Based on the corporate motto of “Contribute to culture and industry through creativity,” TDK has been continuously pouring forth a stream of innovative products ever since its founding in 1935, using ferrite as a starting point and harnessing superior magnetics and materials technology.

Tokyo Denki Kagaku Kogyo K.K., the forerunner of TDK, was founded in 1935 in order to commercialize ferrite, an epoch-making magnetic material that had been invented in Japan by Dr. Yogoro Kato and Dr. Takeshi Takei of the Tokyo Institute of Technology. So TDK really was a pioneering university-generated venture company.

From a desire to easily store music, TDK developed the first cassette tape made in Japan. The combination of superior magnetic materials technology and coating technology later also proved its worth in the manufacture of video tape products.

The super heterodyne principle, which enables high performance in radio receivers, came into wide use around the year 1950. This led to a drastic rise in demand for ferrite from TDK, to be used as a core material in intermediate frequency (IF) transformers. After the age of television began, ferrite also found wide application in the deflection yoke cores of CRT tubes.

Nanotechnology is the art of handling ultrafine materials to a precision of less than a millionth of a millimeter, to create new functionality and previously unattainable material properties. TDK has gained extensive nanotechnology experience through the development and manufacture of magnetic heads for HDDs and thin-film multilayer products. This enables TDK to offer electronic components and devices that meet highly advanced and sophisticated needs.
TDK's business model is based on strong and continuously advancing competence in core technologies and a solid customer base. We handle a wide range of products, from passive components to applied products, and are expanding the scale of our business operations.

Our vast accumulated expertise in magnetics technology serves as a backbone, while we explore the properties of materials down to the molecular level. All of our production processes have been developed and unified in-house, a fact that clearly sets us apart from our competitors, as we continue to develop products that meet the most advanced needs of the age.

We also aim to provide high value added by responding flexibly to various customization requests. This in turn has helped us to grow as a company.

The world of electronics is in constant flux, marching rapidly towards the future. As a global leader in the field of electronic components, we operate at the leading edge of development, creating and marketing numerous innovative products of high value for our customers.

A major mission of TDK is contributing to the future of electronics. On the strength of our materials technology, we always take up new challenges and continue to innovate.

### TDK’s Challenges for the Future

Development of wireless power transfer systems harnessing magnetic materials technology and magnetic circuit technology

This system is designed to allow wireless charging of the battery in a vehicle, thereby eliminating the need for cumbersome cable connections. Coils utilizing high-performance ferrite, together with a proprietary automatic tuning technique, ensure optimized charging. We are also working on experimental systems for power transfer to moving vehicles.

Renewable energy is becoming an ever more important topic as we move closer to the realization of a sustainable society. TDK is engaged in developing capacitors and reactors specially designed for use in power conditioners of wind power and solar power installations, and also building extremely powerful and large magnets as well as other parts for wind power generators.

Pursuing next-generation electronic components and modules through advanced substrate embedding techniques

With a view toward wearable devices and health care products, TDK has developed a technology called SESUB for embedding chips directly in the substrate, and is advancing state the art RF module technology and other sophisticated methods for incorporating electronic components into modules. We have also developed an ultra-low-profile thin-film capacitor (TFCP) that is flexible and allows embedding in the substrate.

Application of TMR element technology allows realization of ultra-sensitive magnetic sensor

The science of controlling the change of an electron and spin through nanotechnology is called spintronics. Application of TMR elements developed for HDD heads allows the realization of an ultra-sensitive magnetic sensor. The technology is expected to lead to applications in the health care and medical fields.
TDK’s Core Technologies

1. Materials Technology

Shaping the characteristics of the material at the molecular level enables the creation of innovative electronic components and devices that meet even the most advanced market needs.

- **Materials Design Technology**: Control of raw material composition as well as micro-additives is an effective approach for achieving specific targeted properties.
- **Powder Control Technology**: Fine crystal grain and greater uniformity result in improved materials characteristics.
- **Microstructure Control Technology**: By controlling the internal composition of the crystal grain as well as the boundary between particles and other properties, various characteristics can be realized.

2. Process Technology

Super-advanced control techniques operating with nanometer-level precision result in products with outstanding performance and functionality.

- **Forming Technology**: Achieving complex, 3D profiles, and complex shapes by adding a binder to the base powder.
- **Sintering Technology**: A firing process for sintering and hardening, requires highly precise control of temperature and atmospheric conditions (gas composition in sintering furnace).
- **Thick-Film Process Technology**: Printing of electrodes and similar in a multilayer configuration, to produce multifunctional electronic components such as chip capacitors and chip-inductors.
- **Thin-Film Process Technology**: Film formation of electrodes, coils, head elements, etc., to produce magnetic heads for HDDs and other thin-film electronic components.

3. Evaluation and Simulation Technology

Activities range from material analysis and examination, simulation of product structure, thermal conditions, and electromagnetic field to noise measurements and design of noise solutions.

- **Evaluation and Analysis Technology**: Used for observation of microstructures and visualization of molecular distribution, etc.
- **Simulation Technology**: Used for evaluation of thermal conditions and atmospheric conditions (gas composition in sintering furnace).
- **EMC Countermeasure Technology**: EMC measures are aimed at ensuring that a device is not susceptible to interference from other devices and also does not become the cause of interference in other devices.

4. Device & Module Technology

This technology involves combining various electronic components into high-performance, multi-functional electronic devices and optimized modules.

- **Circuit Design Technology**: This comprises selecting optimum component and designing the circuitry including the wiring and thermal dissipation arrangement using advanced simulation techniques.
- **Packaging Technology**: Parts assembling, matching, sealing, as well as structural design and shape design are optimized to achieve compact dimensions and high performance.
- **Semiconductor Embedded Substrate (SESUB) Technology**: This technology involves embedding ICs and other components as well as the wiring into the substrate itself, to achieve a modular product.
- **LTCC Technology**: Low temperature co-fired ceramic (LTCC technology) allows the integration of a high number of components such as capacitors and inductors on a dielectric sheet to create a printed multilayer module.

5. Production Technology

The TDK policy of QCD (Quality, Cost, Delivery) is being further strengthened, to enable swift and effective adaptation to changes in the marketplace.

- **Production Technology**: Outstanding products come from outstanding manufacturing facilities. TDK not only develops innovative manufacturing techniques but realizes those by building much of the required equipment in-house. This comprehensive approach is the key to superior craftsmanship.

Globally Cultivating Leading Edge Technology

TDK is making full use of its worldwide network linking Japan, China, other Asian countries, Europe, and the U.S. Specific priority operation fields have been defined for each region. This enables us to pursue R&D at the cutting edge of technology, utilizing our accumulated expertise in five core technologies, in order to anticipate and meet highly sophisticated demands.

We are actively engaged in further deepening and nurturing these core technologies, establishing unified and consistently outstanding production processes that ensure superior reliability through next-generation technologies. By continuing to innovate, we create products that contribute to the realization of a sustainable society, while also resulting in a sustained increase in corporate value.

Competitive Strength of 5 Core Technologies

- **Leading Edge Technology**
- **Globally Cultivating**
- **Technology**
Increased Sales Ratio of Automotive Products

Ever since TDK turned its attention to the increasing "electrification" of the automobile more than 40 years ago, we have been providing magnets, inductors, capacitors, and other parts to car manufacturers on a global basis. As the ratio of electric equipment in cars gets ever higher, and with the continuing advance of hybrid electric and electric vehicles, we have set a medium-term goal of increasing our automotive sales to about 30 percent of our total net sales.

Going Global from Early On

One of the strengths of TDK is the speed by which we globalized our operations. By strengthening and expanding our framework of overseas production and technical support, we expanded our customer base from the subsidiaries of Japanese companies to deal with overseas manufacturers as well. Currently, about 90% of TDK’s entire output is being manufactured and marketed overseas.

Promoting Consolidation of Manufacturing Sites and In-House Production

Responding to major changes in the business environment for electronic products, TDK is in the process of consolidating its manufacturing sites. To further bolster our Monozukuri power of creating products with a strong craftsmanship ethos, we are establishing two new plants in Akita Prefecture, which will also reflect many advances in next-generation technology. The new plant in Honjo will be handling high-frequency components, piezoelectric material components, ferrite cores, and other passive components, while the new plant at Inakura will be dedicated to ferrite materials. Both are expected to start production from the end of 2016.

Ongoing Governance Reform

TDK has implemented a broad range of measures to strengthen its corporate governance backbone. In June 2002, we established a system of having outside directors and corporate officers, which since June 2004 also includes non-Japanese corporate officers. This is part of our effort to ensure corporate soundness, compliance, and transparency of management.

How the Public Sees Us

TDK has always been creating innovative products to contribute to society through original technology. This stance, in turn, has been rewarded outside recognition, earning us a place among the "Top 100 global innovators" named by Thomson Reuters for three years running. The award honors corporations and research organizations with notable inventions on a global scale. In addition, we are actively engaged in activities to support sustainability, such as environmental protection and compliance, and we are registered for key indicators of socially responsible investment.
Passive Components
This business segment is mainly comprised of HDD heads, a field where we hold about 25% of the worldwide market share. In addition to HDD heads, this business includes power supplies and magnets. HDDs handle the task of writing information to the magnetic media and reading the recorded information. Our mastery of thin-film process technology on the nanometer level has brought about an amazing increase in storage capacity.

Magnetic Application Products
TDK’s magnetic application products segment is mainly comprised of HDD heads, a field where we hold about 25% of the worldwide market share. This segment is divided into the recording devices business comprising HDD heads and HDD suspensions, and the other magnetic application products business including power supplies and magnets. HDDs handle the task of writing information to the magnetic media and reading the recorded information. Our mastery of thin-film process technology on the nanometer level has brought about an amazing increase in storage capacity.

Film Application Products
The film application products segment covers energy devices such as rechargeable batteries primarily for laptops, smartphones, and other ICT devices, as well as applied film products used for the touch panels of smartphones and similar applications.

Other
These products are not part of the three major segments, such as microactuators (production equipment), anechoic chambers, and flash memory applied devices, are grouped into this category.

A to Z

Sales by Segment
TDK is harnessing its proprietary core technologies and Monozukuri power, creating innovative products in areas such as passive components, magnetic application products, film application products, and other.

High Level of Globalization
The TDK Group is active in over 30 countries and regions all over the globe, selecting suitable bases for plants, research facilities, and sales offices under the viewpoints of marketability, product range, distribution etc. TDK has 117 consolidated subsidiaries overseas and employs a total workforce of approximately 88,000 people.

Explanation of Key Terms
What are passive components?
Sustaining the manifold functions of electronic equipment

Electronic components can be divided into two major groups: active components such as chips and transistors that use the electrical power supplied to them to perform amplification, transmission, conversion, and many other tasks, and passive components such as capacitors that generally serve for driving the active components, and their efficiency in this task, along with the ability to supply current without generating unwanted noise*, has a major influence on enhancing the performance of the end product. The market for passive components is further expanding, driven by developments such as the move towards higher performance of ICT equipment and the increasing “electrification” of automobiles. Further improved performance and higher productivity will be crucial demands in the area of passive components as well.

* Noise is mainly defined as the unintended emission of electromagnetic radiation, which can impede the correct propagation of desired signals, or cause malfunction and other problems in equipment.
Management Philosophy

CORPORATE MOTTO
Contribute to culture and industry through creativity

CORPORATE PRINCIPLES

“Vision”
Always take a new step forward with a vision in mind.
Creation and construction are not born without vision.

“Courage”
Always perform with courage.
Performing power is born by confronting contradiction and overcoming it.

“Trust”
Always try to build trust.
Trust is born from a spirit of honesty and service.

Editorial Policy
This material contains forward-looking statements, including projections, plans, policies, management strategies, targets, schedules, understandings, and evaluations about TDK and its group companies. These forward-looking statements are based on the current forecasts, estimates, assumptions, plans, beliefs, and evaluations of the TDK Group in light of information currently available to it, and contain known and unknown risks, uncertainties, and other factors. The TDK Group therefore cautions readers that, being subject to risks, uncertainties, and other factors, the TDK Group’s actual results, performance, achievements, or financial position could be materially different from any future results, performance, or achievements, or financial position expressed or implied by these forward-looking statements. The TDK Group disclaims any obligation to publicly update or revise any forward-looking statements after the issue of Annual Report 2015 except as provided for in applicable laws and ordinances.

Financial Information
http://www.global.tdk.com/ir/

Non-Financial Information
http://www.global.tdk.com/csr/

Product Center

Get to Know TDK
TDK’s Innovation / Business Models / TDK’s Challenges for the Future / TDK’s Core Technologies / How TDK Has Changed / A to Z / Management Philosophy

Understand How Management Thinks
To Our Stakeholders

Learn about TDK from Past to Present
Consolidated Business Results Highlights
Business Trend
Corporate Value
Segments at a Glance
Segment Business Strategy

Find Out Information on Results and Future Strategies
New Medium-Term Plan

SPECIAL FEATURE
TDK’s Competitive Superiority Established over the Course of 80 Years

Explore TDK’s Management Resources
Intellectual Capital
Human Capital
Natural Capital
Social and Relationship Capital

Check Out TDK’s Corporate Governance
Corporate Governance
Interview with an Outside Director—TDK Group’s Corporate Governance
Directors, Audit & Supervisory Board Members, and Corporate Officers

Access TDK’s Financial Information
10 Years of Financial Trends and Analysis
Operating Results for Fiscal 2015
Outlook for Fiscal 2016 and Medium- to Long-Term Prospect
Consolidated Balance Sheets
Consolidated Statements of Income and Statements of Comprehensive Income
Consolidated Statements of Stockholder’s Equity
Consolidated Statements of Cash Flows

Overview of TDK
Corporate Information
To Our Stakeholders

Making optimum use of materials and harnessing Monozukuri to the fullest, TDK is going from strength to strength

As TDK marks the 80th anniversary of its founding, we have established a new Medium-Term Plan and are creating new business opportunities centered around magnetics as the core. Along with the constant evolution of Monozukuri, this will carry us as a group toward the next milestone of a hundred years.

After completing a large-scale structural reform and changing course towards a growth strategy, we achieved increased sales and earnings for three years in a row, as of fiscal 2015.

Our consolidated net sales jumped 10% and for the first time exceeded the trillion yen mark, amounting to ¥1,082.6 billion. Operating income rose 98% to ¥72.5 billion, and the operating income ratio climbed three points to 6.7%. With ¥49.4 billion, the current term net income was about three times higher than in the previous term. In response to strong demand, we implemented capital expenditures in excess of ¥100 billion, the largest ever, and cash flow also improved, so that we achieved a net cash position for the first time in seven terms.

In the current term, growing demand in the automotive sector as well as in the smartphone market for China and North America has led to record sales in the passive components and film application products segments. Within the passive components segment, ceramic capacitors, inductive devices, high-frequency components, as well as piezoelectric material components all did better than in the preceding term, generating increased sales and earnings. In the film application products segment, we achieved sales not only to manufacturers of new type smartphones, who are our main customers for rechargeable batteries, but were also able to cultivate new customers in the Chinese market, resulting in higher sales and earnings over the preceding term.

