

# Corporate governance

## Our basic views and initiatives to date on corporate governance

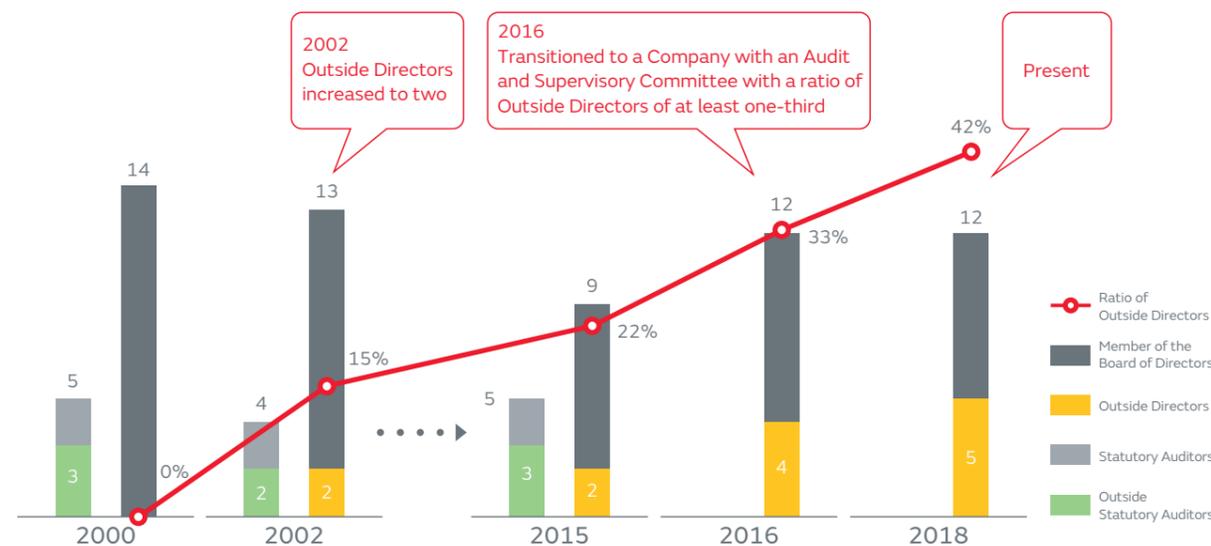
Murata considers corporate governance to be one of the highest priorities in management, and we work constantly to establish and operate optimal management systems that will realize sound corporate growth and development while taking into consideration every stakeholder.

Based on the idea that it is important to adopt “perspectives from outside the Company,” we first appointed Outside Statutory Auditors in 1971 and Outside Directors in 2001. In recent years, we have enhanced the diversity of Outside Directors and increased the ratio of Outside Directors. After transition to a Company with an Audit and Supervisory Committee in 2016, the ratio of Outside Directors is at least one-third. In addition to appointing outside executives, we have long made efforts to strengthen our corporate governance by steadily taking measures as below, in order to strengthen executive and supervisory functions and increase the transparency of management.

### History of initiatives to strengthen corporate governance

Year	Initiatives at Murata Manufacturing Co., Ltd.
2000	<ul style="list-style-type: none"> <li>Established a Vice President system and declared the appointment of Outside Directors</li> <li>Established the Management Executive Committee</li> </ul>
2001	<ul style="list-style-type: none"> <li>First appointed Outside Directors <small>*In 2002, the number of Outside Directors was increased to two. *In 1971, we first appointed Outside Statutory Auditors. (We have had full-time Outside Statutory Auditors in the past.)</small></li> </ul>
2002	<ul style="list-style-type: none"> <li>Established the Corporate Ethics Policy and Code of Conduct</li> </ul>
2004	<ul style="list-style-type: none"> <li>Abolished the Directors' retirement benefits system</li> <li>Established the Remuneration Advisory Committee</li> <li>Established the Internal Control Committee and the Audit Office (currently Office of Internal Audit)</li> </ul>
2006	<ul style="list-style-type: none"> <li>Established the basic policy on the internal control system</li> </ul>
2007	<ul style="list-style-type: none"> <li>Established the CSR Management Office</li> </ul>
2008	<ul style="list-style-type: none"> <li>Established the CSR Committee (currently the CSR Management Committee)</li> </ul>
2015	<ul style="list-style-type: none"> <li>Established the Corporate Governance Guidelines</li> <li>Established the Nomination Advisory Committee</li> </ul>
2016	<ul style="list-style-type: none"> <li>Transitioned to a Company with an Audit and Supervisory Committee (Outside Directors represent more than one-third of the Directors.)</li> </ul>
2017	<ul style="list-style-type: none"> <li>Introduced a restricted share remuneration plan</li> </ul>

