

Supplementary explanations of TDK Code of Conduct

The TDK group has established the TDK Code of Conduct to provide grounds on which decisions are made with respect to activities performed by the group companies and their employees.

In recent years, customers pointed out at their CSR onsite audits on a frequent basis that some provisions of the TDK Code of Conduct are too generically described referring to no specific terms for certain subjects even though the spirit and behavior is covered in a comprehensive manner

In order to meet their requirements, CSR Promotion Office has established a guideline for the sake of providing supplementary explanations for the provisions concerned in Chapter 3 (Corporate Standards of Business Conduct) of the TDK Code of Conduct with respect to the following terms that are not explicitly provided there in.

Please refer to the guidance TCSR-GL-004-01 and make use of them as necessary.

[Terms for which supplementary explanations are provided]

- * Human trafficking, Bonded (including debt bondage) labor, Indentured labor, Slave labor
- * Money laundering
- * Extortion, Bribery, Corruption, Embezzlement

Sachiko Nagahara
General Manager
CSR Promotion Office

cc:
Mr. Yoneyama, Senior Vice President, General Managers/Deputy General Managers of Business Group, Managers responsible for planning, Presidents of manufacturing subsidiaries, CSR Factory Audit responsible directors, CSR Factory Audit handling managers, Sales planning departments

TDK Code of Conduct Guidance Document (Ver. 1.0)

Issued on September 15, 2014

The purpose of this guidance document is to contribute to the corporate behavior of TDK Group employees by providing a written clarification of the following matters not stipulated in the TDK Code of Conduct:

- *Human trafficking, Bonded (including debt bondage) labor, Indentured labor, Slave labor
- *Money laundering
- *Extortion, Bribery, Corruption, Embezzlement

1. Human Trafficking, Bonded (including debt bondage) labor, Indentured labor, Slave labor

Human trafficking refers to the act of trading in human beings for financial or other gain. Although some people sell themselves (to repay loans, procure necessary money for the family, etc.), or parents sell children or persons in a state of bondage, in most cases human trafficking takes the form of transporting people by coercive means, such as kidnapping, or by cajoling them. Human trafficking is sometimes called “human smuggling,” and the Metropolitan Police Department (Japan), for example, uses the term “human trade.”

The purposes of human trafficking are varied, including forced labor, sexual exploitation, organ transplants, the production and trade of drugs defined in international agreements, or as a means of procuring money due to poverty. Often the transportation of victims is transnational. Since the 1990s, and especially since the World Congress Against Commercial Sexual Exploitation of Children in 1996, international human trafficking has been frequently taken up as an international problem. Today it is a criminal act in just about every country and is detested by the international community. Furthermore, human trafficking is prohibited by the United Nations Convention for the Suppression of the Traffic in Persons and of the Exploitation of the Prostitution of Others issued in 1949, the Protocol to Prevent, Suppress and Punish Trafficking in Persons of the United Nations Convention against Transnational Organized Crime, and principle number 11 of the Yogyakarta Principles (The Right to Protection from all Forms of Exploitation, Sale and Trafficking of Human Beings). To put it the other way round, human trafficking today is taking place on a global scale.

Bonded (including debt bondage) labor refers to labor in which the worker is physically restrained, loses the freedom to act and make decisions, and is controlled.

Indentured labor (also called indentured servitude, indentured slave labor, indentured forced labor, and forced contract labor) refers to a system of employment by which the worker concludes a contract with the employer and works for a certain time in a living-in position, receiving food and daily necessities but being paid no or very little wages. The system bears a strong similarity to slave labor and harbors the danger of abuse of children and women and child labor.

Slave labor refers to labor in which the worker is not recognized as having any dignity, rights, or freedom as a human being, is treated as the property of another person, and is subject to complete control and forced to work.