In the past, TDK had a problem with a somewhat uneven earnings structure, as reduced profitability of the passive components business led to a dominance of the HDD heads business. By optimizing manufacturing bases and implementing other structural reform measures, and by counterbalancing the passive components and magnetic application products segment including HDD heads business with the film application products segment, we were able to establish a solid earnings balance between these three key segments.

Under the newly formulated medium-term plan for the period from fiscal 2016 to fiscal 2018, we have begun to move forward toward further growth. In order to promote a deeper understanding of the direction in which the company will be progressing from now on, I intend to look back in time and touch upon some problems that we confronted and transformations that we have undergone.
A structural reform to rebuild TDK

Regaining the source of our competitiveness: Integrated production

Some of the difficult events that TDK had to face in recent times were the global economic crisis triggered by the Lehman Brothers collapse in September 2008, the Great East Japan Earthquake in 2011, the reshuffle of HDD manufacturers, the great floods in Thailand, and the yen exchange rate climbing as high as ¥75 to the U.S. dollar. With the aim of dealing more efficiently with drastic changes in the management environment, we embarked on a large scale structural reform starting in fiscal 2013.

We sold the organic EL business which was only peripheral to our operations, and also reorganized our business portfolio in other ways, such as redefining the data tape and Blu-ray businesses. This allowed us to concentrate management resources on growth sectors and areas central to our business. Various other reform measures were also implemented, mostly focused on improving the profitability of passive components centered on multilayer ceramic capacitors.

Although TDK used to command a high market share in the multilayer ceramic capacitor category, we had lost ground and our presence had diminished gradually. Major reasons for this were seen in the timing of facilities investment in the face of expanded demand, and a delay in starting to develop the ultra-small components required for smartphones, but as a matter of fact, our overall Monozukuri production power in the passive components sector was suffering from problems.

In 1966, TDK was the first company to locally develop a cassette tape product in Japan. While devising and perfecting proprietary magnetic materials technology and coiling techniques, we became extremely competitive on the world stage, and the TDK brand was successfully built up outside of Japan. However, becoming a global corporation was not easy, as a number of obstacles had been integrated production based on Monozukuri in starting to develop the ultra-small components required for smartphones in the face of expanded demand, and a delay in starting to develop the ultra-small components required for smartphones.

In this way, we streamlined the Monozukuri process that had become too convoluted, and we purposefully progressed on the path of returning to integrated production. This not only helped in reducing fixed costs, it also contributed to shorter lead times and lower logistical expenses. And equally important, we were able to foster human resources with a clear and immediate grasp of the entire process, from raw material to finished product.

In the area of multilayer ceramic capacitors, relying on our strengths in materials technology and process technology, we concentrated our management resources on creating outstanding products for the automotive sector, and for industrial and energy-related equipment, and directed marketing efforts at selected targets. Through these reforms, we were able to return the passive components business to a stable and solid earnings structure.

Having begun overseas operations in the 1950s, TDK now operates about 100 sites in more than 30 countries around the globe. We have built a truly global operations base, with 91% of our net sales being generated overseas, and 88% of our products also being manufactured outside of Japan. However, becoming a global corporation was not easy, as a number of obstacles had to be overcome.

One of these was ensuring a true synergy effect from the integration of the German electronic parts giant EPCOS Inc., which was acquired in August 2008 with an investment of approximately ¥170 billion. In addition to consolidating production bases, we tried to improve manufacturing processes through cooperation between TDK engineers specializing in magnetic heads and engineers from EPCOS. We also eventually achieved the process of penetrating the Chinese market, thereby returning both EPCOS and our high-frequency components business to solid profitability. By harnessing the sophisticated technological expertise of EPCOS, for example in applications and modules, we are transitioning to the stage where the maximum benefit from the acquisition can be achieved.

New Medium-Term Plan

Basic Policy

1. Advance autonomous collaboration of the group and realize further growth
2. Pursue “zero-defect quality” based on superior technical capabilities
3. Drive genuine globalization with speedy management
4. Develop a new business with the revenue of over ¥100 billion following the three major business segments
5. Innovate the corporate culture and cultivate courageous spirits

New Medium-Term Plan

Creating business focused on the 100th anniversary

The new Medium-Term Plan retains “Automotive,” “ICT Net work,” and “Industrial Equipment and Energy” as the three key markets for TDK, with the five key business sectors being defined as inductive devices, high-frequency components, piezoelectric material components, HDD magnetic heads, and rechargeable batteries. In addition, the new policy also sets a target of creating revenue on the order of ¥100 billion in new business ventures by fiscal 2018, with a view towards developing future revenue pillars for TDK.

Among the three key markets, the share of the automotive sector which accounted for 17% of sales in fiscal 2015 is expected to be expanded to 30% by fiscal 2018, which forms another important goal. More than 40 years ago, TDK turned its attention to electrical equipment in automobiles, and entered that market by offering components such as magnets, inductors, and capacitors, which enabled us to build a solid customer base. While retaining this business foundation, we are now going beyond the existing line-up by incrementally offering customized products, and in addition to selling to Tier 1 suppliers, we are engaged in efforts to expand our customer base among manufacturers of finished vehicles.

The ICT market is at a stage where the move to LTE is spreading beyond China, extending also to regions such as Europe and India. In Japan, the transition to 4.5G is progressing, and in the long run 5G is expected to
A TDK-style Monozukuri revolution called “TDK Industry 4.5”

To Our Stakeholders

At TDK, the Monozukuri philosophy is central to our operations.

A strength nurtured and polished over 80 years magnetics technology

With a view towards the future and the 100th anniversary of the Company’s founding, here are my thoughts on what the technological foundation of TDK should be. I strongly believe in the “location free” concept.

A motivating force for the company's growth.

A TDK-style Monozukuri revolution called “TDK Industry 4.5”

To Our Stakeholders

A view from the future.

With a view towards the future and the 100th anniversary of the Company’s founding, here are my thoughts on what the technological foundation of TDK should be. I strongly believe in the “location free” concept.

A motivating force for the company's growth.

A strength nurtured and polished over 80 years magnetics technology

With a view towards the future and the 100th anniversary of the Company’s founding, here are my thoughts on what the technological foundation of TDK should be. I strongly believe in the “location free” concept.

A motivating force for the company's growth.

A TDK-style Monozukuri revolution called “TDK Industry 4.5”

To Our Stakeholders

A view from the future.

With a view towards the future and the 100th anniversary of the Company’s founding, here are my thoughts on what the technological foundation of TDK should be. I strongly believe in the “location free” concept.

A motivating force for the company's growth.

A strength nurtured and polished over 80 years magnetics technology

With a view towards the future and the 100th anniversary of the Company’s founding, here are my thoughts on what the technological foundation of TDK should be. I strongly believe in the “location free” concept.

A motivating force for the company's growth.
To Our Stakeholders

TDK Corporation

Truly competitive technology leads to management with a long-term perspective

I believe that the essence of TDK’s business model is a long-term stance, both with regard to developing business and technology. When I was responsible for the HDD magnetic heads sector, I took a full five years to eventually develop a new material that proved competitive. To create a new elemental technology or material, or to renew a Monozukuri process and develop a truly original product, about 5–8 years is necessary. If management aims only for short-term results, the organization as a whole will become prone to latching onto the obvious. This stifles originality and results in focusing on products in areas with a low entry barrier. Clearly, it is not the way to dominate the competition.

Taking the cue from my predecessors, I also strongly believe that one should try to plant seeds always with a long-term view. Following this concept across generations will enable us, as we did over the past 80 years, to bring forth innovative products that stand apart from the crowd. In this way, we can move toward our 100th anniversary while further enhancing corporate value.

The spirit of the Company’s founder, which is expressed by the corporate motto of “Contribute to culture and industry through creativity” should also be transmitted across generations. The founder’s vision and belief was “to realize the industrial potential of a unique Japanese magnetic material called ferrite, and thereby to contribute to the advancement of society.” This became the basis for the creation of a series of innovative products. For TDK to pursue sustainable development until its 100th year and beyond, we must always be an entity that is relied upon by society. With this aim in mind, we shall endeavor to meet the expectations of society, both through innovative developments for example to help conserve energy or in the medical and health care sector which is becoming ever more important due to changing age demographics, and through a Monozukuri attitude of manufacturing products while being mindful of society and the environment. It goes without saying that the source of all of our innovations is "people power." TDK has always thought of its employees as its most important resource. As we are headed for the realization of true globalization, we will be even more intent to hire, train, and deploy capable individuals without regard to gender, nationality, creed, or religion. In order to accelerate growth on our way toward 2035, there is a need to deeply disseminate the founders’ spirit and the action guidelines among overseas personnel, which make up more than 90% of our workforce. On the occasion of starting the new Medium-Term Plan, we have therefore newly set down the Corporate Vision and TDK Value (action guideline) which interpret the corporate motto in terms that are attuned to the current age, and have embarked on a reform of corporate culture. Of course I am also bound by the TDK Value to lead by example. Also, in order to realize long-term shareholder value improvement we are engaged in establishing an "active governance structure." From very early on, TDK has been making efforts to strengthen corporate governance. In 2002, we brought in outside directors. The chairman of the Board of Directors as well as the chairs of the Compensation Advisory Committee and the Nomination Advisory Committee are also outside directors. We also actively recruit foreign corporate officers. In 2015, we had an evaluation of the Board of Directors performed by a third party. An analysis based on a comparison with the governance codes and rules of competitors both in Japan and overseas confirmed the effectiveness of the Board of Directors, but also brought to light a number of problems. Taking such outside opinions aboard, and implementing the Corporate Governance Code that applies to Tokyo Stock Exchange-listed companies since June 2015, we are strengthening our internal structure, and will further promote a constructive engagement and dialog we with shareholders and investors.

Corporate Vision—Vision 2035

TDK was founded in 1935, based on the founder’s vision and belief—"contribute to the advancement of the society through the commercial production of ferrite, a magnetic material which originates from Japan." TDK achieved four world-class innovations including “ferite, magnetic tape, multilayer materials, magnetic heads,” and has been offering products to support the advancement of society. TDK will continue to strive to achieve further innovation and create value for customers through the delivery of outstanding quality products and services, by utilizing its diverse global resources. Based on TDK’s corporate motto, TDK will continue to “contribute to culture and industry through creativity,” by revitalizing and protecting the global environment and creating a pleasant and safe society.

TDK Value

Customer Focus

We have;
• Strong determination to contribute to our customers’ success
• Passion to be a trusted partner for our customers
Therefore we can;
• Deliver inspirational value by standing in the customer’s shoes
• Offer outstanding quality products, services, and technology to satisfy our customers

Challenge

We have;
• Culture to turn adverse challenges into chances
to develop ourselves
• Strong determination to accomplish our business goals by overcoming adversity
Therefore we can;
• Accept challenges to make innovative breakthroughs and continue to create new value
• Lead our colleagues and collaborate as a team by sharing the same value

HR Development

We have;
• Global network with diverse culture
• Teams which respect each other and teamwork which encourages development
Therefore we can;
• Embrace different ideas and opinions
• Clearly express our opinions with sincerity through open discussions

Diversity

Based on a strong belief in the possibilities of magnets, nurtured and honed over the course of 80 years, we will continue to work towards making TDK the company that the world thinks of when speaking of magnets. We will not shirk our responsibilities and remain committed to the progress of solid manufacturing as embodied in the Monozukuri concept. The TDK resolution has only just begun. I look forward to your continued warm support for TDK’s future challenges.

Takehiro Kamigama

President & Chief Executive Officer

October 2015
2012 onwards.

Because the TDK Environmental Action 2020 Plan came into effect from fiscal 2011, the "CO2 emissions through products (environmental contributions) (t - CO2)" figures are for fiscal 2011 and thereafter.

In accordance with the provisions of ASC No.205-20, “Presentation of Financial Statements—Discontinued Operations,” operating results relating to the data tape business and the blu-ray disc business are separately presented as discontinued operations in the consolidated statements of operations for the year ended March 31, 2014. Also, reclassifications are made to the consolidated statements of operations after the year ended March 31, 2010, to conform to the presentation used for the year ended March 31, 2014.

Key Ratios

<table>
<thead>
<tr>
<th>Net income (loss) attributable to TDK (Basic)</th>
<th>¥251.71</th>
<th>¥333.50</th>
<th>¥529.88</th>
<th>¥551.72</th>
<th>¥499.71</th>
<th>¥104.82</th>
<th>¥90.90</th>
<th>¥19.06</th>
<th>¥ 9.50</th>
<th>¥129.47</th>
<th>¥392.78</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets</td>
<td>¥4,832</td>
<td>¥5,311</td>
<td>¥5,759</td>
<td>¥5,857</td>
<td>¥4,927</td>
<td>¥4,215</td>
<td>¥15.0</td>
<td>¥24.8</td>
<td>¥53.0</td>
<td>¥11.9</td>
<td>¥142.9</td>
</tr>
<tr>
<td>Dividends</td>
<td>27.8</td>
<td>27.0</td>
<td>20.8</td>
<td>23.4</td>
<td>57.2</td>
<td>22.8</td>
<td>73.7</td>
<td>54.1</td>
<td>22.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Per Share Data

<table>
<thead>
<tr>
<th>Net income (loss) attributable to TDK (Basic)</th>
<th>¥251.71</th>
<th>¥333.50</th>
<th>¥529.88</th>
<th>¥551.72</th>
<th>¥499.71</th>
<th>¥104.82</th>
<th>¥90.90</th>
<th>¥19.06</th>
<th>¥ 9.50</th>
<th>¥129.47</th>
<th>¥392.78</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets</td>
<td>¥4,832</td>
<td>¥5,311</td>
<td>¥5,759</td>
<td>¥5,857</td>
<td>¥4,927</td>
<td>¥4,215</td>
<td>¥15.0</td>
<td>¥24.8</td>
<td>¥53.0</td>
<td>¥11.9</td>
<td>¥142.9</td>
</tr>
<tr>
<td>Dividends</td>
<td>27.8</td>
<td>27.0</td>
<td>20.8</td>
<td>23.4</td>
<td>57.2</td>
<td>22.8</td>
<td>73.7</td>
<td>54.1</td>
<td>22.9</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key Ratios

<table>
<thead>
<tr>
<th>Overseas sales ratio (%)</th>
<th>77.0</th>
<th>78.2</th>
<th>80.1</th>
<th>82.4</th>
<th>84.0</th>
<th>88.9</th>
<th>88.7</th>
<th>89.8</th>
<th>90.5</th>
<th>91.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG&amp;A ratio (%)</td>
<td>18.2</td>
<td>17.9</td>
<td>18.4</td>
<td>18.3</td>
<td>22.0</td>
<td>20.0</td>
<td>17.3</td>
<td>18.6</td>
<td>18.0</td>
<td>18.7</td>
</tr>
<tr>
<td>Operating income ratio (%)</td>
<td>8.1</td>
<td>7.6</td>
<td>8.2</td>
<td>10.5</td>
<td>11.9</td>
<td>11.7</td>
<td>11.9</td>
<td>12.6</td>
<td>12.0</td>
<td>12.0</td>
</tr>
<tr>
<td>ROE (%)</td>
<td>5.5</td>
<td>6.6</td>
<td>9.6</td>
<td>9.7</td>
<td>9.9</td>
<td>2.5</td>
<td>8.4</td>
<td>(0.5)</td>
<td>0.2</td>
<td>2.7</td>
</tr>
<tr>
<td>ROA (%)</td>
<td>4.2</td>
<td>5.1</td>
<td>7.3</td>
<td>7.4</td>
<td>(6.2)</td>
<td>1.2</td>
<td>4.2</td>
<td>(0.2)</td>
<td>0.1</td>
<td>1.4</td>
</tr>
</tbody>
</table>