### Change in the number of Member of the Board of Directors



## Adoption of “Company with an Audit and Supervisory Committee” as a governance system

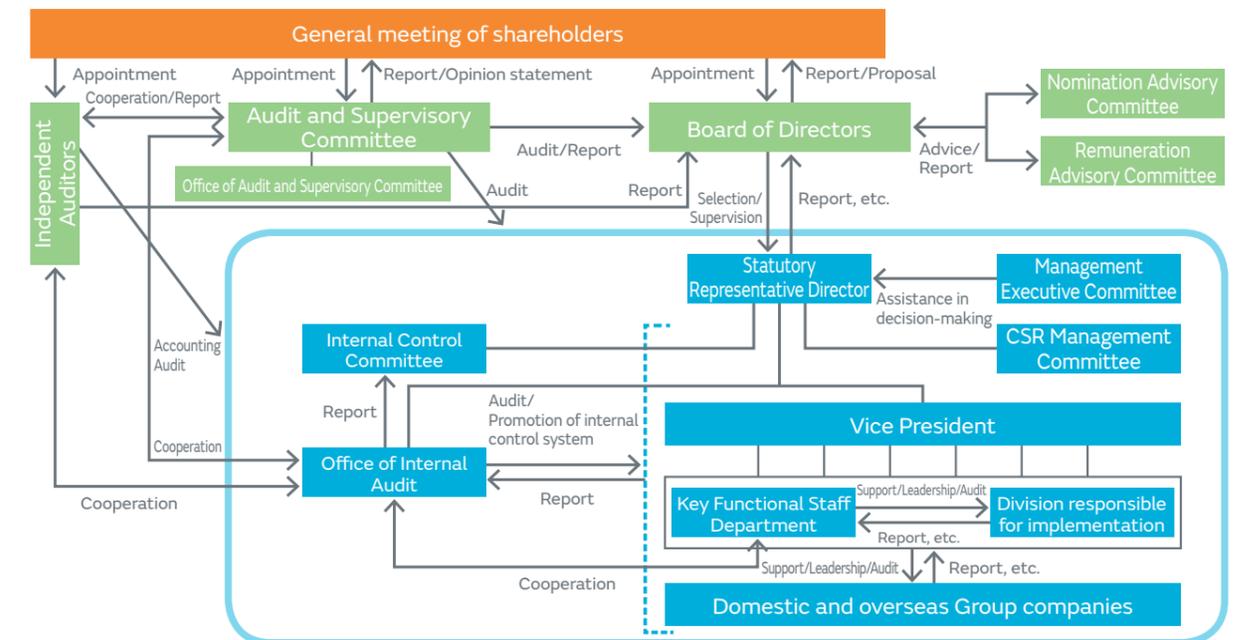
Murata Manufacturing Co., Ltd. adopted the Company with an Audit and Supervisory Committee structure as a corporate governance system, having transitioned from a Company with a Board of Statutory Auditors in 2016.

In a Company with an Audit and Supervisory Committee, a Board of Directors may delegate decisions on important matters for execution to Executive Directors. By delegating each decision on matters for execution to Executive Directors, more rapid management judgment and more flexible execution can be realized, while the Board of Directors can focus on discussion and monitoring relating

to management policy and business strategy, leading to enhancement of the functions of the Board of Directors.

In addition, Member of the Board of Directors who are Audit and Supervisory Committee Members hold voting rights on agendas at the Board of Directors and rights to express their opinions as the Audit and Supervisory Committee concerning appointment and remuneration of Member of the Board of Directors at General Meetings of Shareholders. We believe that this ensures strong supervisory functions by Executive Directors.

### Structure of corporate governance system



- Board of Directors**  
 The Board of Directors decides on our basic management direction and particularly important matters for execution, and supervises duties implemented by Member of the Board of Directors. We have strengthened its monitoring function since we became a Company with an Audit and Supervisory Committee structure. It is currently made up of 12 members, of whom five are Independent Outside Directors, a ratio of more than one-third.
- Audit and Supervisory Committee**  
 The Audit and Supervisory Committee audits duties implemented by Member of the Board of Directors and may state their opinions in relation to appointment and remuneration of Member of the Board of Directors at General Meetings of Shareholders. It is currently made up of four Member of the Board of Directors who are Audit and Supervisory Committee Members, of whom three are Independent Outside Directors. Three of the Member of the Board of Directors who are Audit and Supervisory Committee Members possess a considerable degree of knowledge in the areas of finance and accounting. The Committee has one full-time member who shares information concerning the status of operations and corporate finances with part-time members.
- Nomination Advisory Committee/Remuneration Advisory Committee**  
 These Committees has been established as advisory bodies for the Board of Directors in order to enhance its independence, objectivity,

