

The total amount of waste in fiscal 2023 was 130,696 tons, an 11.5% decline from the previous fiscal year. Furthermore, in terms of waste discharge intensity, it was a 24.4% improvement over the previous fiscal year, and thus met the target.

Going forward, we are committed to promoting comprehensive process improvements and continued efforts to reduce waste in terms of both efficient utilization of resources and improvement in the yield rate.

Please refer to the Sustainability Website for details.
Effective Use of Resources
https://www.tdk.com/en/sustainability2022/environmental_responsibility/limited-resources

Reduce risks of chemical use

Our Approach to chemicals management is as follows:

Management of chemical substances in products

In 2004, TDK introduced the "Environmental Product Quality Management" (EPQM) as a system to prevent and control exposure to hazardous substances in products that threaten human health and the environment, and we operate it within our Quality Management System (QMS).

Management of chemical substances in manufacturing processes

We have been promoting the integrated management of chemical substances globally with the goals of understanding the hazardousness and danger of chemical substances, and improving safety in their handling in compliance with each nation's laws and the like.

Please refer to the Sustainability Website for details.
Reduce Risks of Chemical Use
https://www.tdk.com/en/sustainability2022/environmental_responsibility/chemicals-management

Water resources conservation

From the procurement of raw materials to the disposal of products, TDK strives for operations with little environmental load throughout the entire supply chain. Similarly, we promote the conservation of forestry resources and water resources. In line with the TDK Environmental Charter, we aim for "Develop and Prosper in Harmony with the Global Environment." Every single employee will act positively by thinking about the impact of production activities on the environment and the relationship between corporate activities and the environment, endeavoring to conserve an affluent global environment, and constantly paying heed to contributions to preserve the ecosystem.

Furthermore, in consideration of business characteristics, TDK has specified the key SDGs that we will focus on and clarified our policy of solving issues, including water-related problems, through technological development in our main businesses. As a water-related example, we are promoting the development of various sensors in accordance with Goal 12 of the SDGs, which is titled "Responsible consumption and production." In addition, we are reducing water withdrawal in manufacturing processes.

Please refer to the Sustainability Website for details.
Water Resources Conservation
https://www.tdk.com/en/sustainability2022/environmental_responsibility/water-resources

Chapter 3

How Is TDK's Governance Evolving?

Basic stance and structure

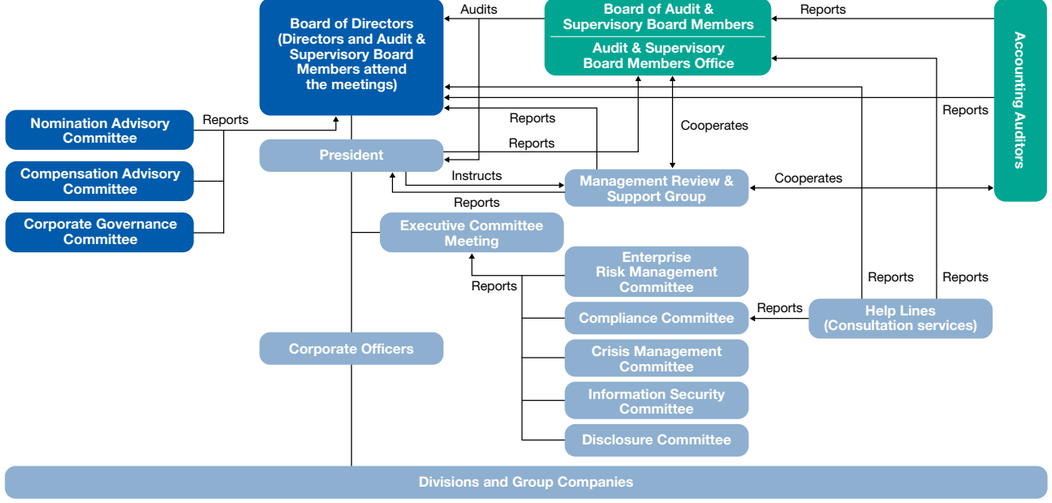
Emphasis on enhancing corporate value

As a company with an Audit & Supervisory Board, TDK strives to ensure the soundness, compliance, and transparency of management through the introduction of various mechanisms to strengthen corporate governance with the aim of enhancing long-term corporate value.

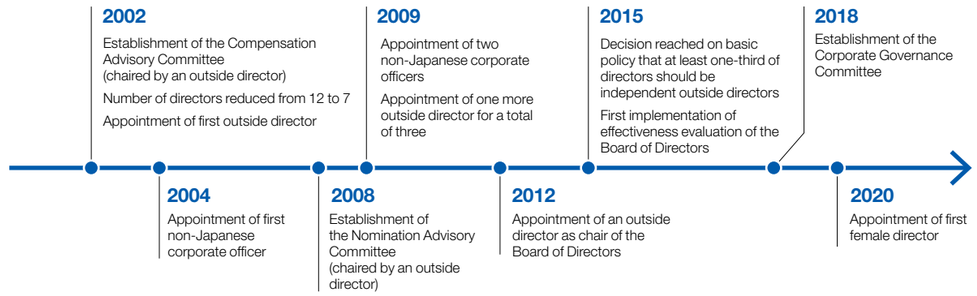
Regarding the Board of Directors, we strive for swift management decision-making by having a small number of members, and we actively appoint independent outside directors with no conflicts of interest so as to strengthen monitoring functions. Discussions are conducted from a long-term perspective. In addition, to strengthen supervisory functions over management, three committees have been established as advisory bodies to the Board of Directors (the Nomination Advisory Committee, Compensation Advisory Committee, Corporate Governance Committee).

Regarding the execution of business, TDK endeavors to ensure swift decision-making and to clarify responsibility and authority in business execution through the adoption of a corporate officer system. In addition, regarding global Group management, TDK trusts people who share the same goals and principles and delegates authority to them. Furthermore, to ensure transparency toward stakeholders, TDK advocates a policy of Empowerment and Transparency and is promoting reforms to realize an autonomous and decentralized organization.

Corporate governance organization chart



History of corporate governance reforms





Passing down an open culture that incorporates diverse opinions and leads to better conclusions

Shigenao Ishiguro
Chairman & Director

Renewing the Corporate Governance Committee as a venue for discussing a medium- to long-term vision for governance

In March 2022 I stepped down as president and was appointed the Chairman & Director who is not corporate officer following the General Meeting of Shareholders in June of the same year. Accordingly, I handed over all executive authority to Noboru Saito, who assumed the position of Representative Director, President and CEO. As I am no longer in an executive role, I no longer attend Executive Committee Meetings (ECMs) and leave the proceedings of the Board of Directors entirely in the hands of chair of the Board. My own understanding of my position is that I am to support the Board of Directors and our various committees so that they can engage in open-minded discussions and proper decision-making. At times I may offer a perspective close to the business execution side, supplementing explanations of matters to outside directors to assist in ensuring smooth discussion. At other times, I may point out issues facing current business execution from a high-level perspective or speak out on medium- to long-term management themes, taking advantage of my six years of experience leading business execution in an effort to assist the Board of Directors and the executive divisions from a variety of angles.

The first project I tackled after my appointment was a renewal of the Corporate Governance Committee, of which I serve as chair myself. The Committee had of course been engaged in deliberations regarding governance and how it operates, but its members were comprised of representatives on the executive side. Their main focus was more on analyzing and evaluating the status quo, including review of reports meant to fulfill legal requirements, and the Committee was not acting as a forum for discussion of such issues as how to evolve TDK's management style and governance structures for the future. Since it can be difficult to discuss these issues out of the blue at Board meetings, we need to fully discuss them from a variety of perspectives and develop several drafts in advance.

Following last year's General Meeting of Shareholders, we thus restructured the Corporate Governance Committee to serve as a venue for discussing how the company should be managed in the medium- to long-term view. The Committee would comprise all of the company's outside directors, inside directors including the president and myself, and the General Manager of the Corporate Strategy HQ (corporate officer). In its first year, the Committee took up and held discussions of the issue of handing down the Board culture, an issue that had been pointed out in the effectiveness evaluation of the Board of Directors. In this, its second year, the Committee plans to take up discussion of how we should change governance at TDK for the future, its main subject of deliberation.

Raising the level of governance among executive divisions and bringing well thought-out conclusions to the Board of Directors

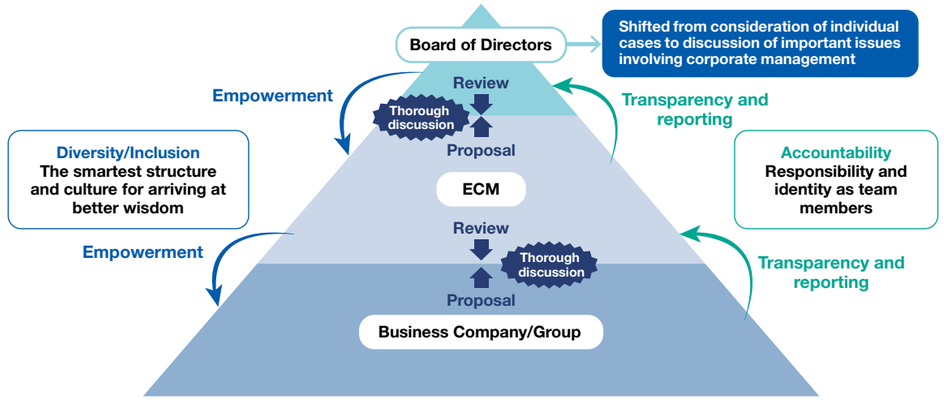
Since the early 2000s, TDK has worked to establish a corporate governance structure that was quite advanced for the time, including inviting outside directors, separating management and execution through the introduction of a corporate officer system, and establishing both a Nomination Advisory Committee and a Compensation Advisory Committee. The Board of Directors was structured at an early stage for an independent outside director to serve as chair; Mutsuo Iwai currently serves as the sixth outside chairman. Since 2016, when I became President and CEO, we have continued to focus on an creating an environment that ensures the psychological safety of Board attendees and allows everyone to speak freely, part of our efforts to make Board of Directors meetings a forum where more substantive discussions can take place. The Board of Directors office has also focused on strengthening the support functions.