Non-Financial Indicators

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>37,115</th>
<th>53,923</th>
<th>51,614</th>
<th>60,212</th>
<th>66,429</th>
<th>80,590</th>
<th>87,809</th>
<th>79,175</th>
<th>79,863</th>
<th>83,581</th>
<th>88,076</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas employees ratio (%)</td>
<td>74.4</td>
<td>81.1</td>
<td>80.1</td>
<td>82.8</td>
<td>84.1</td>
<td>87.2</td>
<td>88.5</td>
<td>87.4</td>
<td>88.2</td>
<td>89.1</td>
<td>89.8</td>
</tr>
<tr>
<td>CO2 emissions in production activities (t-CO2)</td>
<td>827,743</td>
<td>874,996</td>
<td>857,213</td>
<td>926,695</td>
<td>909,747</td>
<td>878,303</td>
<td>1,095,462</td>
<td>1,109,926</td>
<td>1,112,988</td>
<td>1,190,458</td>
<td>1,269,986</td>
</tr>
<tr>
<td>CO2 emissions in manufacture (t-CO2)</td>
<td>321,000</td>
<td>498,000</td>
<td>498,000</td>
<td>500,000</td>
<td>500,000</td>
<td>500,000</td>
<td>321,000</td>
<td>498,000</td>
<td>498,000</td>
<td>500,000</td>
<td>500,000</td>
</tr>
</tbody>
</table>

1. In accordance with the provisions of KSC No.320-20, "Presentation of Financial Statements—Discontinued Operations,” operating results relating to the data tape business and the blu-ray disc business are separately presented as discontinued operations in the consolidated statements of operations for the year ended March 31, 2014. Also, reclassifications are made to the consolidated statements of operations after the year ended March 31, 2010, to conform to the presentation used for the year ended March 31, 2014.

2. Because the TDK Environmental Action 2020 Plan came into effect from fiscal 2011, the "CO2 emissions through products (environmental contributions) (t - CO2)" figures are for fiscal 2011 onwards.

Annual Report 2015
Driven by strong sales in the automotive sector and for smartphones in China and North America, net sales for fiscal 2015 amounted to a record ¥1,200 billion. In addition, the progress of globalization resulted in overseas sales accounting for 91.4% of the total.

A stable earnings structure with a good balance of the three core segments was achieved, resulting in a large improvement in operating income and the operating income ratio for fiscal 2015. Compared to the previous term, operating income jumped by 97.9% to ¥72.5 billion, and operating income ratio increased by more than three points to 0.7%.

In fiscal 2009, ROE worsened considerably due to the global recession and other factors, but the increase in current term net income for the fiscal 2015 brought an improvement. We are currently pursuing the goal of an ROE over 10% in fiscal 2018.

Large-scale M&As in fiscal 2009 resulted in a negative cash flow, but subsequent aggressive capital investment combined with business activities increased cash flow, which has now remained positive.

Responding to rapid technological developments in the electronics market, and aiming to maintain our strong competitiveness, TDK has been spending more than ¥50 billion on R&D every term since fiscal 2007. By continuing to carry out intensive R&D also in future, we aim to bring a stream of new products to market and further enhance corporate value.

After the acquisition of EPCOS Inc., staff number showed a rising trend, but in the course of the structural reform carried out beginning in fiscal 2012, we also aimed for an optimization of personnel. In fiscal 2016, we will once again increase staff numbers to strengthen our competitiveness.
Corporate Value

Basic Policy and Prospects for Profit Distribution

TDK’s basic policy with regard to dividends is a stable increase through growth in the profit per share, based on the understanding that long-term expansion of corporate value is the way to expand value to shareholders. In order to respond to rapid technological innovation in the electronics market, TDK aggressively invests for growth mainly in the priority areas of new products and new technologies. The aim is to further increase corporate value in the long term. We aggressively reinvest profits into business activities, and then base our dividends on a comprehensive evaluation, taking into account consolidated-base return on equity (ROE) and dividend on equity (DOE) standards as well as changes to the business environment.

For fiscal 2015, the yearly dividend amounted to ¥90 per common share. Consequently, the dividend payout ratio was 22.9% and the ratio of dividends to stockholders’ equity 1.6%. For the next term, an interim dividend of ¥60 and a year-end dividend of another ¥60 are planned, resulting in an expected yearly dividend of ¥120 per common share.

ROE Results

TDK management places emphasis on ROE as a global investment criteria, and achieved an ROE of 7.2% in fiscal 2015. We are conducting business with a target of exceeding 10% by fiscal 2018.

For fiscal 2015, the yearly dividend amounted to ¥90 per common share. Consequently, the dividend payout ratio was 22.9% and the ratio of dividends to stockholders’ equity 1.6%.

For the next term, an interim dividend of ¥60 and a year-end dividend of another ¥60 are planned, resulting in an expected yearly dividend of ¥120 per common share.

Comparison of Share Price and Tokyo Stock Price Index (TOPIX)

Comparison is based on monthly closing prices and value of 1 for April 2006 management integration.

Number of Shareholders and Status by Ownership

Social Recognition by Outside Organizations

In recent years, socially responsible investment (SRI) has become a growing trend in both North America and Europe. For SRI, investors are concerned not only with the financial aspect of a company but also its efforts to protect the environment and address other social concerns. TDK is included, for example, in the Morningstar Socially Responsible Investment Index (MS-SRI) and the Ethibel Excellence Index. On the technical side, we were selected as one of the Top 100 Global Innovators by Thomson Reuters for three years running, a list that designates forward-looking businesses and research institutions around the world.

In addition, TDK products have won the “Nippon Brand Prize” of the “Cho Minazokuzoku Innovative Parts and Components Award” program that rewards special contributions to Japan’s craftsmanship and manufacturing culture.
TDK Branding: A New Beginning

Attracting Tomorrow

Looking toward the next era, and in order to further grow as a global company, TDK believes that it is important to be recognized as an entity whose existence is of value to society. We are now in the process of redefining the corporate image and fostering a corporate brand that will ensure renewed recognition among a wider audience.

The verb “attract” is used to describe how a magnet draws iron. It also has the meaning of captivating and fascinating people. On the basis of our core competence in magnetics technology, TDK has continued to create new technological frontiers with the capacity to change the future. Rather than just waiting for the future to happen, we should seek to attract it with our own will and effort. This is the sentiment contained in TDK’s “Attracting Tomorrow” message.
New Medium-Term Plan

Starting from fiscal 2016, TDK has enacted a new Medium-Term Plan which covers the three-year period to fiscal 2018. While building on the results of the structural reform of the past three years, the new plan actively targets further enhanced corporate value through sustainable growth.

Looking back on the previous Medium-Term Plan (Fiscal 2012 to Fiscal 2015)

Prior to the new Medium-Term Plan, the TDK Group implemented a thorough structural reform in fiscal 2012, with the aim of strengthening its corporate backbone and ensuring that it can deal properly with changes in the external environment.

As in the past, the new Medium-Term Plan defines a growth strategy for five key business sectors in the three key markets “Automotive,” “ICT Network,” and “Industrial Equipment and Energy.” It also puts the spotlight on new businesses.

Increasing automotive sales to 30% of total

As automobiles rely more and more on electrical and electronic equipment, demand will rise not only for conventional parts such as capacitors and inductors, but also for customized products including magnetic sensors and automotive chargers. The emergence of new markets such as for wireless power transfer systems is also on the horizon, which will further stimulate demand. In the course of actively promoting these developments, we aim to raise the share of the automotive sector in our total net sales from currently 17% to 30% by fiscal 2018.
Point 2
New Businesses in Growth Fields

In the medium-to-long-term perspective, it is important to not only focus on our five key business sectors but also to create new business opportunities. On the strength of our strategic global R&D framework, we are making full use of the rich and varied technological resources that the TDK Group has built up over time. In particular, advanced thin-film technology gained from the development of HDD heads is being adapted to thin-film components, magnetic sensors, SESUB products, energy units and other products. The target figures for these new businesses by fiscal 2018 are sales in excess of ¥100 billion and a ratio of 8% of our net sales.

Point 3
Monozukuri Innovation (Zero defect quality based on high technology)

TDK is pursuing a “zero defect quality” policy, based on the “Industry 4.0” concept. This is a collective term for an approach currently being promoted by the German government, aimed at revolutionizing the way things are made, by drastically intensifying the level of digitization, automation, and virtualization. At TDK, we are incorporating “Industry 4.0” concepts such as sensor based monitoring and real-time control of production processes, and we are combining these with upstream management, narrowed tolerances, and other aspects of our quest for zero defects, leading to TDK’s unique Monozukuri revolution. In 2016, we plan to implement these at new plants in Akita Prefecture. Subsequently, the approach will be expanded to other plants and bases around the world, with the aim to achieve “location free” whereby the same quality can be achieved regardless of the actual production location.

Point 4
Growth Investment and Achieving Management Target in Mid Term

We are actively engaged in enhancing productivity in existing fields, rationalizing manufacturing processes, expanding investments in new products and new businesses, and pursuing M & As. Including the construction of new plants in Akita Prefecture, total facilities investments over the 3-year period of the Medium-Term Plan are planned to be ¥350 billion to ¥400 billion. For fiscal 2016, the budgeted figure is ¥130 billion. With regard to R&D investment, ¥230 billion are planned for the 3-year period of the Medium-Term Plan, and ¥77 billion for fiscal 2016.

Management Target in Mid-Term

TDK will realize growth through a combination of expanding its operations in the five key business sectors, pursuing new businesses, reforming Monozukuri processes, and making growth-oriented investments. Returns to shareholders are pursued through the growth of EPS (earnings per share) to achieve a stable increase in dividends. The target for the dividend payout ratio has been set to 30%.

We are conducting business with a target of exceeding an operating income ratio of 10% and ROE of 10% by fiscal 2018.
TDK’s Competitive Superiority Established over the Course of 80 Years

Following its corporate motto of “Contribute to culture and industry through creativity,” TDK has used its technical expertise in magnetics technology ever since the company’s founding to create products that are truly of use to society. While strengthening our operations in the key areas of the automotive, ICT Network, and industrial equipment & energy, we are operating on the leading edge of technology, developing products that are beyond the reach of our competitors.

1
Contributing to the Evolution of the Automobile through Electronic Components

TDK Turned its Attention to the Electrification of the Automobile from Early on

The prevalence of electronic equipment and therefore the number of electronic components found in an automobile is still on the rise. To take just one example, whereas the combustion engine used to be the central part of the power train, electrical systems and electrical motors are increasingly being incorporated to save energy and to create a more sophisticated system. Furthermore, society demands that automobiles be safe and dependable, and to meet these requirements the technology for electronic control of brakes, steering, and other aspects is also advancing. On the other hand, reducing the weight of automobiles is another important requirement as this contributes to improved fuel economy.

Beginning more than 40 years ago, TDK directed its attention to the electrification of the automobile and started to offer magnets for motors at first, and successively a range of products for the automotive field, including inductors, capacitors, and so on. Products for automotive use are subject to particularly high reliability requirements as they deal with safety and security. And because high quantities are used, manufacturers cannot easily switch the product on the grounds of cheaper cost. The large TDK portfolio for the automotive sector comprises not only passive components but also magnets, power supplies, and various other products. Providing exactly the right product that meets the customers’ specifications, and delivering it promptly and in large quantities is the source of our strength.

TDK Technology Supports Automotive Progress

Fields on which TDK will focus in particular from now on are magnetic sensors. These sensors enable finely graded control of power steering, and thereby contribute to lower fuel consumption and reduced power requirements. By harnessing magnetic head technology that is TDK’s forte, the steering angle can be detected with superior precision and minimal tolerance. We are expecting to supply these sensors to fuel economy-conscious car manufacturers in Japan, Europe, and the U.S. and will begin mass production in Japan from fiscal 2016. We further intend to apply the technology also to rotation sensors and to linear encoders for providing position information. The ultimate aim is to turn the sensor business into a future pillar of earnings.

For somewhat further down the line, we also have the configuration of wireless charging systems in view. Toward this end, we concluded a technology transfer license agreement with WiTricity Corporation in April 2014. By applying our expertise in magnetic materials technology and circuit technology, we are working toward the early realization of wireless power transfer systems for electric vehicles and other mobility applications.

Automotives are continuing to evolve, changing in response to the demands of society and concerns for the environment. TDK is wholeheartedly supporting these developments by supplying advanced electronic components.

TDK’s DNA – The Persistent Progress of Magnetics Technology

TDK was established as a corporation in 1935 to achieve the world’s first commercialization of the magnetic material ferrite. Although ferrite is a magnetic substance, it has a higher electric resistance and lower thermal losses than metal, making it resemble the characteristics of ceramics.

TDK has accumulated extensive expertise in materials technology related to magnetics, encompassing material composition, powder control, and microstructure control. This allowed us to successfully create various electronic materials for dielectric, piezoelectric, and semiconductor applications. Further combination with coating technology, sintering technology and other advanced techniques resulted in a wide range of products. Magnetics technology therefore is in TDK’s DNA, and it is at the root of our competitiveness on the market. But it is also a field that has no end point, as its possibilities are endless. Significant advances are expected for next-generation applications such as health care and wearable devices. We will continue to explore this amazing field and work toward creating new and innovative products.

Focus

SPECIAL FEATURE

Global market projection for automotive sensors

Billion yen

Forecast

2013

2015

ADAS

Brake

Body

Power train

EMC

Navigation

Wireless / RF

EV

HEV

PHEV

EV

HEV

PHEV

EV

HEV

PHEV

Notes:
1. The market size is based on the shipment values at manufacturers.
2. The numeric values of 2014 are actual values and those of 2015 and 2020 are forecasted.
3. Since the values are rounded, some parts of total and ratio within the table do not coincide.
4. There are different types of sensor devices such as magnetic sensors and MEMS (Micro Electro Mechanical Systems) sensors. This research only targets sensor devices that are embedded in passenger cars and commercial vehicles that weigh 3.5 tons or less.

