Annual Securities Report

(The 87th Fiscal Year)

From April 1, 2022 to March 31, 2023

Murata Manufacturing Co., Ltd.

No. E01914

Contents

Cover

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Company name	Kabushiki Kaisha Murata Seisakusho
Company name in English	Murata Manufacturing Co., Ltd.
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Part I Corporate Information

I Overview of the Company

1. Key financial data

(1) Consolidated financial data, etc.

Fiscal year		83rd	84th	85th	86th	87th
Year end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Millions of yen)	1,575,026	1,534,045	1,630,193	1,812,521	1,686,796
Income before income taxes	(Millions of yen)	267,316	254,032	316,417	432,702	314,895
Net income attributable to Murata Corporation	(Millions of yen)	206,930	183,012	237,057	314,124	253,690
Comprehensive income attributable to Murata Corporation	(Millions of yen)	204,559	149,950	293,766	419,069	310,777
Murata Corporation’s shareholders’ equity	(Millions of yen)	1,603,976	1,694,104	1,920,805	2,263,596	2,402,511
Total assets	(Millions of yen)	2,048,893	2,250,230	2,462,261	2,809,171	2,872,763
Murata Corporation’s shareholders’ equity per share	(Yen)	2,507.11	2,647.88	3,002.12	3,537.80	3,815.18
Net income attributable to Murata Corporation per share	(Yen)	323.45	286.05	370.51	490.95	401.33
Diluted net income attributable to Murata Corporation per share	(Yen)	–	–	–	–	–
Shareholders’ equity ratio	(%)	78.3	75.3	78.0	80.6	83.6
Net income attributable to Murata Corporation / Shareholders’ equity	(%)	13.5	11.1	13.1	15.0	10.9
Price earnings ratio	(Times)	17.04	19.13	23.86	16.53	20.03
Net cash provided by operating activities	(Millions of yen)	279,842	350,334	373,571	421,458	276,278
Net cash used in investing activities	(Millions of yen)	(303,741)	(284,431)	(150,275)	(212,300)	(157,850)
Net cash provided by (used in) financing activities	(Millions of yen)	51,546	17,650	(118,189)	(117,505)	(173,708)
Cash and cash equivalents at end of year	(Millions of yen)	217,805	302,320	407,699	512,072	469,406
Number of employees	(Persons)	77,571	74,109	75,184	77,581	73,164

(Notes) 1. Amounts of less than one million yen are rounded to the nearest million yen.

2. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

3. The Companies adopt the “Accounting Standards Codification (ASC) 260: Earnings Per Share” published by the Financial Accounting Standards Board (FASB) of the United States of America, where diluted net income per share is computed if potential shares are dilutive. Diluted net income attributable to Murata Corporation per share is not stated since there are no dilutive shares.

4. In calculating Murata Corporation’s shareholders’ equity per share, the Company adopted the Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4).

5. In the 87th fiscal year, the price earnings ratio is calculated based on the Company’s stock price on the Tokyo Stock Exchange Prime Market, and until 86th fiscal year, it is calculated based on the Company’s stock price on the Tokyo Stock Exchange’s First Section.

6. The Company implemented a three-for-one common share split, effective April 1, 2019. Murata Corporation’s shareholders’ equity per share and net income attributable to Murata Corporation per share were calculated on the assumption that the relevant stock split had been implemented at the beginning of the 83rd fiscal year.

(2) Management indicators of reporting company

Fiscal year		83rd	84th	85th	86th	87th
Year end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Millions of yen)	1,053,105	1,044,772	1,107,863	1,233,464	1,069,417
Ordinary profit	(Millions of yen)	63,623	68,629	90,872	213,786	146,625
Profit	(Millions of yen)	67,005	67,669	85,317	184,784	148,193
Share capital	(Millions of yen)	69,444	69,444	69,444	69,444	69,444
Total number of issued shares	(Thousands of shares)	225,271	675,814	675,814	675,814	675,814
Net assets	(Millions of yen)	595,827	601,650	623,496	730,966	707,765
Total assets	(Millions of yen)	1,053,270	1,147,829	1,268,960	1,425,313	1,311,948
Net assets per share	(Yen)	931.32	940.38	974.49	1,142.44	1,123.93
Dividend per share [Interim dividend per share]	(Yen)	280.00 [140.00]	97.00 [47.00]	115.00 [55.00]	130.00 [60.00]	150.00 [75.00]
Basic earnings per share	(Yen)	104.73	105.77	133.35	288.80	234.27
Diluted earnings per share	(Yen)	–	–	–	–	–
Shareholders' equity ratio	(%)	56.6	52.4	49.1	51.3	53.9
Return on equity	(%)	11.3	11.3	13.9	27.3	20.6
Price earnings ratio	(Times)	52.63	51.73	66.31	28.11	34.32
Payout ratio	(%)	89.1	91.7	86.2	45.0	64.0
Number of employees	(Persons)	8,783	9,199	9,528	9,771	10,089
Total shareholders return [Benchmark: TOPIX total return]	(%) (%)	115.4 [95.0]	116.6 [85.9]	188.3 [122.1]	176.1 [124.6]	177.6 (131.8)
Highest stock price	(Yen)	20,255 *5,580	6,920	10,835	10,535	8,811
Lowest stock price	(Yen)	13,080 *5,400	4,304	5,008	7,008	6,438

(Notes) 1. Amounts of less than one million yen are rounded down to the nearest million yen.

2. The Company implemented a three-for-one common share split, effective April 1, 2019. Net assets per share and basic earnings per share are calculated as if the stock split had been conducted at the start of the 83rd fiscal year. The asterisked figures are the highest and lowest stock prices after ex-rights due to the stock split.

3. The diluted earnings per share are not stated since there were no dilutive potential securities.

4. In the 87th fiscal year, the price earnings ratio is calculated based on the Company's stock price on the Tokyo Stock Exchange Prime Market, and until 86th fiscal year, it is calculated based on the Company's stock price on the Tokyo Stock Exchange's First Section.

5. Effective from April 4, 2022, the highest and lowest stock prices were on the Tokyo Stock Exchange's Prime Market, and before then, they were on the Tokyo Stock Exchange's First Section.

2. History

Month and year	History
October 1944	Akira Murata founded Murata Manufacturing as a personal venture in Kyoto-shi and started manufacturing ceramic capacitors.
December 1950	The venture was reorganized as a stock company with the capital stock of one million yen and its name changed to Murata Manufacturing Co., Ltd.
February 1961	Head Office was moved to Nagaokakyo-shi, Kyoto.
September 1962	Established Yokaichi Plant.
September 1962	Invested in Fukui Murata Manufacturing Co., Ltd. (currently wholly owned).
March 1963	Listed on the Second Section of the Osaka Stock Exchange (moved to the First Section in February 1970).
May 1965	Established a sales company in the U.S., current Murata Electronics North America, Inc.
December 1969	Listed on the Second Section of the Tokyo Stock Exchange (moved to the First Section in February 1970).
December 1972	Established a sales and manufacturing company in Singapore, Murata Electronics Singapore (Pte.) Ltd.
October 1973	Established a sales company in China, Murata Company Limited.
April 1978	Established the first European sales company in Germany.
November 1978	Acquired a manufacturing and sales company in Taiwan, current Taiwan Murata Electronics Co., Ltd.
September 1980	Acquired a multination corporation in Canada, Erie Technological Products, Ltd. (currently one of the subsidiaries in the U.S. and Europe).
May 1981	Established Komatsu Murata Manufacturing Co., Ltd.
October 1982	Established Toyama Murata Manufacturing Co., Ltd.
August 1983	Established Izumo Murata Manufacturing Co., Ltd.
August 1984	Established Kanazawa Murata Manufacturing Co., Ltd.
July 1987	Established Yasu Plant.
September 1988	Established a manufacturing company in Thailand, Murata Electronics (Thailand), Ltd.
October 1988	Established the European management company in Germany. (Its functions were transferred to the current Murata Electronics Europe B.V. that was established in the Netherlands in August 2004.)
November 1988	Established Yokohama R&D Center.
December 1989	Established a sales company in the Netherlands. (It was integrated to the current Murata Electronics Europe B.V. in April 2014.)
July 1990	Established a sales company in Brazil, Murata World Comercial Ltda.
April 1992	Established Okayama Murata Manufacturing Co., Ltd.
May 1993	Established a manufacturing and sales company in Malaysia, Murata Electronics (Malaysia) Sdn. Bhd.
December 1994	Established a manufacturing company in China, Wuxi Murata Electronics Co., Ltd.
May 1995	Established a sales company in China, Murata Electronics Trading (Shanghai) Co., Ltd.
March 1999	Established Tokyo Branch in Shibuya-ku, Tokyo.
December 2000	Established a sales company in Republic of Korea, Korea Murata Electronics Company, Limited.
July 2002	Established a sales company in Mexico, Murata Electronics Trading Mexico, S.A. de C.V.
October 2004	Head Office was moved to a new building constructed at the current location.
June 2005	Established a manufacturing company in China, Shenzhen Murata Technology Co., Ltd.
December 2005	Established the sales management company for Greater China in China, Murata (China) Investment Co., Ltd.
August 2007	Acquired a development, manufacturing and sales company in the U.S., current Murata Power Solutions, Inc.
October 2010	Established a sales company in India, Murata Electronics (India) Private Limited.
October 2010	Established a sales company in Vietnam, Murata Electronics (Vietnam) Co., Ltd.
September 2011	Established a manufacturing company in the Philippines, Philippine Manufacturing Co. of Murata, Inc.
January 2012	Acquired a development and manufacturing company in Finland, current Murata Electronics Oy.
March 2012	Acquired the power amplifier business from Renesas Electronics Corporation.
August 2013	Acquired the current Iwate Murata Manufacturing Co., Ltd.
March 2014	Made the current Saitama Murata Manufacturing Co., Ltd. a subsidiary (a wholly owned subsidiary in May 2016).

Month and year	History
December 2014	Acquired a development, manufacturing and sales company in the U.S., current pSemi Corporation.
October 2016	Established a joint company with SHIZUKI ELECTRIC COMPANY INC., Murata Shizuki FC Solutions Co., Ltd.
October 2016	Acquired a development, manufacturing and sales company in France, current Murata Integrated Passive Solutions SAS.
September 2017	Acquired the battery business from Sony Corporation and Sony Group Corporation.
October 2017	Acquired a development and sales company in the U.S., current Murata Vios, Inc.
December 2020	Established Minato MIRAI Innovation Center in Nishi-ku, Yokohama-shi.
April 2022	After the Tokyo Stock Exchange restructured the market segments, the Company moved to the Prime Market of the Tokyo Stock Exchange from its First Section.

3. Description of business

The main business of Murata Manufacturing Co., Ltd. (the "Company") and its affiliates (collectively, the "Companies") is the development, manufacturing and sale of electronic components and related products, and this business is divided into three operating segments: Components (capacitors, inductors, EMI suppression filters, etc.), Devices and Modules (High Frequency Modules, Surface Wave Filters, Lithium Ion Secondary Batteries, Sensors, etc.) and Others (Healthcare Equipment, Solution Business, etc.).

From the first three months of the current fiscal year, we have changed our operating segment classifications. Details are as described in "II Business Overview 4. Analysis of financial position, business results and cash flow status by management: (4) Changes in operating segments".

The position of each company in the relevant business is as follows:

[Manufacturing and sales of electronic components]

Reporting company

The Company manufactures semi-finished products that are intermediate products of various electronic components and supplies them to manufacturing companies in Japan and oversea. In addition, the Company sells finished products that are processed within the Companies to clients and sales companies at home and abroad.

Sales companies

Sales companies conduct sales and brokerage services of products manufactured within the Companies. Material sales companies, such as Murata Electronics North America, Inc. in the U.S., Murata Company Limited and Murata Electronics Trading (Shanghai) Co., Ltd. in China, and Murata Electronics Europe B.V. in the Netherlands, sell finished products manufactured by the Company and its affiliates.

Manufacturing and sales companies

Manufacturing and sales companies principally process semi-finished products manufactured by the Company into finished products, which will be supplied to the Company and sales companies. They also sell products manufactured by the Company and affiliates to their clients. We have the following material manufacturing companies: In Japan, Fukui Murata Manufacturing Co., Ltd., Izumo Murata Manufacturing Co., Ltd., Toyama Murata Manufacturing Co., Ltd., Kanazawa Murata Manufacturing Co., Ltd., Okayama Murata Manufacturing Co., Ltd., Komoro Murata Manufacturing Co., Ltd., and Tohoku Murata Manufacturing Co., Ltd; in China, Wuxi Murata Electronics Co., Ltd., Shenzhen Murata Technology Co., Ltd., Murata Energy Device Wuxi Co., Ltd., and Foshan Murata Materials Co., Ltd.; in Singapore, Murata Electronics Singapore (Pte.) Ltd.; in the Philippines, Philippine Manufacturing Co. of Murata, Inc.; and in Thailand, Murata Electronics (Thailand), Ltd. They manufacture Components and Devices and Modules.

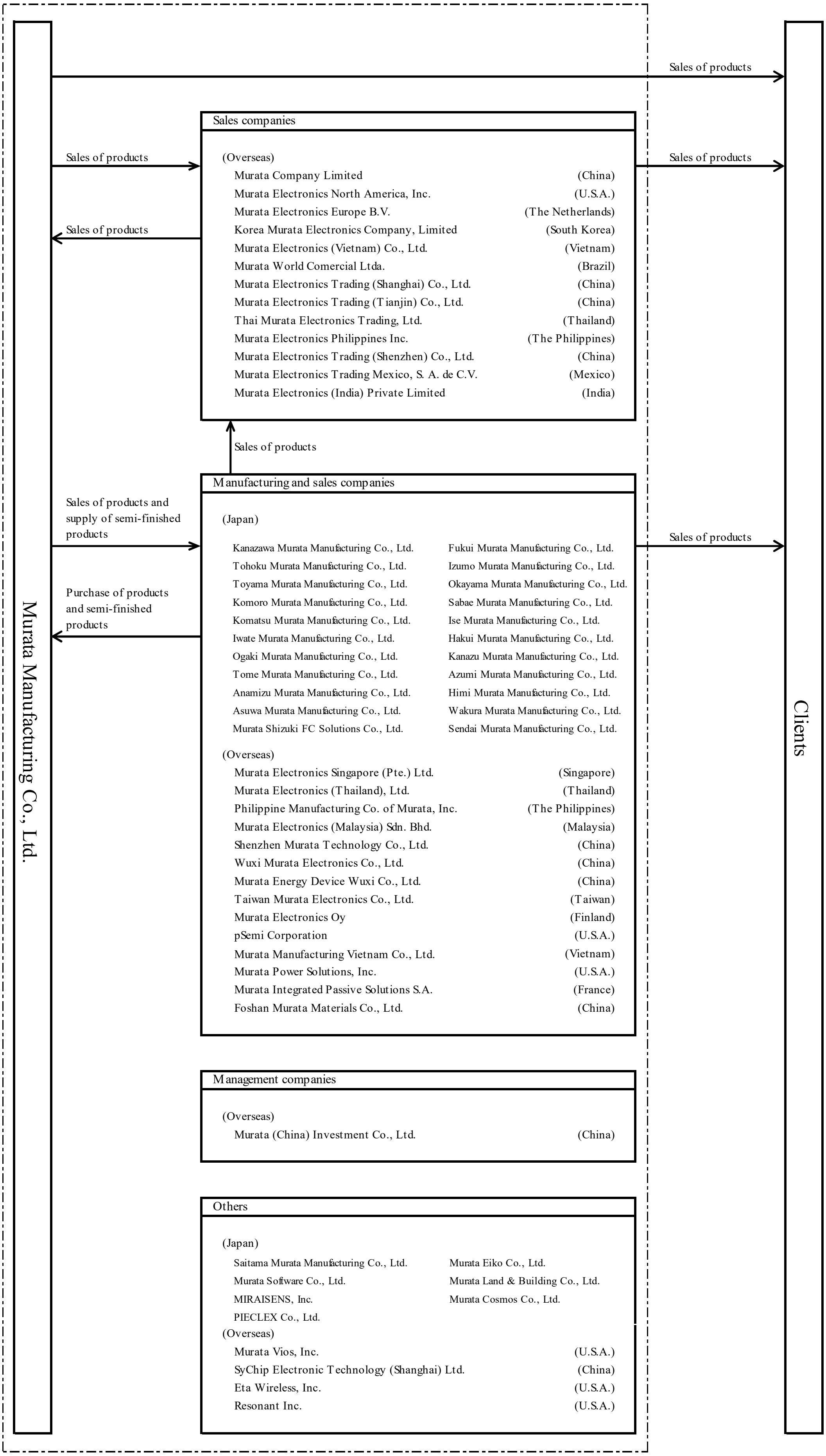
Management companies

The management company conducts marketing activities in the relevant region and administrates affiliates. Material management company, Murata (China) Investment Co., Ltd. in China, conducts marketing and engineering activities in Greater China, and administrates Chinese sales companies.

[Others]

There are affiliates that engage in employees' welfare, leasing of real estate, and the development and sales of products and software.

The above-mentioned business content is shown in the following diagram:



(Note) Other than the companies in the diagram above, there are 25 consolidated affiliated companies and one equity-method affiliate.