As a result of these efforts, I feel a very positive culture is beginning to form in which Board members can freely express what they believe to be right regardless of their positions, and can discuss issues while elevating one another's work. That said, even though an outstanding Board culture has been developed, there is the risk that it could be altered or lost as people and the organization itself change. This is why the last fiscal year's effectiveness evaluation of the Board of Directors pointed out that this culture should be systematically shared and passed down across generations by documenting it in some form or another and setting guidelines. I was also aware of the importance of doing this, so the Corporate Governance Committee has been engaged in discussion of specific initiatives since the last fiscal year.

This unique culture, which allows people to speak freely regardless of their positions, must also be further instilled and handed down not only within the Board of Directors, but among our executive divisions as well. It is of utmost importance that at the ECM, as well as at meetings of each Business Company (BC) and Business Group (BG), participants speak freely and openly, and that constructive discussions are held that incorporate diverse opinions. I believe that the value of a company is determined by whether it is able to present its Board of Directors with conclusions that have been well thought through and refined through such a process. This is because while the Board of Directors sets the overall direction for management and determines the pros and cons of measures from a broad perspective, it is the executive divisions, including the front-line BCs and BGs, that are capable of initiating and refining specific measures for the business. For this reason, we must continually strengthen governance of the executive divisions even as we work to enhance the effectiveness of the Board. Once the level of governance on the business execution side is enhanced, we can make further progress in delegating authority from the Board of Directors to the executive function, thus further increasing the speed of decision-making and business execution. I am confident that encouraging this kind of positive cycle will lead a medium- to long-term improvement in corporate value, thus increasing stakeholder satisfaction.

The Corporate Governance Committee intends to engage in full-fledged discussions regarding a vision for corporate governance at TDK going forward, with consideration of both the Board of Directors and our executive divisions.

Roles and authorities of the Board of Directors, ECM, and BCs/BGs



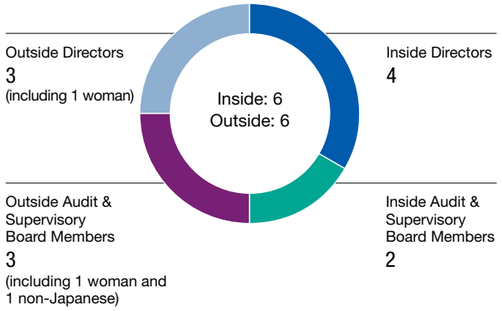
Corporate governance at TDK is based first of all on conducting rigorous discussions within the ECM on the business execution side. The Board of Directors then issues its management decisions based on even more thorough discussion of the conclusions presented by the ECM that also incorporate outside perspectives. This not only increases management transparency and ensures trust, but also speeds management decision-making by advancing the delegation of authority to the business execution side. In this way, the Board of Directors and the executive side maintain an appropriate relationship of both tension and trust and an ongoing cycle of rigorous discussion, ensuring transparency, and delegation of authority, creating a balance between effective governance and management speed. Note that the number of members on both the Board and the ECM is limited to achieve active, effective discussions while also ensuring diversity. To ensure fairness in these discussions, both groups are comprised of members that do not include the individuals responsible for the respective businesses.

Strengthening of the Board of Directors' Monitoring Function

Appointment of outside directors

Persons recruited as independent outside directors have a wealth of practical experience relating to corporate management and are able to provide advice from an independent perspective regarding general management for enhancing TDK's corporate value. To secure the independence of outside directors and outside Audit & Supervisory Board members recruited to the board, TDK established "items to be verified regarding independence" by making reference to "Securing Independent Director(s)/Auditor(s)" of the Securities Listing Regulations and "the Guidelines Concerning Listed Company Compliance," etc., established by the Tokyo Stock Exchange, Inc. The directors' terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding directors' performance every fiscal year.

Composition of directors and Audit & Supervisory Board members (as of June 22, 2023)



Emphasis on external and medium- to long-term perspectives

TDK's basic policy is to have a small number of members (up to 10 persons) on the Board of Directors so as to expedite speedy management decision making. At present there are seven directors sitting on the board. In addition, in order to strengthen the management supervision function, TDK's basic policy is that one-third or more of these directors should be independent outside directors with no conflict of interests. Currently three of the seven directors sitting on the board are outside directors. Furthermore, in principle an independent outside director serves as the chairperson of the Board of Directors. Of the four inside directors, while one of them is not concurrently a corporate officer, the other three are responsible for nonbusiness divisions, giving them an overview of the company as a whole.

Members of Advisory Committees (as of June 22, 2023)

		Nomination Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee*
Noboru Saito	Representative Director	●	—	●
Tetsuji Yamanishi	Representative Director	—	●	—
Shigenao Ishiguro	Director	●	●	● (Chair)
Kozue Nakayama	Outside Director	● (Chair)	●	●
Mutsuo Iwai	Outside Director	●	●	●
Shoei Yamana	Outside Director	●	● (Chair)	●

* One more person who is corporate officer, GM, Corporate Strategy HQ

Meeting attendance record

Meeting attendance record fiscal 2023		Board of Directors	Audit & Supervisory Board	Nomination Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Noboru Saito	Representative Director	10 out of 10*	—	10 out of 10*	—	2 out of 3
Tetsuji Yamanishi	Representative Director	14 out of 14	—	—	5 out of 5*	—
Shigenao Ishiguro	Director	14 out of 14	—	12 out of 12	5 out of 5*	3 out of 3
Shigeki Sato	Director	14 out of 14	—	—	—	—
Kozue Nakayama	Outside Director	14 out of 14	—	12 out of 12	7 out of 7	3 out of 3
Mutsuo Iwai	Outside Director	13 out of 14	—	11 out of 12	6 out of 7	3 out of 3
Shoei Yamana	Outside Director	10 out of 10*	—	10 out of 10*	5 out of 5*	3 out of 3
Satoru Sueki	Full-Time Audit & Supervisory Board Member	14 out of 14	15 out of 15	—	—	—
Takakazu Momozuka	Full-Time Audit & Supervisory Board Member	14 out of 14	15 out of 15	—	—	—
Jun Ishii	Outside Audit & Supervisory Board Member	14 out of 14	15 out of 15	—	—	—
Douglas K. Freeman	Outside Audit & Supervisory Board Member	14 out of 14	15 out of 15	—	—	—
Michiko Chiba	Outside Audit & Supervisory Board Member	14 out of 14	15 out of 15	—	—	—

* Following appointment in June 2022.

Content of deliberations in the Board of Directors, etc.

Regarding the content of deliberations in the Board of Directors, every year we consider the content of matters relating to management strategy, governance, and the activities of headquarters functions, as well as resolution items stipulated by law, etc., compile an annual agenda schedule, and operate the Board of Directors accordingly. This yearly agenda is studied in the Corporate Governance Committee, and issues extracted in the effectiveness evaluation of the Board of Directors are also included in the yearly agenda, with the Board of Directors discussing its response to them.

In addition, besides discussions in meetings of the Board of Directors, we regularly organize gatherings and offsite meetings for outside directors only to deepen their studies and deliberations.

Activities of the Board of Directors and other similar bodies

Main agenda items in the Board of Directors (fiscal 2023)

Management strategies	• State of progress/verification of the Medium-Term Plan and current-term management plan (entire the TDK Group and main business sectors) • Financial strategy, fund plan
Governance	• Effectiveness evaluation of the Board of Directors • Group governance, Group risk management, compliance management • Internal audit report • Internal control system and state of operation
Headquarters functions	• Sustainability • Global human resource strategy • Technology development strategy, production engineering strategy, intellectual property strategy, quality assurance • Management system, supply chain management

As well as the above, the Board of Directors discussed business matters, capital investment, business tie-up, etc.

Discussions outside the Board of Directors

Meetings of outside directors only

From the perspective of enabling outside directors to contribute positively to discussions in the Board of Directors, meetings of outside directors and outside Audit & Supervisory Board members only are held regularly. In these meetings, they exchange information and share understanding based on their independent and objective positions.

Off-site meetings (participated in by all directors and Audit & Supervisory Board members)

Off-site meetings, in which all directors and Audit & Supervisory Board members participate and engage in free discussions, are held regularly with the purpose of deepening discussions in the Board of Directors and enhancing its effectiveness. Discussion topics are decided based on opinions from outside directors.

Main agenda items in the Nomination Advisory Committee (fiscal 2023)

Officer structure	• Organization of board advisory committees for the next term • Organization of corporate officers for the next term • Selection of director candidates • Selection of Audit & Supervisory Board member candidates
Governance	• Succession planning • Skills matrix • Retirement age of corporate officers

Main agenda items in the Compensation Advisory Committee (fiscal 2023)

Remuneration of directors and corporate officers	• Corporate officer results-linked bonuses for the current term • Executive remuneration table for the next term • Corporate officer results-linked bonus target value for the next term
Executive remuneration of major subsidiaries	• Executive remuneration of overseas subsidiaries

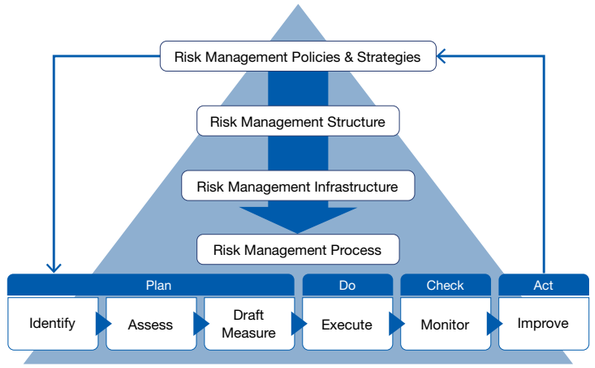
Main agenda items in the Corporate Governance Committee (fiscal 2023)

- TDK's corporate governance ideals and policies, TDK's board culture
- Effectiveness evaluation of the Board of Directors
- Internal control system and state of operation
- Annual agenda schedule for the Board of Directors meetings

Risk management structure

In aiming for sustainable growth, the TDK Group promotes company-wide measures against factors (risks) that hinder the achievement of organizational goals and implements company-wide risk management (Enterprise Risk Management; ERM) activities to appropriately manage them. TDK's basic policy for risk management is to ensure that each organization within the TDK Group takes appropriate risks in order to create corporate value and prevent damage to corporate value by appropriately identifying and responding to opportunities and risks.