Driving Innovation in the ICT Sector through Electronic Components

Contributing to ICT Progress

ICT products including smartphones, tablets, and personal computers continue to evolve into a high-level social infrastructure intricately connected via wired and wireless networks. In recent years, the increasing amount of information means that more and more data has to be communicated at higher speeds. In this area, TDK is focusing on the progress of LTE, and we also expect the 5G market to emerge eventually. Terminals that support LTE incorporate more complex circuitry, which calls for more intricate connected via wired and wireless networks. In the world of electronic components, there is extremely fierce price competition, and Asian companies that rely on low labor costs tend to dominate. If a company only offers products that can also be made by others, it is bound to compete on price alone, and competitiveness can easily be lost. To get the ultimate performance out of source materials, advanced production facilities are an absolute must. This is why TDK has never simply relied on externally procured equipment. Even if competitors conduct research on our products, this does not mean these are able to gain an understanding of the processes that are needed to manufacture them. Therefore, the products cannot easily be duplicated. We value our in-house production facilities highly because they allow us to flexibly respond to product demands, providing the required performance and adjusting production efficiency.

Strategy Going Beyond Smartphones

In the world of electronic components, there is extremely fierce price competition, and Asian companies that rely on low labor costs tend to dominate. If a company only offers products that can also be made by others, it is bound to compete on price alone, and competitiveness can easily be lost. To get the ultimate performance out of source materials, advanced production facilities are an absolute must. This is why TDK has never simply relied on externally procured equipment. Even if competitors conduct research on our products, this does not mean these are able to gain an understanding of the processes that are needed to manufacture them. Therefore, the products cannot easily be duplicated. We value our in-house production facilities highly because they allow us to flexibly respond to product demands, providing the required performance and adjusting production efficiency.

Medium-Term Strategies Targeting the ICT Market

Deployment of strategic products involves providing components that meet the requirements for wearable devices.
Contributing to Next-Generation Industrial Equipment & Energy

Towards a Clean & Smart Social Infrastructure

Smart cities implementing the next-generation power distribution concept called the smart grid are being built in various locales, with the expectation that they will serve as models for the sustainable social organization of the near future. Such developments so far were pursued mainly in Europe, but are now spreading on a global scale. TDK is already supplying a wide range of power electronics products for renewable energy applications such as solar power and wind power systems. This includes, for example, step-up reactors that convert power for feeding into the grid, aluminum electrolytic capacitors for high-capacity storage, and bidirectional DC-DC converters which serve as vital power conversion platforms. These products contribute significantly to maintaining power quality and ensuring high-efficiency conversion.

TDK is currently bolstering its lineup of energy devices for renewable energy applications, while at the same time harnessing its core competence in magnetics technology to expand sales of power-related products designed for controlling and supplying power.

Energy Device Growth Scenario / Industrial Equipment & Energy Fields

- Strengthen energy devices for renewable energy-related systems
- Promote the sales of power components drawing on magnetics technology, which is TDK’s core competence

Providing Solutions Centered on Highly Capable Industrial Sensors

In the industrial equipment sector, we are marketing strategic products, in particular wireless power transfer systems and magnetic sensors. Smartphones and automotive applications are the starting points for wireless power transfer systems, but many more applications are conceivable, such as hybrid buses, catenary-free streetcars, cable-less elevators, and more. For example, the principle of a hybrid bus as currently tested under government supervision is as follows. The charging station has a primary coil embedded in the road, and the secondary coil is located under the floor of the vehicle. The bus is stopped so that the two coils face each other. An inverter in the charging station converts the commercial power supply and sends the output to the primary coil. According to the principle of electromagnetic induction, the power is transferred to the secondary coil and is used to charge the battery of the bus.

With regard to magnetic sensors, development efforts are currently under way to enable use, for example, as encoders (position-detecting sensors) for linear motors, as well as applications for industrial robots. The magnetic sensors supplied by TDK benefit from the magnetics technology expertise gained through the development and manufacture of HDD heads. This makes them highly precise in position and angle detection, and they also feature high output and excellent thermal characteristics. The robotics market is considered one of the growth areas for the future.

Focus

Producing the Same High Quality all over the World – Location Free and Zero Defects

The new plants currently under construction in Akita Prefecture will be championing two concepts, namely “location free,” whereby the same quality can be produced at any site, regardless of factors such as labor cost, personnel proficiency, and geographical location, and “zero defect quality,” whereby no nonconforming products are allowed to emerge. Location free involves the use of a large number of cameras and sensors to realize a integrated production line from the materials preparation stage all the way through to assembly. The concept is already partially implemented at Sakata Plant of TDK Shonai, but after full completion in Akita we are planning to expand coverage first to China and then to other overseas production bases. The other concept is “zero defect quality” involves optimizing the product configuration and manufacturing process from the development and design stage and implementing thorough upstream control so that no nonconforming products are allowed to emerge. This is based on TDK’s belief that quality cannot be assured in a final inspection. Consequently, the final inspection process has been changed into a sampling inspection for nonconforming products. The realization of zero defects enables us to deliver high-quality products that meet the needs of our customers.

Realization of zero defects

- Utilization of IoT, robots, big data
- Intensification of TDK’s unique upstream management
- Variation Improvement
- Eradication of product-destroying operations and actions
- Location-free production line configuration

Target Equipment (examples)

Wireless charging
Hybrid buses
Catenary-free streetcars
Cable-less elevators

TMR / GMR sensors
Linear motor encoders
Industrial robots

Armed robot
NC (Numeral Control) machine

INDUSTRIAL EQUIPMENT & ENERGY

Producing the Same High Quality all over the World – Location Free and Zero Defects

The new plants currently under construction in Akita Prefecture will be championing two concepts, namely “location free,” whereby the same quality can be produced at any site, regardless of factors such as labor cost, personnel proficiency, and geographical location, and “zero defect quality,” whereby no nonconforming products are allowed to emerge. Location free involves the use of a large number of cameras and sensors to realize a integrated production line from the materials preparation stage all the way through to assembly. The concept is already partially implemented at Sakata Plant of TDK Shonai, but after full completion in Akita we are planning to expand coverage first to China and then to other overseas production bases. The other concept is “zero defect quality” involves optimizing the product configuration and manufacturing process from the development and design stage and implementing thorough upstream control so that no nonconforming products are allowed to emerge. This is based on TDK’s belief that quality cannot be assured in a final inspection. Consequently, the final inspection process has been changed into a sampling inspection for nonconforming products. The realization of zero defects enables us to deliver high-quality products that meet the needs of our customers.
**Segment Business Strategy**

**Overview of Fiscal 2015**

In the ceramic capacitor field, automotive sales were strong and productivity also improved, resulting in a higher profit margin. Sales of inductive devices for the American and Chinese smartphone markets rose sharply, and automotive sales increased as well, with an improved product mix also providing benefits. As a result, profits increased significantly. Sales of high-frequency components for LTE applications became stronger, and productivity also increased, providing higher earnings. In the piezoelectric material components sector, sales of automotive parts and VCMs for camera modules rose, generating increased sales and profits.

The passive components segment generated sales of ¥541.2 billion, an increase of 14.7% year on year, and operating income rose by 145.3% to ¥37.9 billion. Boosted by strong overseas demand and the depreciation of the yen, net sales increased, contributing greatly to the improvement in profit margin.

**Passive Components**

<table>
<thead>
<tr>
<th>Main Products</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For Automotive</strong></td>
</tr>
<tr>
<td>Multilayer ceramic chip capacitors with soft conductive resin terminal electrodes</td>
</tr>
<tr>
<td>Aluminum electrolytic capacitors</td>
</tr>
<tr>
<td><strong>For ICT Network</strong></td>
</tr>
<tr>
<td>SMD inductors</td>
</tr>
<tr>
<td><strong>For Industrial Equipment &amp; Energy</strong></td>
</tr>
<tr>
<td>Film capacitors</td>
</tr>
<tr>
<td>Aluminum electrolytic capacitors</td>
</tr>
</tbody>
</table>

**Important Requirements for Future Products**

- Smaller form factor, higher capacitance
- Lower profile for embedding
- Lower ESL to enable decoupling applications
- Higher temperature resistance for automotive use, higher structural reliability with soft conductive resin terminal electrodes
- Smaller dimensions, lower height, higher current rating, higher efficiency, lower losses
- Develop product line up according to usage environment
- Strengthen EMC control products for reception sensitivity of smartphones with support for more bands
- New filter designs for automotive networks
- Develop filters for automotive networks

**Customers**

Car manufacturers, communication equipment manufacturers, industrial equipment manufacturers, infrastructure manufacturers, electric home appliance manufacturers, precision instrument manufacturers, etc.

**Competition**

- Domestic: Murata Manufacturing, TAIO YUDEN, etc.
- Overseas: SEMCO (Korea), Jygo (Taiwan), KEMET (U.S.), AVX (U.S.), etc.

**World Market Share of Representative Products (TDK Data)**

- Ceramic capacitors for automobiles 40-45%
- Inductors 20-25%
- SAW filters 30-35%
- Variants 45-50%
- Surge arresters 75-80%

**Future Products**

- Develop filters for automotive use, support for more bands
- Strengthen EMC control products for reception sensitivity of smartphones with support for more bands
- New filter designs for automotive networks
- Adapt angle sensors to automotive module actuators

**Mediunc-to-Long-Term Growth Strategy**

The recent structural reform promoted the allocation of management resources to the passive components segment as a field with high profitability. In particular, inductive devices, high-frequency components, and piezoelectric material components have been designated as key businesses. Strategic investments and technological development are being implemented, with the aim of pushing the operating income ratio over 10% by fiscal 2018. A stable supply situation is expected with regard to products for the automotive sector, with the potential for growth, as we are responding to demands by manufacturers and consumers for reduced energy consumption and lower power operation. In the ICT sector, the expansion of the smartphone and tablet market will bring about more business opportunities for TDK through technological innovation.

**Outlook for Fiscal 2016**

In fiscal 2016, we expect net sales to grow from 7% to 10%. Among inductive devices, the share of thin-film products and multilayer products for the ICT market and the automotive market is expected to grow. In the area of high-frequency components, SAW, TC-SAW, BAW, and other filters for the LTE market expanded, and further growth in sales is expected, thanks to development efforts aimed at smaller dimensions and further improved characteristics. An expansion in sales is also projected for piezoelectric material components, key products being parts for the automotive market and optical image stabilizers for camera modules on the Chinese market.

**Initiatives Based on Growth Strategy**

- Unified production and location free for inductive devices
- In the conventional manufacturing pattern of coils made from ferrite, separate plants were used for the processes from forming to polishing, and for the processes from winding to measurement. Therefore, transportation from one site to the other was required during production.
- In the pursuit of increased process efficiency, TDK is currently developing so-called “location free” production lines that are able to deliver products of equally high quality regardless of the geographic location of the site. The first step are two strategic production sites that are being built in the Akita Prefecture. The concept is of course not limited to inductive devices. Rather, we are preparing the stage for sharing elemental technology and improved processes across the passive components segment, resulting in faster response to customer requirements and eventually also faster development of new businesses and new products. In concrete terms, two new production sites are to be constructed in our key locations in Akita Prefecture (at the Horio Plant and Inakura Plant), with one slated to become a mother plant mainly for multilayer products and the other for ferrite products. For the future, it is planned to gradually expand the location free concept that will be implemented at the new sites to manufacturing sites around the world. This is aimed at realizing optimal production in optimum locations, thereby enabling us to always supply customers with products of equally high quality.

**Integrated Production and Location Free**

**Inductive Devices**

Inductor is another word for coil, derived from the term for the phenomenon of inductance. The current flowing in a coil generates a magnetic field, which in turn generates a current. This property for purposes such as producing or adjusting an electromagnetic signal, storing energy, and stabilizing voltage. Many different kinds of inductors for various applications exist, classified as wound inductors, thin-film types, multilayer types, etc. TDK offers a full lineup with particular emphasis on ICT and automotive applications. Working in close cooperation with chip manufacturers, we will also be producing more customized modular products in the future.
Overview of Fiscal 2015

Net sales in fiscal 2015 rose 1.4% year on year to ¥369.2 billion, and operating income rose by 2.0% to ¥28.7 billion. Shipping quantities of HDD heads actually dropped compared to the previous term, but increased sales of suspension parts resulted in increased income. The results of productivity improvements, and the fact that sales to data centers have started to increase improved the product mix and also contributed to earnings growth. On the other hand, magnet sales dropped, and in addition, impairment of metallic magnet related equipment on the order of ¥3.1 billion was carried out.

With regard to power supplies, sales of products for semiconductor and industrial equipment did well, but goodwill impairment of about ¥2.2 billion was carried out.

Medium-to-Long-Term Growth Strategy

The scale of the HDD market continuously expanded in keeping with the increase in PC shipping numbers until around 2011, but demand has bottomed out and is expected to continue to decline. But the age of Big Data and associated high capacity storage for data centers and similar applications is about to begin. This means that the demand for HDDs is likely to shift from the personal computing and consumer sector to data centers. HDDs used in data centers must support extremely high storage capacities, and the number of heads in such disks is much higher than in HDDs for PCs. In this sector, TDK will continuously introduce leading-edge products enabling high capacity. We are forging ahead with new technologies to meet the requirements of the age, such as the development of the micro DSA (Dual Stage Actuator) and thermal assisted magnetic recording head technology that will enable a drastic leap in storage capacity.

In the domain of magnets, TDK is also working hard at new developments. Fiscal 2015 was a difficult year where we had to take measures such as implementing an impairment, but we intend to restore revenue and get back on track by focusing on growth areas such as automotive applications and renewable energy and by developing market-leading new products.

The power supply business is expected to experience a further increase in storage capacity and miniaturization. Development of high-spc and high-reliability products are key to contribute to miniaturization and higher efficiency of electric motors. Development of high-efficiency power supplies.

Outlook for Fiscal 2016

In fiscal 2016, demand for PCs is expected to decrease, leading to a projected drop in the size of the HDD head market from some ¥511 million in fiscal 2015 to ¥491 million in fiscal 2016. This is likely to result in a net sales reduction in this area, but because sales of data center application products are gradually expanding, the overall result in the segment is expected to remain at about the same level.

Initiatives Based on Growth Strategy

Development of heads for thermal assisted magnetic recording

Along with the advent of the age of Big Data, HDDs that realize a further increase in storage capacity are called for. Increasing the number of platters in an HDD is one way of enabling the storage of more data, but there are physical limits to how many such platters can be accommodated. While exploring ways to solve this dilemma, TDK is prioritizing the development of a technique called thermal assisted magnetic recording. A laser integrated in the head heats up a narrow spot on the magnetic medium to temporarily weaken the coercive force, which enables a drastic jump in the recording density. Work is currently progressing to bring the technique from the laboratory to practical application and mass production, with the market expected to emerge from 2017 onwards. TDK intends to capture this opportunity from early on, thereby solidifying its position as a leading company in the HDD market.