4. Information on affiliates

Name	Location	Capital stock or investments in capital (Millions of yen)	Primary business areas	Ownership ratio of voting rights (%)	Officers' concurrent posts	Financial support	Business transactions	Facility leasing
(Subsidiary)								
Izumo Murata Manufacturing Co., Ltd.*	Izumo-shi, Shimane	430	Manufacturing of components	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Fukui Murata Manufacturing Co., Ltd.*	Echizen-shi, Fukui	300	Manufacturing of components	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Kanazawa Murata Manufacturing Co., Ltd.	Hakusan-shi, Ishikawa	480	Manufacturing of devices/modules	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Tohoku Murata Manufacturing Co., Ltd.	Koriyama-shi, Fukushima	300	Manufacturing and development of devices/modules	100.0	–	Loans receivable 33,350 million yen	The Company purchases this company's products.	–
Okayama Murata Manufacturing Co., Ltd.	Setouchi-shi, Okayama	480	Manufacturing of components and devices/modules	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	Leasing of plant land
Toyama Murata Manufacturing Co., Ltd.	Toyama-shi, Toyama	450	Manufacturing of devices/modules	100.0	–	Loans receivable 1,792 million yen	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Komoro Murata Manufacturing Co., Ltd	Komoro-shi, Nagano	200	Manufacturing of devices/modules	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Sabae Murata Manufacturing Co., Ltd.	Sabae-shi, Fukui	200	Manufacturing of devices/modules and metal parts	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Saitama Murata Manufacturing Co., Ltd.	Tsurugashima-shi, Saitama	100	Development of components	100.0	–	–	The Company outsources the designing, development, and marketing of components to this company.	–

Name	Location	Capital stock or investments in capital (Millions of yen)	Primary business areas	Owner-ship ratio of voting rights (%)	Officers' concurrent posts	Financial support	Business transactions	Facility leasing
Sendai Murata Manufacturing Co., Ltd.	Sendai-shi, Miyagi	110	Manufacturing of devices/modules	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Ise Murata Manufacturing Co., Ltd.	Tsu-shi, Mie	100	Manufacturing of devices/modules	100.0	–	Loans receivable 3,044 million yen	The Company purchases this company's products.	–
Komatsu Murata Manufacturing Co., Ltd.	Komatsu-shi, Ishikawa	300	Manufacturing of devices/modules	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Iwate Murata Manufacturing Co., Ltd.	Morioka-shi, Iwate	350	Manufacturing and sales of devices/modules and electronic equipment	100.0	–	Loans receivable 5,032 million yen	The Company purchases this company's products.	–
Hakui Murata Manufacturing Co., Ltd.	Hakui-shi, Ishikawa	50	Manufacturing of devices/modules	100.0	–	Loans receivable 2,150 million yen	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Ogaki Murata Manufacturing Co., Ltd.	Ogaki-shi, Gifu	110	Manufacturing of devices/modules	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	Leasing of plant land
Murata Eiko Co., Ltd.	Nagaokakyo-shi, Kyoto	60	Operation of shops, sales of books, etc. Travel agency	100.0	–	–	The Company purchases books and travel tickets, etc.	Leasing of land and buildings for business
Murata Software Co., Ltd.	Nishi-ku, Yokohama-shi	50	Sales of software	100.0	○	–	The Company grants this company with rights to use and sell software. The Company also provides technical support.	Leasing of buildings for business
Murata Cosmos Co., Ltd.	Nagaokakyo-shi, Kyoto	50	Cleaning of dust-free clothes, management of farm-type employment	100.0	–	–	The Company outsources farm management to this company.	Leasing of buildings for business
MIRAISENS, Inc.	Nishi-ku, Yokohama-shi	100	Development of software and devices/modules	100.0	–	–	The Company outsources the development of software and devices/modules to this company.	Leasing of buildings for business

Name	Location	Capital stock or investments in capital (Millions of yen)	Primary business areas	Owner-ship ratio of voting rights (%)	Officers' concurrent posts	Financial support	Business transactions	Facility leasing
Kanazu Murata Manufacturing Co., Ltd.	Awara-shi, Fukui	220	Manufacturing of devices/modules	100.0 (9.1)	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Murata Land & Building Co., Ltd.	Nagaokakyo-shi, Kyoto	450	Leasing of real estate, insurance agency services	100.0 (19.6)	–	Loans receivable 1,500 million yen	The Company undertakes real estate management and facility maintenance.	The Company rents the land of the Head Office and land for business, and leases buildings for business.
Murata Shizuki FC Solutions Co., Ltd.	Ugo-machi, Ogachi-gun, Akita	100	Manufacturing and development of components	65.0	–	Loans receivable 2,964 million yen	The Company supplies some materials to this company and purchases this company's products.	–
PIECLEX Co., Ltd.	Yasu-shi, Shiga	100	Development, manufacturing and sales of textile products	51.0	–	Loans receivable 459 million yen	The Company undertakes the development of textile products.	Leasing of buildings for business
Tome Murata Manufacturing Co., Ltd.	Tome-shi, Miyagi	110	Manufacturing of components	100.0 (100.0)	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	Leasing of land and buildings for plant
Azumi Murata Manufacturing Co., Ltd.	Azumino-shi, Nagano	110	Manufacturing of components	100.0 (100.0)	–	Loans receivable 290 million yen	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	Leasing of land and buildings for plant
Wakura Murata Manufacturing Co., Ltd.	Nanao-shi, Ishikawa	10	Manufacturing of devices/modules	100.0 (100.0)	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Himi Murata Manufacturing Co., Ltd.	Himi-shi, Toyama	25	Manufacturing of devices/modules	100.0 (100.0)	–	Loans receivable 500 million yen	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Anamizu Murata Manufacturing Co., Ltd.	Anamizu-machi, Housu-gun, Ishikawa	10	Manufacturing of components	100.0 (100.0)	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–

Name	Location	Capital stock or investments in capital (Millions of yen)	Primary business areas	Owner-ship ratio of voting rights (%)	Officers' concurrent posts	Financial support	Business transactions	Facility leasing
Asuwa Murata Manufacturing Co., Ltd.	Fukui-shi, Fukui	21	Manufacturing of components	100.0 (100.0)	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–

Name	Location	Capital stock or investments in capital	Primary business areas	Owner-ship ratio of voting rights (%)	Officers' concurrent posts	Financial support	Business transactions	Facility leasing
Murata Electronics North America, Inc.	U.S.A.	Thousands of US$ 14,406	Sales of products of the Company and its affiliates	100.0	○	–	The Company sells finished products to this company.	–
Murata Company Limited*	China	Thousands of HK$ 1,900,000	Sales of products of the Company and its affiliates	100.0	–	–	The Company sells finished products to this company.	–
Murata Electronics Europe B.V.*	The Netherlands	Thousands of EURO 245,000	Sales of products of the Company and its affiliates	100.0	○	–	The Company sells finished products to this company.	–
Murata Electronics Singapore (Pte.) Ltd.	Singapore	Thousands of SD 4,000	Manufacturing of components and devices/modules, sales of products of the Company and its affiliates, general management of sales companies in ASEAN	100.0	○	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products. The Company sells finished products to this company. The Company outsources the general management of sales companies in ASEAN to this company.	–
Murata Electronics (Thailand), Ltd.*	Thailand	Thousands of Baht 6,093,731	Manufacturing of components and devices/modules	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Philippine Manufacturing Co. of Murata, Inc.*	The Philippines	Thousands of PHP 7,700,000	Manufacturing of components	100.0	–	Loans receivable 53,810 million yen	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Korea Murata Electronics Company, Limited	South Korea	Thousands of WON 1,500,000	Sales of products of the Company and its affiliates	100.0	–	–	The Company sells finished products to this company.	–
Murata (China) Investment Co., Ltd.*	China	Thousands of US$ 145,000	Marketing and engineering activities in Greater China, general management of Chinese sales companies	100.0	○	–	The Company outsources marketing activities in Greater China as well as the general management of Chinese sales companies.	–
Murata Electronics (Malaysia) Sdn. Bhd.	Malaysia	Thousands of RM 60,000	Manufacturing of components, sales of products of the Company and its affiliates	100.0	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products. The Company sells finished products to this company.	–
Murata Electronics (Vietnam) Co., Ltd.	Vietnam	Thousands of VND 1,900,000	Sales of products of the Company and its affiliates	100.0	–	–	–	–
Murata World Comercial Ltda.	Brazil	Thousands of R$ 3,413	Sales of products of the Company and its affiliates	100.0 (0.2)	–	–	–	–

Name	Location	Capital stock or investments in capital	Primary business areas	Ownership ratio of voting rights (%)	Officers' concurrent posts	Financial support	Business transactions	Facility leasing
Shenzhen Murata Technology Co., Ltd.*	China	Thousands of US$ 58,100	Manufacturing of devices/modules	100.0 (72.5)	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Eta Wireless, Inc.	U.S.A.	Thousands of US$ 6	Development of software and devices/modules	100.0 (89.2)	○	–	The Company outsources the development of software and devices/modules to this company.	–
Wuxi Murata Electronics Co., Ltd.*	China	Thousands of US$ 342,000	Manufacturing of components and devices/modules	100.0 (100.0)	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–
Murata Electronics Trading (Shanghai) Co., Ltd.*	China	Thousands of US$ 23,400	Sales of products of the Company and its affiliates	100.0 (100.0)	–	–	The Company sells finished products to this company.	–
Murata Energy Device Wuxi Co., Ltd.*	China	Thousands of US$ 486,220	Manufacturing and sales of devices/modules	100.0 (100.0)	–	–	The Company supplies semi-finished products and some materials to this company.	–
pSemi Corporation	U.S.A.	US$ 0.1	Manufacturing, sale and development of devices/modules	100.0 (100.0)	○	Guarantee obligations 27 million yen	The Company purchases this company's products.	–
Taiwan Murata Electronics Co., Ltd.	Taiwan	Thousands of NT$ 270,000	Manufacturing of devices/modules, sales of products of the Company and its affiliates	100.0 (100.0)	–	–	The Company supplies semi-finished products and some materials to this company and purchases this company's products. The Company sells finished products to this company.	–
Resonant Inc.	U.S.A.	Thousands of US$ 67	Development of devices/modules	100.0 (100.0)	○	–	The Company outsources the development of devices/modules to this company.	–
Murata Electronics Trading (Tianjin) Co., Ltd.	China	Thousands of US$ 6,267	Sales of products of the Company and its affiliates	100.0 (100.0)	–	–	The Company sells finished products to this company.	–
Murata Electronics Oy	Finland	Thousands of EURO 546	Manufacturing and development of devices/modules	100.0 (100.0)	–	–	The Company purchases this company's products.	–
Murata Manufacturing Vietnam Co., Ltd.*	Vietnam	Thousands of US$ 74,600	Manufacturing of components	100.0 (100.0)	–	–	–	–
Murata Electronics Trading (Shenzhen) Co., Ltd.	China	Thousands of HK$ 4,000	Sales of products of the Company and its affiliates	100.0 (100.0)	–	–	–	–
Murata Integrated Passive Solutions SAS	France	Thousands of EURO 6,646	Manufacturing and development of components	100.0 (100.0)	–	–	–	–
Thai Murata Electronics Trading, Ltd.	Thailand	Thousands of Baht 200,000	Sales of products of the Company and its affiliates	100.0 (100.0)	–	–	The Company sells finished products to this company.	–
Murata Power Solutions, Inc.	U.S.A.	Thousands of US$ 1	Manufacturing, sales and development of devices/modules	100.0 (100.0)	–	–	The Company purchases this company's products.	–

Name	Location	Capital stock or investments in capital	Primary business areas	Owner-ship ratio of voting rights (%)	Officers' concurrent posts	Financial support	Business transactions	Facility leasing
Murata Electronics Philippines Inc.	The Philippines	Thousands of PHP 84,000	Sales of products of the Company and its affiliates	100.0 (100.0)	–	–	The Company sells finished products to this company.	–
Murata Vios, Inc.	U.S.A.	US$ 0.5	Development and sales of modules	100.0 (100.0)	○	–	–	–
Murata Electronics (India) Private Limited	India	Thousands of INR 5,000	Sales of products of the Company and its affiliates	100.0 (100.0)	–	–	–	–
SyChip Electronic Technology (Shanghai) Ltd.	China	Thousands of US$ 1,600	Development of devices/modules and software	100.0 (100.0)	–	–	The Company outsources the designing, development, and marketing of modules and software to this company.	–
Murata Electronics Trading Mexico, S.A. de C.V.	Mexico	Thousands of MXP 1,500	Sales of products of the Company and its affiliates	100.0 (100.0)	–	–	–	–
Foshan Murata Materials Co., Ltd.*	China	Thousands of US$ 68,900	Manufacturing of raw materials	90.0 (90.0)	○	Loans receivable 750 million yen	The Company supplies semi-finished products and some materials to this company and purchases this company's products.	–

(Notes) 1. Segment names are shown in the primary business areas column.
2. Other than the above 61 subsidiaries, there are 25 subsidiaries and one equity-method affiliate.
3. Figures in parentheses in the column of ownership ratio of voting rights are indirect ownership ratios.
4. The company marked by * is a specified subsidiary under the Financial Instruments and Exchange Act of Japan.
5. Net sales of Murata Company Limited, Murata Electronics Trading (Shanghai) Co., Ltd., and Murata Electronics Europe B.V. (excluding intra-group transactions) account for over 10% of consolidated net sales respectively.

Major profit/loss information

1) Murata Company Limited

(Millions of yen)

(1)	Net sales	419,799
(2)	Ordinary income	11,121
(3)	Net income	9,475
(4)	Murata Corporation's shareholders' equity	147,528
(5)	Total assets	195,271

2) Murata Electronics Trading (Shanghai) Co., Ltd.

(Millions of yen)

(1)	Net sales	333,774
(2)	Ordinary income	32,187
(3)	Net income	24,138
(4)	Murata Corporation's shareholders' equity	120,619
(5)	Total assets	186,939

3) Murata Electronics Europe B.V.

(Millions of yen)

(1)	Net sales	192,040
(2)	Ordinary income	47,479
(3)	Net income	43,405
(4)	Murata Corporation's shareholders' equity	137,750
(5)	Total assets	180,556

5. Employees

(1) Consolidated companies

As of March 31, 2023

	Number of employees (Persons)
Components	39,641
Devices and Modules	28,103
Others	2,131
Corporate	3,289
Total	73,164

(Notes) 1. The number of employees is the number of persons in regular employment at the Company (excluding persons seconded outside of the Companies) and does not include seasonal, part-time, or temporary employees (2,222 persons).

2. Employees who do not belong to any segment but engage in company-wide administration and basic research are categorized in Corporate.

(2) Reporting company

As of March 31, 2023

Number of employees (persons)	Average age	Average length of service (Years)	Average annual salary (Thousands of yen)
10,089	40.1	14.1	8,034

As of March 31, 2023

	Number of employees (Persons)
Components	3,121
Devices and Modules	2,932
Others	747
Corporate	3,289
Total	10,089

(Notes) 1. The number of employees is the number of persons in regular employment at the Company (excluding persons seconded to affiliates, etc., but including persons seconded from affiliates, etc.) and does not include seasonal, part-time, or temporary employees (462 persons).

2. The average annual salary (estimated amount) includes any bonuses, allowances and extra wages.

3. Employees who do not belong to any segment but engage in company-wide administration and basic research are categorized in Corporate.

(3) Labor unions

Labor unions are organized in the Company and some subsidiaries. The number of members of those labor unions in Japan is 14,154 as of March 31, 2023, and all the labor unions belong to Japanese Electrical Electronic & Information Union (JEIU).

There are no special matters to be noted between the companies and labor unions.

(4) Indicators of Employee Diversity

The following indicators of employee diversity in the current fiscal year are based on the Act on the Promotion of Women's Active Engagement in Professional Life and the Child Care and Family Care Leave Act*1:

・Percentage of female employees in managerial positions at the Company (Reporting company): 3.5%

・Male employees' childcare leave acquisition rate and male-female wage discrepancies:

Corporate Name	Male employees' childcare leave acquisition rate	Male-female wage discrepancies*6		
		All Employees*2	Regular Employees	Part-timer/Fixed-Term Employees*3
Murata Manufacturing Co., Ltd.	32%*4	62.8%	62.0%	64.9%
Izumo Murata Manufacturing Co., Ltd.	20%*4	76.5%	75.7%	104.7%
Fukui Murata Manufacturing Co., Ltd.	18%*4	74.1%	72.3%	94.2%
Kanazawa Murata Manufacturing Co., Ltd.	27%*4	71.4%	70.9%	116.1%

Corporate Name	Male employees' childcare leave acquisition rate	Male-female wage discrepancies[*6]		
		All Employees[*2]	Regular Employees	Part-timer/Fixed-Term Employees[*3]
Okayama Murata Manufacturing Co., Ltd.	48%[*4]	70.3%	70.6%	25.8%
Tohoku Murata Manufacturing Co., Ltd.	10%[*4]	69.6%	69.2%	98.0%
Toyama Murata Manufacturing Co., Ltd.	48%[*4]	72.1%	71.5%	83.4%
Komoro Murata Manufacturing Co., Ltd	27%[*5]	72.9%	70.8%	90.6%
Sabae Murata Manufacturing Co., Ltd.	13%[*5]	69.2%	68.9%	82.3%
Sendai Murata Manufacturing Co., Ltd.	46%[*5]	75.7%	75.7%	N/A
Komatsu Murata Manufacturing Co., Ltd.	23%[*5]	70.3%	69.6%	78.9%
Iwate Murata Manufacturing Co., Ltd.	0%[*5]	67.0%	68.3%	42.7%
Hakui Murata Manufacturing Co., Ltd.	0%[*5]	75.4%	76.7%	94.4%
Tome Murata Manufacturing Co., Ltd.	33%[*5]	72.7%	74.2%	98.9%
Azumi Murata Manufacturing Co., Ltd.	8%[*5]	66.3%	66.0%	90.7%

(Notes)

1. Regarding the calculation of the percentage of female employees in managerial positions, the percentage of male employees taking childcare leave, and the male-female wage discrepancies, seconded employees are counted as employees at the seconded destinations.
2. All employees include regular employees and part-timers/fixed-term employees.
3. Part-timer/fixed-term employees include part-time employees, fixed-term contract employees, and non-regular staff, but exclude dispatched employees.
4. Calculated based on the provision of Article 71, Paragraph (4), Item 1 of the enforcement regulation of the Child Care and Family Care Leave Act and excludes employees taking leave for childcare purposes.
5. Indicates the percentage of regular employees taking childcare leave, based on the Act on the Promotion of Women's Active Engagement in Professional Life, and the first decimal place and less were cutoff.
6. The male-female wage discrepancies show the ratio of women's wages to men's wages. In addition, there is no difference in wages for equal work, and this is due to differences in the personnel composition of by grade. We recognize that improving the ratio of female managers, in particular, is a key issue ('materiality'), and we are working to improve the ratio by setting targets. For details, please refer to "II Business Overview: 1. Management policies, business environment and issues to be addressed, etc.: (3) The Companies' materialities: Initiatives on social issues through business activities overall".

II Business Overview

1. Management policies, business environment and issues to be addressed, etc.

Forward-looking statements in this document are based on the judgment of the Companies at the end of the current fiscal year.

(1) Basic policy on company management

The Companies practice management based on the Murata Philosophy, the heart of which is to “contribute to the advancement of society by creating innovative products and solutions”. Our employees share a belief in the slogan “Innovator in Electronics”, which embodies our desire to be a leader in innovation for the electronics industry.

For the Companies to continue proactively creating value as a true Innovator in Electronics, it is important that we expand the scope of the value we provide from just “innovation for customers” to also include “innovation for solving social issues”. In keeping with this belief, during the previous fiscal year, we further developed the Companies’ value creation process into scenarios that newly incorporate the sustainability perspective. “CS and ES” (customer satisfaction and employee satisfaction, respectively) are key values of the Companies and the driving force behind the three core competencies: “the power to read the future”, “the power to give shape to needs”, and “the power to deliver value”. We aim to harness these core competencies to each other to demonstrate our collective strength and generate a continuous cycle of social and economic value, through which we will contribute to the enrichment of society.

To achieve this, we believe it important that diverse personnel collaborate with each other beyond organizational boundaries to create innovation. Another critical part is to pursue co-creation with stakeholders more actively than we ever have before. Going forward, we will build solid relationships with our stakeholders, work to solve social issues, and contribute to social sustainability.