- and accountability in relation to the nomination and remuneration of executives. Each committee is made up of two Independent Outside Directors and two Inside Directors.
- Management Executive Committee**  
 The Management Executive Committee has been established as a deliberative body to assist the Board of Directors and the Representative Director in making decisions. It is made up of executive Member of the Board of Directors and Member of the Board of Directors who concurrently serve as Vice Presidents, creating a system for deliberation on management issues specified by the Company regulations.
- Internal Control Committee**  
 The Internal Control Committee is responsible for the maintenance and continual improvement of the system to secure the appropriateness of company operations (the internal control system) and evaluates the status of maintenance and operation of the system.
- CSR Management Committee**  
 The CSR Management Committee has been established to continuously and systematically promote CSR management and further entrench CSR within the Company and offers unified responses outside the Company.
- Vice President**  
 In order to realize more rapid management judgments and more flexible execution, a Vice President system has been introduced, and our Vice Presidents execute their duties with authority and responsibilities.

### Analysis and evaluation of effectiveness of the Board of Directors

The Company endeavors to improve the effectiveness of the Board of Directors by conducting an analysis and evaluation of the effectiveness of the Board of Directors as a whole once a year and discloses an overview of the procedure and results.

A questionnaire for all Member of the Board of Directors and interviews with Outside Directors were conducted and the evaluation was conducted through multiple discussions in the Board of Directors, making reference to the results of the questionnaire and interviews.

As a result, the Board of Directors of Murata Manufacturing Co., Ltd. has been assessed to be functioning with sufficient overall effectiveness in consideration of its duties and obligations.

The Company continued from the previous fiscal year to

### Views on appointing Member of the Board of Directors and Independence Standards and Qualification

By implementing a Vice President system and separating execution and supervision, the Company has an appropriate scale in the number of persons for the Board of Directors to function.

In consideration of the business content, scale, and management environment, etc., of Murata, personnel with knowledge, experience, and qualities that can contribute to enabling the Board of Directors to function (determination of basic management principles and important business execution, as well as supervision of execution of duties of Member of the Board of Directors) are selected as candidates for Member of the Board of Directors taking into account the balance and diversity in the expertise, experience, and capabilities of the overall Board of Directors as a whole.

Additionally, in appointing Outside Directors, the Company seeks personnel across a wide and diverse range and works to secure candidates who satisfy the independence standards of the Tokyo Stock Exchange and Murata Manufacturing Co., Ltd.

In particular, with regard to candidate Member of the Board of Directors who will be Audit and Supervisory Committee Members, as noted above, the Company selects personnel with a wealth of knowledge and experience regarding management administration and business operations who have qualities that can contribute to improvement in the soundness and transparency of management and audit the business execution of Member of the Board of Directors from a fair and objective standpoint. At least half of the Member of the Board of Directors who are Audit and Supervisory Committee Members appointed by the Company are Outside Directors.

review again the selection of proposals and the allocation of deliberation time and so forth with a view to spending more time on discussion and monitoring relating to management policy and business strategy. As a result, the Company recognized improvements such as the addition of agendas relating to medium- to long-term strategy and securing sufficient time for discussion.

The Company recognizes that there is room for further improvement to make the Board of Directors more effective, such as innovation in the creation of meeting materials and methods of explaining proposals.

Based on these evaluation results, the Company will continue working to further improve the effectiveness of the Board of Directors.

#### [Summary of the Criteria for Independence]

- (1) The person is not an executive of the Company or its current subsidiary or a company that was a subsidiary within the past three years.
- (2) The person is not currently a major shareholder or an executive of a major shareholder.
- (3) The person is not an executive of a company, etc., that is currently a significant client or supplier or was a significant client or supplier within the past three years with the Company or its current subsidiary.  
\* "Significant client or supplier" refers to one with which the Company has transactions of 2% or more of consolidated net sales of the Company or of the client or supplier.
- (4) The person is not an executive of an organization that has received within the past three years a donation or grant of over 10.00 million yen per annum from the Company or its current subsidiary.
- (5) The person is not an executive of a company or a subsidiary of that company, that employs or has employed within the past three years a Board Member, Statutory Auditor, or Vice President of the Company or its current subsidiary.
- (6) The person does not have any significant transaction relationship with the Company, such as a consulting or advisory agreement, and has not had a significant transaction relationship in the past.
- (7) The person is not an executive of the Independent Auditor of the Company.
- (8) The person is not the spouse or a relative within the second degree of kinship, etc., of a Board Member, Statutory Auditor, or Vice President of the Company or its current subsidiary.
- (9) The person does not carry the risk of creating a constant substantial conflict of interest between the Company's general shareholders as a whole for reasons other than those considered in (1) through (8) above.

