



Murata Manufacturing Co., Ltd.

**CONVOCATION NOTICE**

**FOR**

**THE 71st**

**ORDINARY GENERAL MEETING OF SHAREHOLDERS**

**TO BE HELD ON**

**JUNE 28, 2007**

**NOTE**

1. THIS DOCUMENT IS A TRANSLATION OF THE OFFICIAL JAPANESE CONVOCATION NOTICE FOR THE 71ST ORDINARY GENERAL MEETING OF REGISTERED SHAREHOLDERS.
2. THIS TRANSLATION IS PROVIDED ONLY AS A REFERENCE TO ASSIST SHAREHOLDERS IN THEIR VOTING AND DOES NOT CONSTITUTE AN OFFICIAL DOCUMENT.
3. IN THE EVENT OF ANY DISCREPANCY BETWEEN THIS TRANSLATED DOCUMENT AND THE JAPANESE ORIGINAL, THE ORIGINAL SHALL PREVAIL.

CONVOCATION NOTICE FOR  
THE 71st ORDINARY GENERAL MEETING OF SHAREHOLDERS

May 31, 2007

**Yasutaka Murata**  
**President**  
**Statutory Representative Director**  
**Member of the Board of Directors**

**MURATA MANUFACTURING CO., LTD.**  
10-1, Higashikotari 1-chome,  
Nagaokakyo-shi, Kyoto, Japan  
(Securities Identification code: 6981)

Dear Shareholders:

Notice is hereby given that the 71st Ordinary General Meeting of Shareholders will be held as detailed hereinafter, and your attendance is cordially requested.

**In the event that you are unable to attend the meeting, you may exercise your voting rights using one of the methods below. To do so, we kindly ask that you first examine the reference materials for the general meeting of shareholders later in this translation (p. 39–47), then exercise your voting rights by 5:00 p.m. on Wednesday, June 27, 2007.**

**[Exercise of Voting Rights by Postal Mail]**

Please indicate on the Voting Rights Exercise Form enclosed herewith your approval or disapproval on the proposals and return the form by the said deadline.

**[Exercise of Voting Rights via the Internet]**

Please access the designated website for exercise of voting rights (<http://www.it-soukai.com/>), use the “Voting Rights Exercise Code” and the “Password” shown on the enclosed Voting Rights Exercise Form, and indicate your approval or disapproval of the proposals, following the on-screen instructions by the said deadline.

You are cordially requested to refer to the enclosed “Instructions for Internet Voting” upon the exercise of voting rights via the Internet.

In the event that you exercise your voting right on the same proposal both by postal mail and via the Internet, and in the event that the details of your votes are different, the vote made over the Internet shall prevail. In the event that you exercise your voting right on the same proposal over the Internet more than once, the vote made last shall prevail.

1. Date and time: June 28, 2007 (Thursday) 10:00 a.m.
2. Location: 10-1, Higashikotari 1-chome, Nagaokakyo-shi, Kyoto, Japan  
The Hall on the second floor of the Head Office
3. Agenda
  - Reports
    1. Report of the business report, the consolidated financial statement for the 71st fiscal term (From April 1, 2006 to March 31, 2007), and along with audit reports prepared by the Independent Auditor and the Board of Statutory Auditors on the consolidated financial statement
    2. Report of the financial statement for the 71st fiscal term (From April 1, 2006 to March 31, 2007)

## Proposals

- No. 1 Appropriation of Retained Earnings for the 71st Fiscal Term
- No. 2 Partial Amendment to the Articles of Incorporation
- No. 3 Election of Seven (7) Member of the Board of Directors
- No. 4 Election of One (1) Statutory Auditor
- No. 5 Revision of Amount of Remuneration for Member of the Board of Directors

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- Attendees are kindly requested to submit the enclosed Voting Rights Exercise Form, completed, at the reception desk at the entrance to the meeting hall.
  - In the event of any changes being made to the reference materials for the General Meeting of Shareholders, or to the business report and consolidated/non-consolidated financial statements, they will be notified on the Company's website (<http://www.murata.co.jp>).

# Business Report

(April 1, 2006 to March 31, 2007)

## 1. Present Situation of the Murata Group

### 1) Principal businesses

The Murata Group produces and sells mainly ceramic electronic components, including capacitors, piezoelectric components, microwave devices and module products, and performs vertically integrated technology development and seamless production ranging from inorganic and organic chemical materials to ceramic and electronic components. We also develop its own materials, production methods and production equipment to create highly original products that incorporate its broad expertise. We sell its products to various manufacturers of a wide range of electronic devices, including audio/video equipment, telecommunications equipment and computers and peripheral equipment, automotive electronics, consumer electronic appliances, and so on.

### 2) Performance and Achievements

#### (1) Overall market situation

During the period under review, the global electronic market enjoyed a significant growth in demand for electronic components, due to vibrant developments in the production of major products such as mobile phones, personal computers, and digital AV equipment. The functional sophistication of electronic equipment also contributed to the upward trend.

Looking at the market environment segmented by application, the key mobile phone segment within the communication equipment market marked an increase in demand in advanced countries for sophisticated terminals such as third-generation mobile phones and Bluetooth<sup>®</sup>-equipped models. Demand for mobile phone continued to run strong in China, India, and other emerging economies through the period. In the market for computers and peripheral equipment, demand for notebook computers continued to ride high, while dual-core MPUs found an increasing use. In the AV equipment market, sales of flat-panel TVs using LCDs or plasma display panels (PDPs) were brisk, and new game consoles were released in the latter half of the period. The automotive electronics market was highlighted by a growing use of electronics in automobiles.

The Murata Group responded to this market environment by aggressively increasing production capacity for key products to deal with growing demand, while focusing on improving customer service. To cope with falling product prices, we improved profitability and strengthened the business base by further developing cost reduction activities such as productivity improvement, while pushing forward with the commercialization of new, high-value added products.

#### (2) Overall performance of the Murata Group

The Group results for the period under review are as follows:

#### [Net sales]

Net sales increased 15.5% year on year to ¥566,805 million.

The contribution of electronic components and its related products, which represent the Group's core business, amounted to ¥564,855 million. By region, our business in Asia was highlighted by a dramatic growth in the sales of components for AV equipment, communication equipment and computers and peripheral equipment in China, and a substantial increase in demand for communication equipment, and computers and peripheral equipment in the ASEAN countries. As a result, net sales in the Asia and Others market grew 23.3% year on year to ¥305,675 million. Net sales in Japan rose 6.8% year on year to ¥142,624 million, mainly due to the sales growth in components for communication equipment, and computers and peripheral equipment. In Europe, sales rose 6.8% from a year earlier to ¥70,444 million, owing to the growth in sales of components for communication equipment and automotive electronics. Sales of components for automotive electronics and distributors increased in the Americas, with net sales from this geographic segment rising 10.7% to ¥46,112 million.

#### [Operating income]

Operating income increased 26.2% year on year to ¥113,365 million.

The operating margin (the ratio of operating income to net sales) improved 1.7 percentage points from a year earlier to 20.0%. This is because the negative effects of product price declines were

overshadowed by positive effects of higher net sales, the ongoing introduction of new products, initiatives to reduce the cost of goods sold through cost cutting activities, and the weakening of the yen against the U.S. dollar—an average depreciation of ¥3.71 compared to the previous year.

**[Income before income taxes, and net income]**

Income before income taxes increased 28.7% from a year earlier to ¥118,003 million.

Net income increased 22.0% year on year to ¥71,309 million.

**(3) Sales by Product Category**

Net sales by product category for the period under review compared with the figures for the previous fiscal year are as follows:

**[Capacitors]**

This capacitor category includes monolithic ceramic capacitors, ceramic disc capacitors, and trimmer capacitors.

In the period under review, chip monolithic ceramic capacitors, the main product in this category, showed very strong sales, as large-capacitance products grew sharply in all applications including AV equipment, communication equipment, and computers and peripheral equipment. Small-sized products also marked a significant sales growth in applications for communication equipment. The increasing use of dual-core MPUs led to a major sales gain of application-specific capacitors for computers and peripheral equipment.

As a result, overall net sales increased 24.0% from a year earlier, to ¥215,255 million.

**[Piezoelectric Components]**

The piezoelectric components category includes ceramic filters, ceramic resonators, SAW (Surface Acoustic Wave) filters, piezoelectric sensors and piezoelectric buzzers.

In the period under review, sales of SAW filters for use in communication equipment grew well above the figures for the previous year. In piezoelectric sensors, sales of ultrasonic sensors for car electronics, and sensors for shock-detection use in HDDs increased. Sales of ceramic resonators for use in AV equipment, and computers and peripheral products suffered a decline. Ceramic filters for use in AV equipment and communication equipment also dropped in sales.

As a result, overall net sales posted a year-on-year growth of 11.4%, to ¥81,585 million.

**[Microwave Devices]**

These device include multilayer ceramic devices, short-range wireless communication modules (including Bluetooth<sup>®</sup> modules), dielectric filters, isolators and connectors.

In the period under review, short-range wireless communication modules grew dramatically in sales, due to strong demand for mobile phones. Sales of isolators and connectors for communication equipment also increased sharply. In contrast, there was a decline in the sales of multilayer ceramic devices and dielectric filters for communication equipment.

As a result, overall net sales increased 17.4% year on year, to ¥114,108 million.

**[Module Products]**

This product category includes circuit modules and power supplies.

In the period under review, sales of power supplies grew substantially, primarily in those for AV equipment such as flat-panel TVs and computers and peripheral equipment. In the circuit modules product line, sales of terrestrial digital tuners for mobile phones increased sharply, but sales of VCOs (voltage controlled oscillators) for communication equipment fell steeply.

As a result, overall net sales increased 1.7% year on year to ¥59,306 million.

**[Other Products]**

Other products include EMI suppression filters, coils, sensors, and resistors.

In the period under review, sales of EMI suppression filters for AV and communication equipment increased. Sales of chip coils grew sharply, due to strong demand for communication equipment.

Among sensors, gyroscopes for use in AV equipment posted an increase in sales.

As a result, overall net sales posted a 9.0% year on year increase to ¥94,601 million.

Note: Bluetooth<sup>®</sup> is a registered trademark of Bluetooth SGI, Inc. of the United States.

### Order and sales by product category

Term		71st Term (April 1, 2006 – March 31, 2007)		
Product	Category	Order	Sales	
		Amount (¥ million)	Amount (¥ million)	Year-on-year comparison (%)
			Component ratio (%)	
Capacitors		224,434	215,255	38.1
Piezoelectric Components		81,804	81,585	14.4
Microwave Devices		113,763	114,108	20.2
Module Products		59,478	59,306	10.5
Other Products		94,054	94,601	16.8
Total		573,533	564,855	100.0
				115.5

### 3) Challenges facing the Group

Many segments of the world's market for electronic equipment are expected to grow further. Reasons for this include the increasing use of third-generation mobile phone services and the introduction of digital terrestrial broadcasting in advanced countries, the further growth in demand for mobiles phones in emerging economies, the increase in the use of short-range wireless communication system such as wireless LAN and Bluetooth<sup>®</sup>, the functional sophistication of personal computers, the dissemination of LCD TVs and other digital AV equipment, and the growing use of electronics in automobiles. The increasing digitalization and functional sophistication of electronic equipment is rapidly increasing demand for electronic components as well.