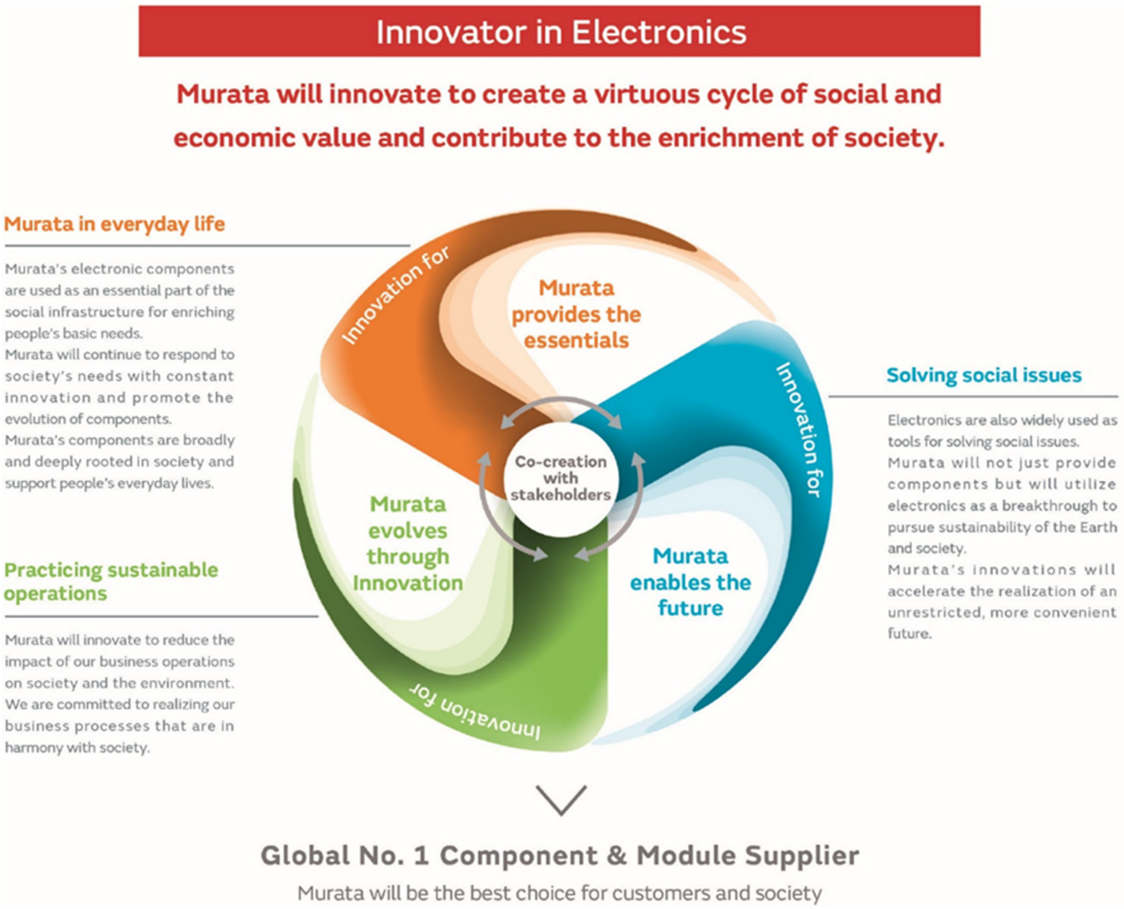
“The Companies’ value creation process”

(2) Medium- to long-term company management strategy

I Vision 2030 (long-term vision)

During the previous fiscal year, the Companies established Vision 2030 as our new long-term vision and Mid-term Direction 2024 as a three-year action plan (the first year of which is the current fiscal year). Vision 2030 describes what Murata wants to be, namely that "Murata will innovate to create a continuous cycle of social and economic value and contribute to the enrichment of society". We also made it our growth strategy to "deepen core businesses and promote evolution of business models" and to "execute four management transformations". We present these as our vision to give consistency to our efforts through 2030 and enable us to get where we want to be. By so doing, we aim to ensure that the Companies remain the best choice for customers and society as well as the global No. 1 component & module supplier.

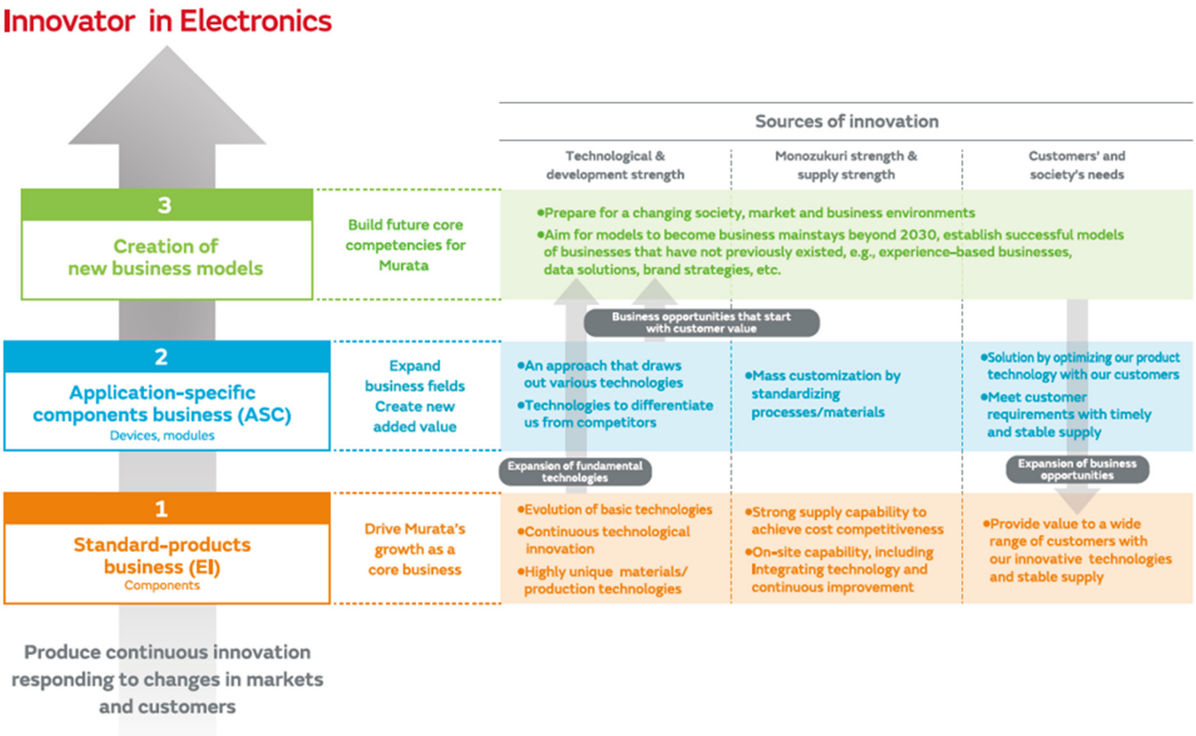
"Vision 2030: What Murata wants to be"



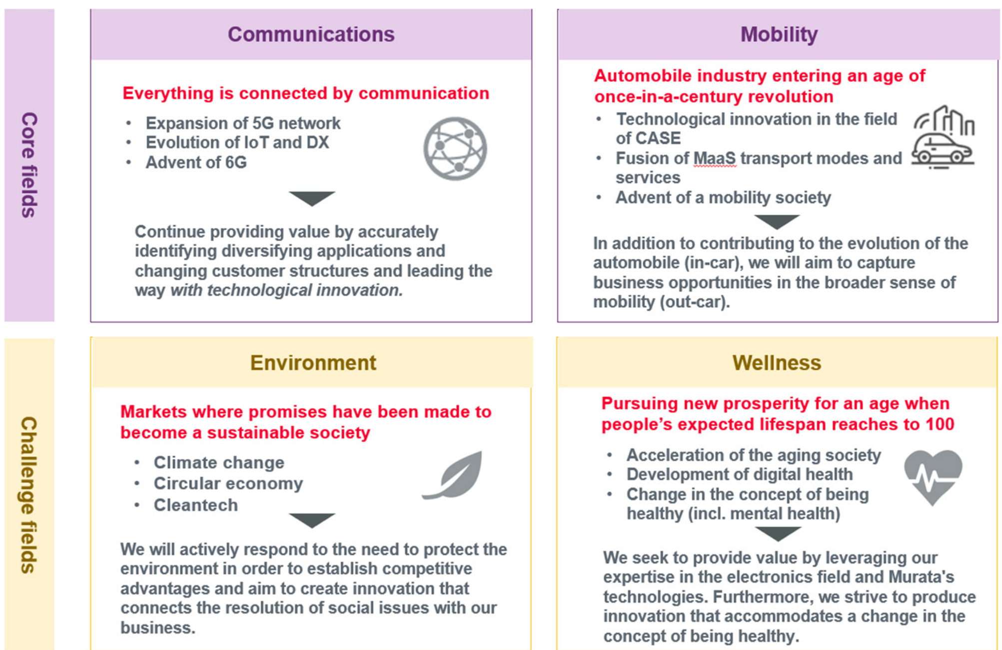
Growth strategy ①: Deepen core businesses and promote evolution of business models

In order for the Companies to continue to create value as an innovator in the drastically changing electronics industry, it is necessary to capture the global trends of technology and changes in society and reflect them in business management. In order to create various innovations looking ahead to the future from a long-term perspective, the Companies use a 3-layer portfolio in our business management and focus on four material fields with business opportunities to create value.

"3-layer portfolio"



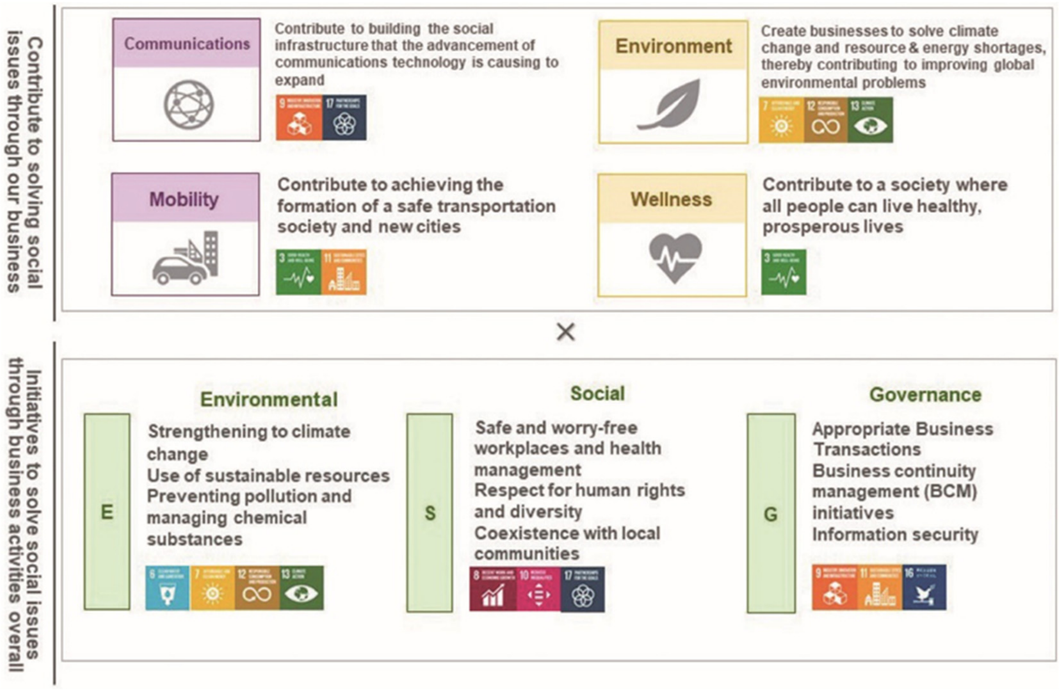
"Four business opportunities"



Growth strategy ②: Execute four management transformations

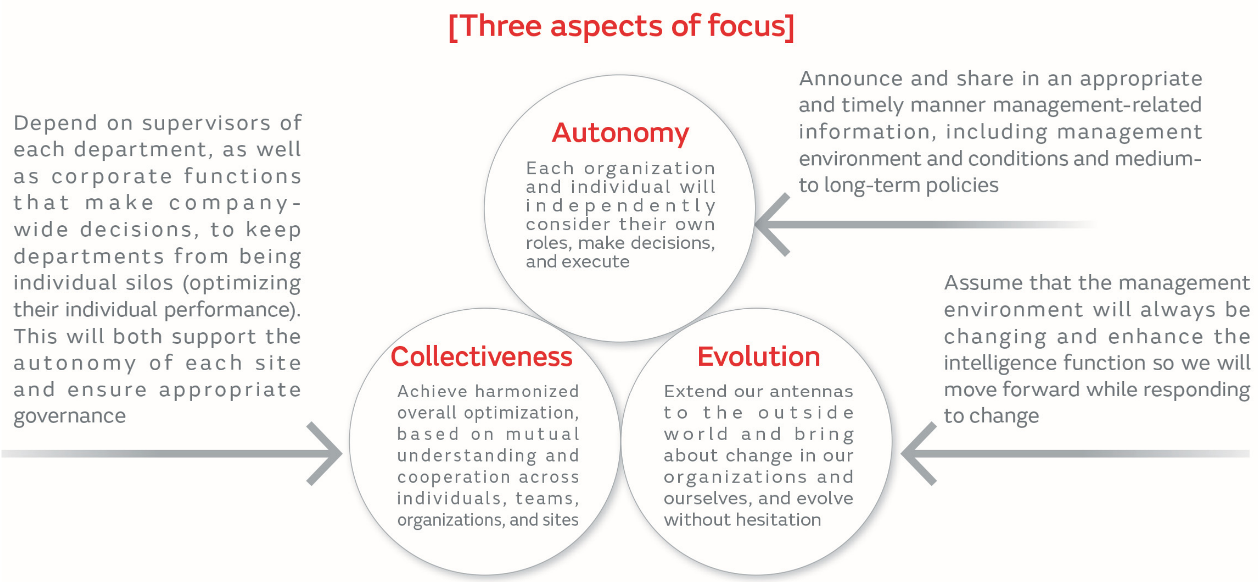
- Management transformation 1: Management that creates a continuous cycle of social value and economic value

The Companies strive to increase the value we provide to society (social value) while creating a continuous cycle of social value and economic value as we aim to remain the companies of choice that are trusted by our stakeholders. To achieve this vision, we have set targets for key issues (materialities) originating with social issues. For details of the Companies' initiatives for materialities, please refer to "(3) The Companies' materialities" mentioned later.



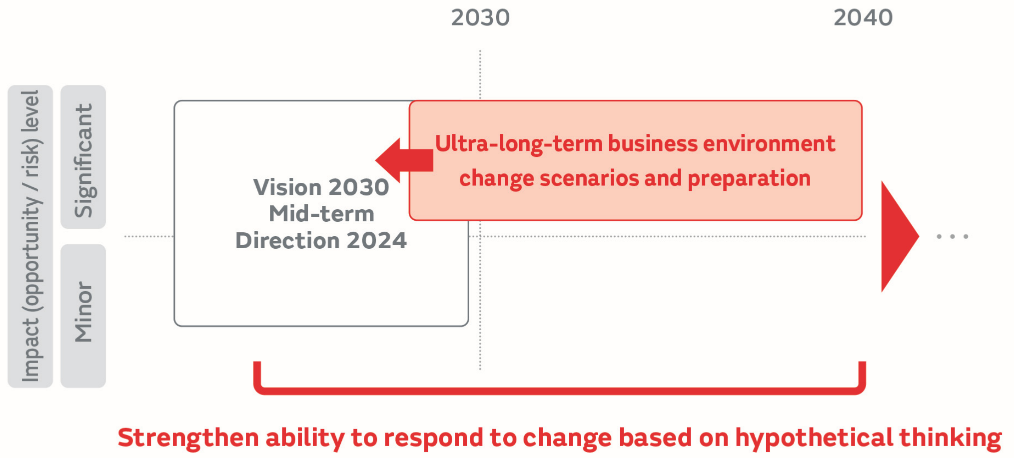
- Management transformation 2: Autonomous and decentralized organizational management

Even as we expand our scale and business area, we hope to transform Murata's organizational management to be more autonomous and decentralized so that every employee can continue to practice the Murata Philosophy in their daily work, provide value, and continue growing just as we did when the Murata Philosophy established.



- Management transformation 3: Change-responsive management based on hypothetical thinking

  At a time when the environment is changing drastically, we should not be passive, but rather prepare by hypothesizing what might happen in the future, then practice change-responsive business management, which flexibly corrects its course in response to change. Each function and organization continually gathers information on future changes, discusses them, takes action, and monitors, raising their sensitivity to environmental changes.



* Hypothetical thinking: Consider a variety of hypotheses on changes that could occur in our uncertain business environment and change course flexibly in response to change

- Management transformation 4: Digital transformation (DX)

  At the Companies, we define digital transformation (DX) as an initiative that enables people and organizations (business processes) both inside and outside Murata to connect digitally and freely and make processes shorter, faster, and visible, thereby continually driving to dramatically increase customer value and competitiveness. Both the organization that promotes the strategy for company-wide DX and the executing organization will accelerate the overall digitalization in order to realize our vision in the domains to strengthen and core fields.

Domains to strengthen	● R&D: Accelerate the development of elemental technologies and new technologies by utilizing AI and MI (Machine Intelligence) ● ECM/SCM*: Transform monozukuri in a broad sense, including ECM/SCM, envisioning how monozukuri should be in ten years' time ● Customer contact: Strengthen the connection with customers not just individually but from an end-to-end perspective, thereby co-creating value with them ● Business management: Promote business portfolio management and enhance business management to improve the ability to respond to changes
Core fields	● DX human resources/IT platform: Invest strategically to develop digital human resources and improve IT infrastructure as a foundation for DX.

* ECM/SCM: Engineering Chain Management / Supply Chain Management

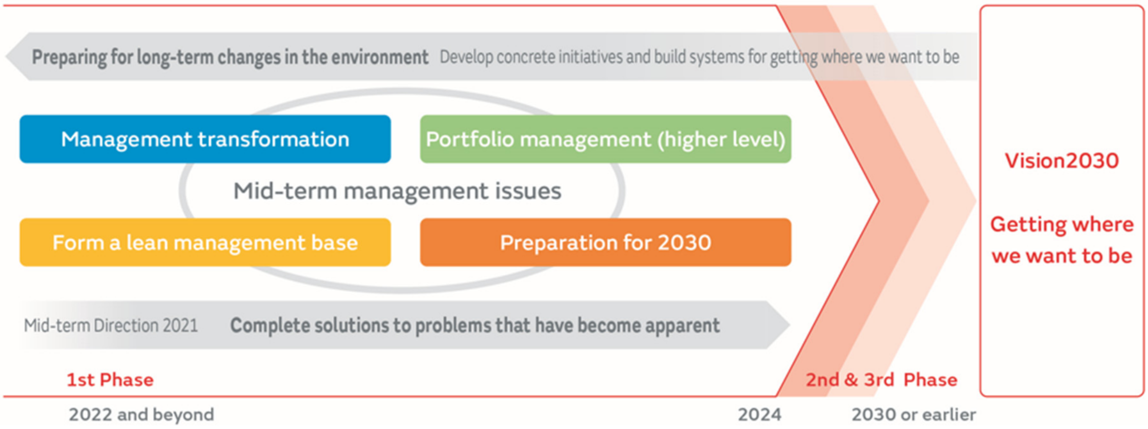
Murata DX policy

Increase per-hour productivity by continually investing in digital infrastructure and making full use of digital. Encourage use of data, connect business processes to each other, and create new value. Also contribute to Layer 3 portfolio domain. By executing and practicing these things, we will foster a corporate culture of ongoing transformation.