### Views on remuneration for Member of the Board of Directors

With respect to remuneration for Member of the Board of Directors, Murata Manufacturing Co., Ltd. makes it a basic policy to provide a system and level of remuneration that is considered suitable for executive-level managers of a globally competitive electronic equipment and component manufacturer in order to ensure recruitment of human talent considered to be excellent based on a comparison with same-industry competitors, to raise the morale and motivation to improve financial results, and to contribute to the maximization of corporate value.

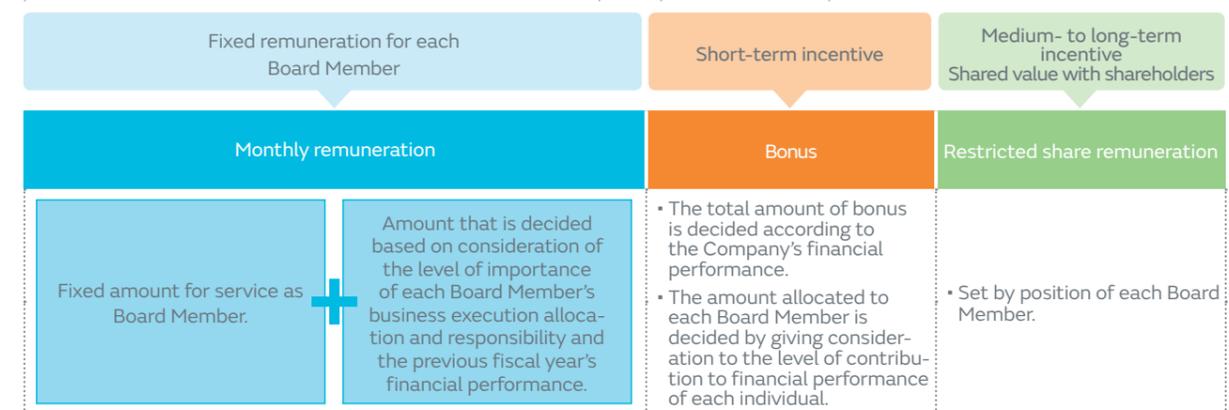
Remuneration for Member of the Board of Directors who are not Audit and Supervisory Committee Members is made up of (i) monthly remuneration, (ii) bonus with the

aim of giving a short-term incentive, and (iii) share-based remuneration with the aim of making them further share values with our shareholders by giving a medium- to long-term incentive.

The remuneration paid to Outside Directors who are not Audit and Supervisory Committee Members and to Member of the Board of Directors who are Audit and Supervisory Committee Members is only monthly remuneration. The amount paid to each Board Member who is an Audit and Supervisory Committee Member is decided as a fixed individual remuneration through discussion by the Member of the Board of Directors who are Audit and Supervisory Committee Members.

#### Composition of remuneration for Member of the Board of Directors

(Remuneration for Member of the Board of Directors who are not Audit and Supervisory Committee Members)



### Internal control system

The Board of Directors of Murata Manufacturing Co., Ltd. has defined a basic policy\* regarding the maintenance of a system to secure the appropriateness of company operations (internal control system). Based on this, the Company works to appropriately maintain and operate the internal control system.

The Murata Manufacturing Group shares Murata Philosophy that acts as a fundamental management policy, and in order to embody it, we have defined a fundamental policy and code of conduct, which have been distributed across the Group. In addition, we have established regulations and procedures regarding decision making. Based on these, deliberations are made regarding the business operations of subsidiaries, in addition to sharing various information regarding business operations of the Murata Manufacturing Group. Divisions

that supervise the various business functions (general administration, personnel, accounting, etc.) of the Murata Manufacturing Group define frameworks, processing procedures, and judgment standards for duties to ensure that duties within the Murata Manufacturing Group are performed appropriately and efficiently, in addition to providing appropriate direction to subsidiaries as required. As an independent body, the Internal Audit Department (Office of Internal Audit) evaluates and monitors whether or not duties within the Murata Manufacturing Group are conducted appropriately and efficiently, adhering to laws and regulations and the internal regulations, etc. of the Company.

\* For details on the basic policy regarding the maintenance of the internal control system, please see "1. Basic Views on Internal Control System and Progress of System Development" of "IV. Matters Related to Internal Control System" in the Corporate Governance Report of Murata Manufacturing Co., Ltd.