Supplementary Guidance to Show Consistency with the TDK Code of Conduct

3.2 The TDK Group and Employees

3.2.5 Working conditions

The TDK Group members shall operate in full compliance with international norms concerning human rights, in addition to all applicable laws, rules and regulations prescribing minimum wage, working hours and other working conditions. In addition, the TDK Group shall not use any form of child labor in violation of fundamental human rights, nor shall it force its employees to work against their will. The TDK Group shall also require its business partners to prohibit such child labor and forced labor. Furthermore, the TDK Group shall strive to build sound relationships with its employees and to resolve any issues that may arise, by holding direct discussions with such employees or with their representatives, in good faith.



(Supplement)

The TDK Group does not support human trafficking or human trade deviating from legislation and social norms. Furthermore, the TDK Group does not engage in any form of bonded (including debt bondage) labor, indentured labor, slave labor.

2. Money Laundering

Money laundering refers to the act of concealing the source of revenue obtained through crime so that its origin is not discovered even when it is used in the general market. In other words, revenue (cash) accrued by such means as trade in illegal substances, fraud, tax evasion, window-dressed accounts, and slush funds is laundered (to erase the source) and made to look clean. The aim is to evade seizure and exposure by investigative authorities and to use the money to finance new crime. The money may be repeatedly moved around using fictitious bank accounts, or mixed with other legal funds to purchase corporate bonds or shares or, in a classic trick, to make large donations.

Supplementary Guidance to Show Consistency with the TDK Code of Conduct

3.3 The TDK Group and Society

3.3.1 Compliance

The TDK Group shall abide by the applicable laws and regulations, social norms and rules of society in the course of conducting its business. TDK Members shall adapt to the trend of globalization of corporate activities and perform corporate activities in consideration of each culture and customs and the interests of stakeholders, and in compliance with the laws and regulations in each country/jurisdiction and with respect for a variety of international rules, including human rights



(Supplement)

The TDK Group does not tolerate money laundering in any form—that is, remuneration obtained through fraud, tax evasion, window-dressed accounts, slush funds, or other means deviating from legislation and social norms or revenue from uncertain sources. Furthermore, the TDK Group does not repeatedly move money around using fictitious bank accounts, or make obscure purchases of corporate bonds and shares, or make obscure donations or contributions.

3. Extortion, Bribery, Corruption, Embezzlement

Extortion refers to the act of taking advantage of another person's weaknesses, etc. and threatening them to obtain money or goods.

Bribery refers to the act of a manager or responsible person giving money or gifts deviating from legislation and social norms to a stakeholder in a position of authority in expectation of getting them to use their influence to the benefit of the person offering the bribe; or conversely, receiving money or gifts deviating from legislation and social norms from a stakeholder in a position of authority and being expected to use their influence to the benefit of that stakeholder.

Corruption refers to the illegal act by which a manager or responsible person abuses his/her authority and, for example, gives a bribe, mainly from a public official, for personal gain.

Embezzlement refers to the act of dishonestly withholding assets for the purpose of conversion (theft) of such assets by one or more individuals to whom such assets have been entrusted, to be held and/or used for other purposes.

Supplementary Guidance to Show Consistency with the TDK Code of Conduct

3.1 Business Activities

3.1.2 Maintenance of sound and good relationships with customers, suppliers and other business partners

The TDK Group shall prohibit the giving and acceptance of entertainment/gifts/money that are aimed at obtaining/maintaining improper benefits and preferential treatment in domestic and foreign business transactions. TDK Members are required to exercise good judgment and take sensible action to avoid any misinterpretations and negative effects on the reputation of the TDK Group or other TDK Members. Furthermore, TDK Members shall also maintain sound and normal relationships with political bodies and governmental agencies.



(Supplement)

The TDK Group does not approve in any way of acts deviating from legislation and social norms, such as extortion, bribery, corruption and embezzlement, or the acceptance of money or articles through such acts. Furthermore, especially regarding bribery, the TDK Group abides by "Action bribery guideline" issued on November 13, 2012 and appended to the TDK Code of Conduct.