In keeping with the increase in demand, the Murata Group is aggressively enhancing its production capacity in Japan. At the same time, production facilities are under construction at key Japanese locations to cope with the projected growth in demand in the medium- and long- term. In the fast-growing market of China, the Murata Group is taking steady steps to expand and enhance its production activities. We are introducing a comprehensive production line for chip monolithic ceramic capacitors in Wuxi. Also, a company specializing in the production of power supplies has been established in Shenzhen.

To ensure sustainable growth in the long term, the Murata Group is also striving to expand its business area by continually creating new products and effectively making use of outside resources. We, the Murata Group, are actively exploiting our technological ability to develop and commercialize new products in anticipation of future customer needs. These products include large-capacitance and small-size chip monolithic ceramic capacitors, as well as microwave filters, sensors, and short-range wireless communication modules. We are also vigorously promoting the acquisition and partnering with other companies. For example, the Murata Group purchased SyChip, Inc., an U.S. venture backed company. We have also formed a business partnership to start the lithium-ion secondary battery business.

Where corporate social responsibility is concerned, the Murata Group published the "Murata Group CSR Report 2006" with equal emphasis on the environment, society, and economy. As for environmental considerations, in order to strengthen our environmental management at all stages including design, development, production, and sales, we have obtained ISO 14001 multi-site certification covering all sites including Group companies in Japan in March, 2007, by converting the individual certifications. We are promoting corporate governance, risk management, and compliance within the Group, and by strengthening the internal control system, we intend to ensure the effectiveness of the company's operation.

Note: Bluetooth<sup>®</sup> is a registered trademark of Bluetooth SIG, Inc. of the United States.

### 4) Group investment in plant and equipment

During the period under review, the Group made capital investments totaling ¥99,651 million, exclusive of consumption taxes.

This breaks down to ¥63,842 million to expand and rationalize production facilities, ¥6,954 million to expand research and development facilities and ¥20,764 million in purchase of land and buildings.

There was no major abandonment or sale that would have a noteworthy impact on production capacity.

## 5) Financial position and Income

### (1) Financial position and Income of the Group

Term	68th term From: April 1, 2003 To: March 31, 2004	69th term From: April 1, 2004 To: March 31, 2005	70th term From: April 1, 2005 To: March 31, 2006	71st term From: April 1, 2006 To: March 31, 2007			
Category	Amount (¥ million)	Amount (¥ million)	Prior-year comparison (%)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)	
Item	Amount (¥ million)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)
Net sales	414,247	424,468	102.5	490,784	115.6	566,805	115.5
Income before income taxes	78,685	72,905	92.7	91,680	125.8	118,003	128.7
Net income	48,540	46,578	96.0	58,448	125.5	71,309	122.0
Total Assets	844,115	850,748	100.8	909,641	106.9	1,014,965	111.6
Shareholders' equity	700,937	712,309	101.6	755,394	106.0	822,893	108.9
Basic earnings per share (¥)	208.46	204.99	—	262.49	—	321.29	—
Shareholders' equity ratio	83.0%	83.7%	—	83.0%	—	81.1%	—

Notes: 1. The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States.

2. Income before income taxes for the 68th term includes ¥11,693 million gains related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government.

3. Basic earnings per share is computed based on the US Statement of Financial Accounting Standards ("SFAS") No.128, "Earnings per Share."

4. Figures shown in millions of yen are rounded off to the nearest million.

### (2) Financial position and Income of the Company

2) Financial position and income of the Company

Term	68th term From: April 1, 2003 To: March 31, 2004	69th term From: April 1, 2004 To: March 31, 2005	70th term From: April 1, 2005 To: March 31, 2006	71st term From: April 1, 2006 To: March 31, 2007			
Category	Amount (¥ million)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)	Amount (¥ million)	Prior-year comparison (%)
Item							
Net sales	343,374	358,919	104.5	422,578	117.7	490,642	116.1
Income before income taxes and extraordinary items	42,396	41,662	98.3	48,328	116.0	60,388	125.0
Net income	36,756	30,361	82.6	36,817	121.3	44,836	121.8
Total assets	467,876	466,521	99.7	498,573	106.9	535,647	107.4
Shareholders' equity	399,387	391,017	97.9	402,086	102.8	428,931	106.7
Net Earnings per share (¥)	157.38	133.13	—	164.80	—	202.01	—
Shareholders' equity ratio	85.4%	83.8%	—	80.6%	—	80.1%	—

Notes: 1. In the 68th term, income before income taxes and extraordinary items and net income were affected by an increase in dividends received and the recording of the gain related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government.

2. Figures shown in millions of yen are rounded down to the nearest million.

## 6) Principal facilities

### (1) Principal offices and plants of the Company

Head Office	Nagaokakyo-shi, Kyoto
Tokyo Branch	Shibuya-ku, Tokyo
Yokaichi Plant	Higashiomi-shi, Shiga
Yasu Plant	Yasu-shi, Shiga
Yokohama Technical Center	Midori-ku, Yokohama-shi, Kanagawa
Nagaoka Plant	Nagaokakyo-shi, Kyoto
Sales Department	
Sendai	Miyagino-ku, Sendai-shi, Miyagi
Omiya	Omiya-ku, Saitama-shi, Saitama
Nishi Tokyo	Tachikawa-shi, Tokyo
Kanagawa	Kohoku-ku, Yokohama-shi, Kanagawa
Nagano	Azumino-shi, Nagano
Shizuoka	Hamamatsu-shi, Shizuoka
Chubunihon	Meito-ku, Nagoya-shi, Aichi
Kobe	Chuo-ku, Kobe-shi, Hyogo
Okayama	Okayama-shi, Okayama
Kyushu	Hakata-ku, Fukuoka-shi, Fukuoka

### (2) Principal subsidiaries, etc.

Fukui Murata Mfg. Co., Ltd.	Echizen-shi, Fukui
Izumo Murata Mfg. Co., Ltd.	Hikawa-cho, Hikawa-gun, Shimane
Toyama Murata Mfg. Co., Ltd.	Toyama-shi, Toyama
Komatsu Murata Mfg. Co., Ltd.	Komatsu-shi, Ishikawa
Kanazawa Murata Mfg. Co., Ltd.	Hakusan-shi, Ishikawa
Okayama Murata Mfg. Co., Ltd.	Setouchi-shi, Okayama
Murata Land and Building Co., Ltd.	Nagaokakyo-shi, Kyoto
Murata Electronics North America, Inc.	United States of America
Murata Electronics Singapore (Pte.) Ltd.	Singapore
Murata Company Limited	People's Republic of China

## 7) Employees of the Group

### (1) Employees of the Group

Japan	Americas	Europe	Asia	Total
19,289	456	332	9,315	29,392

Note: Temporary, part-time and contract employees (1,572), those on secondment to other companies (13) are excluded.

### (2) Employees of the Company

At year-end	Increase/decrease from the previous period	Average age	Average years of service
5,832	417	36.0	10.0

Note: Temporary, part-time and contract employees (72), those on secondment to subsidiaries (854) are excluded.  
Those on secondment from subsidiaries are included.



## 8) Status of principal subsidiaries

### (1) Principal subsidiaries

(Million yen except foreign currency)

Name	Capital	Parent ownership (%)	Principal businesses
Fukui Murata Mfg. Co., Ltd.	300	100	Production of ceramic capacitors and microwave devices
Izumo Murata Mfg. Co., Ltd.	430	100	Production of ceramic capacitors
Toyama Murata Mfg. Co., Ltd.	450	100	Production of piezoelectric components and sensors
Komatsu Murata Mfg. Co., Ltd.	300	100	Production of microwave devices and module products
Kanazawa Murata Mfg. Co., Ltd.	480	100	Production of piezoelectric components and microwave devices
Okayama Murata Mfg. Co., Ltd.	480	100	Production of ceramic capacitors and microwave devices
Murata Land and Building Co., Ltd.	2,000	100*	Renting/leasing of real estate, and services related to administration, facilities maintenance, cleaning, insurance agency and fund management
Murata Electronics North America, Inc.	US\$14,406,000	100	Sales of Murata and its subsidiaries' products
Murata Electronics Singapore (Pte.) Ltd.	S\$4,000,000	100	Production and sales of ceramic capacitors; sales of Murata and its subsidiaries' products
Murata Company Limited	HK\$100,000	100	Sales of Murata and its subsidiaries' products

Note\*: Percentage includes indirect holdings.

### (2) Course and results of corporate consolidations

- For purposes of expanding the application market of its wireless communication module business, and bolstering and augmenting new technology domains, the Company subsidiary Murata Electronics North America, Inc. purchased SyChip, Inc. SyChip, Inc. and its subsidiary SyChip Electronic Technology (Shanghai) Ltd., thereby became new consolidated subsidiaries of the Company on April 28, 2006.
- MTC Solutions Co., Ltd., which was a joint venture with Superwave Corp. and in which the Company owned 50% of the voting rights, was liquidated on February 1, 2007.
- Suzhou Murata Electronics Co., Ltd. was dissolved on February 14, 2007 on its merger with Wuxi Murata Electronics Co., Ltd. which was the surviving company.
- Including the above 10 principal subsidiaries, the number of consolidated subsidiaries was 56. The effects of corporate consolidations are noted in "1. Present Situation of the Murata Group, 2) Performance and Achievements."

## 9) Lenders

Lender	Amount of loan (¥ million)
Sumitomo Mitsui Banking Corporation	6,238
Mizuho Corporate Bank	5,106
Bank of Tokyo-Mitsubishi UFJ	1,775
Welfare and Medical Service Agency	26
Total	13,145

## 2. Shares

- a) Number of authorized shares: 581,000,000 (1 unit = 100 shares)  
b) Number of issued shares: 225,263,592 (Treasury stock: 3,281,042 shares included)  
c) Number of shareholders: 66,076  
d) Major shareholders:

There are no shareholders owning 10% or more of the total number of shares issued by the Company (treasury stock excluded).