Magnetic Head

A magnetic head is a device that either generates a magnetic field to magnetize the medium and write data, or that detects a change in the field to read the recorded data. Advances in head technology have contributed to increases in the storage capacity of HDDs. TDK successfully established the technology for thin-film magnetic heads in 1994, and we are currently holds a market share of about 25% worldwide. We continue to make heads smaller and capable of higher capacities through the application of thin-film technology and utilization of advanced elements.
support for rapid charging, 3D products* that enable higher
increase our market share. In the existing products category,
we intend to broaden our customer portfolio and thereby
square lithium-ion batteries. Taking advantage of this change-
polymer batteries will rise, taking the place of conventional
demand for energy storage systems (ESS) for use in solar power
centered around smartphones, we also expect an increase in
- batteries and 3D batteries. Unlike passive components, batteries
are a field where the final form of the product also plays a role,
requiring mastery not only of battery technology but also of
design and packaging aspects. In order to strengthen our
capabilities in packaging technology, we acquired the Chinese
company Navitisys Technology in 2012, giving us an advantage
electrode
Separator
Enlarged photograph of separator
Principle of lithium-ion battery
- Charge
- Discharge
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
- Li+ e-
- e-
- Li+ e-
### Intellectual Capital

#### Capital Investments in the Development of New Products

### Global R&D Framework

Our worldwide R&D activities encompass projects pursued in cooperation with leading universities in the U.S. and Europe, as well as efforts by overseas R&D subsidiaries utilizing local technology resources. In China, we will be pursuing R&D related to electronic device materials, in order to further solidify and foster the base for our business operations. With regard to R&D at consolidated subsidiaries, we continue to intensively pursue the development of next-generation HDD heads at Headway Technologies, Inc. in the U.S.

### Further Bolstering Development Power

**TDK** has been promoting the creation of synergy effects for example, through M&As and technology alliances which further strengthens our tech power by leveraging new technologies with our own extensive expertise. A case in point is the fusion with EPCOS Inc. of Germany in 2008, which strengthened our position in the field of electronic component modules and resulted in a broadening of our customer base. We are also aiming to bolster our development power in such areas as HDDs and rechargeable batteries.

### Representative Acquisitions and Strengthened Business Fields

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquistion/Alliance</th>
<th>Acquired Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>Innovaces Technologies (U.S.)</td>
<td>For applications in communications equipment</td>
</tr>
<tr>
<td>2005</td>
<td>American Power Device</td>
<td>Power semiconductor devices</td>
</tr>
<tr>
<td>2007</td>
<td>Acquisision Technologies (Shanghai)</td>
<td>Power semiconductor modules</td>
</tr>
<tr>
<td>2008</td>
<td>EPICOS (Germany)</td>
<td>Varactor diodes for HCD magnetic heads</td>
</tr>
<tr>
<td>2011</td>
<td>NIFTO SENDO SHINDAI TECHNOLOGIES (China)</td>
<td>Lithium battery separators</td>
</tr>
<tr>
<td>2012</td>
<td>Nipponbussan Technology (China)</td>
<td>Lithium polymer battery packaging</td>
</tr>
<tr>
<td>2013</td>
<td>NEWZAIN (U.S.)</td>
<td>Lithium nickel oxide</td>
</tr>
</tbody>
</table>

### EFFICIENCY

**Realizing Effective Product Development**

**Towards Enhanced Specialization in R&D**

We have reorganized our development framework, aiming to provide the flexibility that allows researchers and engineers highly knowledgeable and qualified in a given market field to use our R&D platforms in a way that fosters free and imaginative thinking. As a case in point, we divided the New Product Development Center in November 2014 into three entities: the ICT Devices Development Center, Energy Devices Development Center, and Materials Development Center. The ICT Devices Development Center will mainly work on the creation of parts and modules for smartphones, computers, and tablets, operating in an innovation timeframe that is about two to five years ahead of the present industry level. The Energy Devices Development Center targets modules and devices mostly for the automotive and industrial equipment field, working on groundbreaking developments such as wireless power transfer systems, with the aim to create original products at the leading edge of the industry. The Materials Development Center looks about 5 to 10 years into the future, conducting research and aiming to develop new materials and processes that are relevant for the entire group and that will lead to entirely new products.

---

**NEW STRUCTURE**

- **New Structure**
  - Technology HQ
  - Advanced Technology Development Center
  - Technology & Intellectual Properties Strategy Group
  - ICT Devices Development Center
  - Energy Devices Development Center
  - Materials Development Center
  - Technology & Intellectual Properties Strategy Group

Development is now structured into three centers, for enhanced specialization.
Human Capital

Pro-Active Investment in Human Resources

Personnel Policy
We regard our employees as one of our most important assets in realizing our corporate motto. We respect each as an individual, and believe it to be important to expand their abilities and potential, both self-sustained and to their greatest potential.

With the electronics sector seeing intense change in its business environment, a high degree of specialization is needed, as well as the ability to provide quickly the products sought by society and customers. TDK has been hiring not just new graduates with high potential and motivation but also mid-career personnel with a high level of specialization.

Developing Self-Sustained Human Resources
(Programs to Develop and Cultivate Abilities)
It is vital for ongoing growth to improve the abilities of each and every employee. TDK believes that the ideal is where each and every employee making up the organization can do the job in a self-sustained fashion. TDK’s goal in its employee training is to produce self-sustained employees who “make thorough use of their head to think, are courageous in taking up challenges, optimize change, and see things through to the finish.”

In order to achieve these goals, TDK’s programs to develop and cultivate abilities aim to teach progressively, from a young age, how to work in a self-sustained manner. These are made up of four categories, the “training programs on different levels” and “selective training programs” as well as the “specialized education programs,” and “talent development support and qualification support programs” for those who needed a higher level of professional training.

Recruitment of New Graduates / Mid-Career Recruitment (TDK Corporation)

Education / Seminar Training Costs (TDK Corporation)

Cumulative Total of Participants in TDK Monozukuri Tradition Seminars

Respect for Diversity

Diversity Action Promotion Plan
The TDK Code of Conduct includes headings related to respect for human rights and a ban on discrimination.

In concrete terms, actions for the respect for human rights and equal opportunity include the implementation of awareness education, putting in place specialized support facilities such as helplines, various systems for child-raising and care (childcare leave system, family care leave system, reduced work hours system, etc.), as well as company-wide support for female employees and retirees.

Global HR Activities
One of the most important things in the global market is to figure out how to transform HR diversity into strength in order to ensure ongoing growth. In particular, in a company like TDK, where the percentage of overseas sales is as high at 90%, there is a need to build an environment to train and make use of global employees. TDK set up a Global HR Department in September 2013, and has been promoting a variety of measures to optimize HR activities across the group, such as personnel allocation so as to have the right person in the right place, and the introduction of a system to provide improved sales incentives to employees. With activities expanding to cover Japan, Europe, China, various ASEAN countries, Korea, and the Americas, it is contributing to the efficiency of the group as a whole.

Following on from this, further pro-active HR activities will be seen in fiscal 2016. Cross-training programs between group companies and globally based training programs will enable many employees to benefit from active exchanges. Making the most of many employees who understand the TDK spirit will be a foundation for global growth.

Placing Importance in HR Investment Efficiency

Number of Employees and Sales
Against a background of aggressive global M&As, the number of employees has gone from 87,809 in fiscal 2011 to 88,076 in fiscal 2015. Sales went from ¥862.5 billion in fiscal 2011 to ¥1,082.6 billion in fiscal 2015.
Activities to Further Increase CO₂ Contributions

- Expansion of products with high amount of contribution
- Reduction of CO₂ emissions through products (environmental contribution)

Activities to further reduce CO₂ emissions

- Promotion of energy measures
- CO₂ emissions from production activities (environmental load)

Reinforcement of Existing Policies (at each plant)
- Introduction of new conversion and highly efficient equipment
- Reinforcement of management

Drastic Improvement of Construction Methods and Processes
- Local and pollution initiatives
- Highly efficient incineration and use of waste gas

Development that Contributes to Reducing Environmental Burden
- Materials that can be burned at low temperatures
- Shift toward diversifying and higher performance

Trends in CO₂ Emissions from Production Activities (Global)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>kt-CO₂</td>
<td>1,095</td>
<td>1,110</td>
<td>1,031</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Trends in the Reduction of CO₂ Emissions through Products

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2014</th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>kt-CO₂</td>
<td>1,095</td>
<td>1,110</td>
<td>1,031</td>
<td>1,000</td>
<td>1,000</td>
</tr>
</tbody>
</table>

Note: The light brown parts of the graph indicate new efforts made possible by the completion of criteria for calculating environmental contributions.

Note: The light blue parts of the graph indicate emissions at plants that were newly added after completion of TDK Environmental Action 2020.

Environmental Burden and Processes

- Drastic Improvement of Construction Methods
- Reinforcement of Existing Policies (at each plant)
- Introduction of fuel conversion and highly-efficient equipment
- Shift toward downsizing and higher performance
- Materials that can be burned at low temperatures
- Highly-efficient incinerators and use of waste gas
- Local anti-pollution initiatives

Promotion of energy measures

- CO₂ emissions from production activities (environmental load)

Setting Up TDK Environmental Action 2020

TDK has set up a group directive known as the TDK Environmental Charter, which recognizes “co-existence with the earth’s environment” as an important management issue, and aims to contribute to sustainable development. To realize this goal, TDK has formulated an environmental vision called TDK Environmental Action 2020 in April 2011 and is conducting activities with the target of becoming the first company in the electronic components industry to achieve carbon neutrality with environmental activities centered on the environmental impact of its products. In concrete terms, this is being done by reducing as much as possible CO₂ emissions associated with manufacturing activities at production sites, and by making a positive contribution to reducing the volume of CO₂ emissions in society at large through products and know-how. The goal for these activities is for emission reduction contributions to outweigh actual emissions by the end of fiscal 2021.

To realize this goal, TDK has formulated an environmental issue, and aims to contribute to sustainable development. Environmental Charter, which recognizes “co-existence with the earth’s environment” as an important management issue, and aims to contribute to sustainable development.

Note:

The light blue parts of the graph indicate emissions at plants that were newly added after completion of TDK Environmental Action 2020.

The light brown parts of the graph indicate new efforts made possible by the completion of criteria for calculating environmental contributions.

Society and Environmental Considerations in the Supply Chain

The TDK Group has the particularity of being a mid-stream company that is both a supplier that provides products and a buyer that sources raw materials. In looking to apply CSR to the supply chain as a whole, the business environment is heavily influenced by legislative systems, international industrial standards, and the like, and so “society and environmental considerations in the supply chain” have been established as an important aspect of our activities.

Efforts as a Supplier

As a supplier, TDK works on the social and environmental impact of its facilities. For example, we have compiled a TDK CSR Self-Check Sheet for grasping issues related to CSR activities and responding quickly to our customers. Also from fiscal 2014 to fiscal 2015, in addition to CSR internal audits carried out at five sites, we undertook CSR audits at an aggregate total of 72 sites, including responses to customer audit requests. Among these, audits were conducted at all sites in China where there is a high risk of labor issues, as we work on the social and environmental impact at our own facilities.

Conducting an audit of a factory in China

Efforts as a Buyer

As a buyer that sources raw materials, “CSR procurement” is a major issue for the company. Suppliers are asked to fill out a CSR checklist with the aim of providing awareness and raising motivation regarding CSR issues. If there are problems related to the response results, requests are put in individually for improvements. In fiscal 2015, improvement guidance was given to 13 suppliers. Starting in fiscal 2013, CSR audits have been implemented with the aim of acquiring an objective understanding of the situation. These suppliers are selected for implementation based on the degree of importance and level of dependence in relation to the products delivered to customers.

Response to Conflict Minerals

In recent years, armed groups in the Democratic Republic of the Congo (DRC) and adjoining countries have been conducting illegal mining and smuggling of minerals to fund themselves. These actions not only serve to further conflict but constitute violations of human rights through forced labor and the abusive treatment of local people. Companies that utilize mineral resources must take a responsible stance in view of this situation. In response to the rapid increase in the number of inquiries received from customers concerning conflict minerals, TDK established a system for making replies and began operating it in July 2013.

The TDK Group has also become a member of the Extractive Industries Transparency Initiative (EITI). In April of the same year, TDK also conducted internal explanation sessions. In the main office, surveys of suppliers are handled mainly by the Procurement Function, and responses to customers by the Quality Assurance Function. In addition, each business group has designated persons in charge of the conflict minerals issue. Clearly outlined responsibilities of each function are therefore in place.

The TDK Group shall work together with industry organizations in attempting to find a joint solution to the problem.
Corporate Governance

Characteristics of Corporate Governance at the TDK Group

Aggressive Invitation of Outside Directors and Outside Audit & Supervisory Board Members

Having recognized the importance of supervisory functions for management at an early stage, TDK has actively endeavored to invite Outside Directors and Outside Audit & Supervisory Board Members into its organization.

Strengthening of Supervisory Functions Performed by Outside Directors

The post of Chairman of the Board is filled by an Outside Director.

The posts of Chairman of the Nomination Advisory Committee and the Compensation Advisory Committee are each filled by Outside Directors.

This helps ensure the transparency of HR and compensation processes and the validity of officer appointments and compensation.

Aggressive Promotion of Non-Japanese Corporate Officers

At TDK Corporation, the ratio of total sales from overseas exceeds 90%. As such, the Company aggressively promotes capable personnel in its organization regardless of their nationality.

Basic Policy

TDK was established in 1935 as the world’s first company to commercialize a magnetic material called ferrite. In the ensuing years, TDK has unremittingly pursued originality and increased corporate value through provision of products and services which have created new value, based on the founding spirit “contribute to culture and industry through creativity” as its corporate motto. In addition, the TDK Group will continue to build satisfaction, trust, and support among all stakeholders (shareholders, customers, suppliers, employees, and communities, among others), to contribute to the development of a more sustainable society. The TDK Group clearly declares as its Corporate Charter of Business Behavior that the TDK Group will continue to respect human rights, comply with relevant laws and regulations, both domestic and international, and carry out its social responsibility domestically and overseas with a strong sense of ethics. All members of the TDK Group seek to behave in strict compliance with the Corporate Standards of Business Conduct prescribed by the TDK Code of Conduct.

In addition, TDK aims to achieve its management targets and further improve corporate value through the creation of products by adhering to the corporate motto. At the same time, TDK strives to foster a sound corporate culture and sincerely conduct business activities, always aware of its place as a member of society. Moreover, TDK shall be accountable to stakeholders through comprehensive, accurate, timely, and impartial disclosure of information.

As mentioned above, TDK sincerely and devotedly seeks to achieve its management philosophy, and to establish the effective and orderly corporate governance systems to continue to ensure soundness, compliance, and transparency in its business operations.

1. Adoption of the Company Auditor System and Strengthening of the Supervisory Function

TDK has adopted the Company Auditor System pursuant to the Companies Act of Japan and has appointed three independent Outside Audit & Supervisory Board Members (the five Audit & Supervisory Board Members who are disinterested in TDK) to strengthen the supervision of TDK’s management.

2. Strengthening the Function of the Board of Directors and Increasing the Accountability of Directors

TDK has a small number of Directors to expedite the management decision-making process. At the same time, TDK has appointed disinterested, independent Outside Directors in order to enhance the supervision of TDK’s management. In addition, the Directors’ terms of office are set at one year to give shareholders an opportunity to cast votes of confidence regarding Directors’ performance every business year.

