

Reference Materials related to the Board  
(Disclosures based on Supplementary Principles 4.1.1 and 4.11.3)

December 22, 2015  
Tokyo Stock Exchange, Inc.

# Disclosures based on Supplementary Principle 4.1.1

## Supplementary Principle 4.1.1

The board should clearly specify its own decisions as well as both the scope and content of the matters delegated to the management, and disclose a brief summary thereof.

### 1. Scope of delegation

#### Company A (Company with *Kansayaku* Board)

Matters requiring a resolution by the Board of Directors in accordance with laws and regulations and the Articles of Incorporation and important matters concerning management are resolved by the Board of Directors. In particular, for acquisitions and disposals of shares, equity stakes, and fixed assets, and **investments and loans** involving loans and guarantees, the Board of Directors **sets out monetary threshold standards for each of various type of risks**, such as credit risk, market risk and business investment risk (amounts do not exceed 1% of total assets and are set individually depending on the nature of the risk). **Investments and loans that exceed this monetary threshold** are deliberated and resolved by the Board of Directors.

#### Company B (Company with Three Committees)

• In order to promote swift decision-making and efficient group management, the Board of Directors of the Company **delegates the decision-making authority regarding the execution of operations** to the corporate executive officer or the Executive Management Committee which consists of the corporate executive officers, **except for the matters that according to the laws and regulations have to be decided by the Board of Directors**.

# Disclosures based on Supplementary Principle 4.1.1 (continued)

## 2. Role of the board

### Company C (Company with *Kansayaku* Board)

The board assumes the **role of evaluation from a broader and independent perspective and encouraging innovation of new value**, and carries out **formulation and decision-making on important management policies/strategies, and supervision of execution of business with an objective and long-term vision.**

We have also introduced a *shikkoyakuin* system to secure transparency of management and the separation of execution and supervision of business. The *shikkoyakuin* will run the organization based on authority delegated by the board.

The management committee that is made up of senior *shikkoyakuin* will verify the execution of business operations and associated issues, and deliberate on important matters.

Based on the concept of “commitment and accountability,” the *shikkoyakuin* makes a commitment with the board to achieve the targets while the board in turn makes a similar commitment with the shareholders, and both parties bear responsibility for the results . **The board manages the process for achieving the targets.**

### Company D (Company with Three Committees)

The Company is a Company with a Nomination Committee, etc., system. The Company’s Board of Directors **delegates to Corporate Officers a significant amount of decision-making related to the execution of business**, to the extent allowed by relevant laws and regulations **to invigorate operation, and focuses on management oversight.**

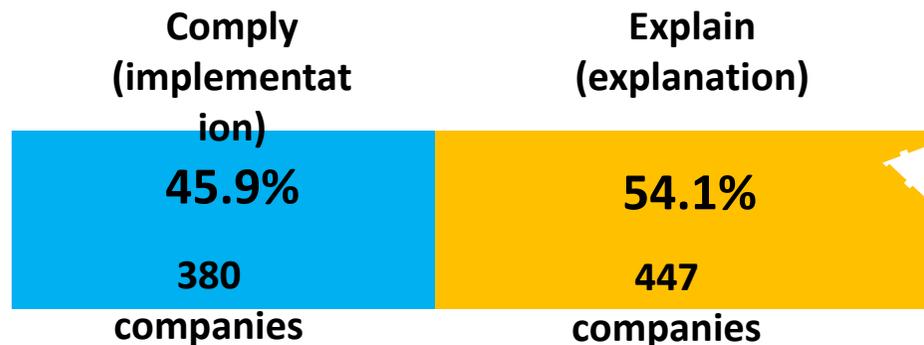
The Board of Directors makes decisions on basic management policy, the election of Corporate Officers and other important matters stipulated by laws and regulations, the Articles of Incorporation and the Rules of the Board of Directors. The specific matters to be resolved by the Board of Directors and the specific matters that are to be reported to the Board of Directors are stipulated in the Detailed Rules of the Board of Directors. The Rules of the Board of Directors and the Detailed Rules have been disclosed on the Company’s website.