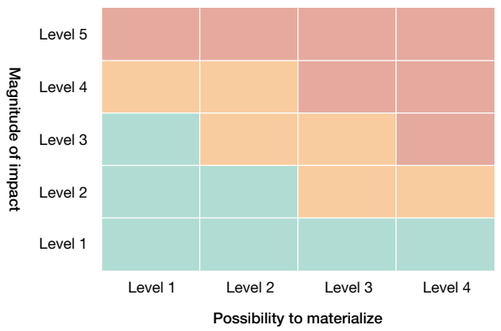
In order to consider and implement measures related to ERM activities and strengthen risk management activities, we have established an ERM Committee chaired by a corporate officer appointed by the president. The ERM Committee clarifies the role of each organization in risk management activities and promotes the PDCA cycle of a series of risk management activities, from identification of risks to evaluation, consideration of countermeasures, implementation, monitoring, and improvement.



Step	Purpose of activity
Identify	Identifying risks surrounding the TDK Group
Assess	Among the identified risks, from the perspective of the magnitude of the impact on the TDK Group if they occur, narrow down and prioritize the risks that should be strengthened from the perspective of both management (top-down) and on-site (bottom-up)
Draft Measure	To prevent risks from materializing, consider measures from the perspective of avoidance, transfer, reduction, acceptance, etc.
Execute	Implement measures to prevent risks from materializing
Monitor	Monitor whether the measures are functioning properly and whether there are any signs of manifestation
Improve	Review the results of risk management activities and consider improvements

As a risk assessment, each term the residual risk (i.e., after control by the measures taken so far) is examined from the perspective of the three elements of management resources (people, goods, and money), relationships with internal and external stakeholders, reputation, and BCP. We calculate the magnitude of the impact on the TDK Group from the above and combine it with the possibility of the risk materializing to create a residual risk heat map to visualize and evaluate the priority of risk countermeasures. The results of these risk assessments and the status of countermeasures are deliberated at the Executive Committee and reported to the Board of Directors. In addition, the validity of the heat map is verified at least once during the period, and the assessment of residual risk is reviewed if necessary.

"Residual Risk" heatmap



Business Risks
https://www.tdk.com/en/ir/tdk_management_policy/risks/index.html

Code of Conduct
https://www.tdk.com/en/about_tdk/code_of_conduct/index.html

Empowerment and Transparency in business execution

Bold delegation of authority and ensuring of transparency

TDK promotes reforms toward an autonomous and decentralized organization through a basic policy of Empowerment and Transparency, by which authority is delegated to reliable people who share our goals and principles, efforts are made toward speedy decision-making, and transparency to stakeholders is ensured.

In addition, in HQ functions also, the Global HQ promotes collaboration with Business Companies (BCs) and Business Groups (BGs) around the world by supplying horizontal functions, such as technological development, human resources, and legal affairs, and the Regional HQs in Japan, Europe, Americas, and China actively delegate authority to the frontlines by building systems providing meticulous support.

Appointment of non-Japanese corporate officers

TDK began encouraging globalization at an early stage, appointing a non-Japanese person as a corporate officer in 2004 and promoting the globalization of management by increasing the number of non-Japanese corporate officers since then. Today, at a time when both the overseas sales ratio and the overseas employee ratio about 90%, 50% of TDK's corporate officers are non-Japanese.

The TDK Group implemented numerous M&A of overseas companies, and the globalization and diversification of management structures has become an important issue. We are working to recruit outstanding human resources from around the world under the Human Resources HQ established in Germany in 2018.

(as of the end of June 2023)



Michael Pocsatko
Senior Vice President

General Manager, Corporate Marketing & Incubation HQ



Andreas Keller
Senior Vice President

Chief People and Sustainability Officer and General Manager, Human Resources HQ



Albert Ong
Corporate Officer

Chief Executive Officer of Magnetic Heads Business Company, and General Manager of HDD Components Business Group of Magnetic Heads Business Company



Ji Bin Geng
Corporate Officer

General Manager of Energy Devices Business Group of Energy Solutions Business Company



Werner Lohwasser
Corporate Officer

Chief Operating Officer of Electronic Components Business Company



Roshan Thapliya
Corporate Officer

Chief Digital Transformation Officer and General Manager, Management System HQ



Ludger Trockel
Corporate Officer

CSO, Electronic Components Business Company (ECBC) and General Manager, ECBC Sales & Marketing Group, Electronic Components Business Company



Joe Kit Chu Lam
Corporate Officer

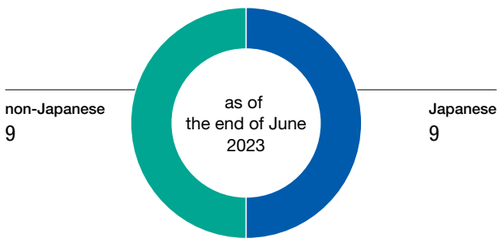
General Manager, China HQ



Jim Tran
Corporate Officer

General Manager, Americas HQ and Deputy General Manager, Technology & Intellectual Property Center

Composition of Corporate Officers



Further pursuing the Board of Directors' functional improvement to contribute to the sustained enhancement of TDK's value

Protecting the fine Board culture that has been inherited

Iwai: Exactly two years have passed since I became an outside director of TDK. How time flies! From the start I sensed that TDK's Board of Directors had an excellent atmosphere in which there was no discrimination between inside and outside directors, including members of the Audit & Supervisory Board, and everyone could equally and freely express their opinions. I think this is the type of Board culture that has been passed down at TDK. Since being appointed chair of the Board of Directors in June 2022, I have been trying hard not to damage this culture.

Yamana: I have been participating since the last fiscal year, and it's certainly true that TDK's Board of Directors is a place where extremely open-minded discussions take place. Since last fiscal year Shigenao Ishiguro, the previous president of TDK, has been serving as a bridge between the inside executive team and us outside directors in his unique position as the Chairman & Director who is not corporate officer. I think this also has been a factor in enlivening deliberations.

Iwai: In the last fiscal year, in addition to our regular meetings, we also broadened opportunities for discussing topics that are considered important in the medium and long term. Candid talks were held in offsite meetings of Board of Directors members and also quarterly gatherings of outside directors and outside Audit & Supervisory Board members.

Yamana: In these offsite meetings and gatherings of only outside directors and outside Audit & Supervisory Board members, even more open and frank discussions than usual can be held, can't they? We then ask Mr. Iwai to summarize various selected requests on such issues as, for example, the exchange rate problem or risk management and relay them to the president or the Board of Directors office. And I am always very impressed by the unexpectedly speedy response to submitted questions, improvement proposals, and so on.

Iwai: Generally speaking, TDK's executive functions are speedy. They receive our opinions with sincerity, and when something cannot be done, they answer clearly, "Can't be done." In that sense, they are extremely reliable.

Raising the Board's effectiveness by promoting the delegation of authority

Iwai: In meetings of the Board of Directors, rather than reports and explanations, I try to allot as much time as possible to discussions, but I feel there is still room for improvement here. For example, we should be able to narrow down more the agenda items raised in Board meetings. In the past few years TDK's delegation of authority to divisions has advanced quite a lot. There is nothing we can do about matters that must be formally taken up by the Board, but I think it would be a good idea to steadily increase the number of matters that can be decided by the executive side.

Yamana: Agreed. I think that as much as possible we should delegate the power to make decisions on detailed matters relating to business to the executive side and free up Board meetings to focus discussions on larger topics, such as matters relating to the business structure as a whole, the future image of the company, and issues that should be included in the Medium-Term Plan.

Iwai: I also think that when matters are referred to the Board, it should be stated more clearly what exactly needs to be judged and what exactly needs to be decided. Since we are supplied with materials beforehand and receive sufficient explanations, there is no need for a repeat of discussions and detailed reports on the decision-making process on the same level of intensity as executive meetings.

Yamana: The basic mission of us outside directors is to capitalize on our varied backgrounds and experiences to put forward perspectives that do not exist within the company, like "Have you thought about this angle?" and "Judging from my own special field, I would say we are lacking in this respect." In that sense, conversely speaking, I think there are topics that need to be discussed more by the Board.

Iwai: You're right. Regarding the TDK Group's risk management in particular, I think it would be a good idea not only to receive reports from the executive side but also to have a bit more discussion involving us outside directors and top management. The executive side makes arrangements to an extent, such as risk maps, and adopts countermeasures for each risk. But when seen from the outside, the whereabouts of risks that should be taken into consideration, and the method of response, are bound to differ.

Yamana: Absolutely. For example, at present geopolitical risks are mounting on a worldwide scale, and as a response it is necessary to think about the dispersal of production and sales sites. At the same time, though, as our overseas competitors are gaining strength, site dispersal is also a demerit in terms of cost competitiveness. In this complex situation, the problem is how to balance risk response and cost reduction. I really want us to have such in-depth discussions in Board meetings.

Cohesiveness of sustainability activities and business

Iwai: I think outside directors share a common problem awareness about how to contribute to enhancing TDK's corporate value from a medium- to long-term perspective. Mr. Yamana, how do you see the company going forward?

Yamana: I think a big strength of TDK is its high-precision manufacturing excellence taking advantage of its technological capabilities cultivated over many years in the field of materials. At the same time, TDK's overseas business development has advanced enormously, and it now unearths market and customer needs around the world and links them to steady growth. Going forward, I want and expect TDK to combine these two strengths to create new value in business. As I said earlier, though, cost competitiveness is also important in establishing absolute supremacy globally. In particular, raw material prices and energy costs are spiraling at the moment, so how to absorb them and how to provide added value are



Mutsuo Iwai

Outside Director

Chair of the Board,
Member of Nomination Advisory Committee,
Member of Compensation Advisory Committee
Member of Corporate Governance Committee

Worked at Japan Tobacco and Salt Public Corporation and Member and Chairperson of the Board of JT and became an outside director of TDK in June 2021. Became Chair of the Board in June 2022.

Shoei Yamana

Outside Director

Chair of Compensation Advisory Committee,
Member of Nomination Advisory Committee,
Member of Corporate Governance Committee

After serving as Director, President and CEO, and Representative Executive Officer of Konica Minolta, Inc., and Director, Executive Chairman and Executive Officer of the said company, became an outside director of TDK in June 2022. Became Chair of the Compensation Advisory Committee.

going to be serious issues.