3. Adoption of a Corporate Officer System for Expedient Business Execution

TDK has adopted a Corporate Officer system that separates the management decision-making and Director supervisory functions of the Board of Directors from the execution of business. Corporate Officers are in charge of business execution and carrying out business actions made by the Board of Directors and thereby expeditiously execute business operations in accordance with management decisions.

4. Establishment of Advisory Bodies to the Board of Directors

The aim of the Business Ethics & CSR Committee, Disclosure Advisory Committee, Compensation Advisory Committee, and Nomination Advisory Committee is to ensure compliance with the TDK corporate motto, understanding of corporate ethics, and improvement of awareness of corporate social responsibility (CSR). To achieve this aim, the Directors, Audit & Supervisory Board Members, Corporate Officers, and all other members of TDK are made fully aware of the TDK Code of Conduct, which stipulates concrete standards of business conduct in compliance with TDK’s management philosophy, including the TDK corporate motto and corporate principles, and social norms, including relevant laws, regulations, and international rules and the spirit thereof.

The Disclosure Advisory Committee reviews and examines important corporate information and disclosure materials of TDK that are required for investment decisions by shareholders, customers, suppliers, employees, and investors, to ensure that TDK discloses appropriate information in a comprehensive, accurate, timely, and impartial manner in accordance with various laws and regulations regarding securities transactions and the rules and regulations of the stock exchanges on which TDK’s shares are listed.

The Compensation Advisory Committee, which is chaired by an Outside Director of TDK, examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers, as well as presidents and qualifying officers of principal TDK subsidiaries. It also reviews the transparency of the remuneration decision-making process and verifies whether such remuneration is reasonable in light of corporate business performance, individual performance, and general industry standards.

The Nomination Advisory Committee, which is chaired by an Outside Director of TDK, reviews the conditions expected for the post of Director, Audit & Supervisory Board Member, and Corporate Officer and makes nominations. In this way, the Nomination Advisory Committee ensures the appropriate election of Directors, Audit & Supervisory Board Members, and Corporate Officers, and provides transparency in the decision-making process.
TDK Group’s Corporate Governance System

History of Corporate Governance Reform

June 2002
Reduced number of Directors from twelve to seven
Introduces Corporate Officer system for the purpose of clearly separating management supervision and operational execution
Invited Outside Director into organization for the first time

June 2003
Director term shortened from two years to one year following changes to Articles of Incorporation
Two Outside Audit & Supervisory Board Members in service increased to three

June 2004
Foreigner assumed Corporate Officer post for first time

June 2005
Stock-based compensation stock options introduced for Directors and Corporate Officers

June 2007
Suspended reserve of Audit & Supervisory Board Member retirement benefits (Retirement benefit system abolished in June 2011)
Compensation for Outside Directors and Audit & Supervisory Board Members changed to base compensation only

June 2008
One Outside Director in service increased to two
Two Outside Directors in service increased to three

August 2008
Two non-Japanese assumed Corporate Officer post, two Outside Directors in service increased to three

June 2012
Four non-Japanese assumed Corporate Officer post

June 2015
Seven non-Japanese assumed Corporate Officer post

Directors and Audit & Supervisory Board Members

Directors and Audit & Supervisory Board Members

Over time, the TDK Group has aggressively invited Outside Directors into its organization for the purpose of strengthening its supervisory functions for management, implementing management that is mindful of shareholders and various other stakeholders, and establishing corporate governance that is both efficient and disciplined. As a result, 50% of all of the officers at the company are accounted for by Outside Directors and Outside Audit & Supervisory Board Members as of the end of June 2015. More specifically, three out of seven total Directors are Outside Directors and three out of five total Corporate Auditors are Outside Audit & Supervisory Board Members.

Criteria for Independence of Outside Directors and Outside Audit & Supervisory Board Members

In order to secure the independence of the Outside Directors and Outside Audit & Supervisory Board Members, it is essential for their organization, the TDK Group has established its own “items to be verified regarding independence” with reference to criteria such as Rule 436-2 of the Securities Listing Regulations (“Securing Independence of Directors / Auditors”) and Rule III. (5-2) of Guidelines Concerning Listed Company Compliance, etc., both of which are stipulated by Tokyo Stock Exchange, Inc. Items to be Verified Regarding Independence

Reason for appointment

Company Officers

An Outside Director / Audit & Supervisory Board Member shall be judged not to be independent if they are at present, or have been during the past five years, a party with a business relationship with TDK as described in (i) below or a person who executes business for such party, or if (ii) below applies to them.

(i) When it is recognized, objectively and reasonably, that said business relationship is necessary for, or has a substantial influence on, the continued growth of TDK or the other party to such business relationship (when there is a high degree of dependence in the relationship, where the relationship is the source of 2% or more of consolidated sales, and where the other party to the relationship receives money or other assets from TDK other than remuneration for officers)

(ii) When it is recognized, objectively and reasonably, that the relevant Outside Director / Audit & Supervisory Board Member is involved in the business relationship with the other party to such relationship

In cases where the relevant Outside Director / Audit & Supervisory Board Member cannot perform duties as an Independent Outside Director / Audit & Supervisory Board Member because they receive money or other assets from TDK other than remuneration for officers (when there is a high degree of dependence)

In cases where the relevant Outside Director / Audit & Supervisory Board Member cannot perform duties as an Independent Outside Director / Audit & Supervisory Board Member because they receive money or other assets from TDK other than remuneration for officers (when there is a high degree of dependence)
Remuneration for Directors and Audit & Supervisory Board Members

Remuneration Determination Process

TDK has in place a Compensation Advisory Committee acting as an advisory body to the Board of Directors, composed of Outside Directors (among whom one is committee chairman) and an officer in charge of personnel. The committee examines the remuneration system and the level of remuneration pertaining to Directors and Corporate Officers of the Company and reviews the transparency of the remuneration decision-making process and verifies whether the individual remunera-
tion is reasonable in light of corporate business performance, individual factors, and general industry standards, among other factors.

Purpose of Remuneration System, Remuneration Level

TDK’s remuneration system is designed for the following purpose based on the consultation and deliberation of the Compensation Advisory Committee, an advisory body to the Board of Directors.

By constantly pursuing the formulation of a competitive remunera-
tion system that focuses on linkage with short-term as well as mid- to long-term results, TDK promotes, as much as possible, behavior on the part of Directors and Audit & Supervisory Board Members geared towards enhancing corporate results and stock value to constantly increase the corporate value of the overall TDK Group.

TDK aims to set remuneration at levels enabling the mainte-
nance of competitiveness compared with other companies in the same business category or of similar scale in different business categories. The adequacy of its level is examined by the Compensation Advisory Committee based on studies, etc., on corporate management remuneration performed periodically by third parties.

Results Linkage System

1. Short-term results linkage system (results-linked bonus)

A system whereby remuneration fluctuates depending on the single-year consolidated results (operating income, ROA, etc.) and the degree of attainment of results of the position in charge.

2. Mid- to long-term results linkage system (stock-linked compensation stock options)

Stock-linked compensation stock options are granted with the number of shares calculated based on their value at the time of grant depending on the amount of stock option remunera-
tion determined for each position. This is an effective option stock grant similar to the disbursement of actual stock of the Company whereby recipients have the same advantage of a rising stock value of the Company and the same risk of it falling as regular shareholders. The introduction of this system is to further increase the ambition and morale of eligible Directors with respect to the enhancement of results and stock value.

The Company has established Corporate Stock Ownership Guidelines and makes an effort to ensure that eligible Directors hold at least a certain number of shares in the Company pursuant to their rank, including stock-linked compensation stock options.

Total Amount of Remuneration for Directors and Audit & Supervisory Board Members for the Business Year Under Review (Fiscal 2015)

<table>
<thead>
<tr>
<th>Classification</th>
<th>Total number of papers</th>
<th>Total amount of remuneration (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>8 (4)</td>
<td>375 (40)</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members</td>
<td>5 (3)</td>
<td>85 (27)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Classification</th>
<th>Total number of papers</th>
<th>Total amount of remuneration (Millions of yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directors</td>
<td>8 (4)</td>
<td>375 (40)</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board members</td>
<td>5 (3)</td>
<td>85 (27)</td>
</tr>
</tbody>
</table>

In the case of a close relative of the relevant Outside Director / Audit & Supervisory Board Member

An Outside Director/Audit & Supervisory Board Member shall be judged not to be independent if either of the following cases apply to their close relative at present or have applied to them during the past five years.

1. A person to whom (1) or (2) above applies (except persons with no material significance)

2. A person who executes business for TDK Corporation or a subsidiary of TDK Corporation (except persons without material significance)

Compliance and Information Management System

Permeation of Compliance Awareness

The TDK Group gives every employee a copy of the TDK Code of Conduct Handbook to use as guidelines for their corporate activities and strives to raise awareness by, among other things, displaying posters.

Furthermore, in order to deepen employees’ understanding of compliance, the TDK Group implements training for specific ranks and e-learning for all employees, as well as talks by responsible directors and lectures by outside speakers for managers.

Cartel Prevention Training

In recent years, violations of competition laws are being prose-
cuted with increasing severity, not only in Japan but also in the EU and the U.S. as well. As a result, there have been numerous cases where Japanese companies were found to be in breach of domestic or foreign antitrust laws (competition laws) through cartel activities. Offending companies were ordered to pay huge penalties, and criminal charges were brought against offi-
cers. In some cases, suppliers and consumers sued for dam-
gages, and shareholder derivative actions were also filed.

TDK’s Charter of Corporate Behavior calls for strict observa-
tion of each country’s laws and regulations, and for fulfillment of its obligations to society with integrity and a high ethical sense. TDK therefore implement anti-cartel training in our orga-
nization on a worldwide basis.

During Fiscal 2015, the following measures were carried out.

• Lawyers and other external experts from outside the company were invited to give talks to persons in positions where a possible cartel risk exists, including managers, function chiefs, and members of sales, promotion, and planning departments. 22 such talks were held in locations including Japan, China, Taiwan, South Korea, Singapore, Malaysia, the U.S., and Europe, with a total of 821 persons attending.

• Training by e-learning was conducted.

Information Security

In July 2005, TDK set down its information security basic policy in order to maintain and improve information security. All employees carry out their work based on the six guidelines for action. The activities that specifically are being carried out are listed below. These activities together comprise TDK’s infor-
mation security control system.

• Increasing management of information provided by custom-
ers as well as trade secret information.

• Controls based on information security management, primarily head office information systems

• Compliance with the Private Information Protection Law, which was fully enacted in April 2005

In Fiscal 2015, the following actions were implemented with a view to preventing leakage of information and cyber-attacks.

• Security training on prevention of information leaks

• Boosting PC security

• Bolstering security of Internet connections

• Eliminating e-mail that may include SPAM / viruses

• Limitations on Internet access

• Limitations on mobile access

• Limitations on external devices

Information Security Management Framework

Business Continuity Plan (BCP)

At TDK, in order to cut business continuity risk caused by fac-
tors including natural disasters, accidents, etc., we have imple-
mented improvement strategies at each of our plants and sales offices to prevent disasters and epidemics, as well as instituted in-house power generators to offset electricity shortages. We work to both introduce and integrate business continuity plan-
ing to ensure that our critical business functions are not inter-
ruptured even in the event of a disaster, or if they are interrupted that they will resume as quickly as possible.

In response to greater business continuity risk in recent years, we also strive to improve business continuity planning on an ongoing basis.
Focus

Analysis and Evaluation of Effectiveness of TDK Corporation's Board of Directors

The Corporate Governance Code of Japan explicitly states that “The Board should endeavor to improve its function by analyzing and evaluating the effectiveness of the Board as a whole.” An indication that ensuring that effectiveness is an issue of extreme importance. In its aim to enhance the effectiveness of its Board of Directors and elevate its corporate value, in fiscal 2015 TDK Corporation had a third-party consultant evaluate that Board.

PurPOSE

The purpose of this evaluation was to perform a comparative analysis of how the effectiveness of the Board of Directors as a whole, both committees (the Nomination Advisory Committee and the Compensation Advisory Committee), each Director and each Audit & Supervisory Board Member, as well as TDK Corporation’s Board of Directors framework is positioned relative to competitors both within and outside Japan and principles stated in principal corporate codes in Japan and overseas.

RESULTS

The evaluation found that the Board of Directors of TDK Corporation contains a framework for overseeing management audit functions as they pertain to the size, composition, and operational status of the Board, the qualities of its members, the status of each committee, and so forth. Moreover, with respect to discussion by the Board of Directors, it was found that a culture of respect for open discussion was in place, and that both Directors and Audit & Supervisory Board Members actively take part in and contribute to discussion.

CHALLENGES

The evaluation found that in order to establish an aggressive governance framework for realizing greater long-term shareholder value based on a growth strategy of completing structural reforms, accelerating the Company’s globalization, and pursuing its growth, the Board of Directors needs to take greater time in discussing TDK Corporation’s medium- to long-term management challenges and the predominant risks in its growth strategy, among other factors. It was also found that a framework must be established that enables the Board to engage in such discussions.

Interview with an Outside Director—TDK Group’s Corporate Governance

Building a Viable Corporate Governance Framework

I lead TDK Corporation for conducting a variety of advanced initiatives over time in the name of strengthening corporate governance. During fiscal 2016 as well, the Company has become one of the first to implement a third-party evaluation system for its Board of Directors, which discusses issues based on the results of those evaluations. This and other efforts show that TDK Corporation is by no means settling for its current state of corporate governance, and is instead further pushing forward with initiatives aimed at strengthening it.

At TDK Corporation, three out of the company’s seven Directors are Outside Directors. Those Outside Directors also serve in the posts of Chairman of the Board and Chairman of the Nomination Advisory Committee and Compensation Advisory Committee. With 13 years having passed since TDK Corporation first invited Outside Directors into its organization in 2002, the Outside Director system has taken root at the company in a viable form. It is clear to me that the company’s Outside Directors and Outside Audit & Supervisory Board Members are taking advantage of their respective insight and making their voices heard, and that their opinions are exerting an considerable influence on the management of the Company.

While there may be differences in their position and approach, those Outside Directors and Outside Audit & Supervisory Board Members share the common purpose of elevating TDK Corporation’s corporate value as they freely pit their opinions against each other. From my perspective, this relationship between the two is akin to a “coalition cabinet.”

Still, no matter how much something might be actively discussed by the Board of Directors, if that agenda is not sufficiently incorporated in the Company’s business activities, there is no point to that discussion. In further elevating the viability of corporate governance, I believe that two-way communication through whichOutside Directors and Outside Audit & Supervisory Board Members also increase their opportunities to interact with members of the business execution side and endeavor to diffuse that agenda on the frontlines while also relating the actual status of those frontlines to management is essential. Additionally, while seven out of our 19 Corporate Officers at TDK Corporation are non-Japanese, my view is that it is soon time for us to promote non-Japanese to Outside Director posts as well as we continue striving to become a truly global company.