## 3. Status of Share Acquisition Rights

Share acquisition rights held by the Board of Directors at year-end

Series		1st	2nd	3rd	4th
Date of approval issue		June 27, 2002	June 27, 2003	June 29, 2004	June 29, 2005
Number of share acquisition rights		478	292	469	738
Class and number of shares subject to the share acquisition rights		Common Stock 47,800 shares	Common Stock 29,200 shares	Common Stock 46,900 shares	Common Stock 73,800 shares
Issue price of share acquisition rights		No charge	No charge	No charge	No charge
Amount to be paid upon exercise of each share acquisition right		¥7,264	¥5,863	¥5,789	¥5,686
Exercise period of share acquisition rights		August 1, 2004 – July 31, 2008	August 1, 2005 – July 31, 2009	August 1, 2006 – July 31, 2010	August 1, 2007 – July 31, 2011
Share acquisition rights held by Members of the Board of Directors and Statutory Auditors	Member of the Board of Directors (excluding Outside Directors)	4 share acquisition right holders	2 share acquisition right holders	6 share acquisition right holders	7 share acquisition right holders
		35 share acquisition rights	28 share acquisition rights	65 share acquisition rights	78 share acquisition rights
		3,500 shares subject to the share acquisition rights	2,800 shares subject to the share acquisition rights	6,500 shares subject to the share acquisition rights	7,800 shares subject to the share acquisition rights
	Outside Directors	—	—	—	—
Share acquisition rights held by Members of the Board of Directors and Statutory Auditors	Statutory Auditors	—	—	1 share acquisition right holder	—
				5 acquisition rights  500 shares subject to the share acquisition rights	

Series	1st	2nd	3rd	4th
Exercise conditions of the share acquisition rights	<p>1. Holders of share acquisition rights (hereinafter “share acquisition right holders”) may exercise their rights even after losing their position as a Member of the Board of Directors with the executive offices, Vice President or senior staff of the Company or as a Member of the Board of Directors with the executive offices or senior staff of a subsidiary of the Company.</p> <p>2. In the event that a share acquisition right holder dies before exercising the right, such share acquisition right holder’s heirs shall not be recognized. In the event that a share acquisition right holder dies during the exercise of the right, such share acquisition right holder’s heirs may succeed to the exercise of rights.</p> <p>3. Other exercise conditions of share acquisition rights shall be stipulated in the contract for allocation of first stock acquisition rights.</p>	<p>1. Holders of share acquisition rights (hereinafter “share acquisition right holders”) may exercise their rights even after losing their position as a Member of the Board of Directors with the executive offices, Vice President or senior staff of the Company or as a Member of the Board of Directors with the executive offices or senior staff of a subsidiary of the Company.</p> <p>2. In the event that a share acquisition right holder dies, such share acquisition right holder’s heirs shall not be recognized.</p> <p>3. Other exercise conditions of share acquisition rights shall be stipulated in the contract for allocation of second stock acquisition rights.</p>	<p>1. Holders of share acquisition rights (hereinafter “share acquisition right holders”) may exercise their rights even after losing their position as a Member of the Board of Directors with the executive offices, Vice President or senior staff of the Company or as a Member of the Board of Directors with the executive offices or senior staff of a subsidiary of the Company.</p> <p>2. In the event that a share acquisition right holder dies, such share acquisition right holder’s heirs shall not be recognized.</p> <p>3. Other exercise conditions of share acquisition rights shall be stipulated in the contract for allocation of third stock acquisition rights.</p>	<p>1. Holders of share acquisition rights (hereinafter “share acquisition right holders”) may exercise their rights even after losing their position as a Member of the Board of Directors with the executive offices, Vice President or senior staff of the Company or as a Member of the Board of Directors with the executive offices or senior staff of a subsidiary of the Company.</p> <p>2. In the event that a share acquisition right holder dies, such share acquisition right holder’s heirs shall not be recognized.</p> <p>3. Other exercise conditions of share acquisition rights shall be stipulated in the contract for allocation of fourth stock acquisition rights.</p>

Note: Of the Officer holdings of the 3rd series share acquisition rights, the portion related to Statutory Auditors represents holdings acquired as management employees prior to taking office as Statutory Auditors.

#### 4. Corporate Officers

##### 1) Members of the Board of Directors and Statutory Auditors

Title	Positions and Responsibilities	Name	Representation at Other Corporations	
President and Member of the Board of Directors	Statutory Representative Director	Yasutaka Murata	Fukui Murata Mfg. Co., Ltd.	Chairman and Member of the Board of Directors (Statutory Representative Director )
			Izumo Murata Mfg. Co., Ltd.	Chairman and Member of the Board of Directors (Statutory Representative Director)
			Toyama Murata Mfg. Co., Ltd.	Chairman and Member of the Board of Directors (Statutory Representative Director)
			Komatsu Murata Mfg. Co., Ltd.	Chairman and Member of the Board of Directors (Statutory Representative Director)
			Kanazawa Murata Mfg. Co., Ltd.	Chairman and Member of the Board of Directors (Statutory Representative Director)
			Okayama Murata Mfg. Co., Ltd.	Chairman and Member of the Board of Directors (Statutory Representative Director)
			Murata Electronics Singapore (Pte.) Ltd. Murata Company Limited	Director Director
Executive Deputy President and Member of the Board of Directors	Statutory Representative Director Technologies and Business Development Unit, Sales & Marketing Unit, Components Business Unit, Device Business Unit, Module Business Unit, Production Engineering Unit, Market Information Department, Tokyo Administration Department, General Manager, Technologies and Business Development Unit	Tsuneo Murata	Fukui Murata Mfg. Co., Ltd.	President and Member of the Board of Directors (Statutory Representative Director)
			Toyama Murata Mfg. Co., Ltd.	President and Member of the Board of Directors (Statutory Representative Director)
			Murata Electronics Singapore (Pte.) Ltd.	Director

Title	Positions and Responsibilities	Name	Representation at Other Corporations	
Member of the Board of Directors	Corporate Senior Executive Vice President, Corporate Planning & Administration Group, Legal Affairs Department, Accounting & Controller Department, Finance Department, Information Systems Control Department	Yoshitaka Fujita	Kanazawa Murata Mfg. Co., Ltd.	President and Member of the Board of Directors (Statutory Representative Director)
			Okayama Murata Mfg. Co., Ltd.	President and Member of the Board of Directors (Statutory Representative Director)
			Murata Land and Building Co., Ltd.	President and Member of the Board of Directors (Statutory Representative Director)
			Murata Electronics Singapore (Pte.) Ltd.	Director
Member of the Board of Directors	Senior Executive Vice President, General Manager, Production Engineering Unit	Ichiro Nozaki		
Member of the Board of Directors	Senior Executive Vice President, Research & Development Unit, Intellectual Property Department, Quality Control Department, Product Safety Management Department, General Manager, Yasu Plant	Seiichi Arai		
Member of the Board of Directors	Executive Vice President, General Manager, Research & Development Center	Yukio Sakabe		
Member of the Board of Directors	Executive Vice President, General Manager, Components Business Unit	Atsushi Inoue	Izumo Murata Mfg. Co., Ltd.	President and Member of the Board of Directors (Statutory Representative Director)
Member of the Board of Directors		Koji Tajika		
Member of the Board of Directors		Yasuro Tanahashi	NS Solutions Corporation	Representative Director and Chairman
			Japan Information Technology Service Industry Association	Chairman

Title	Positions and Responsibilities	Name	Representation at Other Corporations	
Statutory Auditor	Standing Statutory Auditor	Toshio Taji		
Statutory Auditor	Standing Statutory Auditor	Motohiko Nakayama		
Statutory Auditor		Keiichi Yokobori		
Statutory Auditor		Tetsuya Hiraoka		
Statutory Auditor		Go Kawada		

Notes:

1. At the 70th Ordinary General Meeting of Shareholders convened on June 29, 2006, Go Kawada was newly appointed and took office as a Statutory Auditor.
2. Under Article 2, Paragraph 15 of the Corporation Law, Koji Tajika and Yasuro Tanahashi are both Outside Directors.
3. Under Article 2, Paragraph 16 of the Corporation Law, Keiichi Yokobori, Tetsuya Hiraoka and Go Kawada are Outside Statutory Auditors.
4. Toshio Taji and Motohiko Nakayama possess experience in the Company's financial and accounting operations, and have considerable related knowledge.
5. Auditor Go Kawada possesses tax accountant qualifications, and has considerable knowledge related to finance and accounting.
6. The Company has 14 Vice Presidents, consisting of the Members of the Board of Directors listed above who serve concurrently as Vice Presidents, and 9 other Vice Presidents.
7. President and Statutory Representative Director Yasutaka Murata assumed the posts of Chairman of the Murata Sciences Foundation on April 1, 2007 and Chairman of Kyoto Keizai Doyukai (Kyoto Association of Corporate Executives) on April 27, 2007.

## 2) Remuneration for Members of the Board of Directors and Statutory Auditors

Category	Number of Directors or Statutory Auditors	Remuneration amount (¥ million)
Directors	9	412
Statutory Auditors	5	63
Total	14	476

Notes:

1. The Remuneration, etc. does not include salaries which Directors receive in their capacity as employees of the Company.
2. Outside Directors and Statutory Auditors remuneration among the above totals ¥40 million.
3. Based on resolutions of general meeting of shareholders, the annual remuneration limits are ¥500 million for Directors (June 2005 Ordinary General Meeting of Shareholders resolution) and ¥80 million for Statutory Auditors (June 1998 Ordinary General Meeting of Shareholders resolution). However, this does not include salaries which Directors receive in their capacity as employees of the Company. In cases where residences must be changed as required by business, Company housing usage fees are collected in accordance with prescribed Company standards for housing provided within commuting distance of workplaces. In such cases the Company cash burden limit is ¥20 million (resolution of the June 2003 Ordinary General Meeting of Shareholders).
4. On the day of the June 2004 Ordinary General Meeting of Shareholders, the retirement allowance system for Directors and Statutory Auditors were abolished. Based on resolutions adopted at the same time, as of the end of the meeting an amount equivalent to such retirement allowance is presented to Directors or Statutory Auditors leaving office.
5. In addition to the foregoing, as remuneration expenses for stock options granted to Directors and Statutory Auditors ahead of implementation of the Corporation Law, ¥9 million was posted as expenses to the term's consolidated statement of income. No stock options were granted in the period under review.

### 3) Outside Directors' and Statutory Auditors' major roles at other entities

Category	Name	Entity name	Title
Outside Director	Koji Tajika	The Tokyo Star Bank, Limited Nomura Holdings, Inc. Sumitomo Corporation	Outside Director Outside Director Outside Statutory Auditor
	Yasuro Tanahashi	NS Solutions Corporation  Internet Initiative Japan Inc.	Representative Director and Chairman Outside Director
Outside Statutory Auditor	Keiichi Yokobori	Lawyer Teikyo University Faculty of Law	Professor
	Go Kawada	Certified tax accountant Graduate School of Global Business of Meiji University Boston Scientific Corporation Japan BANDAI Co., Ltd.	Professor  Outside Statutory Auditor Outside Statutory Auditor

Notes:

- 1.The Outside Director Yasuro Tanahashi is Representative Director and Chairman of NS Solutions Corporation, to which the Company outsources system development and other operations.
- 2.Other Outside Officers have no special relationships with the Company.

#### 4) Principal activities of Outside Directors and Statutory Auditors

Category	Name	Principal activities
Outside Director	Koji Tajika	Present at 15 of the 16 meetings of the Board of Directors convened in this business period; as necessary, rendered advice primarily as an accounting specialist with high discernment and abundant experience.
	Yasuro Tanahashi	Present at 11 of the 16 meetings of the Board of Directors convened in this business period; as necessary, rendered advice as a corporate manager with high discernment and abundant experience.
Outside Statutory Auditor	Keiichi Yokobori	Present at 13 of the 16 meetings of the Board of Directors, and at 13 of the 15 meetings of the Board of Statutory Auditors convened in this business period; as necessary, rendered advice backed by abundant overseas experience and as an academic expert with high discernment.
	Tetsuya Hiraoka	Present at all 16 meetings of the Board of Directors and all 15 meetings of the Board of Statutory Auditors; as necessary, rendered advice backed by abundant experience in taxation and accounting, and as a corporate manager.
	Go Kawada	Present at all 12 meetings of the Board of Directors and 7 of the 11 meetings of the Board of Statutory Auditors convened since his appointment on June 29, 2006; as necessary, rendered advice primarily from the viewpoint and abundant experience as a taxation specialist.

#### 5) Summary of limited liability agreements

Under Article 423, Paragraph 1 of the Corporation Law, the Company has concluded limited liability agreements with its Outside Directors and Outside Statutory Auditors. The upper limit of liability the agreements set is equivalent to the minimum prescribed in Article 425, Paragraph 1 of the Corporation Law.