II Mid-term Direction 2024

Basic policy

Mid-term Direction 2024 represents the first phase of our effort to achieve Vision 2030, our long-term vision. Under Mid-term Direction 2024, in addition to solving currently existing problems, we strive to capture the changes in the environment from a long-term perspective and perform backcasting to identify preparations we need to make going forward. Therefore, Mid-term Direction 2024 lays out four management issues we need to address to ensure good results in this three-year period: management transformation, portfolio management (higher level), formation of a lean management base, and preparation for 2030.



Mid-term management issues

"Management transformation"

Vision 2030, our long-term vision, sets out four management transformations as a growth strategy, namely "Management that creates a continuous cycle of social value and economic value", "Autonomous and decentralized organizational management", "Change-responsive management based on hypothetical thinking", and "Digital transformation (DX)". To promote these transformations, we are addressing key issues (materialities) originating with social issues and improving business plan control processes based on hypothetical thinking as a way to ensure an autonomous and decentralized organization. We are also building digital infrastructure, using digital to transform manufacturing, and hiring and training DX staff.

"Portfolio management (higher level)"

To achieve a deepening of core businesses and promoting evolution of business models, a growth strategy found in Vision 2030, we will take portfolio management to a higher level using the 3-layer portfolio mentioned previously. Regarding layer 1, we will ensure our position as an industry leader by building up supply capacity to keep pace with growing demand, cutting-edge technical strength to overcome technical limitations, and business efficiency. During the current fiscal year, the Company built a new production building in Thailand to establish a production system ready to meet medium- to long-term growth in demand for multilayer ceramic capacitors. For layer 2, the Company is endeavoring to win market share by stepping up differentiating technologies. We are also working to build up our financial strength by reconsidering our portfolio, for example selecting and concentrating on specific businesses. During the current fiscal year, we pursued the post-merger integration of Resonant, whose acquisition we completed in March 2022, and developed XBAR technology. Finally, for layer 3, we are searching out business areas where we can put the Company's strengths to work. During the current fiscal year, we kicked off "KUMIHIMO Tech Camp with Murata". This new co-creation project uses the Company's hardware to realize ideas from startups and universities. The Company will continue to renew its businesses and technologies with management that taps a variety of innovations. We will practice management that uses our three-layer portfolio in four areas of business opportunities to pursue profitability, efficiency, and growth in each business and continue offering value to customers and society.

"Form a lean management base"

The Companies are focusing on building more powerful human capital and a firmer foundation for quality to form a lean management base. Regarding human capital, we recognize that people are at the heart of value creation. As such, we are acting on three critical issues: acquiring and training human resources, increasing employee engagement, and enabling active participation by diverse personnel. We are building up our human resources foundation and organizational strength to ensure that we are sustainably creating value. During the current fiscal year, we provided multi-track career paths that let diverse personnel play an active role; began a program, tied in with our management policy, to train candidates to be the next generation of executives; and worked to carry out an action plan based on results of our global organization survey. To build a firmer foundation for quality, we will establish a quality assurance and management system for a wide variety of businesses and work to implement quality-oriented risk management. During the current fiscal year, we introduced a business risk assessment mechanism and took other steps to strengthen quality governance. The Company will continue to strive for quality trusted by all customers by practicing scientific management starting at the origin of processes.

“Preparation for 2030”

We will assess important management risks and make the necessary preparations, while identifying and nurturing technologies that will make us competitive in future and formulating and implementing intellectual property strategies to support our technologies. Specifically, to create innovations, we are strengthening our intelligence functions and developing technologies and businesses to prepare for future business opportunities, including the spread of 6G communication standards and solutions to environmental issues. We will also strengthen the power to sell and our comprehensive operational capabilities (the power to support) to continue to provide value by timely and accurately grasping the needs of society, markets, and customers. We will furthermore strive to increase the added value we provide to customers by dramatically raising productivity, creating innovative technologies, fundamentally strengthening ECM, and improving SCM, while building a manufacturing system that looks ahead to 2030.

Group-wide management targets

Economic value

Net sales	Operating income ratio	ROIC (before tax)
2 trillion yen	20% or higher	20% or higher

Social value ①: “Environment”

Amount of GHG emissions[*1] (vs fiscal 2019)	Renewable energy implementation rate	Sustainable resource[*2] usage rate	Resource recycling rate[*3]
FY2024: 20% reduction FY2030: 46% reduction	FFY2024: 25% FFY2030: 50% FFY2050: 100%	FFY2024: 1%[*4] FFY2030: 25% FFY2050: 100%	FFY2024: 5%[*4] FFY2030: 50% FFY2050: 100%

Social value ②: “Diversity”

Percentage of overseas indirect employees[*5] with experience working at other sites
FFY2024: 7% FFY2030: 10%

Social value ③: “ES”

Positive employee engagement response rate
FFY2024: 70% or higher FFY2030: 76% or higher

- We will continue to view the ratio of operating income to net asset and ROIC as key indicators. Murata aims for a sound management by “focusing on capital efficiency as well as productivity, and keeping ROIC at 20%.”
- Murata is planning to invest strategically in environment, acquisition of technologies, risk measures and enhancement of IT infrastructure in advance to be prepared for the future in addition to capital investment for the expansion of production capacity. Considering these factors, we set targets to ensure a healthy growth.

“Environment”
- In order to tackle global environmental issues that are becoming more serious, Murata considers responses to climate change including decarbonization and use of sustainable resources as important issues to be addressed by all the business divisions and employees at Murata.
- Regarding climate change measures, Murata will contribute to the reduction of greenhouse gas emissions in manufacturing processes through business operations in line with the RE100 and SBT (Science Based Targets). In addition, we will promote the sustainable use of resources in our business while contributing to solving environmental issues through co-creation with collaborators.

“Diversity”
- Murata can remain an innovator by respecting the diversity of individuals and building trust, connections, and harmony across teams, departments, and sites. For that purpose, Murata will promote human resources with diverse experience at other global sites and global collaboration opportunities.

“ES”
- Murata emphasizes ES as an important value and aims to realize the organization culture where employees feel rewarded and grow through their work. In order to improve employee engagement, we consider it necessary for each organization to strive to continually improve the culture.

*1: Total of Scope 1 and Scope 2. For Scope 3 target, please refer to “Strengthening climate change measures” in the table of key issues in “(3) The Companies’ materialities” mentioned later.
*2: Sustainable resources: Resources with lower risk of depletion that can be used sustainably by building a recycling scheme, etc.
*3: Resource recovery rate: Rate of the Company’s outputs (emissions) recycled as resources.
*4: Target in FY 2024 indicates the improvement range from the actual result in FY 2021.
*5: Applies to overseas local staff, excluding those transferred from Japan to overseas.

Progress on economic value targets and capital allocation policy

"Economic value targets"

	FY 2024 Target	FY 2021 Result	FY2022 Result
Net sales (millions of yen)	2,000,000	1,812,521	1,686,796
Operating income ratio (%)	20% or higher	23.4	17.7
ROIC (pre-tax basis)* (%)	20% or higher	22.6	14.6

*ROIC (pre-tax basis) = Pre-tax operating income / Average invested capital at the beginning and end of the period (=Net fixed assets [book value] + inventories + accounts receivable-trade – accounts payable-trade)

As described in "4. Analysis of financial position, business results and cash flow status by management" provided below, net sales, operating income ratio, and ROIC (pre-tax basis) during the current fiscal year were lower than those of the previous fiscal year. The business environment is somewhat uncertain due to slowdowns in the smartphone and PC markets, but the demand for electronic components in the electronics market in which the Companies compete is set to grow over the medium to long term. We will continue to address the mid-term management issues set out in Mid-term Direction 2024 and strengthen gains in profitability and productivity to meet our economic value targets.

"Capital allocation policy"

Mid-term Direction 2024 sets out a clear capital allocation policy and establishes a new "strategic investment" category. We treat long-term environmental investment, acquisition of technologies, risk countermeasures, and stronger IT infrastructure as strategic investments. The progress on strategic investments during the current fiscal year was 23.6 billion yen, combining projects already executed and projects approved. Shareholder returns amounted to 92 billion yen in dividends during the current fiscal year. We will continue investing in our main businesses (components and devices and modules) and aim to steadily generate cash. We will meet stakeholder expectations by maintaining a solid financial footing while expanding shareholder returns.

Progress in creating social value compared to our targets

"Social Value 1: Environment"

- We are carrying out initiatives to achieve our target for "amount of GHG emissions (vs. FY 2019)" and "renewable energy implementation rate". For details, please refer to "Strengthening climate change measures" in the table of key issues in "(3) The Companies' materialities" mentioned later.
- We are carrying out initiatives to achieve our target for "sustainable resource usage rate" and "resource recycling rate". For details, please refer to "Use of sustainable resources" in the table of key issues in "(3) The Companies' materialities" mentioned later.

"Social Value 2: Diversity"

- We are carrying out initiatives to achieve our target for "percentage of overseas indirect employees with experience working at other sites". For details, please refer to "Respect for human rights and diversity" in the table of key issues in "(3) The Companies' materialities" mentioned later.

“Social Value 3: ES”

- In the previous fiscal year, we conducted a survey targeting all employees at all domestic and overseas sites, and are implementing the PDCA cycle globally. The survey is scheduled to be conducted once every two years. We are carrying out initiatives to achieve our target for “positive employee engagement response rate”.

<Progress>

- Based on the results of the global survey of all employees at all domestic and overseas sites conducted in the previous fiscal year, we conducted another survey concerning the feedbacks made to employees and status of implementing action plans in each department.
- We worked to promote dialogue between management and employees through training sessions for employees (executive-sponsored training, stratified education, philosophy education, etc.) and an internal portal site.
- With an aim to promote organizational culture reform activities, we held workshops for division managers and training for leadership development.
- We implemented initiatives tailored to the specific issues of mid-career, senior, and manufacturing, which are the attributes we need to focus on in order to improve engagement.
- We implemented initiatives aimed at creating safe and secure workplaces and promoting health management. For details, please refer to “Secure and safe workplace and health management” in the table of key issues in “(3) The Companies’ materialities” mentioned later.

(3) The Companies’ materialities

The Companies set key issues (materialities) originating with social issues in the two categories, namely, “contribute to solving social issues through our business” and “initiatives on social issues through business activities overall”, and carry out initiatives to address them.

Process of identifying the issues

STEP1	Drafted an extended list of about 100 social issues based on the United Nations Sustainable Development Goals (SDGs), global risks, and issues faced by Murata
STEP2	Scored these issues in accordance with their importance for Murata’s business and their importance for stakeholders after excluding issues that lack close affinity to relevant business
STEP3	Held discussions among executives including representative directors, and persons concerned and determined key issues at the Board of Directors’ meeting

“Contribute to solving social issues through our business”

- We have set a course of action for solving social issues in four business opportunities (Communications, Mobility, Environment, and Wellness) as our materiality.
- We create the kind of innovation that the Company is known for achieving and aim to contribute to solving social issues through our business.

Materiality	Recognized business opportunities	Murata’s contribution
Communications	● Increasing demand for components as communication systems evolve ● Diversifying built-in communication applications ● Emerging data-driven solutions and services ● Building the network infrastructure to support the above, and advancing the development of smart cities ● Merging real and virtual, including the expansion of XR technology	● Providing high-quality components that contribute to the stability of the communication systems and network infrastructure that have become indispensable social infrastructure for enriching people’s lives ● Contributing to the evolution of communication systems and the development of applications through knowledge cultivated in the field of continuous technological innovation and communication
Mobility	● Increasing demand for components as automobiles evolve through safety enhancement including the spread of advanced driver assistance systems (ADAS) and autonomous driving, as well as the advancements of electrification ● Integrating various transportation modes and services emerging under the concept of Mobility as a Service (MaaS), which positions transportation itself as a service	● Contributing to achieve the formation of a safe and secure transportation society, and a society that integrates various means of transportation and services through miniaturization, increased functionality and enhanced reliability of components
Environment	● Accelerating initiatives to transition to a decarbonized society ● Advancing the circular economy, which places value on product repair, reuse, and resource recycling ● Advancing the development of environmental technology (clean tech) in all industry segments	● Contributing to a decarbonized society through the battery and power supply business, with our competitive advantage of safety, security, high efficiency, and long life ● Enabling monitoring of various environmental aspects through communication and functional components, and accelerate the realization of a decarbonized society and circular economy ● Deploying production expertise related to energy saving and renewable energy acquired in our process improvement activities widely outside the Company
Wellness	● Transforming the medical and healthcare domain using digital technology ● Expanding initiatives in preventive medicine and health promotion in line with the acceleration of the population aging ● Changing health concepts, including balanced mental and social health in addition to physical health, and the pursuit of people’s own happiness	● Contributing to the acceleration of digitalization in the medical and healthcare domains by providing compact, high-quality electronic components ● Provide solutions for extending healthy life expectancy and enabling vibrant lifestyles free from anxiety by combining Murata’s technologies and ideas

“Initiatives on social issues through business activities overall”

- We have set nine items of materiality in the fields of E (Environment), S (Social), and G (Governance).
- We will enhance social value through the minimization of impact on the global environment and local communities.

Specifically, we have set the following mid-term targets and are carrying out initiatives.

Key areas	Key issues	Long-term targets	Mid-term targets (FY 2022-2024)	FY 2022 results
Environment	Strengthen-ing climate change measures	FY 2050 targets: Renewable energy implementation rate: 100% FY 2030 targets: Amount of GHG emissions (Scope 1+2): 46% reduction vs. FY 2019 (0.87 million t-CO_2e or less) Amount of GHG emissions (Scope 3) 27.5% reduction vs. FY 2019 (3.25 million t-CO_2e or less) Renewable energy implementation rate: 50%	Amount of GHG emissions (Scope 1+2): 20% reduction vs. FY 2019 (1.28 million t-CO_2e or less) Renewable energy implementation rate: 25%	・Implemented energy conservation, renewable energy, energy certificate and other measures, achieving GHG emissions of 1,340,000 t-CO_2e (Scope 1+2) and 24% renewable energy in FY 2022. (Reference) The amount of GHG emissions (Scope 3) in FY 2022 was 4.21 million t-CO_2e. ・Installed new systems combining solar panels and storage batteries in four domestic plants, achieving a cumulative annual total CO_2 reduction of 1,897 t-CO_2e across the four plants. ・Implemented approximately 570 individual energy-saving measures throughout the Companies (estimated reduction of 47,000 t-CO_2e per year). ・Constructed a multistory parking garage with a green design, which is equipped with double-sided solar panels and wall-mounted solar panels at a plant in China (Xinwu District, Wuxi City, Jiangsu Province). This is the first such structure built within the Companies. ・Signed an agreement to procure power derived from additional renewable energy (70 MW), through a virtual power purchase agreement (PPA) scheme from Mitsubishi Corporation. ・Began verifying a modal shift (railway) through discussions with major suppliers and cooperative efforts with transport operators, with the goal of reducing CO_2 in our upstream value chain.
	Use of sustainable resources	FY 2050 targets: Rate of use of sustainable resources[*1]: 100% Resource recovery rate[*2]: 100% FY 2030 targets: Rate of use of sustainable resources: 25% Resource recovery rate: 50%	Rate of use of sustainable resources: 1% improvement from FY 2021 results Resource recovery rate: 5% improvement from FY 2021 results	・In order to determine our rate of use of sustainable resources and resource recycling rate, we continued to survey the amount of our procured resources, their recycling ratio, and actual waste treatment results. ・We continued to implement measures to reduce waste. ・We began horizontal recycling of PET film used in multilayer ceramic capacitor (MLCC) production at some business sites, in order to recycle resources.
	Prevent pollution and manage chemical substances	FY 2030 targets: Serious environmental incidents: 0 Amount of VOC emissions: 30% reduction vs. FY 2021	Serious environmental incidents: 0 Amount of VOC emissions: Equal to or lower than FY 2021 emissions Chemicals used for cleaning must not contain specific VOCs.	・During FY 2022, 4 serious environment incidents occurred. We determined “what Murata wants to be” in order to reduce the risk of serious incidents occurring, and defined issues and measures for 2024. ・We calculated VOC emissions from each business division and business site and determined our current situation, in order to work toward reducing VOC emissions. ・We launched a prototype system for checking whether chemical substances for cleaning purposes contain VOCs, prior to using these substances. Each business division has begun formulating alternate measures and schedules.

Key areas	Key issues	Long-term targets	Mid-term targets (FY 2022-2024)	FY 2022 results
Social	Secure and safe workplace and health manage-ment	FY 2030 targets: No fatal serious accidents, no employee injuries or accidents, and a vibrant workplace Fatal serious accidents: 0 Annual accident rate (per 1,000 workers): Less than 1.0 Fire accidents: 0 Subjective health view: 80% (with 20% reporting extremely good health)	Fatal serious accidents: 0 Annual accident rate (per 1,000 workers): Less than 1.35 Fire accidents: 30% reduction compared with average for FY 2019-2021 Subjective health view: 80% (with 14% reporting extremely good health)	・In FY 2022, we had no serious fatal accidents, and achieved an industrial accident rate per 1,000 workers of 1.44. We implemented initiatives to reduce industrial accidents, through such measures as sharing accident information, holding meetings, and introducing new risk assessments that encompass more types of risk. ・In FY 2022, we were able to reduce the number of fire accidents 30% compared with the average number of accidents from FY 2019 to FY 2021. We analyzed the causes of fire accidents and then implemented measures to prevent recurrence. ・We shared examples of initiatives based on our Health Management Plan, and conducted discussion meetings.
	Respect for human rights and diversity	FY 2030 targets: Percentage of overseas indirect employees*3 with experience working at other sites: 10% Ratio of women in managerial positions: 10% (reporting company)	Percentage of overseas indirect employees with experience working at other sites: 7% Ratio of women in managerial positions: 4% (reporting company) A PDCA cycle according to the human rights management system must be implemented at each worksite.	・The percentage of overseas indirect employees with experience working at other sites reached 5.3% in FY 2022. We expanded systems and measures for employees to gain diverse global work experience. ・The ratio of women in managerial positions in the reporting company reached 3.5% in FY 2022. In order to increase the ratio of women in managerial positions, we implemented measures to plan appropriate training, and conducted lectures for organization managers and dialog sessions for female employees. ・We implemented operations according to our human rights management system at all domestic business sites, and also began expanding these to overseas business sites. ・In addition to conducting training on the topic of “business and human rights”, we continued to engage in initiatives aimed at raising awareness among employees.
	Coexis-tence with local communi-ties	FY 2030 targets: Must continue to value communication with local residents and promote contribution activities with the goal of resolving local issues.	Must continue to value communication with local residents and promote contribution activities with the goal of resolving local issues.	・We identified our impact in regions where group companies are located, identified local issues and needs, and independently planned and implemented contribution activities, in accordance with our Guidelines of Contribution Activities for Society and Community. ・We continued to release information on the Company’s initiatives and perspectives. ・We signed an affiliation agreement with Haruka Kawasaki, a professional golfer from the same area as our headquarters, and also implemented various measures such as having sites support local sports teams and tournaments.