Management Accountability and its Increasing Importance

The pursuit of short-term profit growth targets by corporations as they boost indexes such as earnings efficiency, profitability, investment efficiency, and human productivity is something that should be conducted as a matter of course in order to meet the expectations of investors. One of the attributes that defines the electronic components industry is that it takes time for the products of investment to blossom. Even when introducing the development or manufacturing of new materials or products, without gestating over a long period of time an end result that truly achieves differentiation will not come about. At the same time, the electronic components industry also easily succumbs to the impact of changes in the market environment. For precisely that reason, I sense that there are often differences in how that industry is perceived compared to a market that changes over a short period of time. Where that point is concerned, in the context of the introduction of the Corporate Governance Code of Japan and the Japanese Stewardship Code, I believe the current trend of investors and businesses with differing measures for investment and growth coming closer together is a desirable one, and that in fulfilling the key role that it has, management must aggressively arrange forums for dialogue with investors and patiently issue persuasive explanations even more than before.

Passing Down the “TDK WAY” that Underpins Our Sustainable Growth

During fiscal 2015, TDK Corporation showed increased momentum in the recovery of its business performance as exemplified by its net sales surpassing ¥1 trillion, a first for the Company. However, this does not mean that its underlying essential value has changed. Rather, I think that the current momentum is the by-product of the increasing penetration of the “TDK WAY” that has been in place since the Company’s founding, namely taking materials and leveraging their attributes to bring forth unique, competitive products with magnetics technology at their core, among our customers globally as well as inside Japan.

In the future as well, the incorporation of electronic components in large numbers will go beyond electronic products to take place across multiple industries, starting with automobiles. While it is impossible to foresee the future 10 to 20 years down the road, no matter how our flagship products may shift or how our customers may exhibit dynamic change, as long as TDK Corporation continues to evolve upon the “TDK WAY,” I am confident that the Company will remain highly recognized by greater society. Additionally, accommodating the requests of that society through value that leads to improved security and comfort in the form of environment-friendly products, products that feel good to use, and products that match consumer sensibilities is also an essential component of the company’s long-term sustainable growth. As TDK Corporation approaches its 100th anniversary, I believe its management will be called upon to fulfill the mission of continuing to communicate the founding spirit and values of TDK on a worldwide scale and share them across generations.
### Directors, Audit & Supervisory Board Members (As of June 26, 2015)

#### Directors

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Number of shares held</th>
<th>Summary of Career</th>
</tr>
</thead>
<tbody>
<tr>
<td>Makoto Sumita</td>
<td>Outside Director / Chairman of the Board / Member of the Nomination Advisory Committee</td>
<td>900 shares</td>
<td>Born on April 4, 1963; MBA in Business Administration, Keio University; various positions in corporate management</td>
</tr>
<tr>
<td>Kazumasa Yoshida</td>
<td>Outside Director / Chairman of the Compensation Advisory Committee / Member of the Nomination Advisory Committee</td>
<td>100 shares</td>
<td>Born on October 26, 1961; various positions in corporate management</td>
</tr>
<tr>
<td>Kazuhiko Ishimura</td>
<td>Outside Director / Member of the Nomination Advisory Committee / Compensation Advisory Committee / Member of the Nomination Advisory Committee</td>
<td>100 shares</td>
<td>Born on April 26, 1966; various positions in corporate management</td>
</tr>
<tr>
<td>Kazunori Yagi</td>
<td>Outside Audit &amp; Supervisory Board Member / Member of the Compensation Advisory Committee</td>
<td>100 shares</td>
<td>Born on April 1, 1966; various positions in corporate management</td>
</tr>
<tr>
<td>Toru Ishiguro</td>
<td>Outside Audit &amp; Supervisory Board Member / Member of the Compensation Advisory Committee</td>
<td>100 shares</td>
<td>Born on April 1, 1966; various positions in corporate management</td>
</tr>
</tbody>
</table>

#### Audit & Supervisory Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Number of shares held</th>
<th>Summary of Career</th>
</tr>
</thead>
<tbody>
<tr>
<td>Osamu Yotsui</td>
<td>Full-time Audit &amp; Supervisory Board Member / Member of the Compensation Advisory Committee</td>
<td>200 shares</td>
<td>Born on January 2, 1958; various positions in corporate management</td>
</tr>
<tr>
<td>Junji Yoneyama</td>
<td>Full-time Audit &amp; Supervisory Board Member / Member of the Compensation Advisory Committee</td>
<td>200 shares</td>
<td>Born on January 2, 1958; various positions in corporate management</td>
</tr>
<tr>
<td>Toru Ishiguro</td>
<td>Outside Audit &amp; Supervisory Board Member / Member of the Compensation Advisory Committee</td>
<td>100 shares</td>
<td>Born on April 1, 1966; various positions in corporate management</td>
</tr>
<tr>
<td>Kiyoshi Fujimura</td>
<td>Outside Audit &amp; Supervisory Board Member / Member of the Compensation Advisory Committee</td>
<td>100 shares</td>
<td>Born on April 1, 1966; various positions in corporate management</td>
</tr>
</tbody>
</table>

#### Corporate Officers

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Number of shares held</th>
<th>Summary of Career</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tetsuji Yamanishi</td>
<td>President &amp; CEO / Executive Vice President</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Noboru Saito</td>
<td>Executive Vice President / Senior Vice President / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Shinya Yoshihara</td>
<td>Senior Vice President / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Seiji Osaka</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Christian Block</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Noboru Saito</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Joachim Thiele</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Mitsuru Nagata</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Keichii Imamoto</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Satoru Sueki</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Noboru Saito</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Robin Zacuto</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Hong Tian</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
<tr>
<td>Tetsuji Yamanishi</td>
<td>Corporate Officer / Corporate Officer</td>
<td>200 shares</td>
<td>Born on November 3, 2013; various positions in corporate management</td>
</tr>
</tbody>
</table>

### Corporate Governance

- Directors, Audit & Supervisory Board Members
- Summary of Career
- Number of shares held
- Position and Experience
10 Years Record

Net Sales and Operating Income (Loss) Ratio Long-Term Trends

Factors behind decrease in operating profit margin
- Greater demand in growth markets such as emerging countries
- Technological innovation in HDD head products

Factors behind decrease in operating income ratio
- Results of structural reforms
- Correction of appreciation of Japanese yen
- Recovery in demand for electronic components

Factors behind increase in operating income ratio
- Greater demand in growth markets such as emerging countries
- Technological innovation in HDD head products

Analysis of Net Sales and Operating Income Over Last 10 Fiscal Years

From fiscal 2003 up through fiscal 2008, TDK Corporation conducted a revision of its products and businesses through selection and concentration primarily in its recording media business. The company achieved sustainable growth through its core HDD head business followed by its other main businesses of inductive devices and ceramic capacitors.

However, due largely to supply chains being severed by the Great East Japan Earthquake and floods in Thailand that took place in 2011, TDK Corporation encountered a prolonged period during which both its net sales and operating income succumbed to changes in the Company’s external environment. Additionally, given that its net sales from overseas had already exceeded 80%, the excessive acceleration in the devaluation of the Japanese yen also exerted a considerable impact on the Company’s business performance. Having been subject to the foregoing, in order to build a corporate constitution that would not be swayed by its business environment, TDK Corporation enacted large-scale structural reforms once more starting in fiscal 2012.

TDK Corporation has been achieving a recovery in its operating income by virtue of a recovery in demand for electronic components, the effects of its structural reforms, improved profitability of its passive components, and growth in sales of rechargeable batteries. Additionally, the corrections made to the excessive appreciation of the yen that resulted from a change in the political administration and a fiscal policy shift by the Bank of Japan also helped the Company post its largest net sales figure on record during fiscal 2015 at over ¥1 trillion.

Analysis According to Segment

As of fiscal 2010, TDK Corporation has changed its method of business performance disclosure to a per-segment basis that covers passive components, magnetic application products, and other new businesses. During fiscal 2012, film application products were added to those segments.

TDK Corporation has aggressively conducted capital expenditures on an ongoing basis. At the same time, the company’s adopted policy is to make such investments after always considering the balance between supply and demand.

Analysis of Financial Position during Last 10 Fiscal Years

From fiscal 2008 up through fiscal 2009, total assets increased due principally to the acquisition of the EPCOS Inc. At the same time, as a result of raising funds, primarily in the form of acquiring stock, total liabilities also increased. This caused the company’s stockholders’ equity ratio to fall to approximately 20%.

In the Film Application Product segment, both net sales and operating income ratio are trending upward due to an increase in greater sales of energy devices (rechargeable batteries) for smartphones.

Analysis Cash Flow during Last 10 Fiscal Years

During fiscal year ending in March 2009, TDK Corporation conducted a large-scale M&A. Consequently, its free cash flow entered negative territory. However, even while continuing to aggressively conduct capital expenditures, the company has kept its free cash flow in positive territory due to an increase in cash flow from operating activities. TDK Corporation’s principle is to use cash and deposits, etc. (which includes cash, deposits, short-term investments, and securities) as liquid capital while using funds generated from day-to-day business activities to cover operating capital and capital expenditure funds.

The company has been endeavoring over a long period of time to maintain its liquidity at 2.0 months’ worth of monthly consolidated net sales or greater. Additionally, in order to improve its capital efficiency, TDK Corporation has introduced a Cash Management System (CMS) in Japan, the U.S., and Europe. Through this system, the company centrally manages funds using headquarters functions as much as possible. However, for its subsidiaries that are unable to cover operating capital and capital expenditure funds with cash on hand, the Company is electing to use funds within the TDK Group to the extent possible.
Operating Results for Fiscal 2015

Summary of Market Conditions
In the electronics market, production levels differ across set products (finished products). The level of smartphone production was considerably higher than the previous fiscal year due mainly to growing demand in the Chinese market and the release of new device models by major manufacturers. Production in the automobile market, which was underpinned by brisk sales of automobiles in the U.S., increased year on year. Production of PCs remained at the same level as in the previous fiscal year due to firm progress in demand for replacement PCs in line with the end of support for Windows XP. Production of HDDs progressed at nearly the same level as the previous fiscal year despite the decrease in production that was originally envisioned. This is due to the gradual growth in the data center market and demand for PCs and videogame consoles. As a result of the above, company sales in the information and communications technology (ICT) market, particularly smartphones, and the automobile market increased. Moreover, despite a slight decrease in sales quantities in the HDD heads market, demand for heads for data centers began to grow, resulting in an improve product mix. This, coupled with the devaluation of the yen versus the U.S. dollar, resulted in an increase in income and, by extension, an increase in the net sales of the TDK Group.

Net Sales and Operating Income According to Segment
During fiscal 2015, TDK Corporation recorded consolidated net sales of ¥1,082,560 million, up 10.0% from fiscal 2014, and operating income of ¥72,459 million, up 97.9% from fiscal 2014. The Company’s Passive Components segment is made up of the Company’s: (1) capacitors business, (2) inductive devices business, and (3) other passive components business. Segment net sales were ¥411,305 million, up 14.7% year on year. The segment reported profit of ¥37,891 million, up 145.3% from fiscal 2014. In the capacitors business, sales to the automotive and industrial equipment markets increased in particular. In the inductive devices business and other passive components business, sales to the automotive and ICT markets increased. The Magnetic Application Products segment is made up of the Company’s: (1) recording devices business and (2) other magnetic application products business. Segment net sales increased 1.4% year on year to ¥386,221 million. Segment profit increased 2.0% over fiscal 2014 to ¥38,692 million. Sales of energy devices for ICT market increased, increasing the production capacity of high-frequency components, among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Film Application Products segment includes energy devices ( rechargeable batteries) and applied films. Segment net sales increased 17.0% year on year, to ¥151,275 million. Segment profit increased 83.9% from fiscal 2014, to ¥24,558 million. Sales of energy devices to the ICT market increased in particular. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mechatronics (production equipment), among others. The Other segment, which is made up of businesses that do not belong to any of the three reportable segments, is comprised of mecha...
Analysis of Financial Position

- **Total assets at the end of fiscal 2015 amounted to ¥1,404.3 billion, a ¥164.7 billion increase from the end of the previous fiscal year. Liquid assets on hand increased ¥27.0 billion, with cash and cash equivalents increasing ¥14.3 billion, short-term investments increasing ¥11.4 billion and marketable securities increasing ¥1.3 billion. Additionally, net trade receivables increased ¥31.6 billion due to higher net sales, and net property, plant and equipment increased ¥53.2 billion.**

**Liabilities**

- Total liabilities increased ¥58.9 billion from the end of the previous fiscal year to ¥564.6 billion. While current installments of long-term debt declined ¥36.4 billion, long-term debt increased ¥36.9 billion, trade payables increased ¥15.9 billion, accrued salaries and wages increased ¥9.4 billion, and accrued expenses increased ¥22.3 billion.

**Net assets**

- Total shareholders’ equity under net assets increased ¥103.5 billion from the end of fiscal 2014 to ¥646.3 billion. While current installments of long-term debt declined ¥36.4 billion, long-term debt increased ¥36.9 billion, trade payables increased ¥15.9 billion, accrued salaries and wages increased ¥9.4 billion, and accrued expenses increased ¥22.3 billion.

Analysis of Cash Flows

- **Cash flows from operating activities**
  - Operating activities provided net cash of ¥142,850 million, a year-on-year increase of ¥15,542 million. This was mainly due to an increase in net income.
  - Cash flows from investing activities
    - Investing activities used net cash of ¥127,312 million, a year-on-year increase of ¥71,874 million. This was mainly due to an increase in expenditure caused by the acquisition and leasing of non-current assets.
  - Cash flows from financing activities
    - Financing activities used net cash of ¥387,963 million, a year-on-year decrease of ¥20,875 million. This was mainly due to a decrease in repayments of long-term debt and a decrease in non-current assets.

Outlook for Fiscal 2016 and Medium- to Long-Term Prospect

**Outlook for Fiscal 2016**

The world economy in fiscal 2016 is expected to show a moderate recovery driven by the U.S. economy and emerging countries. The electronics market also exhibits promise of continued robust growth in demand for electronic components. As such, TDK Corporation predicts that it will post ¥1,180,000 million in net sales, a 9.0% increase over fiscal 2015, and ¥95,000 million in operating income. On a per-segment basis, the company predicts that sales under the Passive Components segment will increase year-on-year by 7% to 10%, sales under the Magnetic Application Products segments will show negligible variance year on year, and sales under the Film Application Products segment will increase year-on-year by 25%+. With regard to the acquisition of non-current assets, the company is planning on executing aggressive capital expenditures in order to accommodate burgeoning demand, particularly in China, and expects said expenditures will amount to ¥130,000 million, a year-on-year increase of 26.8%.