# State of response to Supplementary Principle 4.11.3

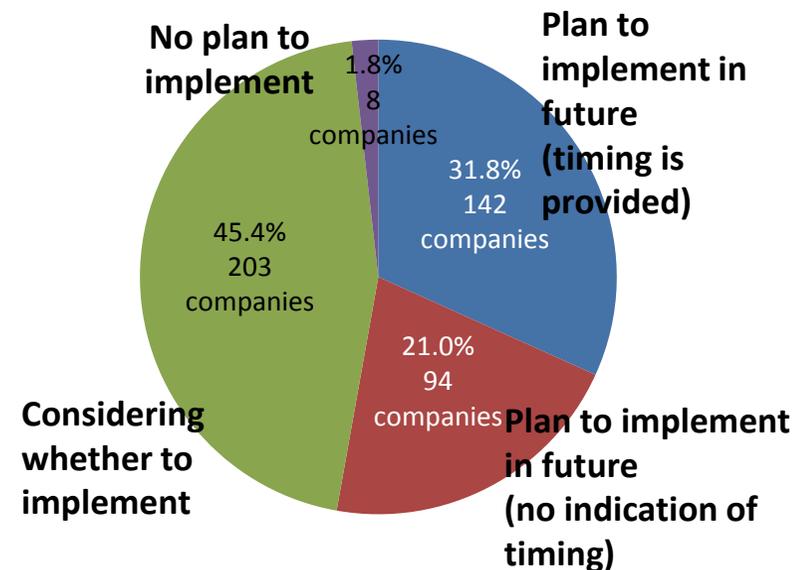
## Supplementary Principle 4.11.3

Each year the board should analyze and evaluate its effectiveness as a whole, taking into consideration the relevant matters, including the self-evaluations of each director. A summary of the results should be disclosed.

- The state of response to Supplementary Principle 4.11.3 of companies listed on TSE First and Second Section (827 companies) which submitted a corporate governance report on their response to the Code by the end of November is as follows.



### Classification of explain (reasons for not complying)



- Examples of disclosures by listed companies that have complied with Supplementary Principle 4.11.3 are introduced in the following pages.

# Disclosures based on Supplementary Principle 4.11.3

## 1. Method of analysis and evaluation

Company E

Led by the Board Chairman, the Board, which consists of directors elected at the annual shareholders' meeting in June 2015, took the following steps in implementing the Board and Committee Effectiveness Evaluation:

- Evaluated the current status and practices of the Board and each Committee such as the composition of the Board, operation of the Board, the commitments of each director and activities of each Committee, by gathering responses to **a questionnaire from each director**.
- Further evaluated the status and practices of the Board and each Committee through **interviews with the Chairman of the Board, the Chair of each Committee, the Chief Executive Officer and certain additional directors**.
- **Analyzed** the results of these evaluations, **with the assistance of outside counsel with expertise** in Japanese and global corporate governance practices, **led by the Board Chairman**.
- **Presented the results at a Board meeting and discussed and decided** on appropriate follow-up actions based on those results.

## 2. Main body for conducting analysis and evaluation

### <Board of directors>

Company F

On at least an annual basis, **the effectiveness of the Board of Directors is evaluated** by all of the Outside Directors and Outside Audit & Supervisory Board Members **at meetings of the Board of Directors**, and **discussions are held based on such evaluation, by those present at the meeting**, in order to make improvements aimed at enhancing the effectiveness of the Board of Directors.

### <Representative director, etc>

Company G

In our company, we have adopted a system **in which the representative director and directors in charge of accounting and general administration and personnel affairs evaluate each director** based on comments made during board meetings and the execution of duties that each director is in charge of. **The board takes the results of the evaluation of** each director's performance **into consideration and evaluate the effectiveness of the board** based on the quality and quantity of decisions made that contribute to mid to long-term growth.

# Disclosures based on Supplementary Principle 4.11.3 (continued)

## <Nomination committee> Company H

The nomination committee conducts an evaluation of each director, and based on that analyze and evaluate the overall effectiveness of the board.

When deciding on the content of the resolution on the appointment of directors that was submitted to our company's annual general shareholders meeting held on June 20, 2015, the nomination committee analyzed and evaluated the overall effectiveness of the board in April 2015.

## <Outside director meetings> Company I

Company I has conducted analysis and evaluation on the effectiveness of the Board of Directors as a whole for the fiscal year ended March 31, 2015 at the External Director Session (where only outside directors attended), based on the directors' self-evaluation.

## <Making use of external experts> Company J

In order to analyze and evaluate the effectiveness of the board from the perspective of appropriate decision-making on execution of duties and the supervision function, every year the board conducts a questionnaire with the directors and auditors.

An external legal office is appointed to collect the questionnaire so that the replies are not seen by employees inside the company, and the legal office is asked to collate and analyze the results.

The board analyzes and evaluates the effectiveness of the board based on the results of the self-evaluation of directors and auditors that are described in the questionnaire and the external evaluation of the legal office.

## Company K

The Board of Directors conducted a third-party evaluation of the Board of Directors, with the aim of verifying that the Board of Directors as a whole function properly and raising the effectiveness of the Board of Directors based on the result thereof.

This evaluation conducted by a third-party organization sought to determine the effectiveness of the Board of Directors as a whole, as well as the Committees (Nomination Advisory Committee and Compensation Advisory Committee), and each of the Directors and Audit & Supervisory Board Members.

The third-party organization also analyzed the relative position of the framework of TDK's Board of Directors by running a comparison with other domestic and overseas companies and competitors and with the principles set forth in major domestic and overseas governance codes.