Iwai: From a medium- to long-term perspective, initiatives to achieve sustainability also are going to be an increasingly essential factor for corporate growth in the future. In this respect, I am aware that TDK is properly rotating the PDCA [plan-do-check-act] cycle here too. But ideally, I would like TDK to further increase the cohesiveness between sustainability activities and business.

Yamana: The question of how to integrate business activities and contributions to social value and the global environment is also an important issue in the next Medium-Term Plan, which is currently being compiled, and I want to see even deeper discussions on this topic. In the Compensation Advisory Committee, which I chair, a matter being studied is how to link efforts on the non-financial side, such as ESG initiatives, to the remuneration of corporate officers.

Iwai: One more issue that has been pointed out in offsite meetings and on other occasions is information transmission as a company. TDK has many good features and does various wonderful things, but outsiders don't know very much about them. I make suggestions on this matter from time to time, arguing that this situation is extremely wasteful.

Yamana: It's not simply a matter of only conveying the excellence of TDK's products and solutions. We need to think also about how to storify TDK's strengths and transmit them to society and investors. In addition, transmission within the company is important too. TDK has an extremely large number of team members (employees) overseas, and I think the image of the TDK Group varies by business and region. In that sense, the Engagement Survey, which conducted in February 2023, deserves attention.





Fulfilling our mission as visible outside directors

Iwai: After my appointment, because of the prolonged COVID-19 pandemic, we were unable to visit sites around the world. But last fiscal year, at long last, we were able to do so on multiple occasions. Among others, we visited InvenSense, our sensor subsidiary in the United States, and were invited to an industrial trade show and various in-house events. This enabled us to deepen our understanding of the company as a whole.

Yamana: They were valuable opportunities for us to learn as outside directors, weren't they? In particular, the chance to directly talk with local management at InvenSense was a big plus. By hearing the true feelings of team members, we got a sense from the atmosphere there of what they are trying to do going forward. They also gave us a test drive in a car equipped with new sensor solutions, which really made me aware of the potential of this business. I would like to have more opportunities for such experiences.

Iwai: While we are further deepening our knowledge of TDK, I have a feeling that I would like people in TDK to get to know a little bit more about us too. That is one reason why I participate in events both inside and outside the company as much as possible. For example, I think maybe there could be gatherings like townhall meetings between outside directors and team members.

Yamana: What you mean is that you want us to be a more visible presence within the company, right? I agree. But for the Board of Directors to engage in constructive discussions, it is also important to maintain a kind of tense relationship. In practice, as you know, there are cases in which matters coming from the executive side are sent back. Going forward, while building a base of trust, I want us to fulfill our mission as outside directors with a sense of tension.

Skills matrix of Directors and Audit & Supervisory Board Members of the Company

	Name	Position	Corporate Management	Global Business Experience	Sales/ Marketing	ESG/ Sustainability	Technology/ Research & Development	Manufacture/ Production Technology	Finance/ Accounting	Legal/ Compliance/ Risk Management
Directors	Noboru Saito	Representative Director President and CEO	●	●	●	●				
	Tetsuji Yamanishi	Representative Director Executive Vice President	●	●					●	●
	Shigenao Ishiguro	Chairman & Director	●	●		●	●	●		
	Shigeki Sato	Director Senior Vice President	●	●			●	●		
	Kozue Nakayama	Outside Director	●	●	●	●				
	Mutsuo Iwai	Outside Director	●	●						●
	Shoei Yamana	Outside Director	●	●	●	●				
Audit & Supervisory Board Members	Takakazu Momozuka	Full-time Audit & Supervisory Board Member		●		●			●	●
	Masato Ishikawa	Full-time Audit & Supervisory Board Member		●				●		●
	Douglas K. Freeman	Outside Audit & Supervisory Board Member		●						●
	Chizuko Yamamoto	Outside Audit & Supervisory Board Member		●					●	●
	Takashi Fujino	Outside Audit & Supervisory Board Member	●	●					●	●

Fields where the Company especially expects Directors and Audit & Supervisory Board Members to demonstrate their skills

Skills the Company expect	Reasons for selecting the skills in question
Corporate Management	To contribute to a sustainable society and increase corporate value, the ability to perform in corporate management and to manage and supervise executive divisions is required.
Global Business Experience	Experience and knowledge in global business are essential in TDK where over 90% of net sales is recorded outside of Japan.
Sales/Marketing	Sales and marketing skills are necessary to understand market demands and create new business opportunities from the conception of both technologyout and market-in.
ESG/Sustainability	An adequate understanding of ESG and sustainability, one of the most crucial issues in present-day society, is an important ability to supervise the corporate management.
Technology/Research & Development	As under the corporate motto "Contribute to culture and industry through creativity", the Company aims to be a company that brings the well-being to all people through technology.
Manufacture/Production Technology	An adequate understanding and passion for Monozukuri (manufacturing experience) is required as quality and reliability of products are the foundation of TDK's business.
Finance/Accounting	To aim for sustainable growth and carry out necessary investments, knowledge in finance and accounting, which supports a sound and solid financial basis, is required.
Legal/Compliance/Risk Management	Legal, compliance and risk management skills are necessary to respond to the trust of all stakeholders and to increase corporate value in a sound and sustainable manner.

Composition and role of the Nomination Advisory Committee

The Nomination Advisory Committee, which is an advisory body of the Board of Directors, is chaired by an outside director, and a majority of its members are outside directors. Regarding the nomination of directors, Audit & Supervisory Board members, and corporate officers, it not only discusses the expected conditions but also, through future-oriented proactive deliberations, seeks to raise the quality of discussions by selecting issues, holding discussions and interviews both in formal committee meetings and offsite gatherings, and sharing objective evaluations by third-party bodies.

Succession plan initiatives

On the occasion of the selection of the president in the last fiscal year, the Nomination Advisory Committee held repeated discussions over a lengthy period of time. Evaluating and selecting someone is no easy task. The current president was selected in consideration of such factors as what kind of leadership is necessary in view of the increasingly uncertain future and whether that person would be acceptable to team members. The next succession plan began immediately after the current president's appointment. Through training programs carried out by the Human Resources HQ based on a global-scale talent pool, and with the active involvement of outside directors, deep discussions will be held on what kind of succeeding setup will form the foundation of TDK's growth and, together with information from the executive side, not only the presidential post but also a cabinet-level team will be promoted.



Kozue Nakayama

Outside Director
Chair of Nomination Advisory Committee
Member of Compensation Advisory Committee
Member of Corporate Governance Committee

After working at Nissan Motor Co., Ltd. and Yokohama City and as President and Representative Director of Pacific Convention Plaza Yokohama, became an outside director of TDK in June 2020. Became chair of the Nomination Advisory Committee in June 2021.

Continuous improvement based on effectiveness evaluation

TDK conducts an effectiveness evaluation of the Board of Directors each year in order to verify whether the functions expected of the Board of Directors are properly performed and enhance such functions. Also, TDK requests a third-party evaluation institution to evaluate the effectiveness of the Board of Directors periodically (about once every three years) in order to verify it from a neutral and objective standpoint.

Given that a third-party evaluation organization conducted a survey in fiscal 2022, in the Board of Directors evaluation for fiscal 2023, the Corporate Governance Committee (Chair: Shigenao Ishiguro, Chairman & Director who is not also a Corporate Officer) conducted the initial evaluation from a neutral standpoint, and after discussions by the Board of Directors, the Board of Directors conducted the final evaluation.

As for the issues identified in the evaluation for the previous fiscal year, TDK implements remedial measures and verifies their results, thereby creating a cycle for continuous improvement of governance.

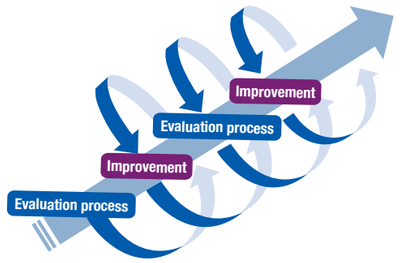
The Board of Directors evaluation process and governance improvement cycle

Evaluation process

- **Questionnaire** — November–December: Questionnaire to all Directors and Audit & Supervisory Board members
- **Interviews** — December-January: Individual interviews with all Directors and Audit & Supervisory Board members
- **Discussions** — March–April: Analysis and summary reported and discussed in the Corporate Governance Committee and Board of Directors
- **Evaluation results** — April: Resolution on evaluation results by the Board of Directors

Improvement cycle

- Reports relating to issues identified in the evaluation planned in the Board of Directors annual schedule
- Implementation of improvement measures
- Verification of results in the next Board of Directors evaluation
- The above cycle of evaluation, identification of issues, improvement, and evaluation (verification) is rotated every year to ensure continuous improvement of governance.



Questionnaire Items (Major Items)

① Role and function of the Board of Directors (questions and free answers)
② Size and composition of the Board of Directors (questions and free answers)
③ Operation of the Board of Directors (questions and free answers)
④ Composition and role of the Nomination Advisory Committee (questions and free answers)
⑤ Operation of the Nomination Advisory Committee (questions and free answers)
⑥ Composition and role of the Compensation Advisory Committee (questions and free answers)
⑦ Operation of the Compensation Advisory Committee (questions and free answers)
⑧ Support system for Outside Directors (questions and free answers)
⑨ Role of the Audit & Supervisory Board members and expectations of the Audit & Supervisory Board Members (questions and free answers)
⑩ Relationship with investors and shareholders (questions and free answers)
⑪ Governance structure of TDK and effectiveness of the Board of Directors in general (free answers)
⑫ Self-evaluation by Directors and Audit & Supervisory Board members (free answers)

* The survey is multifaceted, with detailed sub-items underneath the major items described above. While certain question items are not changed in the effectiveness evaluation questionnaire in order to enable continuous measurement each year, the other question items are reviewed each year in order to enhance the quality of the evaluation. Also, many "free comment fields" are provided in order to collect different and various opinions and suggestions without regard to the questionnaire items.