**Medium- to Long-Term Management Plan**

The expansion of the electronics market, which includes electronic components for automobiles and smartphones, continues to progress on a robust note. Products continue to become increasingly high-function and smaller, and safety standards are becoming progressively more advanced. In particular, the level of customers’ demands for the quality and performance of in-vehicle and other electronic components is becoming higher and higher. Based on this current scenario, TDK Corporation formulated its three-year Medium-Term plan policy with fiscal year starting in March 2016 as its initial year, and will strive to achieve the further enhancement of its corporate value through sustainable growth (See p. 28). In addition to the expansion of its thin-film device business for realizing more lightweight and compact high-precision sensors for automobiles and industrial equipment as well as wearable devices that take maximum advantage of the thin-film technology assets that the Company has accumulated up to now, TDK Corporation will steadily execute fundamental measures for the number of its businesses, and will focus on transforming their headquarters development functions into a three-center system that consists of information and communications device development, energy device development, and materials development. In doing so, the Company will establish a development framework that is consistent with the attributes of markets and fields. Furthermore, in order to implement activities that are consistent with regional attributes, the Company will strengthen its R&D functions in the U.S., Europe, and China.
### Consolidated Balance Sheets

**TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)**

**As of March 31, 2015 and 2014**

#### ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>%</td>
<td>Millions of yen</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>653,285</td>
<td>52.7</td>
<td>740,241</td>
</tr>
<tr>
<td></td>
<td>250,848</td>
<td></td>
<td>265,104</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>8,591</td>
<td>20.91</td>
<td>167,425</td>
</tr>
<tr>
<td>Marketable securities</td>
<td>—</td>
<td>—</td>
<td>1,301</td>
</tr>
<tr>
<td>Net trade receivables</td>
<td>206,472</td>
<td>15.12</td>
<td>1,984,075</td>
</tr>
<tr>
<td>Inventories</td>
<td>136,387</td>
<td>10.39</td>
<td>1,258,433</td>
</tr>
<tr>
<td>Other current assets</td>
<td>50,887</td>
<td>3.97</td>
<td>538,700</td>
</tr>
<tr>
<td><strong>Noncurrent assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in securities</td>
<td>38,401</td>
<td>4.73</td>
<td>381,108</td>
</tr>
<tr>
<td>Net property, plant and equipment</td>
<td>374,032</td>
<td>47.3</td>
<td>3,560,450</td>
</tr>
<tr>
<td>Other assets</td>
<td>173,871</td>
<td></td>
<td>1,592,117</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,239,589</td>
<td>100.0</td>
<td>1,404,282</td>
</tr>
</tbody>
</table>

*For convenience only, an exchange rate of U.S. $1=¥120 has been used.*

#### LIABILITIES AND EQUITY

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Millions of yen</td>
<td>%</td>
<td>Millions of yen</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Short-term debt</td>
<td>373,781</td>
<td>30.2</td>
<td>387,877</td>
</tr>
<tr>
<td></td>
<td>132,237</td>
<td></td>
<td>136,098</td>
</tr>
<tr>
<td><strong>Noncurrent liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt, excluding current installments</td>
<td>97,623</td>
<td>131,483</td>
<td>1,095,692</td>
</tr>
<tr>
<td>Retirement and severance benefits</td>
<td>93,777</td>
<td>105,687</td>
<td>880,725</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>22,165</td>
<td>21,228</td>
<td>176,900</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>587,346</td>
<td>47.4</td>
<td>646,275</td>
</tr>
<tr>
<td>Common stock</td>
<td>32,641</td>
<td></td>
<td>32,641</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>57,635</td>
<td>39,755</td>
<td>331,292</td>
</tr>
<tr>
<td>Legal reserve</td>
<td>26,651</td>
<td></td>
<td>29,685</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>624,919</td>
<td></td>
<td>661,159</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss)</td>
<td>(87,134)</td>
<td>(5,882)</td>
<td>(49,017)</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>(19,385)</td>
<td>(18,497)</td>
<td>(154,141)</td>
</tr>
<tr>
<td>Total TDK stockholders’ equity</td>
<td>635,327</td>
<td>51.3</td>
<td>738,861</td>
</tr>
<tr>
<td>Noncontrolling interests</td>
<td>16,916</td>
<td>1.3</td>
<td>19,146</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>652,243</td>
<td></td>
<td>758,007</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,239,589</td>
<td>100.0</td>
<td>1,404,282</td>
</tr>
</tbody>
</table>

*For convenience only, an exchange rate of U.S. $1=¥120 has been used.*
For convenience only, an exchange rate of U.S. $1=¥120 has been used.

Statements of Income

For the years ended March 31, 2015 and 2014

TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)

Comprehensive Income

Consolidated Statements of Income

<table>
<thead>
<tr>
<th>Item</th>
<th>2015 Millions of yen</th>
<th>2014 Millions of yen</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>984,525</td>
<td>1,082,560</td>
<td>-178,035</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>743,572</td>
<td>802,225</td>
<td>-58,653</td>
</tr>
<tr>
<td>Gross profit</td>
<td>220,953</td>
<td>280,335</td>
<td>-59,382</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>184,337</td>
<td>207,876</td>
<td>-23,539</td>
</tr>
<tr>
<td>Operating income</td>
<td>36,616</td>
<td>72,459</td>
<td>-35,843</td>
</tr>
<tr>
<td>Other income/(deductions):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>3,365</td>
<td>4,075</td>
<td>-710</td>
</tr>
<tr>
<td>Interest income</td>
<td>(3,457)</td>
<td>(2,992)</td>
<td>465</td>
</tr>
<tr>
<td>Foreign exchange gain/(loss)</td>
<td>(1,302)</td>
<td>(1,846)</td>
<td>544</td>
</tr>
<tr>
<td>Other-net</td>
<td>4,550</td>
<td>2,821</td>
<td>1,729</td>
</tr>
<tr>
<td>Total other income/(deductions)</td>
<td>3,156</td>
<td>3,058</td>
<td>98</td>
</tr>
<tr>
<td>Income from continuing operations before income taxes</td>
<td>39,772</td>
<td>74,517</td>
<td>-34,745</td>
</tr>
<tr>
<td>Income taxes</td>
<td>17,936</td>
<td>21,738</td>
<td>-3,802</td>
</tr>
<tr>
<td>Net income</td>
<td>18,234</td>
<td>52,779</td>
<td>-34,545</td>
</tr>
<tr>
<td>Other comprehensive income/(loss), net of taxes:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension liability adjustments</td>
<td>7,187</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currencies translation adjustments</td>
<td>4,722</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains/(losses) on securities</td>
<td>4,463</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other comprehensive income/(loss)</td>
<td>12,372</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive income attributable to TDK</td>
<td>87,439</td>
<td>129,761</td>
<td>-42,322</td>
</tr>
</tbody>
</table>

Total comprehensive income 129,761 51,317 135,919

Comprehensive income attributable to controlling interests 16,288 1,946 17,234

Comprehensive income attributable to noncontrolling interests 103,473 49,371 54,102

Net income 18,234 52,779 34,545

For convenience only, an exchange rate of U.S. $1=¥120 has been used.

Comprehensive Income

Consolidated Statements of Stockholders' Equity

For the years ended March 31, 2015 and 2014

TDK Corporation and Consolidated Subsidiaries

Shareholders' equity of TDK Corporation and consolidated subsidiaries

<table>
<thead>
<tr>
<th>Item</th>
<th>2015 Millions of yen</th>
<th>2014 Millions of yen</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>32,641</td>
<td>27,635</td>
<td>5,006</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>57,635</td>
<td>64,199</td>
<td>-6,564</td>
</tr>
<tr>
<td>Legal reserves</td>
<td>264,919</td>
<td>262,834</td>
<td>2,085</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>635,277</td>
<td>635,327</td>
<td>-50</td>
</tr>
<tr>
<td>Accumulated other comprehensive income/(loss)</td>
<td>161,169</td>
<td>159,016</td>
<td>2,153</td>
</tr>
<tr>
<td>Total TDK shareholders' equity</td>
<td>6,157,175</td>
<td>6,153,175</td>
<td>4,000</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>159,550</td>
<td>140,967</td>
<td>18,583</td>
</tr>
<tr>
<td>Total equity</td>
<td>6,316,725</td>
<td>6,294,142</td>
<td>22,583</td>
</tr>
</tbody>
</table>

Net income 412,000 412,000 27,825 439,825

Other income/(deductions): | | | |
| Other comprehensive income/(loss) | 80,321 | 80,321 | 2,819 |
| Total comprehensive income | 496,321 | 492,826 | 3,495 |

Balance of March 31, 2015 | 32,641 | 27,635 | 5,006 |

Balance of March 31, 2014 | 32,641 | 27,635 | 5,006 |

Balance of March 31, 2013 | 32,641 | 27,635 | 5,006 |

For convenience only, an exchange rate of U.S. $1=¥120 has been used.
Consolidated Statements of Cash Flows
TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)
For the years ended March 31, 2015 and 2014

For the years ended March 31, 2015 and 2014
TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)
Consolidated Statements of Cash Flows

Notes:

Cash flows from operating activities:

Net income 18,234 52,279 439,825
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization 83,109 80,249 668,742
Changes in assets and liabilities:
Decrease (increase) in trade receivables 4,349 4,919 40,992
Decrease (increase) in inventories 13,011 (4,368) (36,400)
Increase (decrease) in trade payables (1,446) (12,375) (103,125)
Increase (decrease) in accrued expenses 3,589 7,892 60,767
Increase (decrease) in other assets and liabilities, net 6,416 (3,347) (27,892)
Other-net 46 17,101 142,508
Net cash provided by operating activities 127,308 142,850 1,190,417

Cash flows from investing activities:

Net cash used in investing activities (55,438) (127,312) (1,060,933)

Cash flows from financing activities:

Net cash used in financing activities (56,118) (35,243) (293,692)

Effect of exchange rate changes on cash and cash equivalents 21,409 33,961 283,008
Cash and cash equivalents at beginning of period 213,687 213,687 2,090,400
Cash and cash equivalents at end of period 250,848 265,104 2,209,200

Net income 18,234 52,279 439,825
Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization 83,109 80,249 668,742
Changes in assets and liabilities:
Decrease (increase) in trade receivables 4,349 4,919 40,992
Decrease (increase) in inventories 13,011 (4,368) (36,400)
Increase (decrease) in trade payables (1,446) (12,375) (103,125)
Increase (decrease) in accrued expenses 3,589 7,892 60,767
Increase (decrease) in other assets and liabilities, net 6,416 (3,347) (27,892)
Other-net 46 17,101 142,508
Net cash provided by operating activities 127,308 142,850 1,190,417

Cash flows from investing activities:

Net cash used in investing activities (55,438) (127,312) (1,060,933)

Cash flows from financing activities:

Net cash used in financing activities (56,118) (35,243) (293,692)

Effect of exchange rate changes on cash and cash equivalents 21,409 33,961 283,008
Cash and cash equivalents at beginning of period 213,687 213,687 2,090,400
Cash and cash equivalents at end of period 250,848 265,104 2,209,200

Corporate Information
TDK Corporation and Consolidated Subsidiaries (U.S. GAAP)
As of March 31, 2015

Corporate Name
TDK Corporation

Corporate Headquarters
Shibaura Renaiesta Tower, 3-9-1 Shibaura, Minato-ku, Tokyo 108-0023

Date of Establishment
December 7, 1935

Authorized Number of Shares
480,000,000 shares

Number of Shares Issued
129,590,659 shares

Number of Shareholders
21,771

Common Stock
¥3,641,976,312

Securities Traded
Tokyo Stock Exchange (Listed on in September, 1961)

Securities Code
6762

Number of Employees (Consolidated)
67,622

Securities Traded

TYDK
CUSIP
872351A08
Depositary Bank
Citibank, N.A. Shareholder Services
P.O. Box 40077
Providence, Rhode Island 02940-3077
U.S.A.
Tel : 1-877-248-4237 CITI-ADR (toll free)
Tel : 1-816-843-4281 (out of U.S.)
Fax : 1-201-324-3284
Internet : http://www.citib.com/adr
E-mail : citibank@shareholders-online.com

Principal Shareholders (10 Largest Shareholders)

Name of shareholder Number of shares held (thousands of shares)
Percentage of number of issued shares (%)

1. The Master Trust Bank of Japan, Ltd. (Trust account) 15,105 11.66
2. Japan Trustee Services Bank Ltd. (Trust account) 9,196 7.00
3. JP Morgan Chase Bank 4,356 3.36
4. BNP Paribas Securities (Japan) Limited 2,704 2.09
5. Trust & Custody Services Bank, Ltd. 2,794 2.16
6. SOCIETE GENERALE PARIS MIRCOPT 2,642 2.03
7. Japan Trustee Services Bank, Ltd (Trust account 8) 1,742 1.35
8. THE BANK OF NEW YORK MELLON SAVN 10 1,584 1.22
10. STATE STREET BANK WEST CLIENT – TREATY 5051234 1,319 1.05
Total 43,181 33.32

Transfer Agent
Sumitomo Mitsui Trust Bank, Limited 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-8233

Independent Registered Public Accounting Firm
KPMG AZSA LLC (the Japan member firm of KPMG International)

ADR Information
Type
Level 1 with sponsorship
ADR Ratio
1 Common Stock = 1 ADR
Ticker Symbol
TDK
CUSIP
872351A08

Corporate Name
TDK Corporation

Corporate Headquarter
Shibaura Renaiesta Tower, 3-9-1 Shibaura, Minato-ku, Tokyo 108-0023

Date of Establishment
December 7, 1935

Authorized Number of Shares
480,000,000 shares

Number of Shares Issued
129,590,659 shares

Number of Shareholders
21,771

Common Stock
¥3,641,976,312

Securities Traded
Tokyo Stock Exchange (Listed on in September, 1961)

Securities Code
6762

Number of Employees (Consolidated)
67,622

Securities Traded

TYDK
CUSIP
872351A08
Depositary Bank
Citibank, N.A. Shareholder Services
P.O. Box 40077
Providence, Rhode Island 02940-3077
U.S.A.
Tel : 1-877-248-4237 CITI-ADR (toll free)
Tel : 1-816-843-4281 (out of U.S.)
Fax : 1-201-324-3284
Internet : http://www.citib.com/adr
E-mail : citibank@shareholders-online.com

Status by Ownership

Principal Shareholders (10 Largest Shareholders)

Name of shareholder Number of shares held (thousands of shares)
Percentage of number of issued shares (%)

1. The Master Trust Bank of Japan, Ltd. (Trust account) 15,105 11.66
2. Japan Trustee Services Bank Ltd. (Trust account) 9,196 7.00
3. JP Morgan Chase Bank 4,356 3.36
4. BNP Paribas Securities (Japan) Limited 2,704 2.09
5. Trust & Custody Services Bank, Ltd. 2,794 2.16
6. SOCIETE GENERALE PARIS MIRCOPT 2,642 2.03
7. Japan Trustee Services Bank, Ltd (Trust account 8) 1,742 1.35
8. THE BANK OF NEW YORK MELLON SAVN 10 1,584 1.22
10. STATE STREET BANK WEST CLIENT – TREATY 5051234 1,319 1.05
Total 43,181 33.32
About the cover photo

An aurora is a magnetic phenomenon caused by charged particles of high energy emanating from the sun (solar wind) and being accelerated by the force of the Earth’s magnetic field. When the particles collide with oxygen or nitrogen in the upper layers of the atmosphere, they emit light. This fascinating sight is symbolic of the force behind magnetic technology, the core competence of TDK.