# Disclosures based on Supplementary Principle 4.11.3 (continued)

## 3. Perspective of analysis and evaluation

### <Composition/operating status, etc>

Company L

- **Composition** of the board

The board is made up of directors who have a wealth of experience and the number of directors is appropriate for conducting active discussion/review and making quick and effective decisions.

- **Operating status** of the board

The attendance rate of directors (including outside) at the board meetings is 100%, and decisions are being made after going through appropriate discussion. In addition, outside directors and auditors are providing advice and proposals to ensure the appropriateness/validity of decision-making.

- **Materials and information provided**

For reviewing the content of agenda items, the required information/materials are being provided to directors. As for outside directors, information/materials are provided in advance with the aim of securing the time for reviewing agenda items.

- Others

We plan timely and appropriate communication with our stakeholders including shareholders.

### <Roles and responsibilities of the board>

Company M

The Company **has established the “Corporate Governance Guidelines,”** which stipulate the Company’s basic thinking regarding corporate governance, **through a resolution by the Board of Directors** for the purpose of achieving the best corporate governance for which the Company strives. These Guidelines stipulate that the Company’s Board of Directors conduct a yearly self-review to determine **whether the duties of the Board of Directors are being executed in accordance with the Guidelines** in order to increase the effectiveness of corporate governance. In FY2015, as well, the Board of Directors conducted a self-review of the execution of the Board’s duties at their meeting in April. In addition, the Board of Directors conducted a self-inspection regarding the status of response to the Tokyo Stock Exchange’s Corporate Governance Code. As a result, **no operation that was not aligned with the stipulations of the Company’s “Corporate Governance Guidelines” or any other problem was identified** in the execution of duties by the FY2014 Board of Directors. Further, there were no principles in the Tokyo Stock Exchange’s Corporate Governance Code that required immediate measures by the Board of Directors. The Company has established the practice of dealing promptly with any problems, etc., related to the execution of business..

※In the “guidelines” of this company, apart from the **duties of the board**, there are also provisions on **the roles and responsibilities of the chairperson, directors, outside directors, nomination committee, supervision committee and remuneration committee.**

# Disclosures based on Supplementary Principle 4.11.3 (continued)

## 4. Summary of results of analysis and evaluation

### < Evaluation/state of progress >

#### Company N

From the written survey answers and so forth, the Company's Board of Directors has confirmed **that the current Board of Directors is functioning adequately**, and as a result has **judged that the overall effectiveness of the Board of Directors has been secured**. Meanwhile, to secure even greater effectiveness, the Board of Directors share their awareness of points where further improvements can be made in several aspects, such as the content of the discussion and report materials in the Board of Directors meetings. Going forward, the Board of Directors will promote improvements on these items, and will follow up on their progress as part of its Board of Directors Effectiveness Evaluation from the next fiscal year onward.

#### Company O

The summary of the results of the evaluation of the board of directors for the Fiscal Year 2014 is as follows:

- (1) **The degree of achievement by the board of directors of its aims has improved since last year** through the increase in the number of outside directors to five and their participation in the discussions at the committees as well as the board of directors.
- (2) Further limitation of agenda items to facilitate essential debate, production of materials and definition of issues for debate to contribute to more productive deliberation by the board of directors, and improvement of explanation on business performance and ways of structuring discussions are expected.

### < Future issues >

#### Company P

While confirming that the overall effectiveness of the board is adequately secured, we are also sharing information on the issues below:

- **Increase in the number of outside directors by 1.**
- Securing discussion time and enhancing the content of discussion concerning important agenda items.
- Further enhancement in the supply of information to outside directors.

#### Company Q

- **There are a number of matters involving the execution of individual business operations** among the agenda items that are handled by the board currently, and in future, it would be desirable **to build a system that will allow more time to be spent on the discussion of important items such as management strategies, etc.**

# Disclosures based on Supplementary Principle 4.11.3 (continued)

## Company R

On the other hand, it also became clear to the members that **the Board of Directors needed to allot more time and build a discussion framework capable of deliberating the major risks and returns with regard to management issues and growth strategies from a medium- to long-term perspective.** They saw this as relevant in the context of TDK having completed structural reforms, and that as it pursued growth strategies for accelerating business expansion and globalization, they had to establish a proactive governance structure capable of improving long-term shareholder value.

Based on the result of this evaluation, the Board of Directors will deepen deliberation at the Meeting of the Board of Directors by creating **regular opportunities to verify medium- to long-term strategy and business plan** of TDK's main business at the Meeting of the Board of Directors and **sharing the direction of the business among the members.**

Going forward, **the Board of Directors will continue to verify and improve** the effectiveness of the Board of Directors.

## Company S

The Board of Directors understands and shares the notion that it is **necessary to tighten the standard of process to select proposals in order to stimulate discussion** at a Board of Directors meeting.