#### 5 Matters Related to Independent Auditor

##### 1) Designation of Independent Auditor

Deloitte Touche Tohmatsu

##### 2) Independent Auditor remuneration for the period

	Category	Remuneration (¥ million)
	Remuneration as Independent Auditor	63
	Total amount of remuneration paid by the Company and its subsidiaries to Independent Auditor	72

Notes:

1. Since the Company's contracts with Independent Auditor do not distinguish between amounts paid for auditing under the Corporation Law and auditing under the Securities and Exchange Law, and such amounts cannot be distinguished in practice, the amount in is the total of both.
2. Other than for services under Article 2-1 of the Public Accountants Law, the Company pays to the Independent Auditor the value of research and other work related to the effectiveness of internal control of financial reports.
3. Among the Company's important subsidiaries, Murata Electronics North America, Inc., Murata Electronics Singapore (Pte.) Ltd. and Murata Company Limited are audited by public accountants or audit firms (including overseas firms with equivalent qualifications) other than the Company Independent Auditor (limited to those under the provisions of the Corporation Law or the Securities and Exchange Law, including equivalent foreign laws).

##### 3) Policy for determining Independent Auditor dismissal or non-reappointment

When any of the items under Article 340-1 of the Corporation Law applies to the Independent Auditor and the Board of Statutory Auditors deems dismissal appropriate, the Independent Auditor is dismissed.

When the Company for any reason deems the Independent Auditor dismissal or non-reappointment appropriate, at the request of the Board of Statutory Auditors or with its concurrence, such dismissal or non-reappointment becomes a matter for the general meeting of shareholders.



## **6. Systems for Assuring Appropriateness of Company Operations**

The Board of Directors has determined the basic policy related to preparation of the Company's system for assuring appropriateness of operations (internal control system).

### **1) Systems to ensure that Directors and employees perform duties in compliance with laws and the Articles of Incorporation**

- (1) As an advisory organ, the President creates an Internal Control Committee, and evaluates design and operation of the internal control system for the purpose of internal control system maintenance and continuous improvement.
- (2) In compliance with laws, regulations and the Articles of Incorporation, in order that Directors, Vice Presidents and employees conduct business activities based on a higher ethical standpoint, corporate ethics regulations, conduct guidelines and compliance-related regulations are prescribed and thoroughly instilled.
- (3) The President creates an advisory organ for instituting a compliance system.
- (4) In order to deal with compliance-related problems appropriately, report acceptance points are established internally and externally, and measures are taken to ensure no disadvantage to persons who report.
- (5) An independent internal auditing function is established, and the effectiveness of the internal control system is audited.

### **2) Systems for preserving and managing data on Directors' performance of duties**

- (1) Minutes of meetings of the Board of Directors, documents for decision making and other important documents related to Directors' performance of duties are, based on internal regulations, preserved for at least 10 years and made available for suitable review by Directors and Statutory Auditors.
- (2) A supervisory organization is established for document preservation and control. The organization prescribes internally basic matters related to document preservation and control, and provides all-Company guidance on suitable preservation and administration of the documents noted in the preceding paragraph.

### **3) Regulations for loss risk management and other systems**

- (1) To cope with the various risks of business activity, committees are established within the Internal Control Committee for screening of all-Company risk management systems and policies.
- (2) An all-Company organization in charge of risk management is established. The organization ascertains and assesses risks, formulates countermeasures, establishes risk management regulations, and provides guidance and advice to the divisions supervising each work function.

### **4) Systems for assuring efficiency of Directors' work performance**

- (1) The Board of Directors formulates medium and long term policies, fiscal year policies based thereon, budgets and implementation plans, and administer their progress.
- (2) The system of Vice Presidents, is introduced to set decision making for managerial policy and the implementation of important tasks in a separate category from the implementation of everyday tasks, thereby strengthening monitoring functions and work implementation functions.
- (3) For appropriate decision making, approval of matters prescribed in internal regulations is vested in the relevant Directors, Vice Presidents and important employees through approval procedures using IT (information technology).
- (4) As a deliberating body assisting decision making by Statutory Representative Directors, the Board of Directors creates a Management Executive Committee comprising Directors with special titles, Directors and Vice Presidents with special titles. This committee deliberates and accepts reports on matters prescribed in internal regulations.
- (5) Various types of information related to performance of duties are provided periodically or as necessary to related Directors, Vice Presidents and employees, and information is shared using IT.

### **5) Systems for assuring appropriate operations in the Murata Group**

- (1) In the Group's principal business of electronic component development, production and sales, the Company divides business roles among its subsidiaries. The Company therefore provides guidance and advice in regard to the subsidiaries' business management.
- (2) The divisions in charge of the Company's work functions determine work domains, processing procedures and judgment criteria to ensure appropriate and efficient performance. They also provide appropriate guidance and auditing to subsidiaries as necessary.

- (3) The subsidiaries are guided to prepare and operate appropriate internal control systems corresponding to their business contents and scale.
- 6) When Statutory Auditors request allocation of employees to assist in their duties, matters related to such employees and the independence of such employees from Directors**
  - (1) An Auditor's Office is placed to assist Statutory Auditors in their duties, and a suitable number of staff dedicated full time to the office is assigned.
  - (2) Auditor's Office employees do not accept guidance and orders from Directors. Personnel matters related to Auditor's Office employees are as agreed upon in consultations between Directors and Statutory Auditors.
- 7) Systems for Directors and employees reports to Statutory Auditors, and for other reports to Statutory Auditors**
  - (1) Directors, Vice Presidents and employees furnish to Statutory Auditors the minutes and documents of the Management Executive Committee and other meetings, documents for decision making and business results and other periodic report documents, as well as facts raising concern about violation of the corporate ethics policy and code of conduct, risks and the situation of risk control management, internal negative reports and their contents, and the results of external public agencies and other audits.
  - (2) In addition to the foregoing, Directors, Auditor's Office and employees furnish documents or render reports at any time when requested by Statutory Auditors.
- 8) Other systems for assuring effective audits by Statutory Auditors**

The following measures are taken to enhance the effectiveness of audits by Statutory Auditors.

  - (1) Statutory Auditors attend important meetings and committees
  - (2) Cooperation of Statutory Auditors with the internal audit division
  - (3) Cooperation of Statutory Auditors with Independent Auditor
  - (4) Periodic meetings of Statutory Representative Directors etc. and Statutory Auditors
  - (5) As necessary, Statutory Auditors obtain the opinions of lawyers, accountants and others

## Consolidated Balance Sheet

As of March 31, 2007

(In millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>	<b>1,014,965</b>	<b>Liabilities</b>	<b>192,072</b>
<b>Current Assets</b>	<b>672,912</b>	<b>Current Liabilities</b>	<b>131,520</b>
Cash	29,133	Short-term borrowings	13,114
Time deposits	77,903	Trade notes payable	4,380
Marketable securities	320,421	Trade accounts payable	33,723
Trade notes receivable	7,347	Accrued payroll and bonuses	20,806
Trade accounts receivable	121,896	Income taxes payable	29,465
Allowance for doubtful notes and accounts	(1,810)	Accrued expenses and other	30,032
Inventories	86,074	<b>Long-term Liabilities</b>	<b>60,552</b>
Deferred income taxes	22,889	Long-term debt	24
Prepaid expenses and other	9,059	Termination and retirement benefits	40,390
<b>Property, Plant and Equipment</b>	<b>283,944</b>	Deferred income taxes	19,452
Land	41,107	Other	686
Buildings	225,310	<b>Shareholders' Equity</b>	<b>822,893</b>
Machinery and equipment	480,449	<b>Common Stock</b>	<b>69,377</b>
Construction in progress	25,519	<b>Capital Surplus</b>	<b>102,363</b>
Accumulated depreciation	(488,441)	<b>Retained Earnings</b>	<b>655,240</b>
<b>Investments and Other Assets</b>	<b>58,109</b>	<b>Accumulated Other Comprehensive Income</b>	<b>14,189</b>
Investments	17,122	Unrealized gains on securities	5,368
Deferred income taxes	6,442	Pension liability adjustments	8,466
Long-term receivables, advances and other	34,545	Unrealized losses on derivative instruments	(29)
		Foreign currency translation adjustments	384
		<b>Treasury Stock, at cost</b>	<b>(18,276)</b>
<b>Total</b>	<b>1,014,965</b>	<b>Total</b>	<b>1,014,965</b>

## Consolidated Statement of Income

For the year ended March 31, 2007

(In millions of yen)

Item	Amount	
<b>Net sales</b>		<b>566,805</b>
<b>Operating costs and expenses:</b>		
Cost of sales	335,869	
Selling, general and administrative expenses	78,901	
Research and development expenses	38,670	453,440
<b>Operating income</b>		<b>113,365</b>
<b>Other income (expenses):</b>		
Interest and dividends income	3,898	
Interest expense	(342)	
Foreign currency exchange loss	(1,908)	
Other-net	2,990	4,638
<b>Income before income taxes</b>		<b>118,003</b>
<b>Income taxes</b>		
Current	48,873	
Deferred	(2,179)	46,964
<b>Net income</b>		<b>71,309</b>

## **Consolidated Statements of Shareholders' Equity**

For the year ended March 31, 2007

	Number of common shares issued	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance at March 31, 2006	225,263,592	69,377	102,228	601,685	781	(18,677)
Purchases of treasury stock at cost						(53)
Exercise of stock options			54			454
Stock-based compensation expense			81			
Net income				71,309		
Cash dividend, ¥80.00 per share				(17,754)		
Other comprehensive income, net of tax					4,382	
Adjustment to initially apply FASB Statement No. 158, net of tax					9,026	
Balance at March 31, 2007	225,263,592	69,377	102,363	655,240	14,189	(18,276)

## **Notes to Consolidated Financial Statements**

### **Basis of Preparation of Consolidated Financial Statements**

#### **1. Scope of Consolidation and Application of the Equity-method**

1) Number of consolidated subsidiaries: 56

Major consolidated subsidiaries:

Fukui Murata Manufacturing Co., Ltd.  
Izumo Murata Manufacturing Co., Ltd.  
Toyama Murata Manufacturing Co., Ltd.  
Komatsu Murata Manufacturing Co., Ltd.  
Kanazawa Murata Manufacturing Co., Ltd.  
Okayama Murata Manufacturing Co., Ltd.  
Murata Land & Building Co., Ltd.  
Murata Electronics North America, Inc.  
Murata Electronics Singapore (Pte.) Ltd.  
Murata Company Limited

2) Number of unconsolidated subsidiaries: None

3) Number of affiliated companies: None

#### **2. Changes in Scope of Consolidation and Application of the Equity-method**

(Consolidated subsidiaries)

Two companies were newly consolidated.

SyChip, Inc.  
SyChip Electronic Technology (Shanghai) Ltd.

One company was excluded from consolidation  
Suzhou Murata Electronics Co., Ltd.

(Affiliated companies)

One company was excluded from affiliated companies.  
MTC Solutions Co., Ltd.

#### **3. Significant Accounting Policies**

1) Basis of financial statements

In compliance with the stipulations of Article 148, Item 1 of the accounting regulations of the Corporation Law, the consolidated financial statements are prepared based on terms, format and preparation method in accordance with accounting principles generally accepted in the United States. However, some notes and description required for the fulfillment of the principles are omitted to the extent allowed by the stipulations.

2) Inventories

Inventories are stated at the lower of cost or market. The average cost method is principally used to determine cost.

3) Marketable securities and investments

Under SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities," the Companies classify all debt securities and marketable equity securities as available-for-sale and carry them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as a separate component of shareholders' equity. Gains and losses on sales of investments are computed on an average cost basis. Equity securities that do not have a readily determinable fair value are recorded at average cost.