Key areas	Key issues	Long-term targets	Mid-term targets (FY 2022-2024)	FY 2022 results
Governance	Appropri- ate business transactions	FY 2030 targets: < Antitrust laws > Laws, regulations, and internal rules/procedures must be deployed and thoroughly implemented on a global basis. < Bribery > All affiliates must establish bribery management and prevention systems compliant with company policy, and must maintain zero incidents of bribery/corruption.	< Antitrust laws > Laws, regulations, and internal rules/procedures must be deployed and thoroughly implemented on a global basis. < Bribery > In regions with a high corruption index, bribery management and prevention systems compliant with company policy must function and systems for reporting to headquarters must be established.	< Antitrust laws > ・We improved how information on internal rules and procedures is made known throughout the Company, in order to help ensure that internal rules and procedures for preventing violations of the Antitrust laws are administered properly. ・We conducted practical training on preventing cartels, domestically and overseas. < Bribery > ・We continued to expand our anti-bribery management system. ・We engaged in initiatives to enhance employee training on bribery, in order to enhance the understanding of our employees.
	Business Continuity Manage- ment (BCM)	FY 2030 targets: A company-wide BCM[*4] must be established so that if a disaster occurs, sites not affected by the disaster can cooperate quickly in order to maintain the business continuity of the entire Companies. Autonomous BCM activities must be performed, such as conducting periodic training at worksites and plants to verify and improve BCP effectiveness. Measures must be taken for a Nankai Trough earthquake, which is expected to cause major damage.	BCP that satisfies requirements must be established at domestic worksites and plants. BCP for handling disasters that might occur in our overseas locations must be formulated at each worksite and plant.	・Domestically, we continued to develop BCPs, after identifying possible natural disasters that could occur at each business site and plant, and confirming the status of applicable infrastructures. ・Overseas, we began initiatives to revise BCPs, after considering natural disaster risks and other data in each country.
	Information security	FY 2030 targets: Incidents determined to be potentially serious: 0 Employee training ratio[*5]: 100%	Incidents determined to be potentially serious: 0 Employee training ratio: 100%	・We had one incident determined to be potentially serious. ・We achieved an employee training ratio of 96%.

*1: Sustainable resources: Resources with lower risk of depletion that can be used sustainably by building a recycling scheme, etc.
*2: Resource recovery rate: Rate of the Companies' outputs (emissions) recycled as resources.
*3: Applies to overseas local staff, excluding those transferred from Japan to overseas.
*4: Management activities that are operated on an ongoing basis to formulate, maintain, and renew the BCP, to allocate budget and resources for business continuity, to take preventative measures, and to conduct, check, and continually improve education and training for instilling initiatives.
*5: Ratio = (Number of sites that have conducted training) / (Total number of sites)

2. Concept and initiatives regarding sustainability

In order to realize a sustainable society, the Companies are working on CSR-related issues (environment, society, employees, respect for human rights, corruption prevention, bribery prevention, governance, cyber security, data security, etc.). Through these initiatives, the Companies aim to increase the value we provide to society (social value) and generate a continuous cycle of social value and economic value as we aim to remain the companies of choice that are trusted by our stakeholders.

(1) The Companies' response to sustainability

I Governance

The Companies position CSR-related initiatives as one of the material issues, and are strengthening their governance system. The Board of Directors is accountable for all CSR-related risks and opportunities.
In addition, in order to set the direction of the Companies' CSR activities, the Company has established the CSR Management Committee under the supervision of the Board of Directors. The President and Representative Director, who chairs the Committee, is responsible for supervising CSR. In order to continuously and systematically promote consistent company-wide CSR management, the committee implements the following items and regularly reports to the Board of Directors on the status of activities and other matters:

(1) Formulation and establishment of CSR principles, policies, guidelines, etc.

(2) Distilling material items (issues) related to CSR throughout the organization and directing efforts to address them

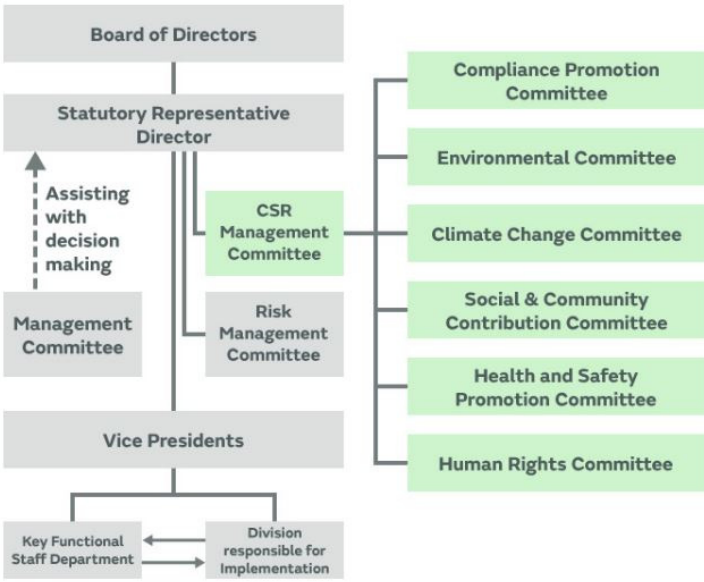
(3) Company-wide sharing of activity results (described below) and guidance on key items (issues) that exceed the frame of subordinate committee activities

(4) Sharing of CSR-related activity results, goals, and policies undertaken by subordinate committees that must be shared throughout the organization

(5) Advising CSR-related customer responses and understanding related customer needs and results of customer responses

In addition, six subcommittees have been established within the CSR Management Committee: the Compliance Promotion Committee, the Environmental Committee, the Climate Change Committee, the Social & Community Contribution Committee, the Health and Safety Promotion Committee, and the Human Rights Committee to discuss CSR themes that require cross-organizational activities.

< Structure to promote CSR >



II Strategy

As mentioned earlier, we have positioned company-wide material matters (issues) related to CSR as one of our most material management issues. Among these, we designated areas of particular focus as "key issues (materialities) originating with social issues".

Regarding "Response to climate change", which is the materiality that we are taking the lead in, we are working to fulfill our social responsibilities as a company and build a competitive edge by treating it as both "opportunities" and "risks". We will sequentially expand our efforts to other materialities. (Regarding the Companies' response to climate change, please refer to "(2) Response to climate change" described below.)

III Risk Management

At the Companies, under the CSR Management Committee, we regularly evaluate key issues (materialities) originating with social issues through a structured process. In the latest materiality assessment, we identify risks and opportunities in nine key issues which include CSR-related issues (environment, society, employees, respect for human rights, corruption prevention, bribery prevention, governance, cyber security, data security, etc.) to accordingly set goals for each of the key issues, after which the Board of Directors approves each initiative on the key issues as an important management issue and monitor progress of the initiative.

In addition, in terms of improving operations to achieve the goals, we have established and operate a progress management system for the environment, initiatives, safety measures, etc. at our business sites, and we are continuously evaluating CSR-related risks to promote continuous improvements of the operations.

To note, we endeavor to reduce these risks further by various measures, which include incorporating company-wide control items with oversight from Risk Management Committee as well as the CSR Management Committee so that we can evaluate the risks comprehensively and take additional measures as needed.

IV Metrics and Targets

In order to solve the following key issues which include ones related to CSR, the Companies have set goals in the Mid-term Direction 2024 and have proceeded with initiatives on the key issues.

For details, please refer to “II Business Overview: 1. Management policies, business environment and issues to be addressed, etc.: (3) The Companies’ materialities: Initiatives on social issues through business activities overall” described above.

(2) Response to climate change

As one of companies addressing the issues of climate change, the Companies believe that we have material roles to play in response to global climate change. While climate change poses risks such as increased cost and business interruption, it also creates new needs in society, and we recognize that it provides us opportunities to create new value. Therefore, we see there are opportunities in the next decade for us to create innovative technologies and solutions to expand our business into new areas while fulfilling the Companies' mission on our corporate philosophy, "contributing to the advancement of society".

The following text explains how we use the framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD) and how we respond to each risk and opportunity brought about by climate change.

I Governance

The Companies' approach	● The Board of Directors is accountable for all risks and opportunities including climate change, and receives reports from the Climate Change Committee to oversee the Companies' response to climate change. ● To oversee the Companies' response to climate change at the management level, the CSR Management Committee chaired by the President and Representative Director receives reports twice a year from the Climate Change Committee chaired by a Member of the Board of Directors and Executive Vice President. ● Manage the progress of environmental goals and deliberate on decarbonization-related investment decisions. ● Based on the decision of the Climate Change Committee, the responsible department promotes company-wide climate change countermeasures. ● Introduced a remuneration system where remuneration fluctuates according to the achievement status of social value targets as part of stock remuneration for officer remuneration (excluding members of the Audit and Supervisory Committee).
FY 2022 Status of Initiatives	● Held three meetings (including an ad hoc meeting) at Climate Change Committee Subjects: ▸ In-depth analysis and disclosure of transition risk/opportunity analysis in climate change in line with the TCFD recommendations. ▸ Decided to start calculating carbon footprint (CFP) in manufacturing processes with the main purpose of visualizing energy-saving effects. ▸ Signed the first virtual and physical Power Purchase Agreement (PPA) contract in the Companies.

The Companies advance discussions, with the Climate Change Committee taking a central role, and make decisions on responses to initiatives such as RE100 and SBT, and on the introduction of a carbon pricing system. We will continue strengthening our governance system to enhance our corporate value from a medium- to long-term viewpoint. The Climate Change Committee discusses the Companies' policies for climate change countermeasures in cooperation with three subcommittees: the Climate Initiatives Subcommittee, the Renewable Energy Subcommittee, and the Energy-saving Subcommittee. In FY 2022, the committee Held three meetings including an ad hoc meeting to discuss introduction of renewable energy measures which include considering CFP calculation with the aim of creating further energy-saving measures, introducing systems that combine solar panels and storage batteries at domestic business sites, and signing virtual and physical PPA contract.

II Strategy

As a manufacturing company, the Company considers response to climate change is an extremely material issue, and has set "Strengthening climate change measures" as one of its materialities in Vision 2030 and the Mid-term Direction 2024. Seeing climate change as both an opportunity and a risk, we will strive to fulfill our social responsibilities as a company and make our competitive edge stronger.

The Company analyzed the risks and opportunities under two scenarios announced by IPCC[*1], IEA[*2], and others: "the global average temperature to rise by 4°C or more" and "the global average temperature rise to be kept below the 2°C increase agreed upon in the Paris Agreement (1.5°C in some cases)" and set strengthening climate change measures as a key issue for the Company, and examined how to deal with this issue. Specifically, in order to meet the demand for highly efficient parts needed by social changes such as the growing need for energy conservation and renewable energy, the transformation of the automobile industry caused by the shift to EVs, and the further increase in speed and capacity of information and communication infrastructure, we will continue to promote development of products with competitive advantages in terms of more compactness and portability, higher efficiency, and longer life. In addition, we will strive to contribute to a decarbonized society and explore new businesses by deploying our energy-saving and renewable energy measures outside the Company, which combine solar power generation systems we have introduced at our sites with our own products such as storage batteries and energy management systems.

In FY 2022, the Company conducted scenario analyses at 20 sites, including major production sites and business sites (covering 80% of the number of employees in the Companies). We will reflect the results of the analysis (see the table below) to our future management plan strategies, and plan specific responses to issues found by the analysis.

*1 IPCC: Intergovernmental Panel on Climate Change

*2 IEA: International Energy Agency

Critical transition risks and action policies

	Climate change element	Item	Action policy	Impact level*4
Transition risk	Increase in decarbonized product needs Short to medium-term*3	Customer loss due to incapability to respond to decarbonization needs	・Continuous product development with competitiveness in terms of smaller size, higher efficiency, and longer service life ・Reduction in CO_2 emissions in collaboration with suppliers ・Active introduction of renewable energy for the promotion of decarbonization in the manufacturing process	High
	Increase in environmental awareness Short to medium-term*3	Deterioration of corporate value due to changes in investors' criteria	・Continuous dialogues with investors ・Timely and appropriate disclosure of information through the TCFD framework or CDP ・Climate Change Committee monitors the progress of achievement of environment management targets	Low
	Stricter energy conservation standards medium to long-term*3	Increase in plant building and operating costs	・Decrease in cost burden through active use of energy conservation subsidies and preferential tax treatment ・Offsetting increased building costs by reducing running costs through energy conservation ・Active adoption of low-environmental burden building materials for constructing plants	High
	Strained balance between mineral supply and demand medium to long-term*3	Increase in material procurement costs due to the strained balance between the supply of and demand for rare metals, etc.	・Efforts to reduce the amount of materials used, associated with downsizing of products ・Recycling process efforts and exploration of alternatives	High
	Introduction of carbon pricing medium to long-term*3	Increase in fuel and power costs	・Energy conservation efforts at manufacturing sites ・Reduction in fossil fuel-derived power consumption due to active introduction of renewable energy ・New attempts at realizing alternative energy sources, such as using hydrogen ・Introduction of internal carbon pricing system in fiscal 2021 aimed at promoting investments in energy conservation and renewable energy measures	Medium
	Instability in power supply due to active implementation of renewable energy medium to long-term*3	Loss of business opportunities due to insufficient BCP response	・Enrichment of BCP at individual manufacturing sites ・Ensuring a backup system at key manufacturing sites	Low

Critical transition opportunities and action policies

Climate change element		Item	Action policy	Impact level*4
Transition opportunity	Increase in decarbonized product needs Short to medium-term*3	Increase in the demand for high added-value, low-power consumption devices	•Provision of the latest electronic parts that contribute to the evolution of hardware •Continuous product development with competitiveness in terms of smaller size, higher efficiency, and longer service life	High
		Expansion of business opportunities due to supporting energy conservation and renewable energy needs	•Contribution to a decarbonized society through battery and power supply business •Promote stakeholders' understanding of the competitiveness of energy conservation and renewable energy efforts of Murata's products through information disclosure based on TCFD and participation in environmental initiatives (RE100, SBT, CDP responses) •Creation of new businesses related to energy conservation and renewable energy •Environmental monitoring using modules and sensors (in-house technologies)	Medium
	Progression of EV shift Short to medium-term*3	Increase in the demand for electronic parts for automobiles (CASE) and automobile infrastructure	•Acquisition of opportunities due to the expansion of the parts market associated with the shift to EVs •Provision of new value including software solutions drawing on findings in the field of communications •Exploration of business opportunities in the Out-Car area	High
	Progress in the social implementation of information infrastructure*5 Short to medium-term*3	Increase in the demand for electronic parts for high-speed, large-capacity communications and sensing society	•Promotion of the development of products that can respond to the technical requirements for the upcoming 6G society •Efforts for low power consumption and reduced loss •Continuous development of sensing techniques and devices	High
	Energy conservation and improved efficiency in business operations Short to medium-term*3	Reduction in power costs through introducing renewable energy and storage battery facilities in plants and promoting energy conservation	•Promotion of energy conservation efforts at manufacturing sites •Reduction in costs to purchase non-fossil fuel-derived power by actively introducing renewable energy and storage batteries	Low

*3 Short-term: Within the next 3 years, Medium-term: Within the next 3 to 5 years, Long-term: Within the next 5 to 10 years

*4 Impact levels: High: 20 billion+ JPY, Medium: 10 billion to 19.9 billion JPY, Low: Below 10 billion JPY

*5 Elements that indirectly constitute opportunities

Physical risks and action policy

<table>
<tr><th rowspan="2"></th><th colspan="2">2℃ scenario</th><th colspan="2">4℃ scenario</th></tr>
<tr><th>Impact level</th><th>Overall</th><th>Impact level</th><th>Overall</th></tr>
<tr><td>Extreme typhoons and extreme heat</td><td>Medium to high level of risk</td><td rowspan="4">Over 25% increase in the risk of one or a group of these assets being affected by extreme climate hazards in 2050 from that in 2020

Value at Risk (VaR): estimated to be several hundred million JPY</td><td>High to very high level of risk</td><td rowspan="4">Over 80% increase in the risk of one or a group of these assets being affected by extreme climate hazards in 2050 from that in 2020

Value at Risk (VaR): estimated to be approximately 1 billion JPY</td></tr>
<tr><td>Extreme drought and landslide</td><td>Medium level of risk</td><td>Medium level of risk</td></tr>
<tr><td>Extreme rainfall flood and sea-level rise</td><td>Low level of risk</td><td>Low level of risk</td></tr>
<tr><td>Extreme precipitation, storm surge, river flood or snowmelt</td><td>Not material</td><td>Not material</td></tr>
<tr><td>Actions</td><td colspan="4">• Energy conservation: Initiatives to lower our demand for electricity, a major source of our CO_2 emissions
• Renewable energy: Introducing solar power generation facilities and purchase of renewable energy and renewable energy certificates
• Internal systems: An internal carbon pricing system was introduced in 2021 to align investment decision-making with Murata's commitment to CO_2 emissions reduction

Targets:
• Joined RE100, committing to implementing 50% renewable energy by 2030 and 100% by 2050
• Established Scope1, 2, and 3 reduction targets in conformance with SBT standards</td></tr>
</table>

III Risk Management

The CSR Management Committee regularly assesses a wide range of materialities (key issues) of society, environment, and economy through a structured process. In the most recent materiality assessment, the impact of climate change was identified as a critical risk, and the oversight and initiatives against the impact have been endorsed by the Board of Directors as important business challenges. On a strategic level, the Climate Change Committee continually monitors evolving climate-related risks, sets the Companies' climate change agenda, and oversees responses to the agenda.

In FY 2021, we conducted physical scenario analysis to assess potential risks and opportunities brought about by future climate change as well as the resilience of our business strategy, and in FY 2022, we dug deeper into transition opportunity/risk analysis. In addition, we introduced a sustainability investment promotion system in earnest from FY 2022, and are working on low carbonization with a view to taking on big challenges that we had never experienced before, including the use of an internal carbon pricing system. We have also started working on reducing Scope 3 CO2 emissions, and in FY 2022, we conducted on-site interviews with more than ten suppliers.

On the operational level, ISO 14001 certification was acquired at our business sites and we assess environmental and climate change risks and drive continuous improvement.

Climate change-related risks are subject to company-wide risk management under the oversight of the Risk Management Committee. For example, guidelines for dealing with severe weather are laid out in the Business Continuity Plan (BCP) to minimize business disruption.