Addressing issues identified in the effectiveness evaluation

Objective "Sustainable enhancement of corporate value"

	Strategy	Risk Management	Governance
Fiscal 2022 evaluation results (issues)	Monitoring of the Medium-Term Plan	Deepening discussions on the group's risk management	Succession of the Board members and the board culture
Fiscal 2023 initiatives	Adequate reporting/deliberations were conducted at the Board of Directors' meetings. Appeals to stakeholders were discussed multiple times inside and outside the Board of Directors.	The ERM Committee and Compliance Committee periodically reported on company-wide risks, which were discussed by the Board of Directors.	The Nomination Advisory Committee and Corporate Governance Committee established a skills matrix and board culture.

Discussion of the fiscal 2023 evaluation

Shift to initiatives with a greater awareness of external factors

Wide-ranging discussion from medium- to long-term perspectives
Drastic market changes and geopolitical risks
Optimal future governance for enhancing corporate value

New issues

Further evolution of board discussions	Responding to rapidly changing market trends	Strengthening engagement with stakeholders
TDK has achieved growth through delegation of authority that promotes rapid and autonomous decision-making and transparency in business execution (Empowerment and Transparency). In order to sustain growth and promote further enhancement of corporate value, the Board of Directors should evolve its discussions to another level. The Board of Directors needs to further delegate authority to the executive side and focus the Board's discussions on bigger picture, medium- to long-term themes to deepen the discussion. It is also important for the executive side to continue to appropriately share information with the Board members in order to ensure effective discussions at the Board of Directors meetings.	In this difficult-to-predict era of rapid economic, social, and political change on a global scale, it is necessary to enhance marketing strategies, including market analysis on a global scale, and the ability to respond to geopolitical and geo-economic risks in order to achieve sustainable growth and increase corporate value over the medium to long term.	In order to enhance TDK's corporate value, it is necessary for all stakeholders to have a deeper understanding of TDK's growth potential and competitive advantage. To this end, the Board of Directors should be deeply involved in the development of the Medium-Term Plan for TDK's growth potential, while at the same time discussing and encouraging stronger engagement with investors and other stakeholders by the executive side (information dissemination, communication, brand enhancement, etc.). In addition, it would be beneficial for the Board of Directors to be more open to employees as the entire group works toward the common goal of TDK's sustainable growth and enhancement of corporate value over the medium to long term.

Fiscal 2024: Promotion of initiatives to solve the above issues

Remuneration system linked to medium- to long-term corporate value

Basic policy

In designing the remuneration system for Directors and Audit & Supervisory Board members, TDK emphasizes linkage with short-term and medium- to long-term results. Also, to promote as much as possible behavior on the part of directors geared toward enhancing corporate results and stock value and sustainably increase the corporate value of the overall TDK Group by constantly pursuing the formulation of a competitive remuneration system to secure diverse and excellent human resources.

Decision-making process

TDK has in place a Compensation Advisory Committee acting as an advisory body to the Board of Directors, which is chaired by an Independent Outside Director and of which a majority of the members are composed of Independent Outside Directors. The Committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers of TDK, submits a report to the Board of Directors, and thereby contributes to the securement of transparency of the remuneration decision-making process and appropriateness of individual remunerations in light of corporate business performance, individual performance and general industry standards, among other factors. The remuneration of Directors and Corporate Officers of TDK is discussed by the Compensation Advisory Committee and then resolved by the Board of Directors.

Structure of remuneration

The remuneration of Directors and Corporate Officers is composed of basic remuneration, results-linked bonus as a short-term performance linkage system and stock-linked compensation as a medium- to long-term performance linkage system.

Results-linked bonus is designed to fluctuate in accordance with the consolidated operating results in a single year (operating profit, ROE) and the degree of attainment against target values in the business of which each Director or Corporate Officer is in charge. As to a part of stock-linked compensation, TDK uses some consolidated performance indicators from the Medium-Term Plan, and adopts a system where the number of shares to be delivered fluctuates based on the degree of achievement of the targets, for the purpose of further increasing the linkage between remuneration for Directors and Corporate Officers and TDK's medium- to long-term performance and corporate value.

Type of remuneration		Details of remuneration	Fixed/Fluctuating
Basic remuneration		Monetary compensation paid monthly	Fixed
Results-linked bonus		Monetary compensation which is paid at predetermined times each year with an emphasis on the linkage with short-term performance. The amount of the bonus fluctuates within a range of 0% to 200% of the standard payment amount depending on the degree of attainment of targets, using the consolidated results (operating income, ROE), the targets set for each division in charge and other indicators for the fiscal year under review.	Fluctuating (single fiscal year)
Post-delivery type stock remuneration	Restricted stock unit (RSU)	RSU is a type of stock remuneration which is issued based on continuous service. In case of RSU, subject to continuous service for a period of three years from the first day of the first year to the last day of the last year of the Medium-Term Plan (or a period of three years or more as determined by the Board of Directors of the Company, the "Target Period"), a pre-determined amount of the Company's shares and money is delivered after the end of the Target Period.	Fixed
	Performance share unit (PSU)	PSU is a type of stock remuneration which is issued based on performance. In case of PSU, an amount of the Company's shares and money calculated in accordance with the degree of achievement of performance targets set by the Medium-Term Plan is delivered after the end of the Target Period. The degree of achievement of performance targets shall vary from 0% to 100% depending on the degree of achievement of consolidated performance targets (operating profit, ROE) outlined in the Medium-Term Plan.	Fluctuating (medium- to long-term)

Notes: Directors and Audit & Supervisory Board Members remuneration classification for results-linked compensation, nonmonetary compensation and other remuneration is as follows.

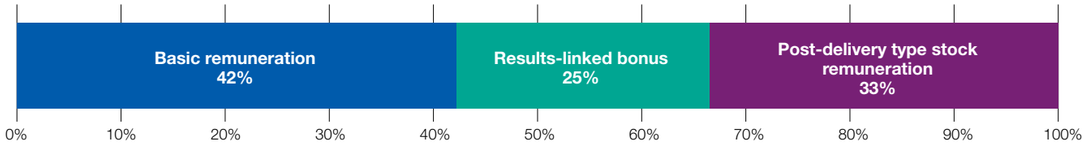
Classification	Basic remuneration	Results-linked bonus	RSU*1	PSU*2
Results-linked compensation, etc.	—	●	—	●
Non-monetary compensation, etc.	—	—	●	●
Other compensation, etc.	●	—	●	—

*1 Under RSU, the stock remuneration portion is classified as "non-monetary compensation, etc." and the monetary compensation portion is classified under "other compensation, etc."
*2 PSU is classified as "results-linked compensation, etc." and the stock remuneration portion is also classified as "non-monetary compensation, etc."

Eligible for payment

Classification	Basic remuneration	Results-linked bonus	Post-delivery type stock remuneration RSU	Post-delivery type stock remuneration PSU
Directors concurrently serving as corporate officers	●	●	●	●
Directors not concurrently serving as corporate officers	●	—	●	—
Outside directors	●	—	—	—
Audit & Supervisory Board members	●	—	—	—

Breakdown of remuneration for Directors concurrently serving as Corporate Officers (for standard payments)



Indicators related to performance-linked remuneration, reasons for selecting the indicators, and methods for determining the amount of performance-linked remuneration

In calculating results-linked bonuses, the amount is designed to fluctuate within a range of 0% to 200% of the standard payment amount depending on the degree of attainment of targets, using the consolidated results for each fiscal year (operating profit, ROE) and the indicators set for each division in charge. The reason for selecting these indicators is to use the same indicators as management targets with an emphasis on the linkage with short-term performance. The targets and results for the main indicators that relate to results-linked bonuses in fiscal 2023 under review are as follows.

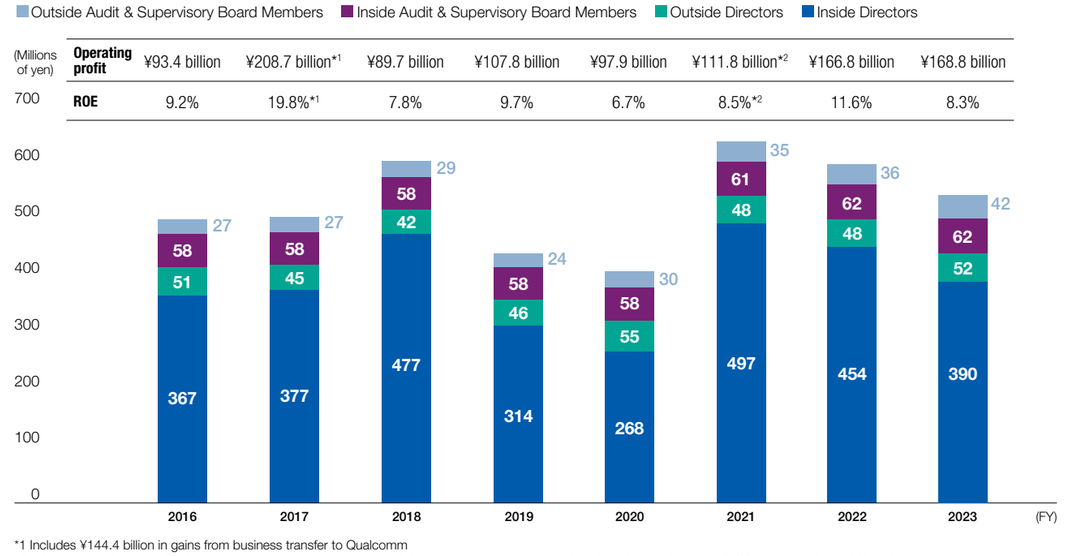
Consolidated operating profit	¥182,700 million (target), ¥168,827 million (result)
Consolidated ROE	12.7% (target), 8.3% (result)

The number of the Company's shares to be delivered and the amount of money to be paid as PSUs will be calculated based on the degree of attainment of the performance targets of the Medium-Term Plan. The degree of attainment of performance targets will vary in the range of 0% to 100%, depending on the degree of attainment of the consolidated performance targets (operating profit, ROE) in the Medium-Term Plan. The reason for selecting these indicators are to use the same indicators as management targets under the Medium-Term Plan with an emphasis on the linkage with medium- to long-term performance and corporate value. The targets for the indicators that relate to PSUs in the Medium-Term Plan, which will end in the fiscal 2024, are as follows.