- 4) Depreciation of property, plant and equipment  
Depreciation of property, plant and equipment has been principally computed using the declining-balance method.
- 5) Goodwill and other intangible assets  
The Companies account for goodwill and other intangible assets in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets." In compliance with this statement, goodwill is not amortized but tested at least annually for impairment. Intangible assets that have finite useful lives continue to be amortized over their useful lives. This statement also requires that intangible assets that are determined not to have finite useful lives should not be amortized and instead tested at least annually for impairment until their useful lives are determined to be no longer indefinite.
- 6) Termination and retirement benefits  
Termination and retirement benefits, accounted for in accordance with SFAS No.87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132 (R)," are provided at the amount incurred during the period, which is based on the estimated present value of the projected benefit obligation less the fair value of plan assets at the end of the period.  
The overfunded or underfunded status of a defined benefit postretirement plan is recognized as an asset or liability in its statement of financial position, with an adjustment to accumulated other comprehensive income (loss).  
The unrecognized prior service benefit due to certain plan amendments is being amortized on a straight-line basis over the average remaining service period of employees.  
The unrecognized actuarial gains and losses in excess of ten percent of the larger of the projected benefit obligation or plan assets are being amortized over five years by the straight-line method.
- 7) Accounting for consumption taxes  
Consumption taxes are separately accounted for, and are excluded from the amounts of the underlying income and expense transaction.

#### **4. Change of Accounting Principles**

On March 31, 2007, the Companies adopted the recognition of the funded status of a defined benefit postretirement plan and the required disclosures with SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132 (R)." The Companies had recognized a minimum pension liability, if the accumulated benefit obligations exceed the fair value of plan assets in accordance with SFAS No.87, "Employers' Accounting for Pensions". However, after adoption of SFAS No. 158, the overfunded or underfunded status of a defined benefit postretirement plan is recognized as an asset or liability in the statement of financial position, with an adjustment to accumulated other comprehensive income (loss). Thus, accumulated other comprehensive income (net of tax) increased by 9,026 million yen.

#### **Notes to the Consolidated Balance Sheet**

1. Figures shown are rounded off to the nearest million yen.
2. Bill discounted: 193 million yen

#### **Notes to Per Share Information**

1. Shareholder's equity per share: ¥3707.02
2. Earnings per share
  - 1) Basic earnings per share: ¥321.29
  - 2) Diluted earnings per share: ¥321.22

**Significant Acquisition**

In April, 2006, Murata Electronics North America, Inc. (“MEA”), a wholly-owned subsidiary of Murata Manufacturing Co., Ltd., acquired a US company, SyChip, Inc. (“SyChip”) as MEA’s wholly-owned subsidiary. The total acquisition price is US\$136 million.

SyChip designs, develops and markets Radio Frequency Chip Scale modules. Its products are supplied for mobile terminals such as POS terminals, PDAs, IP Phones and media players. SyChip’s application markets such as VoIP, which are not covered by the Companies’ current businesses, are anticipated to extend. This acquisition is expected to broaden our wireless module business market.

Business results of SyChip, Inc. were included in the Companies’ consolidated balance sheet and statement of income after the acquisition date.



## Non-Consolidated Balance Sheet

As of March 31, 2007

(In millions of yen)

Item	Amount	Item	Amount
<b>Assets</b>	<b>535,647</b>	<b>Liabilities</b>	<b>106,715</b>
<b>Current Assets:</b>	<b>223,043</b>	<b>Current Liabilities:</b>	<b>73,428</b>
Cash and time deposits	26,798	Trade notes payable	2,948
Trade notes receivable	6,126	Trade accounts payable	35,779
Trade accounts receivable	76,661	Current portion of long-term debt	2
Marketable securities	63,138	Accounts payable—other	5,095
Finished products and merchandise inventories	7,386	Accrued expenses	7,664
Materials and supplies	7,143	Accrued income taxes, etc.	20,829
Work-in-process	8,891	Others	1,109
Short-term loans receivable	294	<b>Long-term Liabilities:</b>	<b>33,287</b>
Current portion of long-term loans receivable	1,085	Long-term debt	24
Accounts receivable	17,310	Allowance for retirement benefits	32,585
Deferred tax assets	6,689	Others	678
Others	1,536	<b>Net Assets</b>	<b>428,931</b>
Allowance for doubtful accounts	(20)	<b>Shareholders' Equity</b>	<b>423,748</b>
		<b>Common Stock</b>	<b>69,376</b>
<b>Non-current Assets:</b>	<b>312,603</b>	<b>Capital Surplus</b>	<b>107,726</b>
<b>Property, plant and equipment</b>	<b>66,660</b>	Additional paid-in capital	107,666
Buildings	24,324	Other capital surplus	59
Structures	2,474	<b>Retained earnings</b>	<b>264,921</b>
Machinery and equipment	15,415	Legal reserve	7,899
Vehicles	35	Other retained earnings	257,021
Tools, furniture and fixtures	5,666	Reserve for deferred income tax for land	11
Land	17,454	Reserve for accelerated depreciation	1,566
Construction in progress	1,290	Provision for special reserve for deferment of gain on sales of property for replacement	3
<b>Intangible fixed assets</b>	<b>5,185</b>	General reserve	127,707
		Retained earnings brought forward	127,732
<b>Investments and other assets</b>	<b>240,756</b>	<b>Treasury Stock</b>	<b>(18,275)</b>
Investment securities	187,397	<b>Valuation and translation adjustments</b>	<b>5,182</b>
Investment in common stock of affiliated companies	15,504	<b>Unrealized gains on securities</b>	<b>5,182</b>
Investment in affiliated companies	10,220		
Long-term loans	8,401		
Deferred tax assets	13,070		
Others	6,291		
Allowance for doubtful accounts	(130)		
<b>Total</b>	<b>535,647</b>	<b>Total</b>	<b>535,647</b>

## Non-Consolidated Statement of Income

For the year ended March 31, 2007

(In millions of yen)

Item	Amount	
<b>Net sales</b>		<b>490,642</b>
<b>Cost of sales</b>		<b>385,553</b>
<b>Gross Profit</b>		<b>105,088</b>
<b>Selling, general and administrative expenses:</b>		<b>67,122</b>
<b>Operating income</b>		<b>37,966</b>
<b>Non-operating income:</b>		
Interest received	1,801	
Dividends received	19,173	
Miscellaneous income	2,303	23,278
<b>Non-operating expenses:</b>		
Interest expenses	4	
Contribution	287	
Miscellaneous loss	564	856
<b>Income before income taxes and extraordinary items</b>		<b>60,388</b>
<b>Income before income taxes</b>		<b>60,388</b>
Current income taxes	17,349	
Deferred income taxes	(1,798)	15,551
<b>Net income</b>		<b>44,836</b>

## Statement of Changes in Equity

For the year ended March 31, 2007

(In millions of yen)

	Shareholders' Equity												
	Common stock	Capital surplus			Retained earnings							Treasury Stock	Total share-holders equity
		Additional paid-in capital	Other capital surplus	Total capital surplus	Legal reserve	Voluntary reserves					Total retained earnings		
						Reserve for deferred income tax for land	Reserve for accelerated depreciation	Provision for special reserve for deferment of gain on sales of property for replacement	General reserve	Retained earnings brought forward			
Balance at March 31, 2006	69,376	107,666	6	107,672	7,899	11	1,565	3	127,707	100,769	237,958	(18,676)	396,330
Changes during the year													
Dividends for the previous term (note)										(8,876)	(8,876)		(8,876)
Dividends for the current term										(8,877)	(8,877)		(8,877)
Bonus to directors (note)										(120)	(120)		(120)
Net income										44,836	44,836		44,836
Acquisition of treasury stock												(53)	(53)
Disposal of treasury stock			53	53								454	507
Reversal of reserve for accelerated depreciation for the previous term (note)							(494)			494	—		—
Transfer to reserve for accelerated depreciation for the previous term (note)							1,216			(1,216)	—		—
Reversal of reserve for accelerated depreciation for the current term							(1,000)			1,000	—		—
Transfer to reserve for accelerated depreciation for the current term							279			(279)	—		—
Net changes for the year except shareholders' equity													
Total changes for the year	—	—	53	53	—	—	0	—	—	26,962	26,962	400	27,417
Balance at March 31, 2007	69,376	107,666	59	107,726	7,899	11	1,566	3	127,707	127,732	264,921	(18,275)	423,748

Notes: These items were appropriated from the retained earnings at the Ordinary General Meeting of Shareholders in June, 2006.

	Shareholders' Equity		Total net assets
	Unrealized gains on securities	Total valuation and translation adjustments	
Balance at March 31, 2006	5,755	5,755	402,086
Changes during the year			
Dividends for the previous term (note)			(8,876)
Dividends for the current term			(8,877)
Bonus to directors (note)			(120)
Net income			44,836
Acquisition of treasury stock			(53)
Disposal of treasury stock			507
Reversal of reserve for accelerated depreciation for the previous term (note)			—
Transfer to reserve for accelerated depreciation for the previous term (note)			—
Reversal of reserve for accelerated depreciation for the current term			—
Transfer to reserve for accelerated depreciation for the current term			—
Net changes for the year except shareholders' equity	(572)	(572)	(572)
Total changes for the year	(572)	(572)	26,845
Balance at March 31, 2007	5,182	5,182	428,931

## Notes to Non-Consolidated Financial Statements

### **Significant Accounting Policies**

#### **1. Valuation Standards and Method for Assets**

##### 1) Marketable securities

Common stock of subsidiaries and affiliates:

Stated at cost using the moving-average method

Other marketable securities:

Securities to which market value applies:

Stated at market value based on market prices, etc.

(Unrealized gains and losses on securities are fully capitalized, and selling prices are determined by the moving-average method.)

Securities to which market value does not apply:

Stated at cost using the moving-average method

##### 2) Valuation standards and method for inventories

Merchandise:

Stated at the lower of cost or market, cost being determined by the moving-average method

Finished goods and work-in-process:

Stated lower of weighted-average cost or market

Materials and supplies:

Stated lower of weighted-average cost or market

#### **2. Method for Depreciation of Non-current Assets**

##### 1) Property, plant and equipment:

Declining-balance method

Useful lives are as follows:

Building:	10-50 years
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Machinery and equipment:	4-10 years
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##### 2) Intangible fixed asset:

Straight-line method

Internal-use softwares are amortized using the straight-line method based upon the estimated useful life (3 to 5 years) in the Company.

#### **3. Standards for Allowance**

##### 1) Allowance for doubtful accounts

To cover possible losses from bad debts for accounts receivable or loans, an allowance for doubtful accounts is provided for the uncollectible amount as estimated based on historical loss ratios after individually reviewing the collectability of specific claims such as doubtful receivables.

##### 2) Allowance for retirement benefits

The allowance for retirement benefits is provided based on the projected amount of pension plan assets and retirement benefit obligations at the end of the term.

Prior service cost is expensed using the straight-line method based on the average remaining length of service of employees at time the cost is incurred. Actuarial losses are amortized using the straight-line method over five years, starting from the subsequent year.

#### 4. Other Important Accounting Policies to Create Financial Statements

- 1) Accounting for lease transactions  
Finance leases other than those recognized as transferring ownership of leased property to the lessee are accounted for according to methods used in ordinary lease transactions.
- 2) Accounting for consumption taxes  
Consumption taxes are not included in the Company's financial statements.
- 3) Adoption of a consolidated taxation system  
The Company has adopted a consolidated taxation system.
- 4) Amounts presented are rounded down to the nearest million yen.