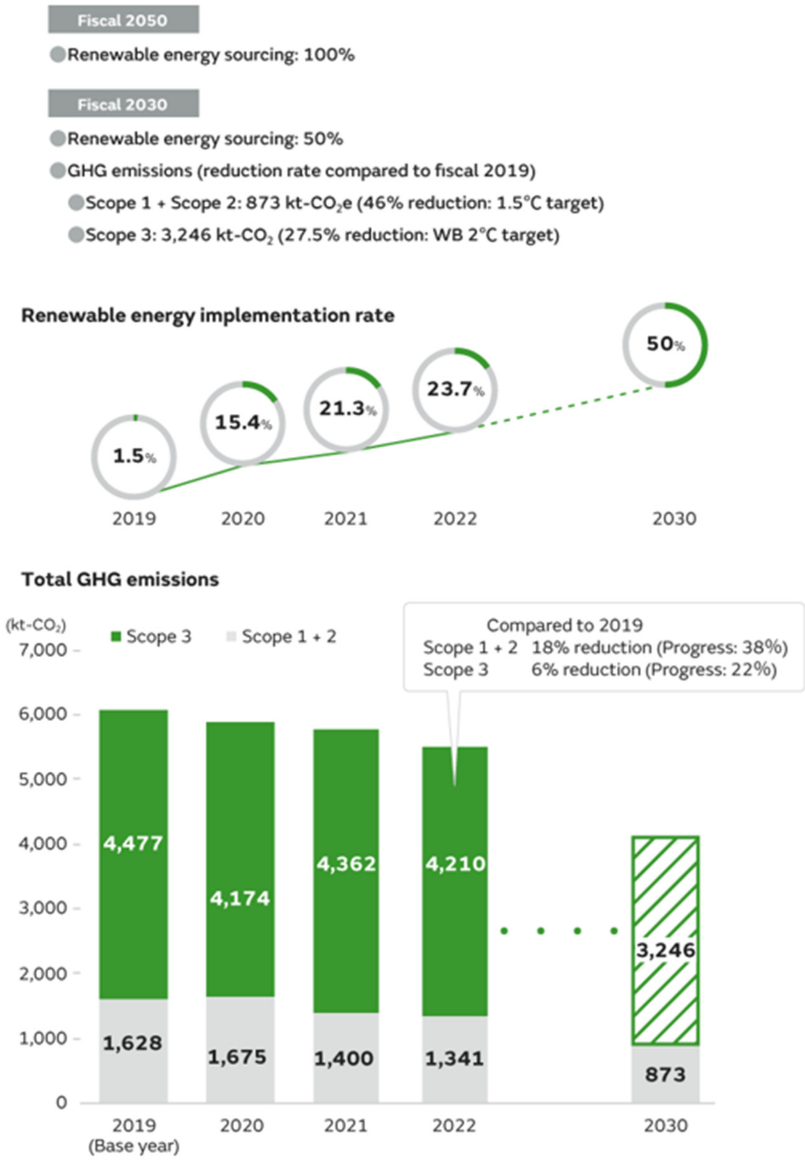
Furthermore, we are affiliated with industry associations, such as the Japan Climate Leaders' Partnership (JCLP), and global alliances, such as RE100, to gather insights into the latest trends, including emerging risks and opportunities, related to climate change to take advantage of those insights into our initiatives and responses.

The Companies' approach	● Climate change-related risks are subject to company-wide risk management under the oversight of the Risk Management Committee, and identified and evaluated as key risks for the Companies. These risks will be aligned with risks abstracted from scenario analysis. The initiatives to address these risks will be monitored. ● Comprehensively extract "transition risks" and "physical risks" due to the impact of climate change. Evaluate the impact of each risk. ● On the operational level, we acquired ISO 14001 certifications at our business sites. We will assess environmental risks and drive continuous improvement.
FY 2022 Status of Initiatives	● Analyzed and disclosed the risks and opportunities consistent with transition scenario. ● Internally introduced "Sustainability Investment Promotion System" as a response to introduction of carbon pricing in various countries of the world. ● Spotted trends surrounding global climate change to utilize for our own initiatives and countermeasures

IV Metrics and Targets

In order to contribute to global initiatives to limit the temperature increase to 1.5°C, the Companies acquired SBT certification and joined RE100. While the business scale of the Companies is expected to expand, we will accelerate decarbonization across our value chain, aiming to reduce CO2 emissions and increase the renewable energy implementation rate.

Concept	・We consider energy-saving, renewable energy, and renewable energy certificates as three pillars in promoting our decarbonization initiatives to reduce CO2 emissions. In addition, we strive to further strengthen cooperation with our business partners to consider measures for reducing CO2 emissions across our entire supply chain.



(3) Initiative on human capital

I Concept on human capital

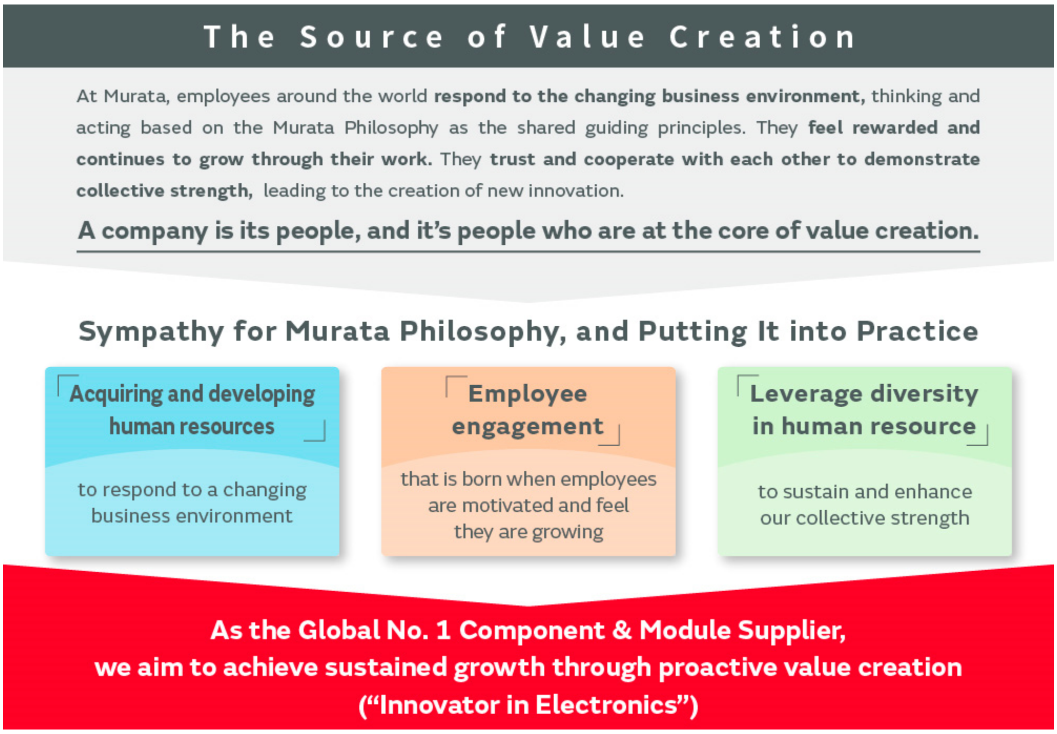
The Companies position management capital as “the source of value creation cultivated through the practice of Murata Philosophy”, and above all, we believe that “human resources” are the core of value creation. Furthermore, we believe it is always important for each and every employee to empathize with Murata Philosophy, which is the starting point of the Companies, and put it into practice as their own philosophy. In order to realize sustainable value creation as an “Innovator in Electronics”, the Companies will promote initiatives for human capital centered on the following three pillars:

・“Acquiring and developing human resources” to respond to a changing business environment

・“Employee engagement” that is born when employees are motivated and feel they are growing

・“Leverage diversity in human resources” to sustain and enhance our collective strength

<Concept on Human Capital>



II Initiative on human capital

We believe that the Companies can continue to be an Innovator in Electronics by respecting the diversity of individuals, building mutual trust and cooperation across teams, departments, and business sites, and demonstrating our comprehensive strengths. In order to continue demonstrating our comprehensive strengths, we will create an environment in which diverse human resources can play their important roles on a global basis. In addition, the Companies give highest value to CS and ES. We believe that it is essential for the growth of the Companies that employees continue to feel rewarding and growing through their work, and we have set employee engagement as an indicator thereof. Furthermore, in an increasingly drastically changing business environment, we will continue to invest in acquiring and developing human resources that are necessary for the Companies to continue implementation of the transformations and further strengthening our human resource base.

< Initiatives for Human Capital >

Three Pillars	"Acquiring and developing human resources" to respond to a changing business environment	"Employee engagement" that is born when employees are motivated and feel they are growing	"Leverage diversity in human resources" to sustain and enhance our collective strength
Key challenges	• Acquire, develop, and deploy human resources to achieve Vision 2030. • Prepare management for the future.	• Enable employees to act autonomously for overall optimization. • Employees must be able to feel healthy while working in safe workplaces.	• Enable all employees to gain wide-ranging, borderless experience. • Enhance the strength of organization through collaboration and cooperation among diverse human resources.
Main initiatives	1. Attracting and acquiring human resources 2. Developing human resources 3. Continual training of candidates for next generation of management 4. Acquiring and training DX human resources	1. Use global survey to improve the organizational culture 2. Encourage conversation between top management and employees 3. Establish employee-friendly work environments and systems 4. Provide safe and secure workplaces and practice health management	1. Promote global rotation (transfer overseas employees to other sites) 2. Acquire diverse personnel with a variety of experience and leverage the diversity 3. Provide a variety of career paths 4. Promote women's participation
Group-wide management targets related to human capital	The Companies have set the following two items related to human capital as medium- to long-term indicators among group-wide management targets: 1. Percentage of overseas indirect employees with experience working at other sites (please refer to "II Business Overview: 1. Management policies, business environment and issues to be addressed, etc.: (3) The Companies' materialities: Initiatives on social issues through business activities overall"). 2. Positive employee engagement response rate (please refer to "II Business Overview: 1. Management policies, business environment and issues to be addressed, etc.: (2) Medium- to long-term company management strategy: II. Mid-term Direction 2024: Progress in creating social value compared to our targets").		

For details of the above initiatives, please refer to our official website below. We plan to update the content of initiatives for human capital, including actions and indicators, as needed in response to changes in the internal and external environment.

https://corporate.murata.com/en-us/company/hr/capital

3. Business and other risks

(1) Risk Management System and its operational status

The Company has established the Risk Management Committee to discuss the specific form of company-wide risks that affect the business activities of the Companies and countermeasures for those risks. The committee meets twice a year on a regular basis (and have meeting on an ad-hoc basis if necessary), and its activities are regularly reported to the Board of Directors and management meetings so that the management can understand the risks around the Company and be ready to take countermeasures against those risks. In addition, we have established the Information Security Subcommittee and the BCM Subcommittee as subordinate organizations to consider and implement countermeasures against individual risks. The committee used to be positioned as a subcommittee of the CSR Management Committee, which is chaired by the President and Representative Director, but effective from April 2023, the committee started reporting directly to the Representative Director and being chaired by the President, and the members of the committee were changed from the head of the Key Functional Staff Department to directors and executive officers.

(2) Understanding risks and taking countermeasures

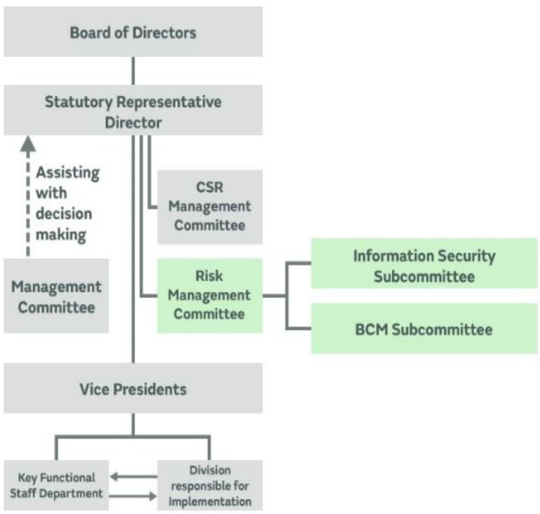
With regard to risks, General Affairs, Human Resources, Accounting, Finance, Corporate Planning, Corporate Communications, Intellectual Property, Environmental Affairs, Information Systems, Legal Affairs, and other departments of the Key Functional Staff Department and the Business Division that are responsible for risks, extract the risks that the Companies are currently facing or risks that are expected to appear in the near future. The Key Functional Staff Department prevents the omission of risk identification by correctly recognizing (i) risks which must be identified as company-wide risks from among the risks extracted by the Business Division responsible for implementation and (ii) risks that are need to be shared and managed by the Key Functional Staff Department and the Business Division.

The Risk Management Committee then evaluate the importance of the extracted risks based on their frequency of occurrence and degree of impact, and display those risks on a risk map in order to grasp and manage them from a higher perspective. For the risks extracted in this manner, the committee confirms the implementation status of highly important and urgent countermeasures for them. If the committee detects any residual risks after countermeasures are taken, it will issue instructions for additional countermeasures as needed.

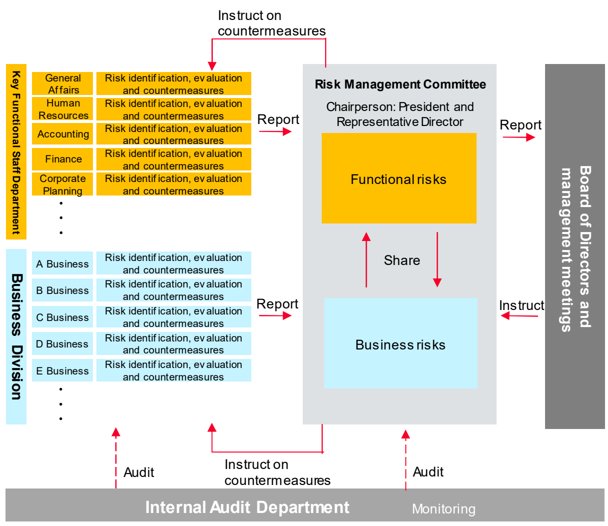
To note, the Internal Audit Department monitors whether the PDCA cycle for risk management is implemented appropriately in the Company through direct and indirect audits of the Risk Management Committee and the Key Functional Staff Department.

In addition, the Company defines a “crisis” as a serious event that significantly reduces corporate value, and in preparation for the emergence of risk and the occurrence of a “crisis”, we have established and are operating reporting rules to ensure that management is able to promptly assess the situation. In the event that a company-wide response to a “crisis” is necessary, a Crisis Response Headquarters headed by the President and Representative Director is established to deal with the situation.

Company structure



Company-wide risk management system



(3) Business and Other Risks

Among the matters relating to the status of business, accounting, etc. described in the Annual Securities Report, the major risks that we recognize may have a material impact on the investors’ decisions are as follows. The degree of impact and the frequency of occurrence of residual risk remaining after implementing each risk countermeasure are classified into three categories: High, Medium, and Low. With regard to the degree of impact, an indicator is selected from five indicators: Organizational impact, Impact on production activities, etc., Regulatory/administrative impact, Impact on business transactions, and Media/reputational impact; and classification is made based on the criteria that has been set in advance for each indicator. However, there is a possibility that any risk not listed below has a significant impact on the Companies’ performance and financial condition.

The matters relating to the future in the text are determined by the Companies on the basis of information available as of the filing date of the Annual Securities Report (June 29, 2023).

1) External environmental risks	
(1)	Risks related to global business development
(2)	Risks related to exchange rate fluctuations
(3)	Risks related to financing
(4)	Risks related to fund management
(5)	Risks related to environmental regulations
(6)	Risks related to climate change
(7)	Risks related to the suspension of business activities due to disasters and infectious diseases, etc.

2) Strategic risks	
(1)	Risks related to fluctuations in the demand for our products
(2)	Risks related to product competitiveness (market share)
(3)	Risks related to dependencies on specific partners and products
(4)	Risks related to M&A, business alliances, and strategic investment

3) Risks related to management foundation	
(1)	Risks related to information security
(2)	Risks related to public regulations and compliance
(3)	Risks related to intellectual property
(4)	Risks related to taxation
(5)	Risks related to the hiring and securing of human resources

4) Business execution risks	
(1)	Risks related to the development of new technologies and products
(2)	Risks related to procurement
(3)	Risks related to customer trust
(4)	Risks related to quality

1) External environmental risks

(1) Risks related to global business development		Frequency of occurrence: Medium	Degree of impact: High
Risk description	The Companies' ratio of overseas net sales exceeds 90%, and our sales, production, procurement, and other business activities are developing globally. The performance of the Companies is therefore easily influenced by the political situation, taxation and other legal systems, various regulations pertaining to finance and import/export, the status of social capital development, and other special regional characteristics in the corresponding country and region that we are entering, as well as sudden changes in these factors.		
Counter-measures	In business development, the Companies deploy our sales sites in areas that allow us to cover major world markets and in areas where we decide the locations of our production sites in comprehensive consideration of profitability, potential expansion of neighboring markets, customer trends, and others in order to accurately perceive changes in markets and customers, and to establish a system for providing high-quality products and excellent services. The Companies also select suppliers based on rational standards, such as QCDS. We carefully examine and assess related risks before determining appropriately whether to start operations in a new country or business transactions with new suppliers. Then, we emphasize contribution to the regions in which we started operations and suppliers and strive to improve our value to earn trust. On the other hand, geopolitical risks, such as shifts in the international situation, including the Ukraine situation, trade friction between the U.S. and China, and export controls, have been increasing recently, and can have direct and indirect influence on our business. Since Greater China relates to about 50% of the consolidated net sales and about 20% of the output of the Companies, the Chinese domestic and external situation has a growing impact on our management. In view of this, we strive to build a system for gathering information on multiple fronts for quick responses, and investigate and implement the creation of multiple streams throughout the entire supply chain. In addition, we promote production enhancement in ASEAN countries and the multi-polarization of the production system through the realization of an alternative production system in Japan and other countries in light of the Business Continuity Plan (BCP).		
Residual risk	Even if the above countermeasures are taken, when unexpected rapid change occurs in political, economic, or social factors, the Companies' performance and financial condition may suffer a significant impact.		

(2) Risks related to exchange rate fluctuations		Frequency of occurrence: High	Degree of impact: High
Risk description	Since the Companies' ratio of overseas net sales exceeds 90%, and we have global operations, our production, sales, and other business activities are largely influenced by exchange rate fluctuations. In addition, exchange rate fluctuations fluctuate the yen equivalents of the Companies' income, expenses, assets, and liabilities arising from foreign currency denominated transactions, and have influence on our performance and financial condition. With regard to the impact of exchange rate fluctuations on our operating income in the current fiscal year, in the case of a 1-yen appreciation of the yen against the dollar, the annual income decreases by five billion yen.		
Counter-measures	The Companies strive to reflect exchange rate fluctuations in overseas sales prices to reduce exchange rate fluctuation risks and have concluded exchange contracts for a certain percentage of foreign currency denominated transaction amounts while taking into consideration exchange rate hedge costs to offset the influence of exchange rate fluctuations on profit and loss.		
Residual risk	Even if the above countermeasures are taken, it is difficult to entirely eliminate the influence of exchange rate fluctuations. If the appreciation of the yen against the dollar or other foreign currencies rapidly develops or becomes prolonged, the Companies' performance and financial condition may suffer a significant impact.		
(3) Risks related to financing		Frequency of occurrence: Medium	Degree of impact: Medium
Risk description	Although the Companies allocate internal funds obtained by our own business activities for capital expenditures and other business funds under the basic policy, the internal funds are sometimes insufficient relative to investment aimed at business growth and capital requirements for working capital.		
Counter-measures	The Companies use appropriate methods to procure external funds in light of the financial market conditions at the time, and conduct fundraising through borrowing from banks and the issuing of domestic straight bonds from time to time.		
Residual risk	Even if the above countermeasures are taken, if banks' wariness of lending due to the destabilization of financial markets, a rise in yen interest rates, or a rating agency's downgrading of the Company's credit rating causes restrictions in our fundraising and an increase in our funding costs, the Companies' performance and financial condition may suffer a significant impact.		
(4) Risks related to fund management		Frequency of occurrence: Low	Degree of impact: Medium
Risk description	The Companies ensure fund liquidity required for a flexible response to capital requirements for business activities and for minimizing risks such as a deterioration in financial market conditions. We manage funds using financial instruments until capital requirements arise.		
Counter-measures	Since the Companies hold funds in hand as a source of business investment, not for speculative purposes, we distribute the funds across highly safe financial instruments, such as bank deposits and highly rated bonds whose credit risk is considered low.		
Residual risk	Even if the above countermeasures are taken, if rapid change in financial markets or increased credit risk of deposits or bonds held results in a loss of financial assets, the Companies' performance and financial condition may suffer a significant impact.		
(5) Risks related to environmental regulations		Frequency of occurrence: Low	Degree of impact: Medium
Risk description	The Companies are subject to a variety of regulations, such as those imposed on air pollution, water pollution, ground/groundwater pollution, waste disposal, and chemical substances included in products, under environmental laws in and outside Japan. The Companies conduct business activities in compliance with these laws. It is expected that domestic and overseas environmental regulations will be tighter from the standpoints of global environmental conservation and sustainable business development, and costs for adapting to those regulations will increase.		
Counter-measures	In recent years, the Companies have acutely recognized the importance of harmony between climate change/resource circulation and business, and has proceeded with each initiative, seeing these as business opportunities and risks. With regard to the Companies' recognition of and response to issues related to environmental conservation, such as compliance with regulations on the use of chemical substances and those on air emissions of volatile organic solvents, the Companies have formed the Environmental Committee and the Climate Change Committee, each of which is chaired by a vice president, and have promoted countermeasures in an integrated manner.		
Residual risk	Even if the above countermeasures are taken, when it is extremely difficult to adapt to environmental regulations, there is the possibility of occurrence of unexpected costs, partial withdrawal from business, or damage to the Companies' social trust, and the Companies' performance and financial condition may suffer a significant impact.		