Consolidated operating profit (cumulative amount for three years)	¥635,100 million (target)
Consolidated ROE (amount for the last year)	16.8% (target)

The Company plans to deliver its shares and cash from the fiscal 2024 onward for the RSU plan and from the fiscal 2025 onward for the PSU plan.

Trends in total amount of remuneration for Directors and Audit & Supervisory Board Members



*1 Includes ¥144.4 billion in gains from business transfer to Qualcomm
*2 TDK has voluntary adopted the IFRS on its consolidated financial statements in the annual Securities Reports from the fiscal 2022 in place of the US-GAAP. The figures for the fiscal 2021 are also presented in accordance with IFRS.

Directors, Audit & Supervisory Board Members, and Corporate Officers

(As of the end of June 2023)

Directors



Noboru Saito
Representative Director



Tetsuji Yamanishi
Representative Director



Shigenao Ishiguro
Chairman & Director



Shigeki Sato
Director



Kozue Nakayama
Outside Director

Summary of career

Apr. 1982 Entered Nissan Motor Co., Ltd.
Sep. 2010 Deputy General Manager of Global Branding Division of the said company
Mar. 2011 Retired from the said company
Apr. 2011 Entered Yokohama City
Apr. 2012 Director General of Culture and Tourism Bureau of the said city
Jun. 2018 President and Representative Director of Pacific Convention Plaza Yokohama (resigned in Jun. 2020)
Jun. 2019 Outside Audit & Supervisory Board Member of Imperial Hotel, Ltd. (present post)
Jun. 2020 Outside Director of the Company (present post)
Outside Director of Isuzu Motors Limited (present post)
Jun. 2022 Outside Director of Nanto Bank, Ltd. (present post)



Mutsuo Iwai
Outside Director

Summary of career

Apr. 1983 Entered Japan Tobacco and Salt Public Corporation
Jun. 2005 Senior Vice President and Vice President of Food Business Division of Food Business of Japan Tobacco Inc. ("JT")
Jun. 2006 Member of the Board and Executive Vice President; President of Food Business of JT
Jun. 2008 Executive Vice President; Chief Strategy Officer of JT
Jun. 2010 Member of the Board and Senior Vice President; Chief Strategy Officer and Assistant to CEO in Food Business of JT
Jun. 2011 Member of the Board of JT Executive Vice President of JT International S.A.
Jun. 2013 Senior Executive Vice President; Chief Strategy Officer of JT
Jan. 2016 Executive Vice President; President of Tobacco Business of JT
Mar. 2016 Representative Director and Executive Vice President; President of Tobacco Business of JT
Jan. 2020 Member of the Board of JT
Mar. 2020 Member and Deputy Chairperson of the Board of JT
Jun. 2020 Outside Director of Benesse Holdings, Inc. (present post)
Jun. 2021 Outside Director of the Company (present post)
Mar. 2022 Member and Chairperson of the Board of JT (present post)



Shoei Yamana
Outside Director

Summary of career

Apr. 1977 Entered Minolta Camera Co., Ltd.
Jan. 2001 CEO of Minolta QMS Inc.
Jul. 2002 Executive Officer and General Manager of Management Planning Division of Minolta Co., Ltd.
Deputy General Manager of Image Information Products General Headquarters, Image Information Products Company of the said company
Aug. 2003 Senior Executive Officer of Konica Minolta Holdings, Inc. (current Konica Minolta, Inc.)
Oct. 2003 Senior Executive Officer of the said company and Managing Director of Konica Minolta Business Technologies, Inc.
Jun. 2006 Director and Senior Executive Officer in charge of Corporate Strategy of Konica Minolta Holdings, Inc.
Apr. 2011 Director and Senior Executive Officer of the said company
Representative Director and President of Konica Minolta Business Technologies, Inc.
Apr. 2013 Director and Senior Managing Executive Officer of Konica Minolta, Inc.
Apr. 2014 Director, President and CEO, and Representative Executive Officer of the said company
Apr. 2022 Director, Executive Chairman and Executive Officer of the said company (present post)
Jun. 2022 Outside Director of the Company (present post)
Jun. 2023 Senior Advisor of Konica Minolta, Inc. (present post)
Jun. 2023 Outside Director of ZENSHO HOLDINGS CO., LTD. (present post)

Audit & Supervisory Board Members



Takakazu Momozuka
Full-time Audit & Supervisory Board Member



Masato Ishikawa
Full-time Audit & Supervisory Board Member



Douglas K. Freeman
Outside Audit & Supervisory Board Member

Summary of career

Apr. 1990 Entered Goldman Sachs Japan Co., Ltd.
Apr. 1996 Registered as lawyer in Japan Joined Mitsui, Yasuda, Wani & Maeda
Jun. 1997 Joined Hamada Law Offices
Sep. 2002 Registered as lawyer in New York, the United States of America
Sep. 2002 Joined Sullivan & Cromwell LLP
Sep. 2007 Principal of Law Offices of Douglas K. Freeman (present post)
Feb. 2016 Outside Director of U-Shin Ltd.
Apr. 2019 Professor of Keio University Law School (present post)
Jun. 2019 Outside Audit & Supervisory Board Member of the Company (present post)



Chizuko Yamamoto
Outside Audit & Supervisory Board Member

Summary of career

Oct. 1992 Entered Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)
Apr. 1996 Registered as certified public accountant
Jul. 2010 Partner of Deloitte Touche Tohmatsu LLC
Jul. 2019 Permanent Officer of Japanese Institute of Certified Public Accountants, Tokyo Chapter
Sep. 2019 Member of Regulations and Institutions Committee of Japanese Institute of Certified Public Accountants, Tokyo Chapter
Jun. 2020 Principal of Chizuko Yamamoto CPA Office (present post)
Aug. 2020 Outside Audit & Supervisory Board Member of Ozu Corporation (present post)
Jun. 2021 Outside Director of Tokyo Rope Mfg. Co., Ltd. (present post)
Jun. 2023 Outside Audit & Supervisory Board Member of the Company (present post)



Takashi Fujino
Outside Audit & Supervisory Board Member

Summary of career

Apr. 1979 Entered Asahi Glass Co., Ltd. (current AGC Inc.) ("AGC")
Jan. 2009 Executive Officer and General Manager of Corporate Planning Office of AGC
Jan. 2010 Senior Executive Officer, CFO and General Manager of President Office of AGC
Mar. 2010 Director, Senior Executive Officer, CFO and General Manager of President Office of AGC
Jan. 2015 Director, Senior Executive Officer, and Assistant to President of AGC (retired in Mar. 2015)
Advisor of Ise Chemicals Corporation
Mar. 2015 Representative Director, President and Chief Executive Officer of Ise Chemicals Corporation (retired in Mar. 2019)
Jun. 2021 Outside Director of Kyokuto Boeki Kaisha, Ltd. (present post)
Jun. 2023 Outside Audit & Supervisory Board Member of the Company (present post)

Corporate Officers

President and CEO

Noboru Saito

Executive Vice President

Tetsuji Yamanishi

Senior Vice Presidents

Michael Pocsatko
Andreas Keller
Shigeki Sato

Corporate Officers

Albert Ong
Fumio Sashida
Ji Bin Geng
Werner Lohwasser
Taro Ikushima
Shuichi Hashiyama
Roshan Thapliya
Ludger Trockel
Takao Tsutsui
Ikuo Fukuchi
Joe Kit Chu Lam
Jim Tran
Takeshi Takahashi

Consolidated Business Results Highlights

(Year ended March 31, 2023, and as of March 31 of each year)

TDK has voluntary adopted the IFRS on its consolidated financial statements in the annual Securities Reports from the fiscal 2022 in place of the US-GAAP. The figures for the fiscal 2021 are also presented in accordance with IFRS. Account titles are presented in accordance with the IFRS.

Millions of yen

Consolidated business highlights[*1]	3/2014	3/2015	3/2016	3/2017	3/2018	3/2019	3/2020	3/2021 (IFRS)	3/2022 (IFRS)	**3/2023 (IFRS)**
Net sales	984,525	1,082,560	1,152,255	1,178,257	1,271,747	1,381,806	1,363,037	1,479,008	1,902,124	**2,180,817**
(Overseas sales)	890,520	989,348	1,061,203	1,073,024	1,158,004	1,268,437	1,252,634	1,361,803	1,753,086	**2,004,381**
Cost of sales	763,572	802,225	831,123	855,948	928,525	985,321	959,714	1,052,410	1,338,276	**1,596,295**
Selling, general and administrative expenses	179,896	199,795	227,185	239,446	257,630	287,561	289,771	328,217	410,568	**434,803**
Operating profit	36,616	72,459	93,414	208,660	89,692	107,823	97,870	111,814	166,775	**168,827**
Profit before tax		74,517	91,839	211,717	89,811	115,554	95,876	117,263	172,490	**167,219**
Profit from continuing operations before income taxes	39,772									
Net profit attributable to owners of parent	16,288	49,440	64,828	145,099	63,463	82,205	57,780	74,681	131,298	**114,187**
Capital expenditures	68,606	102,525	160,674	167,631	178,612	173,592	173,429	212,196	291,337	**275,709**
Depreciation and amortization	83,109	80,249	83,224	87,491	92,171	106,631	124,984	148,356	177,031	**206,285**
Research and development expenses	63,385	70,644	84,920	91,254	102,641	115,155	117,489	127,409	165,250	**179,467**
Net cash provided by operating activities	127,308	142,850	151,563	160,136	91,310	140,274	222,390	230,855	178,987	**262,772**
Net cash used in investing activities	(55,438)	(127,312)	(140,585)	(71,111)	(246,099)	(140,179)	(41,964)	(231,488)	(281,546)	**(234,402)**
Net cash provided by financing activities	(56,118)	(35,243)	29,305	(37,753)	110,088	9,435	(121,769)	21,082	113,743	**14,947**
Cash and cash equivalents at end of period	250,848	265,104	285,468	330,388	279,624	289,175	332,717	380,387	439,339	**506,185**
Total assets	1,239,553	1,404,253	1,450,564	1,664,333	1,905,209	1,992,480	1,943,379	2,359,663	3,041,653	**3,147,027**
Total equity attributable to owners of parent	635,327	738,861	675,361	793,614	824,634	877,290	843,957	958,929	1,300,317	**1,458,446**
Working capital	279,504	352,364	289,760	388,542	296,899	208,165	247,577	202,547	470,814	**603,000**
Number of shares issued (thousands)	129,591	129,591	129,591	129,591	129,591	129,591	129,591	388,772[*2]	388,772	**388,772**