#### 5. Changes in Significant Account Policies

- 1) Accounting standard on Director's bonus  
Effective from the year under review, the Company has adopted the "Accounting Standard for Directors' Bonus" (Accounting Standards Board of Japan Statement No. 4, November 29, 2005). As a result of this change, operating income, income before income taxes and extraordinary items, and income before income taxes decrease by 90 million yen respectively.
- 2) Accounting standards for presentation of net assets in the balance sheet  
Effective from the year under review, the Company has adopted the "Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Statement No.5, December 9, 2005)" and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet (Accounting Standards Board of Japan Guidance No.8, December 9, 2005)."  
The amount corresponding to the conventional "Shareholders' Equity" in the balance sheet is 428,931 million yen.

#### Notes to Balance Sheet

1. Accumulated depreciation for property, plant and equipment ¥125,457 million
2. Short-term credits due from affiliated companies ¥33,143 million  
Long-term credits due from affiliated companies ¥9,853 million  
Short-term liabilities due to affiliated companies ¥19,718 million
3. Export bills discounted ¥181 million
4. Guarantee of loans

(In millions of yen)

Guaranteed party	Amount	Type of loan guarantee
Wuxi Murata Electronics Co., Ltd.	6,077	Loan payable
Murata Electronics Trading (Shanghai) Co., Ltd.	4,714	Loan payable
Murata Electronics Trading (Tianjin) Co., Ltd.	833	Loan payable
Shenzhen Murata Technology Co., Ltd.	482	Loan payable
Murata Electronics (Malaysia) Sdn. Bhd.	12	Notes and accounts payable
Employee	4	Loan payable
Total	12,125	

## Notes to Income Statement

### 1. Transactions with affiliated companies:

#### Operating transactions:

Sales to affiliated companies ¥268,234 million

Purchases from affiliated companies ¥361,306 million

#### Non-operating transactions:

Interest received from affiliated companies ¥51 million

Dividends received from affiliated companies ¥19,014 million

Assets sold to affiliated companies ¥1,446 million

Assets purchased from affiliated companies ¥664 million

### 2. Research and development expenses: ¥31,406 million

## Notes to Statement of Changes in Shareholder' Equity

### 1. Type and total number of shares issued at the end of term

Common stock 225,263,592 shares

### 2. Type and number of treasury stock issued at the end of term

Common stock 3,281,042 shares

### 3. Dividends

#### 1) Dividend paid

Resolution	Type of stock	Total amount (¥ million)	Dividend per share (¥)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2006	Common stock	8,876	40	Mar 31, 2006	Jun 30, 2006
Board of Directors Meeting on October 31, 2006	Common stock	8,877	40	Sep 30, 2006	Dec 4, 2006

#### 2) Dividends of which record date belongs to the year under review but of which effective date comes in the subsequent year.

The Company will make a following proposal on common stock dividend at the Ordinary General Meeting of Shareholders on June 28, 2007.

a) Total dividend amount ¥11,099 million

b) Dividend amount per share ¥50

c) Record date March 31, 2007

d) Effective date June 29, 2007

Dividends will be paid out of retained earnings.

### 4. Type and number of shares subject to share acquisition rights on the last day of the year under review (excluding those for which the exercise period has not started).

Common stock 123,900 shares

## Notes to Accounting for Income Taxes

### 1. Factors causing deferred tax assets and liabilities

#### 1) Current assets and current liabilities

##### Deferred tax assets:

Accrued bonuses	¥2,383 million
Inventories	¥1,640 million
Accrued enterprise tax	¥896 million
Foreign tax credit to be dealt with	¥879 million
Others	<u>¥890 million</u>
Deferred tax assets, total	¥6,689 million
Offset against deferred tax liabilities	<u>¥ – million</u>
Deferred tax assets, net	¥6,689 million

#### 2) Non-current assets and long-term liabilities

##### Deferred tax assets:

Allowance for retirement benefits	¥13,164 million
Tangible, intangible fixed assets	¥2,964 million
Investment in affiliated companies	¥1,369 million
Investment securities	¥555 million
Others	<u>¥394 million</u>
Deferred tax assets, subtotal	¥18,448 million
Valuation allowance	<u>¥(767) million</u>
Deferred tax assets, total	¥17,681 million
Offset against deferred tax liabilities	<u>¥(4,610) million</u>
Deferred tax assets, net	¥13,070 million

##### Deferred tax liabilities:

Unrealized gains on securities	¥3,538 million
Reserve for accelerated depreciation	¥1,061 million
Others	<u>¥10 million</u>
Deferred tax liabilities, total	¥4,610 million
Offset against deferred tax assets	<u>¥(4,610) million</u>
Deferred tax liabilities, net	¥– million

### 2. Difference between the statutory tax rate and effective tax rate

Normal effective statutory tax rate	40.4%
Increase (decrease) in tax resulting from:	
Permanent difference from dividends received	(7.5%)
Tax credit for research and development expenses	(3.9%)
Foreign tax credits	(3.2%)
Others	<u>0.0%</u>
Actual effective tax rate	<u>25.8%</u>

## Notes to Leased Fixed Assets

Finance leases other than those recognized as transferring ownership of leased property to the lessee

#### 1) Purchase costs, accumulated depreciation, accumulated impairment losses and book value at the year-end

	Purchase price equivalents	Accumulated depreciation equivalents	Year-end book value equivalents
Vehicles	¥11 million	¥2 million	¥8 million
Tools, furniture and fixture	¥581 million	¥414 million	¥167 million
Total	¥592 million	¥416 million	¥176 million

#### 2) Lease obligations at year-end

Due within one year	¥145 million
Due over one year	<u>¥30 million</u>
Total	¥176 million



3) Payment lease, reversal of impairment losses on leased assets, depreciation equivalents and impairment losses

Payment lease	¥144 million
Depreciation equivalents	¥144 million

4) Calculation method for depreciation equivalents

Depreciation is based on the straight-line method over the lease terms of the lease assets without residual value.

Note: Purchase price equivalents and lease obligation equivalents are calculated using the inclusive-of- interest method because lease obligation equivalents constitute small portion of non-current assets at year-end.

**Notes to Transactions with Related Parties**

(In million of yen)

Category	Party name	Voting rights ownership	Relations with the Company	Transaction details	Transaction amount	Item of account	Balance at year end
Subsidiary	Fukui Murata Mfg. Co., Ltd.	100% of direct ownership	Concurrent Officers	Purchase of merchandise (Note 1)	108,498 (Note 2)	Trade accounts payable	5,962 (Note 2)
Subsidiary	Izumo Murata Mfg. Co., Ltd.	100% of direct ownership	Concurrent Officers	Purchase of merchandise (Note 1)	56,660 (Note 2)	Trade accounts payable	2,713 (Note 2)
Subsidiary	Kanazawa Murata Mfg. Co., Ltd.	100% of direct ownership	Concurrent Officers	Purchase of merchandise (Note 1)	45,411 (Note 2)	Trade accounts payable	744 (Note 2)
Subsidiary	Murata Electronics Singapore (Pte.) Ltd.	100% of direct ownership	Concurrent Officers	Sales of merchandise and finished products (Note 1)	58,267 (Note 2)	Trade accounts receivable	3,028 (Note 2)
Subsidiary	Murata Company Limited	100% of direct ownership	Concurrent Officers	Sales of merchandise and finished products (Note 1)	54,809 (Note 2)	Trade accounts receivable	3,812 (Note 2)
Subsidiary	Okayama Murata Mfg. Co., Ltd.	100% of direct ownership	Concurrent Officers	Loan of fund Receipt of interest (Note 3)	5,033 19	Long-term receivables	5,894
						Current portion of long-terms receivable	377
						Short-term loans receivable	99
Subsidiary	Wuxi Murata Electronics Co., Ltd.	100% of indirect ownership	Concurrent Officers	Loan guarantee Acceptance of guarantee charge (Note 4)	6,077 4	—	—

Terms of transaction and policies to decide the terms

Notes:

1. Terms are decided in the same way as general transaction terms, considering market prices.
2. Transaction amounts don't include consumption taxes. The balance at year-end includes consumption taxes.
3. Interest rates for loans are decided, considering market interest rates. The length of period for long-term loans is 6 to 10 years.
4. The Company has guaranteed a bank loan to Wuxi Murata Electronics Co., Ltd. and the guarantee charge is decided, considering market guarantee charges.

**Notes to Per Share Information**

Net asset per share:	¥1,932.27
Net earnings per share	¥202.01

## Other Notes

### Accounting for Retirement Benefits

#### 1) Summary of retirement benefit plan:

The Company has employed defined benefit pension plan and lump-sum payment of retirement money.

#### 2) Retirement benefit obligations (as of March 31, 2007)

a. Benefit obligation	¥55,585 million
b. Pension plan assets	¥47,102 million
c. Excess of benefit obligation over pension plan assets (a – b)	¥8,482 million
d. Unrecognized actuarial difference	¥(6,488) million
e. Unrecognized prior service benefit	¥(17,613) million
f. Allowance for retirement benefits (c – d – e)	¥32,585 million

#### 3) Items related to retirement benefit expenses (April 1, 2006 – March 31, 2007)

a. Service cost	¥2,525 million
b. Interest cost	¥1,071 million
c. Expected return on plan assets	¥(892) million
d. Recognized actuarial difference	¥651 million
e. Amortization of prior service benefit	¥ (1,441) million
f. Retirement benefit expenses (a + b + c + d + e)	¥1,913 million

#### 4) Basis for calculation of retirement benefit obligations

a. Method of allocation of estimated pension cost	Straight-line standard
b. Discount rate	2.0%
c. Expected rate of return on plan assets	2.0%
d. Amortization period of return on plan assets	16-17 years (expensed using the straight-line method based on average remaining years of service of employees when cost arises)
e. Recognition period of actuarial loss	5 years (amortized from the subsequent year using the straight-line on fixed terms within the average remaining terms of services of employees when cost arises)

(Translation)

## **INDEPENDENT AUDITORS' REPORT**

May 9, 2007

To the Board of Directors of  
Murata Manufacturing Co., Ltd.

**Deloitte Touche Tohmatsu**

Designated Partner, Certified Public  
Engagement Partner Accountant

Ikuro Yoshikawa

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Designated Partner, Certified Public  
Engagement Partner Accountant

Koichiro Tsukuda

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Pursuant to fourth clause of Article 444 of the Corporate Law, we have audited the consolidated financial statements, namely, the Consolidated Balance Sheet, the Consolidated Statement of Income, the Consolidated Statement of Shareholders' Equity, and the Notes to Consolidated Financial Statements of Murata Manufacturing Co., Ltd. for the 71st consolidated fiscal year from April 1, 2006 to March 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of Murata Manufacturing Co., Ltd. and its consolidated subsidiaries for the related consolidated fiscal year, in conformity with accounting principles generally accepted in the United States under first clause of Article 148 of the accounting regulations of the Corporation Law of Japan (refer to note 3. 1) of "Basic of Preparation of Consolidated Financial Statements" of the Notes to Consolidated Financial Statements).

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

(Translation)

## **INDEPENDENT AUDITORS' REPORT**

May 9, 2007

To the Board of Directors of  
Murata Manufacturing Co., Ltd.