(6) Risks related to climate change		Frequency of occurrence: Medium	Degree of impact: Medium
Risk description	It is required for companies to take initiatives for resource circulation and decarbonization in order to cope with environmental problems that have become serious around the world in recent years. Although the Companies set strengthening climate change measures and use of sustainable resources as materialities (key issues) to take countermeasures, if satisfaction of demands from stakeholders is extremely difficult, insufficient, or delayed, the following risks may come to the surface. (Transition risks) • The loss of customers and decline of corporate value due to falling behind in the response to the increase of needs for decarbonized products throughout the world and the enhancement of environmental awareness, the increase of plant construction and operation costs due to the introduction of carbon pricing and energy saving standards becoming stricter, and other factors are potential risks that should be considered in decisions on management strategies, financial plans or capital expenditures. (Physical risks) • Since typhoons, heavy rainfall, and other abnormal weather affect plants and supply chains, there are risks of a complete shutdown of major plants due to floods or power loss as well as of raw material supply disruptions due to abnormal weather.		
Counter-measures	The Companies have selected “Strengthening climate change measures” such as reduction of CO_2 emissions as one of non-financial key issues, set up the Climate Change Committee chaired by a Member of the Board of Directors and Executive Vice President, and have been promoting the countermeasures to recognize and respond to the issues regarding the climate change countermeasures. (Transition risk) • As a response to the introduction of carbon pricing (hereinafter, “CP”), the Companies will utilize the sustainability investment promotion system (internal CP system, etc.), and further accelerate energy conservation/renewable energy activities. • In order to respond to needs for decarbonized products, the Companies will promote decarbonization for the entire value chain by working to reduce CO_2 emissions through the proactive introduction of renewable energy and cooperation with suppliers, and continue to advance the development of lighter, thinner, shorter, smaller and highly efficient products with increased lifespans. • For the increase of plant construction and operation costs, the Companies will reduce the cost burden by proactively utilizing energy conservation subsidies/beneficial tax treatment, and reduce operation costs by adopting construction with low environmental burden, etc. (Physical risk) • Unusual weather caused by a powerful typhoon, etc. may bring about great damage depending on plant locations. Therefore, the Companies have implemented risk evaluations of individual plants utilizing hazard maps and have been aiming at decentralization of production and pluralizing transportation routes. • Regarding other risks and opportunities related to climate change, content based on TCFD (Task Force on Climate-related Financial Disclosures) recommendations are disclosed. In respect of individual specific measures, we will further strengthen our endeavor in order to achieve targets acknowledged as SBT (Science Based Targets), and, in the future, continue the activities to realize RE100 in 2050.		
Residual risk	Even though the above-mentioned measures are implemented, there is the possibility that it would bring about a significant impact on the Companies’ business achievement and financial status to fail to respond to the demand when demand of stakeholders would change in the mid and long term.		

(7) Risks related to the suspension of business activities due to disasters and infectious diseases, etc.	Frequency of occurrence: Low	Degree of impact: High

Risk description	The Companies may be forced to suspend business activities for a prolonged period of time owing to the occurrence of large-scale natural disasters, outbreak of infectious disease, etc. at business locations.
Counter-measures	In order to minimize the impact from any suspended operation of main products due to massive disasters and fulfill the responsibility of a stable supply of products to customers, the Companies have formulated the Business Continuity Plan (BCP) such as decentralizing production facilities in Japan and overseas. In addition, the Companies implemented measures such as securing earthquake resistance and safety of buildings and production equipment, establishment of backup systems of communication and information systems, maintaining supply with goods in stock, etc. assuming a certain scale of earthquake at all domestic facilities. Moreover, the Companies have been making an endeavor to confirm effectiveness of the initial response, continue improvement activities, enhance crisis response capabilities and capture improvement points on BCP by conducting disaster prevention drills and business continuity drills on a regular basis. In respect of COVID-19, which spread across the world from January 2020, the Companies have implemented measures for infection prevention and infection spread prevention in correspondence to the infection status and request content from central and local governments in order to minimize the impact of COVID-19 on employees' health and the Company's business activities. Furthermore, in May 2023, COVID-19 was downgraded to a Class 5 disease in Japan, but the Companies will continue to properly respond in accordance with the government's policy, etc.
Residual risk	Even though the above-mentioned measures are implemented, functional deterioration of production lines and information systems over a prolonged period of time due to occurrence of large-scale disasters beyond expectations, further spread of COVID-19, epidemic of another new infection, an accident of a nuclear power plant, etc. as well as a significant scale-down or suspension of business activities accompanying sluggish economic activities across the world may bring about a significant impact on the Companies' business achievements and financial status.

2) Strategic risks

(1) Risks related to fluctuations in the demand for our products	Frequency of occurrence: Medium	Degree of impact: High

Risk description	The Companies' main business is supplying electronic components to electronic equipment makers that are manufacturing various electronics products. Demand trends of electronics products are largely dependent on economic conditions of the world. Consequently, a sudden change in economic conditions would bring about a big impact on the Companies' business achievements. In addition, in respect of electronic components that are used in electronics products with especially high growth potential, demand of the components that is alienated from reality sometimes occurs, and in that case the demand fluctuation will bring about an amplified impact on the Companies.
Counter-measures	Responding to this matter, the Companies have been taking countermeasures to respond to a rapid increase in demand and restrain the occurrence of loss for surplus assets by conducting measures such as 1) aiming at diversifying risks for businesses that will capture an even wider range of business opportunities with the environmental and wellness markets as fields in which to challenge while holding both the telecommunication and mobility markets as core fields, 2) watching the trend of the world economy, quickly arranging production equipment and required human resources and expanding production capacity based on medium- to long-term demand forecasts, 3) focusing on continuous improvement of production efficiency through proactive utilization of IT technology, and 4) flexibly adjusting production capacity and the number of working days.
Residual risk	Even though the above-mentioned measures are implemented, in a case where the demand on the Companies' products falls largely below the forecast owing to rapid change in the world economy or overall electronics industry, arranged production equipment, human resources, materials, products, etc. will become surplus and may bring about a significant impact on the Companies' business achievements and financial status. On the other hand, in the case of the sudden occurrence of demand beyond expectations, we may not be able to meet the demand of customers and lose sales opportunities, and that may lead to losing competitiveness in the future.

<table>
<tr><td colspan="2">(2) Risks related to product competitiveness (market share)</td><td>Frequency of occurrence: Medium</td><td>Degree of impact: Medium</td></tr>
<tr><td>Risk description</td><td colspan="3">In the electronic component industry to which the Companies belong, while demand opportunity is anticipated to largely grow in the medium to long term, at the same time, the competition with rival companies is intensifying. When the Companies become subordinate to rival companies in product characteristics, supply capacity, cost competitiveness and comprehensive competitiveness, the Companies will face risks of a decrease in market share. In addition to conventional competitors, local component suppliers in China have recently become rapidly stronger, and there is a tendency of further intensifying of competition with rival companies.</td></tr>
<tr><td>Counter-measures</td><td colspan="3">The Companies have been making endeavors to focus on maintaining and increasing market share, increase sales and enhance profitability owing to the comprehensive strength that are composed of continuous launches of new products with high added value which realize a small size, thin-type, highly reliable, low consumption electricity, etc., unique material and manufacturing technology, the promotion of continuous and proactive cost reductions integrating on-site manufacturing power, improvement of supply capacity timely responding to demand from customers, sales network strength that constructs stable business relationship with customers, etc.</td></tr>
<tr><td>Residual risk</td><td colspan="3">Even though the above-mentioned measures are implemented, owing to such factors as rival companies' technically leading after acquiring innovative technology or rival companies' succeeding in overwhelming cost reductions, and decline in the Company's market share may bring about a significant impact on the Companies' business achievements and financial status.</td></tr>
<tr><td colspan="2">(3) Risks related to dependencies on specific partners and products</td><td>Frequency of occurrence: Medium</td><td>Degree of impact: Medium</td></tr>
<tr><td>Risk description</td><td colspan="3">The Companies are highly dependent on some business partners and some products in respect of consolidated net sales. Specifically, during the current fiscal year, there is one customer group that exceeds 10% of consolidated net sales. Also, capacitors are the main product that account for 43% of consolidated net sales in the current fiscal year.</td></tr>
<tr><td>Counter-measures</td><td colspan="3">The Companies have implemented the following measures to respond to such risks.
First, the Companies have been making endeavors to reduce our dependence on specific customers through selling the Companies' products to a wide range of customers for a wide range of applications by utilizing the global sales network, which is one of our strengths.
Next, the Companies have been making endeavors to reduce the dependence on specific products. Demand opportunity from progress toward 5G and innovation in the automobile industry known as CASE is large. Therefore, the Companies will continue to strengthen such business as well as expand business such as communications devices, modules, batteries, etc. so that the Companies will promote the diversification of revenue.</td></tr>
<tr><td>Residual risk</td><td colspan="3">Even though the above-mentioned measures are implemented, in a case where the orders from the said customer group decrease or sales of products to the said customer group decline, that may bring about a significant impact on the Companies' business achievements and financial status.
Also, the appearance of innovative technology or products that could replace capacitors, or the rise of strong rival companies may bring about a significant impact on the Companies' business achievements and financial status.</td></tr>
<tr><td colspan="2">(4) Risks related to M&A, business alliances, and strategic investment</td><td>Frequency of occurrence: Medium</td><td>Degree of impact: High</td></tr>
<tr><td>Risk description</td><td colspan="3">The Companies have been implementing M&A, business alliances and strategic investment as needed for the purpose of acquisition of new technology, advancement into new business areas, strengthening of competitiveness in existing business, etc.</td></tr>
<tr><td>Counter-measures</td><td colspan="3">In respect of collaboration with other companies, the Companies make an assessment after conducting risk analysis of the subject market and business as well as the business management condition of the partner company. In addition, the Companies implement verification of the said project on a regular basis, correct its course if necessary, and enhance the effectiveness of the collaboration.</td></tr>
<tr><td>Residual risk</td><td colspan="3">Even though the above-mentioned measures are implemented, in a case where the business is not developed as planned owing to a drastic change in market environment or competitive environment, conflicts of interest between collaborating partners, a change in customer base of the acquired company or business, or an outflow of human resources, inability to recover the injected fund, occurrence of additional costs, or impairment loss of goodwill or long-lasting assets may bring about a significant impact on the Companies' business achievements and financial status.</td></tr>
</table>

3) Risks related to management foundation

(1) Risks related to information security		Frequency of occurrence: High	Degree of impact: High
Risk description	In recent years, as information leakage by retirees and target-type email attacks have been reported by mass media, there are rising risks of information leakage through internal fraud targeting information held by the company and suspension of business activities due to cyberattacks. Meanwhile, along with heightened rights awareness of personal information, laws and regulations for protection of personal information such as GDPR (EU General Date Protection Regulation) have been considered and enacted in individual countries across the world, and matters, for which companies are legally required to respond to, such as safety control measures of personal information and reporting to supervisory authorities of an information leakage accident, have been increasing and penal regulations against violations have become stricter.		
Counter-measures	In order for the Companies to continue sustainable growth, it is important that confidential information such as technical information and management information, personal information handled within the company, and information received from clients, customers and business partners be protected. Therefore, the Companies have been implementing information security management based on the international standard (ISO 27001). Specifically, the Companies have established rules such as the Information Security Basic Policy, Information Security Control Rules, Policy on the Protection of Personal Information, and Global Rules on the Protection of Personal Data, and have developed and are operating measures for information security and personal information protection in terms of human, technical, and physical aspects. First, from the human aspect, the distribution of the Information Security Guidebook, which provides explanations of easy-to-understand rules so that information shall be handled properly, annual education to heighten awareness of information security, phishing mail training, and in-house training according to position, etc. have been implemented. In addition, a response system for information security accidents has been established. Next, from the technical aspect, the Companies have implemented malware measures, access controls for systems, assessment of and correspondence to vulnerability, monitoring of information terminals and communications, collection of various kind of logs, establishment of a correspondence system for incidents that may become security accidents, and the strengthening of security at production sites, etc., and are advancing responses and measures against cyberattacks and risks that change from day to day. From the physical aspect, by implementing entrance and exit gate controls, setting up security zones according to the security control level and access controls for individual zones, unauthorized entering within the company and from outside of the company are prevented through multiple checks. In addition to initiatives for information security management based on the above-mentioned international standard (ISO 27001), major domestic and overseas bases, including the Head Office, acquired “TISAX (Trusted Information Security Assessment Exchange)” certification, which is for the evaluation of information security carried out by Verband der Automobilindustrie e.V., due to the increase of importance of information security in the automobile industry.		
Residual risk	Even though the above-mentioned measures are implemented, in a case where unauthorized access or unexpected illegal use by the technology beyond the assumed level of defense, risks of the outflow of information to the outside and falsification of information without being able to detect it will remain and not only affect the social credibility of the Companies, but also the burden of heavy costs required to cope with it may bring about a significant impact on the Companies’ business achievements and financial status.		

(2) Risks related to public regulations and compliance		Frequency of occurrence: Low	Degree of impact: High
Risk description	Business carried out by the Companies in Japan and foreign counties and regions is subject to various public regulations such as legal regulations of commercial transactions, antimonopoly laws, intellectual property rights, product liability, environment, labor affairs, taxes, etc., approval and authorization of business investment, and export and import regulations. If we violate such public regulations, we will face the risk of disposition by supervisory authorities, lawsuits, further risk leading to suspension of business activities, and risk of damage to enterprise brand value and loss of social credibility.		
Counter-measures	Within the Companies, the section in charge is set up for each area subject to public regulation and the section implements measures to prevent such violations beforehand, including setting internal rules in response to public regulations as well as monitoring in a timely manner. In addition to those efforts, the Company has installed a Compliance Promotion Committee, established the Corporate Ethics Policy and Code of Conduct that covers not only legal compliance but also ethical viewpoints which should be shared by officers and employees, ethics norms to be observed, etc. so that the Companies observe the Code of Conduct and prevent the occurrence of the problem of legal violation across the Companies and have set up reporting contact offices within and outside of the company in order to ensure the effectiveness of compliance.		
Residual risk	Even though the above-mentioned measures are implemented, while developing the business throughout the world, in a case where the Companies come into conflict with a public regulation as a result, as the new establishment or strengthening of a public regulation or its unanticipated application would take place in a country or region, restriction on business activities or increase in expenses to observe the public regulation may bring about a significant impact on the Companies’ business achievements and financial status.		

(3) Risks related to intellectual property		Frequency of occurrence: High	Degree of impact: Medium
Risk description	As the Companies belong to the electronics component industry, where innovation is making significant progress and competition with rival companies is intensifying, respecting others' intellectual property rights, avoiding useless disputes over intellectual property rights with others, and protecting our own unique technology are material management challenges. If a claim in respect of intellectual property rights is received from a third party, there is the possibility that production and sales activities of the Companies may be restricted and payment of compensation for damages and license fees may occur. Also, in the event that our own unique technology is not protected, there is the possibility that the product or service may be copied by others.		
Counter-measures	The Companies have set up integrated production systems from material through finished goods. While performing material development, process development, product development and production techniques development, we investigate others' intellectual property rights at appropriate timing and take measures such as design evasion, if necessary. Invention created during the research and development process is appropriately treated according to the Handling Rules of Invention and Design, and patent applications, etc. are implemented. The Companies have been proactively implementing patent applications overseas, responding to the rising ratio of overseas sales, and making progress in the construction of a global intellectual property portfolio. In addition, by holding various in-house events such as hierarchy education and education according to functional ability in respect of intellectual property and an enlightenment forum regarding intellectual property, the Companies have been encouraging our employees to raise intellectual property mindfulness.		
Residual risk	Even though the above-mentioned measures are implemented, due to the acquisition of intellectual property rights by competitors or other third parties and their usage trends, there is the possibility that we may receive a claim that our product infringes upon a third party's intellectual property rights, or that the intellectual property rights portfolio was unable to be created in a manner sufficient for securing the priority of the Companies' products, etc., which may bring about a significant impact on the Companies' business achievements and financial status.		

(4) Risks related to taxation		Frequency of occurrence: Medium	Degree of impact: Medium
Risk description	The Companies have been performing business activities such as sales and production in individual countries throughout the world, and the Companies hold tax-related risks such as risks of imposition of large amounts of additional tax by tax authorities in individual counties, further risks of damage on credibility that occurs accordingly, and dual taxation risks through imposition according to a transfer pricing tax system.		
Counter-measures	The Companies collect risk information on taxation early according to Global Tax Policy and determines tax practice processing in light of legislative intent of laws and regulations. When there remains uncertainty in the tax practice processing, the Companies make efforts to eliminate the uncertainty by conducting a prior inquiry at the tax authority and consultation with outside experts. Also, the Companies have installed a taxation specialist organization as an independent organization, securing and growing human resources with a wealth of expert knowledge and experience, and developed a system to minimize the risks related to taxation.		
Residual risk	Even though the above-mentioned measures are implemented, the possibility of materialization of risks related to taxation has been rising along with business expansion in recent years and the progress of globalization, and the monetary significance is increasing. When risks related to taxation materialize, the occurrence of an additional burden of corporate tax, etc. may bring about a significant impact on the Companies' business achievements and financial status.		