Per-share data[*2]									Yen	
Net profit attributable to owners of parent (basic)	¥129.47	¥392.78	¥514.23	¥1,150.16	¥502.80	¥651.02	¥457.47	¥197.06	¥346.44	**¥301.19**
Total equity attributable to owners of parent	5,050	5,865	5,355	6,289	6,532	6,947	6,681	2,530	3,431	**3,845**
Dividends	70.00	90.00	120.00	120.00	130.00	160.00	180.00	60.00	78.33	**106.00**
Payout ratio (%)	54.1	22.9	23.3	10.4	25.9	24.6	39.3	30.4	22.6	**35.2**

Key financial ratios										
Overseas sales ratio (%)	90.5	91.4	92.1	91.1	91.1	91.8	91.9	92.1	92.2	**91.9**
R&D expenses to net sales ratio (%)	6.4	6.5	7.4	7.7	8.1	8.3	8.6	8.6	8.7	**8.2**
OP margin (%)	3.7	6.7	8.1	17.7	7.1	7.8	7.2	7.6	8.8	**7.7**
Return on equity (ROE) (%)	2.7	7.2	9.2	19.8	7.8	9.7	6.7	8.5	11.6	**8.3**
Return on assets (ROA) (%)	1.4	3.7	4.5	9.3	3.6	4.2	2.9	3.5	4.9	**3.7**

Non-financial indicators										
Number of employees	83,581	88,076	91,648	99,693	102,883	104,781	107,138	129,284	116,808	**102,908**
Overseas employee ratio (%)	89.1	89.8	90.3	90.7	90.7	90.7	90.6	92.0	90.8	**88.9**

*1 In accordance with the provisions of ASC No. 205-20, "Presentation of Financial Statements–Discontinued Operations," operating results related to the data tape business and the Blu-ray business are separately presented as discontinued operations in the consolidated statements of operations for fiscal 2014. However, overseas sales, depreciation and amortization, research and development expenses include the amounts of discontinued operations.

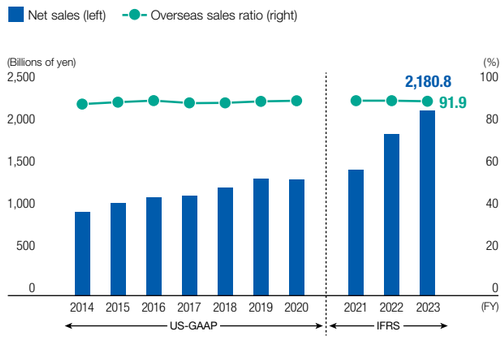
*2 TDK split one share of its common stock into three shares with the effective date of October 1, 2021. Number of shares issued, net profit attributable to owners of parent (basic) per share, total equity attributable to owners of parent per share and dividends per share are calculated assuming that the share split was implemented at the beginning of the fiscal 2021.

Consolidated Business Results Highlights

(Year ended March 31, 2023, and as of March 31 of each year)

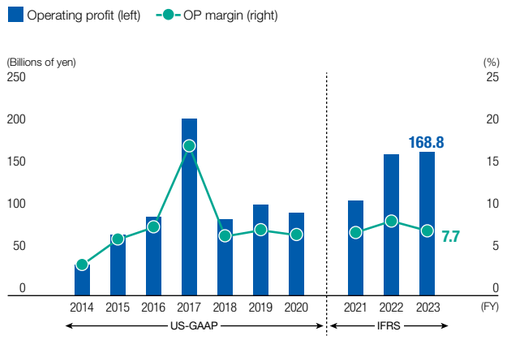
TDK has voluntary adopted the IFRS on its consolidated financial statements in the annual Securities Reports from the fiscal 2022 in place of the US-GAAP. The figures for the fiscal 2021 are also presented in accordance with IFRS. Account titles are presented in accordance with IFRS.

Net sales / overseas sales ratio



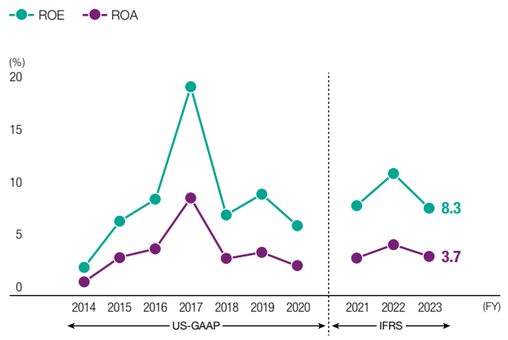
In fiscal 2023 net sales increased 14.7% from the previous year to a record high of ¥2,180.8 billion. Demand continued to be stagnant in the ICT market. In the automotive market, however, although some concern about a semiconductor shortage remained, the number of produced automobiles gradually recovered, reaching a higher level than the previous term. In line with the advance of xEVs, the number of automotive components installed is increasing, so demand for components also became robust. In the industrial equipment market, demand for renewable energy and residential energy storage systems increased in the wake of a sharp rise in energy prices. Overseas sales ratio decreased 0.3 percentage points to 91.9%.

Operating profit / OP margin



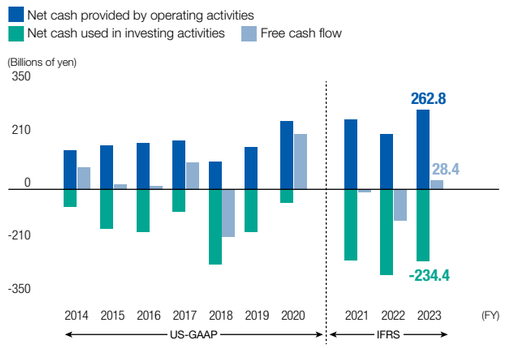
In fiscal 2023 operating profit reached ¥168.8 billion, up 1.2% year on year, which, excluding the business transfer gains recorded in fiscal 2017, was the highest ever. The OP margin was 7.7%. Operating profit was attributed as a result of the promotion of rationalization and cost reduction efforts mainly for rechargeable batteries and passive components, as well as the benefits from restructuring during the previous fiscal year and streamlining of SG&A expenses, in addition to the positive effect of the yen's depreciation amounting. In fiscal 2017 TDK recorded capital gains of ¥144.4 billion (based on the US-GAAP) following a business tie-up and agreement to establish a joint venture with Qualcomm.

ROE / ROA



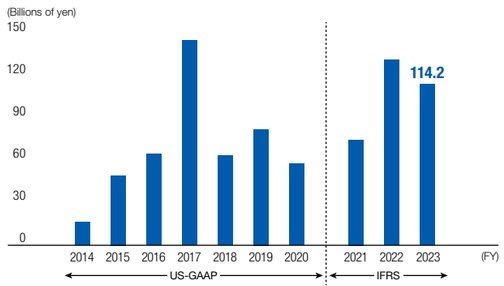
As a result of a decline in the net profit attributable to owners of parent, in fiscal 2023 ROE decreased by 3.3 percentage points over the previous fiscal year to 8.3% and ROA by 1.2 percentage points to 3.7%. In the past ROE and ROA hovered at a low level, but they improved following restructuring from fiscal 2012. In fiscal 2017 they increased considerably due to the recording of capital gains from the transfer of business to Qualcomm.

Cash flows



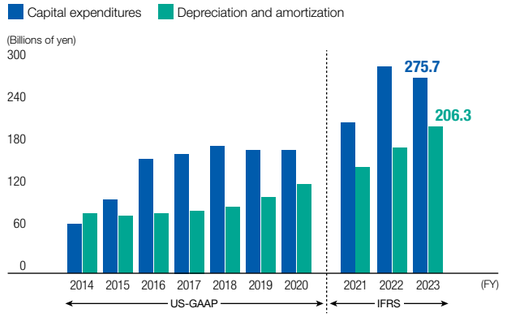
In fiscal 2023 free cash flow registered a surplus of ¥28.4 billion. In fiscal 2022 there had been a deficit of ¥102.6 billion, including an advance payment of about ¥110.0 billion for the stable procurement of battery materials. But in fiscal 2023 operating cash flow increased due mainly to an improvement in the earning capacity of passive components and sensor application products. In addition to this improvement in the earning capacity of passive components, such as MLCCs, and sensor application products, such as TMR sensors, operating cash flow is trending upward due to an improvement in working capital.

Net profit attributable to owners of parent



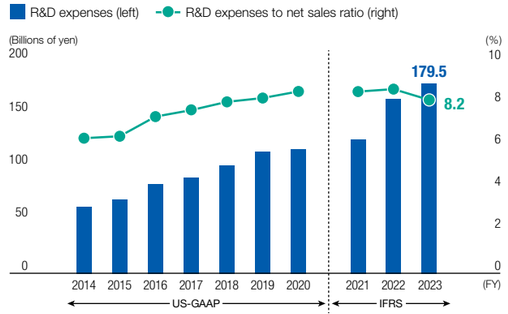
Net profit attributable to owners of the parent in fiscal 2023 amounted to ¥114.2 billion, down 13.0% year on year. As a result of the review of future changes in demand and projections, TDK posted ¥47.7 billion in impairment losses and restructuring costs mainly for businesses facing challenges in improving profitability. ¥12.0 billion in income from decrease in retirement benefit liabilities due to extension of retirement age is also recorded.

Capital expenditures / depreciation and amortization



Capital expenditures amounted to ¥275.7 billion in fiscal 2023, down 5.4% year on year, and depreciation and amortization expenses reached ¥206.3 billion, up 16.5%. Under the current Medium-Term Plan, whose first year was fiscal 2022, TDK initially planned for capital expenditures of ¥750.0 billion in total for three years. As of the announcement of the full year financial result for fiscal 2023 (April 28, 2023), TDK is planning to increase capital expenditures to ¥830.0 billion in total for three years, including about ¥90.0 billion as a result of an increase due to foreign exchange fluctuations, in order to make upfront investment in businesses which are expected to grow in the future.