**Deloitte Touche Tohmatsu**

Designated Partner    Certified Public  
Engagement Partner    Accountant

Ikuro Yoshikawa

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Designated Partner    Certified Public  
Engagement Partner    Accountant

Koichiro Tsukuda

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Pursuant to the first item, second clause of Article 436 of the Corporate Law, we have audited the financial statements, namely, the Balance Sheet, the Statement of Income, the Statement of Changes in Equity, the Notes to Financial Statements, and the Accompanying Supplemental Schedules of Murata Manufacturing Co., Ltd. for the 71st fiscal year from April 1, 2006 to March 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the Accompanying Supplemental Schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the Accompanying Supplemental Schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement and the Accompanying Supplemental Schedules presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and the Accompanying Supplemental Schedules referred to above present fairly, in all material respects, the financial position and the results of operations of Murata Manufacturing Co., Ltd. for the fiscal year under review, in conformity with accounting principles generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

## AUDIT REPORT

We, the Board of Statutory Auditors has prepared this audit report based on a consideration of the Statutory Auditors' Report on the Directors' execution of their duties during the 71st fiscal year, which began on April 1, 2006 and ended on March 31, 2007.

### **1. Statutory Auditors' and the Board of Statutory Auditors' Auditing methods and their contents**

We have made determinations regarding audit policies and plans for the fiscal year, received reports on audit progress and result from each Statutory Auditor, received reports on business performance and auditing results from the Company's internal auditing office and the Independent Auditors, and sought further explanation when needed.

Each Statutory Auditor, in accordance with the auditing standard set by the Board of Statutory Auditors, and according to the auditing policies and plans for this term, has endeavored to achieve communications and understanding with Directors, Executive Officers, directors of subsidiaries, internal auditing office and other employees on their performance of duties, and work to gather information and create environment conducive to auditing. He also has attended the Board of Directors Meetings and other important meetings, received reports from Directors, Executive Officers, directors of subsidiaries, internal auditing office and other employees on their performance of duties, further explanation when needed, reviewed documentation on important decisions, and investigated the status of business and assets of the Company's head office, plants and subsidiaries. He has also monitored and verified conditions with regard to systems for ensuring whether the performance of Directors' duties is in accordance with the laws and the Company's Articles of Incorporation, and systems (internal control system) that have been implemented based on the content of the Board of Directors resolutions concerning the implementation of systems set forth in Articles 100, Paragraphs 1 and 3 of the Enforcement Regulations of the Corporation Law, as necessities for ensuring the propriety of the activities of corporations. We have, in the ways mentioned above, examined the Business Report and related detailed statements for the business year under review.

Furthermore, we have monitored and verified the activities of the Independent Auditors to determine whether they have maintained an independent position and properly performed audits, received audit status reports from them, and further explanation when needed. We also received notification from the Independent Auditors that they were preparing systems for ensuring the performance of job duties (items provided in Article 159 of the Corporate Calculation Regulations) in accordance with the "Audit Quality Management Standards" (October 28, 2005, Business Accounting Deliberation Council), and further explanation when warranted. Through the activities mentioned above, we have examined the non-consolidated financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, and notes to the accounting statements) and accompanying detailed statements for the business year under review, and the consolidated financial statements (consolidated balance sheet, statement of income, statement of changes in shareholders' equity, and notes to consolidated financial statements).

### **2. Result of the Audit**

#### **(1) Results of audit of Business Report and Accompanying Supplemental Schedules**

- 1) We recognize that the Business Report and the Accompanying Supplemental Schedules fairly represent the Company's conditions in accordance with the related laws and regulations and Articles of Incorporation.
- 2) We recognize that the content of the resolution of the Board of Directors regarding the Internal Control System is proper.
- 3) We have recognized neither wrongful act nor the fact of serious violation of related laws and regulations or Articles of Incorporation with regard to the execution of duties by the Directors.

#### **(2) Result of audit of non-consolidated financial statements and the accompanying detailed statements**

We recognize that the methods of the audit adopted by the Independent Auditor, Deloitte Touche Tohmatsu, and its result are proper.

(3) Result of audit of consolidated financial statements

We recognize that the methods of the audit adopted by the Independent Auditor, Deloitte Touche Tohmatsu, and its result are proper.

May 14, 2007

**MURATA MANUFACTURING CO., LTD.**

The Board of Statutory Auditors

Toshio Taji, Standing Statutory Auditor

Motohiko Nakayama, Standing Statutory Auditor

Keiichi Yokobori, Statutory Auditor (Outside Auditor)

Tetsuya Hiraoka, Statutory Auditor (Outside Auditor)

Go Kawada, Statutory Auditor (Outside Auditor)

## **Reference Materials for the General Meeting of Shareholders**

### **Proposals and References**

#### **Proposal No. 1: Appropriation of Retained Earnings for the 71st Fiscal Term**

The company proposes the disposal of retained earnings in the following manner.

##### **1. Year-end dividends**

The Company has adopted a basic policy for return of profits to its shareholders under which the Company intends to realize a steady increase of dividend by increasing profit per share, putting priority on distribution of results in the form of dividend, and enhancing the value of the Company and improving the financial strength at the same time.

Based on this policy, after examining the Company's consolidated performance and payout ratio, and determining the amount of unappropriated retained earnings needed for reinvestment in future development, the Company proposes a year-end dividend of 50 yen per share. Combined with the interim dividend, this will bring the annual dividend to 90 yen per share.

- 1) Type of dividend asset  
Cash
- 2) Allocation of dividend assets and total amount of allocation  
50 yen per common share  
Total amount of payout: 11,099,127,500 yen
- 3) Effective date of dividend payout  
June 29, 2007

##### **2. Other matters of retained earnings**

- 1) Retained-earnings accounts with a decrease, and amount of such decreases  
Unappropriated retained earnings: 35,000,000,000 yen
- 2) Retained-earnings accounts with an increase, and amount of such increases  
General reserve: 35,000,000,000 yen

## Proposal No.2: Partial Amendment to the Articles of Incorporation

### 1. Reasons for the amendment

To make the operation of the Board of Directors flexible, it is proposed that the Chairman, as well as the President, convenes a Board of Directors and shall act as the chairman thereof.

### 2. Details of amendment

The Company proposes the following amendment to the present Articles of Incorporation.

(Underlines show amended portions)

Present Articles of Incorporation	Articles of Incorporation after Amendment
<p>Article 24 (Person to Convene Meetings of the Board of Directors and Chairman)</p> <p>(1) Unless otherwise provided by laws and regulations, the President, Member of the Board of Directors shall convene a meeting of a Board of Directors and shall act as the chairman thereof.</p> <p>(2) When the President, Member of the Board of Directors is unable to act, another Director, who shall be decided in accordance with the order of priority previously determined by a resolution of the Board of Directors, shall act as the person to convene the meeting and the chairman.</p>	<p>Article 24 (Person to Convene Meetings of the Board of Directors and Chairman)</p> <p>(1) Unless otherwise provided by laws and regulations, <u>the Chairman or</u> the President, Member of the Board of Directors shall convene a meeting of a Board of Directors and shall act as the chairman thereof.</p> <p>(2) When <u>the Chairman and</u> the President, Member of the Board of Directors is unable to act, another Director, who shall be decided in accordance with the order of priority previously determined by a resolution of the Board of Directors, shall act as the person to convene the meeting and the chairman.</p>



### Proposal No. 3: Election of Seven (7) Members of the Board of Directors

The term of office of six (6) Member of the Board of Directors (Yasutaka Murata, Tsuneo Murata, Ichiro Nozaki, Yukio Sakabe, Atsushi Inoue, Yasuro Tanahashi (Outside Director)) out of the current nine (9) Member of the Board of Directors expires as of the end of the 71st Ordinary General Meeting of Shareholders.

Given the future business expansion, it is proposed that the number of the Board of Directors be increased by one and thereby seven (7) Member of the Board of Directors including one Outside Director be elected at this Ordinary General Meeting of Shareholders.

The candidates for Member of the Board of Directors are as follows:

Candidate No.	Name of Candidate (Birthdate)	Brief Personal History, Positions, Responsibilities and Representative Positions in Other Companies	Shares of the Company Owned
1	Yasutaka Murata (May 30, 1947)	<p>Jul 1973 Entered the Company</p> <p>May 1976 Assigned as General Manager of the Variable Component Department of the Company</p> <p>Apr 1979 Assumed the position of Senior Executive Vice President of Fukui Murata Mfg. Co., Ltd</p> <p>Jun 1979 Assumed the position of Member of the Board of Directors of the Company</p> <p>Jun 1982 Assumed the position of Senior Executive Vice President of the Company</p> <p>Jun 1989 Assumed the position of Executive Deputy Vice President and Statutory Representative Director of the Company</p> <p>Jun 1991 Assumed the position of President of the Company</p> <p>AT PRESENT:</p> <p>President, Statutory Representative Director (Representation at other companies)</p> <p>Statutory Representative Director, Chairman of Fukui Murata Mfg. Co., Ltd</p> <p>Statutory Representative Director, Chairman of Izumo Murata Mfg. Co., Ltd</p> <p>Statutory Representative Director, Chairman of Toyama Murata Mfg. Co., Ltd</p> <p>Statutory Representative Director, Chairman of Komatsu Murata Mfg. Co., Ltd</p> <p>Statutory Representative Director, Chairman of Kanazawa Murata Mfg. Co., Ltd</p> <p>Statutory Representative Director, President of Okayama Murata Mfg. Co., Ltd</p> <p>Director of Murata Electronics Singapore (Pte.) Ltd.</p> <p>Director of Murata Company Limited</p> <p>Chairman of the Murata Sciences Foundation</p> <p>Chairman of Kyoto Keizai Doyukai (Kyoto Association of Corporate Executives)</p>	1,882,711 shares

Candidate No.	Name of Candidate (Birthdate)	Brief Personal History, Positions, Responsibilities and Representative Positions in Other Companies	Shares of the Company Owned
2	Tsuneo Murata (August 13, 1951)	<p>Mar 1974 Entered the Company</p> <p>Nov 1983 Assumed the position of Senior Vice President of Izumo Murata Mfg. Co., Ltd.</p> <p>Jan 1987 Assumed the position of Geschäftsführer of Murata Elektronik GmbH</p> <p>Oct 1988 Assumed the position of Geschäftsführer of Murata Europe Management GmbH</p> <p>Jun 1989 Assumed the position of Member of the Board of Directors of the Company</p> <p>May 1991 Assigned as General Manager of Corporate Planning Department of the Company</p> <p>Jun 1991 Assumed the position of Senior Vice President of the Company</p> <p>Jun 1995 Assigned as responsible for Sales &amp; Marketing of the Company Assumed the position of Senior Executive Vice President of the Company</p> <p>Apr 1997 Assigned as General Manager of Sales &amp; Marketing Division of the Company</p> <p>Jun 1999 Assigned as responsible for Sales &amp; Marketing Division, Market Information Department of the Company</p> <p>Jun 2003 Assumed the position of Executive Deputy President and Statutory Representative Director of the Company</p> <p>Feb 2005 Assigned as responsible for Components Business Unit, Device Business Unit, Module Business Unit, Production Engineering Unit and Tokyo Administration Department of the Company</p> <p>Jan 2007 Assigned as responsible for Technology and Business Development Unit of the Company Assigned as General Manager of Technology and Business Development Unit of the Company</p> <p>AT PRESENT: Executive Deputy President, Statutory Representative Director Technology and Business Development Unit, Sales &amp; Marketing Unit, Components Business Unit, Device Business Unit, Module Business Unit, Production Engineering Unit, Market Information Department, Tokyo Administration Department General Manager of Technology and Business Development Unit (Representation at other companies) Statutory Representative Director, President of Fukui Murata Mfg. Co., Ltd. Statutory Representative Director, President of Toyama Murata Mfg. Co., Ltd. Director of Murata Electronics Singapore (Pte.) Ltd.</p>	1,905,000 shares

Candidate No.	Name of Candidate (Birthdate)	Brief Personal History, Positions, Responsibilities and Representative Positions in Other Companies	Shares of the Company Owned
3	Yukio Sakabe (October 10, 1945)	<p>Apr 1970 Entered the Company</p> <p>Apr 1988 Assigned as General Manager of Ceramic Research &amp; Development Department of the Company</p> <p>Apr 1995 Assigned as General Manager of Development Group II, Research &amp; Development Division of the Company</p> <p>Jun 2000 Assumed the position of Vice President of the Company</p> <p>Jun 2003 Assumed the position of Member of the Board of Directors of the Company</p> <p>Assigned as General Manager of Materials Research &amp; Development Center of the Company</p> <p>Jun 2005 Assumed the position of Executive Vice President</p> <p>Jan 2007 Assigned as General Manager of Research &amp; Development Center, Technology and Business Development Unit of the Company</p> <p>AT PRESENT: Member of the Board of Directors Executive Vice President General Manager of Research &amp; Development Center, Technology and Business Development Unit.</p>	400 shares
4	Atsushi Inoue (October 7, 1948)	<p>Apr 1973 Entered the Company</p> <p>Feb 1993 Assigned as General Manager of High Frequency Module Group of Komatsu Murata Mfg. Co., Ltd.</p> <p>Apr 1997 Assigned as General Manager of Circuit Module Group, Circuit Products Division of the Company</p> <p>Mar 2000 Assigned as General Manager of Circuit Modules Products Division of the Company</p> <p>Jul 2001 Assumed the position of Vice President of the Company</p> <p>Jun 2003 Assumed the position of Member of the Board of Directors of the Company</p> <p>Feb 2005 Assigned as General Manager of Components Business Unit of the Company</p> <p>Jun 2005 Assumed the position of Executive Vice President of the Company</p> <p>AT PRESENT: Member of the Board of Directors Executive Vice President General Manager of Components Business Unit (Representation at other companies) Statutory Representative Director, President of Izumo Murata Mfg., Co., Ltd.</p>	700 shares
5	Hideharu Ieki (April 25, 1950)	<p>Jan 1974 Entered the Company</p> <p>Nov 1994 Assigned as General Manager of High Frequency SAW Products Department, Microwave Components Group of Kanazawa Murata Mfg. Co., Ltd.</p> <p>Jun 2003 Assigned as General Manager of Components Division of the Company</p> <p>Jul 2003 Assumed the position of Vice President of the Company</p> <p>Feb 2005 Assigned as General Manager of Device Business Unit of the Company</p> <p>Jul 2005 Assumed the position of Senior Vice President of the Company</p> <p>AT PRESENT: Senior Vice President of the Company General Manager of Device Business Unit</p>	0 shares

Candidate No.	Name of Candidate (Birthdate)	Brief Personal History, Positions, Responsibilities and Representative Positions in Other Companies	Shares of the Company Owned
6	Koji Makino (May 13, 1952)	<p>Apr 1976 Entered Mitsui Engineering and Shipbuilding Co., Ltd.</p> <p>Jan 1986 Entered the Company</p> <p>May 1999 Assigned as General Manager of EMI Products Group, Device Products Division of Fukui Murata Mfg., Co., Ltd.</p> <p>Jun 2003 Assigned as General Manager of Corporate Planning Department, Accounting, Finance &amp; Corporate Planning Group of the Company</p> <p>Jun 2005 Assigned as General Manager of Planning &amp; Administration Group of the Company</p> <p>Jul 2005 Assumed the position of Vice President of the Company</p> <p>AT PRESENT: Vice President of the Company General Manager of Corporate Planning &amp; Administration Group</p>	0 shares
7	Yasuro Tanahashi (January 4, 1941)	<p>Apr 1963 Entered Fuji Iron &amp; Steel Co., Ltd. (currently Nippon Steel Corporation)</p> <p>Jun 1994 Assigned as General Manager of Machinery &amp; Materials Division of Nippon steel Corporation</p> <p>Jun 1995 Assumed the position of Member of the Board of Directors of Nippon Steel Corporation Assigned as General Manager of Electronics and Information Systems Division, Nippon Steel Corporation</p> <p>Apr 1997 Assumed the position of Managing Director of Nippon Steel Corporation Responsible for Electronics and Information Systems Division, New Materials Division, Silicon Wafer Division, and LSI Division of Nippon Steel Corporation</p> <p>Apr 2000 Assumed the position of Representative Director and President of Nippon Steel Information and Communication Systems Inc., (currently NS Solutions Corporation)</p> <p>Apr 2003 Assumed the position of Representative Director and Chairman of NS Solutions Corporation</p> <p>Jun 2004 Assumed the position of Director of Internet Initiative Japan Inc.</p> <p>Jun 2005 Assumed the position of Member of the Board of Directors of the Company</p> <p>AT PRESENT: Member of the Board of Directors Representative Director and Chairman of NS Solutions Corporation Director of Internet Initiative Japan Inc. (Representation at other companies) Representative Director and Chairman of NS Solutions Corporation</p>	0 shares

Notes:

- Special interests with the Company candidates have:
  - The Company makes contributions to the Murata Science Foundation, of which Yasutaka Murata assumed the position of Chairman as of April 1, 2007.
  - The Company outsources its system development to NS Solutions Corporation, of which Yasuro Tanahashi is the Representative Director and Chairman.
  - Other candidates have no special interests with the Company.
- Yasuro Tanahashi is a candidate for an Outside Director.
- Special notes for candidates for Outside Directors are as follows:
  - Reasons for appointment of the candidates for outside directors:  
Yasuro Tanahashi is appointed as a candidate for an Outside Director in the hope that he will be able to utilize his deep insight and abundant business experience for the management of the Company.
  - Number of years of service as an Outside Director  
At the conclusion of the 71st Ordinary General Meeting of Shareholders, Yasuro Tanahashi, currently serving as an Outside Director, will have served as an Outside Director for 2 years.

(3) Liability Limitation Agreements with Outside Directors

The Company has an agreement with Yasuro Tanahashi to the effect that liability of Outside Directors shall be restricted to the minimum liability limit stipulated in Article 425, Paragraph 1 of the Corporation Law. Upon his reelection, the Company will continue the said agreement with him.

#### **Proposal No. 4: Election of One (1) Statutory Auditor**

As the term of office of Mr. Toshio Taji, one of the five (5) present Statutory Auditors expires at the end of this Ordinary General Meeting of shareholders, it is proposed that one (1) Statutory Auditor be elected at this general meeting.

The Board of Statutory Auditors consents to this proposal.

The candidate for Statutory Auditor is as follows:

Name of Candidate (Birthdate)	Brief Personal History and Representative Positions in Other Companies	Shares of the Company Owned
Kunisaburo Tomono (January 10, 1949)	<p>Apr 1971      Entered the Company</p> <p>Oct 1995      Assigned as General Manager of Chemical Materials Department, Production Support Division of the Company</p> <p>May 2001      Assigned as General Manager of Intellectual Property Department, Intellectual Property Group (current Intellectual Property Department)</p> <p>AT PRESENT: General Manager of Intellectual Property Department</p>	110 shares

Note: There are no special interests between the Company and the candidate for Statutory Auditor.

### **Proposal No. 5: Revision of Amount of Remuneration for Members of the Board of Directors**

The fixed amount of remuneration to be paid to the Members of the Board of Directors was approved at the 69th Ordinary General Meeting of Shareholders held on June 29, 2005, as no more than 500 million yen per year. However, examining such circumstances as the expansion of management structure the Company proposes a revision of Members of the Board of Directors' remuneration to maximum 600 million yen per year (including 35 million yen, the annual maximum amount for Outside Directors). As has been the case till now, the amount does not include employee salaries and bonuses for a Director who is concurrently an employee and a Director.

The current number of Members of the Board of Directors stands at 9 (including 2 Outside Directors). If Proposal No. 3 is approved, the number will increase to 10 (including 2 Outside Directors).

The amounts paid to individual Members of the Board of Directors are determined after reflecting their performance on the base remuneration by position.

## **Explanation of terminology**

Technical terminology is explained in line with the content of the Business Report.

### **■Capacitors (pages 4, 5, 6, and 9)**

Capacitors are components that work to accumulate electricity, absorb power source voltage variations and contribute to stable operation of electronic equipment. They are used in mobile phones, personal computers, digital home appliances and almost all other electronic equipment.

### **■Third-generation mobile phone services (third-generation phones) (pages 4 and 6)**

Mobile phones are referred to as first generation (analog format) and second generation (digital format). Addition of to the latter of functions enabling high speed transmission of moving images and other large volume data gives rise to the term, third generation.

### **■Bluetooth® (pages 4, 5 and 6)**

Short distance wireless communication technology for exchanging voice messages and data among mobile phones, PDAs, digital home appliances and personal computers, as well as such PC peripherals as printers and scanners. Centering on Europe, mounting of wireless headsets and the like is moving forward.

### **■Dual-core MPUs (Micro processing units) (pages 4 and 5)**

In microprocessors generally, there is in the package one microprocessor core unit that performs processing. In dual core processors there are two, that have the merit of boosting ability to share processing. Increasing the number of cores increases condenser requirements.

### **■For distributors (page 4)**

This refers to selling agents for the Company's sales by application.

### **■Filters (ceramic, surface acoustic wave, dielectric, EMI suppression) (pages 5 and 6)**

As can be imagined from coffee filters, these devices pass through only necessary signals and operate to hold back unnecessary signals. Ceramic, surface acoustic wave and dielectric filters pass only designated signals, while EMI suppression filters protect electronic circuits by eliminating the noise (Electromagnetic Interference) included in signals.

### **■Ceramic resonators (page 5)**

Electronic equipment uses processors, microcomputers and numerous other digital ICs, but in order to process digital signals properly “standard clock signals” are required to regulate its “tempo.” Ceramic resonators use piezoelectric ceramic piezoelectric properties (extension or contraction by adding voltage, generating voltage by adding physical force), and are electronic components that generate standard clock signals.

### **■Multilayer ceramic devices (page 5)**

Previously, circuits were configured on one substrate with multiple components mounted on it. But, multilayer ceramic devices are a module electronic component significantly reduced in size, by



configuring three-dimensional circuits and incorporating component functions within multi-layered ceramic sheets.

■ **Isolators (page 5)**

These are electronic components with functions for transmitting electrical signals in only one direction. They are used in mobile phone transmission circuits to stabilize communication.

■ **Connectors (page 5)**

These are electronic components for electrical interconnectivity between circuits, equipment and the like.

■ **Lithium-ion secondary batteries (page 6)**

These are the batteries used in mobile equipment, of which mobile phones are representative, in line with progress in smaller size, lower weight and higher functions.

The products that the Company now handles are suited for applications formerly covered by nickel-cadmium batteries and nickel-hydrate batteries that require large electric currents, such as power tools, power-assisted bicycles and electric cars.

■ **Multi-site certification (page 6)**

Obtaining certification for the use of a single system at multi-sites.