R&D expenses / R&D expenses to net sales ratio



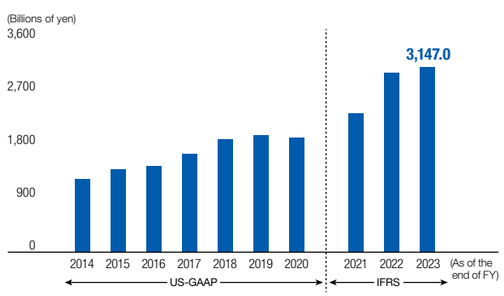
For the fiscal 2023, TDK recorded ¥179.5 billion, an increase of 8.6% from the previous year. R&D expenses have continuously increased since fiscal 2012, so that we can respond to rapid technological innovation in the electronics market and maintain high competitiveness.

Number of employees / overseas employee ratio



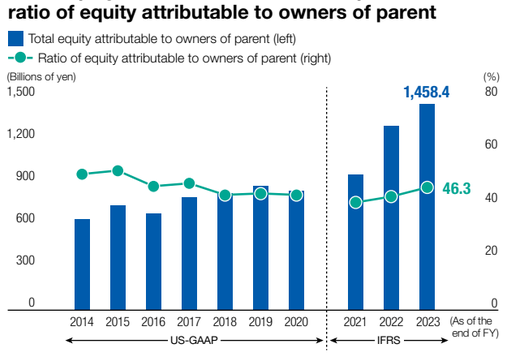
The total number of employees at the end of fiscal 2023 was 102,908. In addition, the overseas employee ratio was 88.9% as of the end of fiscal 2023. TDK has continuously engaged in a wide range of initiatives of "HR Management" to attract and retain talented human resources.

Total assets



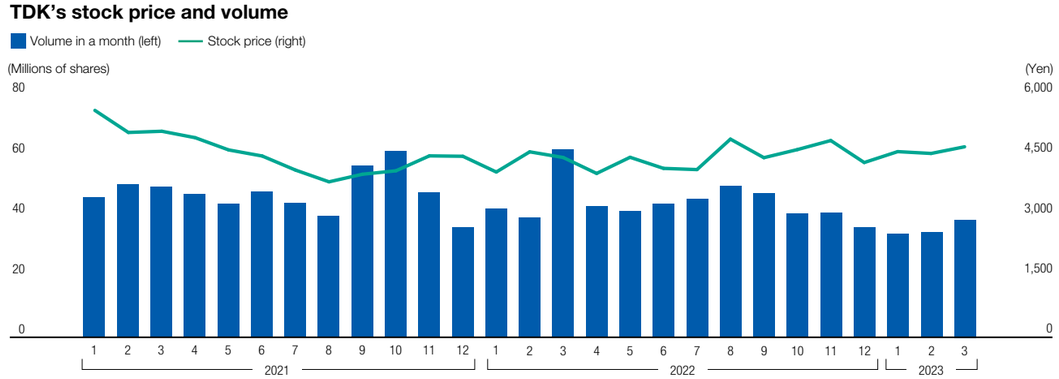
At the end of fiscal 2023 trade receivables and property, plant, and equipment had increased, and total assets amounted to ¥3,147.0 billion, up 3.5% year on year. As of March 31, 2023, the balance of liquid funds, which includes cash and deposits with banks, short-term investments, and marketable securities, etc., amounted to ¥522.4 billion. The balance of debt with interest, which includes loans from banks, corporate bonds, and lease obligations, amounted to ¥752.2 billion.

Total equity attributable to owners of parent / ratio of equity attributable to owners of parent



As of the end of fiscal 2023, equity attributable to owners of the parent company amounted to ¥1,458.4 billion, an increase of 12.2% over the previous fiscal year end. Retained earnings rose by ¥80.0 billion and other capital components by ¥77.7 billion over the previous fiscal year end. The ratio of equity attributable to owners of parent rose by 3.5 percentage points to 46.3%.

TDK's stock price and volume



*TDK split one share of its common stock into three shares with the effective date of October 1, 2021. For the period prior to September 2021, the volume and stock price prior to the stock split are adjusted to the post stock split values.

Corporate Information

(As of March 31, 2023)

Corporate name	TDK Corporation
Corporate headquarters	Nihonbashi Takashimaya Mitsui Building, 2-5-1, Nihonbashi, Chuo-ku, Tokyo 103-6128
Date of establishment	December 7, 1935
Authorized number of shares	1,440,000,000 shares
Number of shares issued	388,771,977 shares
Number of shareholders	33,282

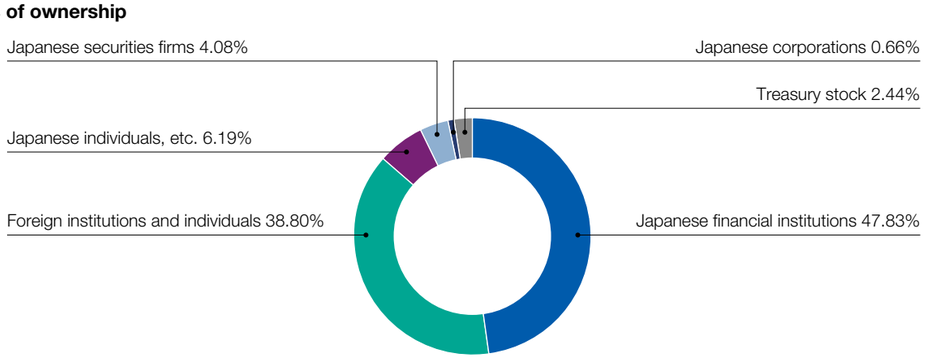
Common stock	¥32,641,976,312
Securities traded	Tokyo Stock Exchange
Securities code	6762
Number of employees (consolidated)	102,908
Transfer agent	Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-8233
Independent registered public accounting firm	KPMG AZSA LLC (the Japan member firm of KPMG International)

Principal shareholders (10 largest shareholders)

Name of shareholder	Number of shares held (thousands of shares)	Percentage of number of shares held in the total number of issued shares* (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	107,822	28.43
Custody Bank of Japan, Ltd. (Trust account)	55,184	14.55
STATE STREET BANK WEST CLIENT - TREATY 505234	7,453	1.96
SSBTC CLIENT OMNIBUS ACCOUNT	6,779	1.79
JP MORGAN CHASE BANK 385781	4,803	1.27
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	4,758	1.25
BBH FOR GLOBAL X LITHIUM AND BATTERY TECH ETF	4,500	1.19
JP MORGAN CHASE BANK 385632	4,456	1.17
JPMorgan Securities Japan Co., Ltd.	3,790	1.00
GOVERNMENT OF NORWAY	3,759	0.99

*Other than the above, the Company holds 9,490 thousand shares of treasury stock.

Status of ownership



IR Activities

Stakeholder engagement – Disclosure of dialogue with stakeholders

Disclosures of information

The TDK Group maintains fairness and transparency by means of timely and accurate disclosure of certain information to its shareholders/investors and other stakeholders. In addition, the TDK Group shall actively and widely communicate with society, and its shareholders/investors, customers, business partners, employees, and local communities, and shall pay heed to their expectations and needs, and values and opinions that are different from those of the TDK Group, which shall, from time to time, be reflected in the TDK Group's corporate activities.

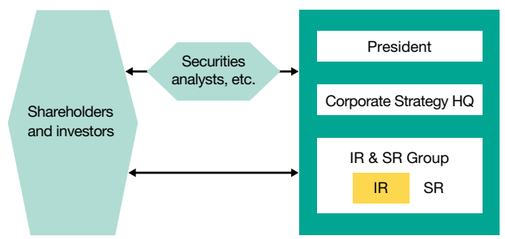
Objectives of investor relations activities

The objectives of the TDK Group's investor relations activities are to develop a long-term relationship of trust with stakeholders by fulfilling its responsibilities not only to shareholders, who have entrusted administration of the company to management, but also to all other stakeholders including investors and analysts, through the faithful and fair disclosure of information, and also to obtain their confidence and esteem through bilateral communication. In order to pursue these objectives at all times, the TDK Group continuously discloses necessary information and conducts investor relations activities in such a manner that third-party opinions can be used to improve management.

State of implementation of dialogue with shareholders

Item	Content
Main respondents in dialogue with shareholders	Mainly the president, corporate officer of finance & accounting; executives; and the IR & SR Group, a dedicated team handling shareholder and investor response. (The number of meetings for each respondent are given below.)
Profile of shareholders with whom dialogue conducted	Dialogue is conducted with active and passive institutional investors both in Japan and overseas; investors with various investment styles, such as growth and value investing; and diverse shareholders.
Main dialogue topics and matters of interest to shareholders	Constructive and lively dialogue takes place on such topics as management policy, problem awareness, financial strategy, progress of individual business strategies, progress of initiatives involving ESG and other non-financial activities, and response to geopolitical risks.
State of feedback of shareholder opinions and concerns to the management team and Board of Directors	In-house feedback is being strengthened. For example, the numerous opinions and issues raised in the dialogue with shareholders and investors are sorted in the IR & SR Group and reported to the Board of Directors every quarter. Number of reports in fiscal 2023: 4
Matters introduced as a result of feedback	We are improving the disclosure of information in line with the information disclosure needs of shareholders and investors. Specifically, we are promoting the upgrading of information management for non-financial activities to enable us to properly convey how non-financial activities contribute to the enhancement of corporate value.
Issues currently under consideration as a result of feedback	Linkage of non-financial and ESG matters to the remuneration of corporate officers.

Investor relations organization



Number of annual discussions

Fiscal 2023	No. of times
Financial statement briefings for analysts and institutional investors	4
Number of Management meetings (president and corporate officer of finance & accounting)	50
Number of individual meetings (include conferences)	347
Conferences hosted by securities companies	7
Overseas roadshows	2

External evaluation of TDK's IR activities

Integrated report

Nikkei Integrated Report Award 2022
Excellence Award

NIKKEI 日経統合報告書アワード Integrated Report Award

IR website

BroadBand Security, Inc.
Gomez IR Site Ranking 2022
Silver Prize

Daiwa Investor Relations Co. Ltd.
Internet IR 2022
Commendation Award

Daiwa Investor Relations Co. Ltd.
Internet IR 2022
Sustainability Excellence Award

Nikko Investor Relations Co., Ltd.
All Japanese Listed Companies' Website Ranking 2022
All Markets Ranking, AAA Website

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https://www.tdk.com/en/index.html