(5) Risks related to the hiring and securing of human resources		Frequency of occurrence: Medium	Degree of impact: Medium
Risk description	The Companies carry out integrated production from material through finished goods as well as pursues technical originality such as in-house production of main production equipment. Today, when technical advancement and technological innovation are accelerating, the necessity for human resources with exceptional expertise in various technical fields is ever increasing. On the other hand, while technological innovation is making progress in individual industrial fields, with the electronics field in particular expanding, the Companies' needs for human resources in various technical fields are concurrently increasing as we are increasing in the whole industry. Also, with the decline in the labor force population along with the declining birth rate and aging population, the acquisition of excellent human resources is facing fierce competition. Moreover, taking into consideration that competition for acquiring highly skilled technical human resources will intensify around the world, it is also important to secure human resources with know-how in technical areas, including senior employees from the viewpoint of competitive strength.		
Counter-measures	In the Companies, in addition to planned new graduate recruitment, year-round recruitment of graduates of past fiscal years is carried out according to needs. While the Companies established the Minato MIRAI Innovation Center as a research and development facility in Yokohama-shi, Kanagawa in December 2020, the Companies have been making progress in strengthening recruitment of human resources needed for new markets such as energy, healthcare and IoT as well as digital transformation in addition to the key growing markets with telecommunication market and automobile market as our core. Also, the Companies have been making endeavors to raise the motivation of employees, including seniors, by implementing an expansion of the education system to support skills development, personnel placement attaching importance to aptitudes in order to let employees thoroughly fulfil their various potential, the setting up of an appropriate career route for specialty human resources, the arrangement of a system to support work-life balance, and a retirement system for 65 year olds, which will be introduced in April 2024. In addition, the Companies have been retaining human resources and increasing motivation by appropriately raising remuneration levels in accordance with employees' levels.		
Residual risk	Even though the above-mentioned measures are implemented, in the event that the acquisition of human resources needed by the Companies and securing and growing them do not make progress as planned owing to a change in the employment environment, etc., it may bring about a significant impact on the Companies' business achievements and financial status.		

4) Business execution risks

(1) Risks related to the development of new technologies and products		Frequency of occurrence: Low	Degree of impact: High
Risk description	In the electronic component industry to which the Companies belong, the speed of technological innovation has been accelerating and product life cycle is becoming shorter. Therefore, it is important to continuously implement the development of innovative new products with appropriate timing, in order to maintain and increase the sales of the Companies in the future.		
Counter-measures	The Companies have been continuously and proactively investing in research and development which are required for the development of new technologies and new products, and the proportion of research and development expenses to sales is 6-7%, which indicates a relatively high level in the electronic component industry. In respect of themes of research and development, the selection is made based on a forecast of future market, products and technology trends, the evaluation of research and development results is carried out at each stage of research and development activities, and efforts to enhance the effectiveness and efficiency have been made.		
Residual risk	Even though the above-mentioned measures are implemented, in the event that market and product trends change or technological innovation which can replace the Companies' technology occurs beyond the forecast, the occurrence of decreases in expected product demand, lengthening of development periods, and increases in development expense may bring about a significant impact on the Companies' business achievements and financial status.		
(2) Risks related to procurement		Frequency of occurrence: Medium	Degree of impact: Medium
Risk description	As risks related to material procurement, disruptions in material supply and price hikes along with problems in the business operation of suppliers, deterioration of public security, spread of infectious disease, disasters (man-made/natural disasters), depletion of resources, are assumed.		
Counter-measures	The Companies are reducing the risks through securing proper inventory based on material inventory policy, multi-vendor system, prior confirmation of a business continuity plan (BCP) of individual suppliers, etc. Also, the Companies have made databases of production sites of material suppliers and arranged a framework which makes it possible to promptly collaborate with suppliers when disasters occur as well as formulated an initial response flow for the time of occurrence of disasters and arranged a framework to make it possible to quickly conduct restoration activities.		
Residual risk	Even though the above-mentioned measures are implemented, in the event of the occurrence of a disaster, etc. whose scale and period are beyond the assumption, it may bring about a significant impact on the Companies' business achievements and financial status.		

(3) Risks related to customer trust		Frequency of occurrence: High	Degree of impact: Low
Risk description	As the Companies supply electronic components to electronic equipment makers all over the world, because of drastic changes in the business environment of the electronics market, there is the possibility of occurrence of a material financial problem at customers from whom the Companies have accounts receivables-trade.		
Counter-measures	The Companies' sales are dispersed among many customers with major electronic equipment makers at the core, and the Companies make endeavors to set up transaction conditions taking the continuous credit evaluation of customers into consideration.		
Residual risk	Even though the above-mentioned measures are implemented, in the event that the business environment of the Companies' material customers rapidly deteriorates owing to drastic fluctuations in the demand of electronics products, corporate reorganization and technological innovation in the electronics industry, operation suspension for disasters or infectious diseases, etc., it is also assumed that the collection of part of accounts receivables-trade might become impossible, and this may bring about a significant impact on the Companies' business achievements and financial status.		

(4) Risks related to quality		Frequency of occurrence: Medium	Degree of impact: High
Risk description	While the Companies' main business is to supply electronic components to electronic equipment makers manufacturing various kinds of electronics products, in the event of the occurrence of an accident, withdrawal from the market, production suspension, etc. resulting from product quality of the Companies at a customer, the Companies face the possibility of having a claim made against them for compensation for the customer's loss. Also, as the Companies' sales in the automobile market have been increasing along with the increase in electric components of automobiles, the degree of impact on business achievements has been increasing when there is a withdrawal from the market.		
Counter-measures	The Companies carry out quality management activities that are compliant with various quality management standards, such as ISO and IATF. Furthermore, during manufacturing of products, the Companies have been making endeavors to improve the quality assurance system at all stages from development through shipment by conducting a design review, product assessment, internal quality audit, process control, various evaluation tests, improvement activities with business partners as well as mechanism integration with partners of M&A and business alliances. Moreover, the Companies have been making endeavors to enhance awareness regarding quality and foster a culture of product compliance through various types of events regarding quality, and informed the all companies of the Quality Policy.		
Residual risk	Even though the above-mentioned measures are implemented, it does not mean that there is no possibility of occurrence of an accident that is beyond the technology and control level at the present time. The occurrence of a serious problem related to quality, payment of a large amount of damage compensation, decline in sales or deterioration in reliability of the Companies' products, etc. may bring about a significant impact on the Companies' business achievements and financial status.		

4. Analysis of financial position, business results and cash flow status by management

Forward-looking statements in this document are based on the judgment at the end of the current fiscal year.

(1) Business results

1) Overview of business results

The global economic environment for the current fiscal year saw concerns over an economic downturn persist due to the turmoil in the financial market of the U.S. and Europe in addition to signals of further interest rate hikes repeatedly sent from central banks in major countries and the continued high level of inflation. In the U.S., favorable employment conditions and robust consumer spending have underpinned the economy, but the outlook for the economy has become more uncertain due to sluggish housing investment and the collapse of some financial institutions. In Europe, amid monetary tightening by the European Central Bank (ECB) and others continuing, the prolonged turmoil in Ukraine has come to put downward pressure on the economy. In China, although the economy is on a recovery path following the government's policy shift against COVID-19, careful attention needs to be paid to how domestic demand will change with additional government stimulus measures. In Japan, the economy is returning to normal from the pandemic. On the other hand, however, sluggish personal spending in the face of high prices and weak exports due to stagnant external demand weigh on an economic recovery.
In the electronics market where the Companies operate, demand for parts grew year on year for mobility mainly due to an increase in the number of cars produced. However, demand overall declined due to the sluggish market conditions of smartphones and PCs, and prolonged inventory adjustments.
In these circumstances, regarding net sales for the current fiscal year, whereas sales of multilayer resin substrates increased for smartphones, and lithium-ion secondary batteries increased for power tools in addition to currency fluctuations (the yen depreciated by 23.10 yen year on year), sales of MLCCs decreased for computers and smartphones, and SAW filters and high-frequency modules declined for smartphones. As a result, net sales for the current fiscal year decreased by 6.9% year-on-year to 1,686,796 million yen. Looking at profits, operating income was 297,887 million yen, down 29.8% year on year, income before income taxes came to 314,895 million yen, down 27.2% year on year, and net income attributable to Murata Corporation posted 253,690 million yen, down 19.2% year on year. This was due to a decrease in the operation rate and an increase in fixed costs, despite profit-increasing factors such as a weaker yen and cost reduction.
For the current fiscal year, ROIC (pre-tax basis) decreased 8.0 points year on year to 14.6% due to a significant fall in operating income while invested capital such as inventories and fixed assets increased.

	Previous fiscal year (April 1, 2021-March 31, 2022)		Current fiscal year (April 1, 2022-March 31, 2023)		Increase/decrease	
	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Percentage (%)	Amount (Millions of yen)	Increase/decrease rate (%)
Net sales	1,812,521	100.0	1,686,796	100.0	(125,725)	(6.9)
Operating income	424,060	23.4	297,887	17.7	(126,173)	(29.8)
Income before income taxes	432,702	23.9	314,895	18.7	(117,807)	(27.2)
Net income attributable to Murata Corporation	314,124	17.3	253,690	15.0	(60,434)	(19.2)
ROIC (pre-tax basis) (%)	22.6	-	14.6	-	(8.0)	-
Average exchange rate against US dollar (yen)	112.38	-	135.48	-	23.10	-

Note: ROIC (pre-tax basis) = Operating income / Average invested capital at the beginning and end of the period (= Net fixed assets + inventories + accounts receivable-trade - accounts payable-trade)

(Reference) ROIC by Operating Segment (pre-tax basis)

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
Components	34.3%	24.0%
Devices and Modules	8.7%	2.5%

In respect of the information by operating segment, net sales of Components decreased to 924,387 million yen (down 7.4% year on year) with operating income of 280,121 million yen (down 21.2% ditto) due to lower sales of MLCCs and inductors. Net sales of Devices and Modules decreased to 760,986 million yen (down 6.6% ditto) with operating income of 20,582 million yen (down 70.5% ditto) due to decreased sales of surface wave filters and high-frequency modules, despite an increase in sales of lithium-ion secondary batteries, and net sales of Others increased to 74,564 million yen (up 4.8% ditto) with operating loss of 2,816 million yen (loss of 1,173 million yen in the previous fiscal year).
From the first three months of the current fiscal year, we have changed operating segments and classifications of sales in operating segments. For details, please refer to "(4) Changes in operating segments" mentioned later. In addition, regarding comparisons with the previous fiscal year in the text, the amounts for the previous fiscal year have been reclassified into the categories after the change (the same applies to "2) Net sales by product and business category" and the contents that follows the section).

2) Net sales by product and business category

Summaries of net sales by product and business category of the current fiscal year compared with previous fiscal year are as follows.

[Capacitors]
The Capacitors category includes MLCCs.
For the current fiscal year, sales of multilayer ceramic capacitors (MLCCs) increased for mobility, but decreased for computers and smartphones.
As a result, overall net sales decreased by 6.3% year-on-year to 738,841 million yen.

[Inductors and EMI Filters]
The Inductors and EMI Filters category includes Inductors, EMI Suppression Filters.
For the current fiscal year, sales of EMI suppression filters and inductors increased for mobility. However, sales of inductors decreased for computers and smartphones.
As a result, overall net sales decreased by 10.4% year-on-year to 175,324 million yen.

[High-Frequency Device and Communications Module]
The High-Frequency Device and Communications Module category includes Connectivity modules, High-frequency modules, SAW filters, Multilayer resin substrates.
For the current fiscal year, while sales of multilayer resin substrates increased, sales of SAW filters, high-frequency modules and connectivity modules considerably fell for smartphones.
As a result, overall net sales decreased by 14.1% year-on-year to 453,646 million yen.

[Battery and Power Supply]
The Battery and Power Supply category includes Lithium-ion secondary batteries, Power supplies modules.
For the current fiscal year, sales of lithium-ion secondary batteries increased for power tools.
As a result, overall net sales increased by 18.9% year-on-year to 214,556 million yen.

[Functional Device]
The Functional Device category includes Sensors, Timing devices (Resonators).
For the current fiscal year, sales of sensors increased for mobility. However, sales of sensors and timing devices decreased for computers.
As a result, overall net sales decreased by 12.8% year-on-year to 92,778 million yen.

3) Net sales by applications

Summaries of net sales by applications of the current fiscal year compared with previous fiscal year were as follows.

[Communication]
For the current fiscal year, although sales of Multilayer resin substrates increased for smartphones, sales of high-frequency modules, connectivity modules and SAW filters as well as MLCCs decreased.
As a result, overall net sales decreased by 15.4% year-on-year to 659,244 million yen.

[Mobility]
For the current fiscal year, sales of MLCCs and EMI suppression filters increased mainly due to the sales-increasing factor of a weaker yen and a recovery in the quantity of automobiles produced.
As a result, overall net sales increased by 16.0% year-on-year to 390,198 million yen.

[Computers]
For the current fiscal year, sales of MLCCs and inductors decreased significantly for PCs.
As a result, overall net sales decreased by 24.5% year-on-year to 224,714 million yen.

[Home Electronics]
For the current fiscal year, sales of lithium-ion secondary batteries for power tools increased.
As a result, overall net sales increased by 8.0% year-on-year to 197,831 million yen.

[Industry and Others]
For the current fiscal year, although sales for healthcare products and industrial equipment increased, sales for distributors decreased.
As a result, overall net sales decreased by 0.7% year-on-year to 214,809 million yen.

4) Results of production, orders and sales

A) Results of production

Production results by segment of the current fiscal year are as indicated in the following table.

	Results of production (April 1, 2022-March 31, 2023)		
	Amount (Millions of yen)	Composition ratio (%)	Year-on-year change (%)
Capacitors	793,619	44.5	(8.6)
Inductors and EMI Filters	180,392	10.1	(13.9)
Components	974,011	54.6	(9.6)
High-Frequency Device and Communications Module	458,344	25.7	(12.8)
Battery and Power supply	244,374	13.7	26.2
Functional Device	95,592	5.3	(14.1)
Devices and Modules	798,310	44.7	(3.9)
Others	11,615	0.7	(3.9)
Total	1,783,936	100.0	(7.1)

(Notes) 1. The amount is indicated based on sales price.

2. In the following tables by segment, results of production, orders and sales of electronic components (our main business) and the related products are indicated.

B) Results of orders

The amount of orders and backlogs by segment of the current fiscal year are as indicated in the following table.

	Amount of orders (April 1, 2022-March 31, 2023)			Amount of backlogs (As of March 31, 2023)		
	Amount (Millions of yen)	Composition ratio (%)	Year-on-year change (%)	Amount (Millions of yen)	Composition ratio (%)	Year-on-year change (%)
Capacitors	645,999	42.9	(21.9)	135,868	40.0	(40.6)
Inductors and EMI Filters	156,995	10.4	(23.5)	28,923	8.5	(38.8)
Components	802,994	53.3	(22.2)	164,791	48.5	(40.3)
High-Frequency Device and Communications Module	417,395	27.7	(21.7)	70,205	20.7	(34.1)
Battery and Power supply	187,886	12.5	(7.4)	77,388	22.8	(25.6)
Functional Device	87,938	5.9	(21.7)	21,784	6.4	(18.2)
Devices and Modules	693,219	46.1	(18.3)	169,377	49.9	(28.6)
Others	8,517	0.6	(55.7)	5,590	1.6	(35.9)
Total	1,504,730	100.0	(20.8)	339,758	100.0	(34.9)

(Notes) 1. The amount is indicated based on sales price.

2. The order backlogs of MLCCs for computers and smartphones decreased significantly year on year, resulting in a large decrease in the backlogs of capacitors at the end of the current fiscal year.

3. The order backlogs of inductors for computers and smartphones decreased significantly year on year, resulting in a large decrease in the order backlogs of Inductors and EMI Filters at the end of the current fiscal year.

4. The order backlogs of high-frequency modules and surface wave filters for smartphones decreased significantly year on year, resulting in a large decrease in the order backlogs of High-Frequency Device and Communications Module at the end of the current fiscal year.

C) Results of sales

Sales results by segment of the current fiscal year are as indicated in the following table.

	Results of sales (April 1, 2022-March 31, 2023)		
	Amount (Millions of yen)	Composition ratio (%)	Year-on-year change (%)
Capacitors	738,841	43.8	(6.3)
Inductors and EMI Filters	175,324	10.4	(10.4)
Components	914,165	54.2	(7.1)
High-Frequency Device and Communications Module	453,646	26.9	(14.1)
Battery and Power supply	214,556	12.7	18.9
Functional Device	92,778	5.5	(12.8)
Devices and Modules	760,980	45.1	(6.6)
Others	11,651	0.7	(11.6)
Total	1,686,796	100.0	(6.9)

D) Result of sales by applications

Sales results by applications of the current fiscal year are as indicated in the following table.

	Results of sales (April 1, 2022-March 31, 2023)		
	Amount (Millions of yen)	Composition ratio (%)	Year-on-year change (%)
Communication	659,244	39.1	(15.4)
Mobility	390,198	23.1	16.0
Computers	224,714	13.3	(24.5)
Home Electronics	197,831	11.7	8.0
Industry and Others	214,809	12.8	(0.7)
Total	1,686,796	100.0	(6.9)

(Note) Figures are based on estimated value by the Company.

E) Results of sales by major customer for the last two fiscal years and their shares in total results of sales

Customer	Previous fiscal year (April 1, 2021-March 31, 2022)		Current fiscal year (April 1, 2022-March 31, 2023)	
	Amount (Millions of yen)	Share (%)	Amount (Millions of yen)	Share (%)
Hon Hai Technology Group	249,815	13.8	206,302	12.2

(2) Financial position

Total assets at March 31, 2023, increased by 63,592 million yen from the end of the previous fiscal year to 2,872,763 million yen due to an increase in inventories, despite a decrease in trade accounts receivable and cash. Liabilities decreased 74,972 million yen to 470,287 million yen from the end of the previous fiscal year due to a decrease in income taxes payable and trade accounts payable. Equity increased by 138,564 million yen from the end of the previous fiscal year to 2,402,476 million yen, mainly due to an increase in retained earnings. The ratio of shareholders' equity to total assets increased by 3.0 points from the end of the previous fiscal year to 83.6% at March 31, 2023.

(3) Cash flow

1) Cash flow status

<Net cash provided by operating activities>
For the current fiscal year, net cash provided by operating activities was 276,278 million yen. Negative factors—an increase of 101,368 million yen in inventories—were offset by net income of 253,395 million yen and depreciation and amortization of 161,276 million yen.
Net cash provided by operating activities decreased by 145,180 million yen from the year ended March 31, 2022.
<Net cash used in investing activities>
For the current fiscal year, net cash used in investing activities was 157,850 million yen. While cash inflows included maturities and sales of marketable securities, investments and other of 44,081 million yen, there were cash outflows due to 189,951 million yen in capital expenditures aimed at boosting production capacity in particular, and 38,567 million yen in payment for purchases of marketable securities, investments and other.
Net cash used in investing activities increased by 54,450 million yen from the year ended March 31, 2022.
<Net cash used in financing activities>
For the current fiscal year, net cash used in financing activities was 173,708 million yen primarily due to the payment of dividends of 92,018 million yen and acquisition of treasury shares of 80,009 million yen.
Net cash used in financing activities decreased by 56,203 million yen from the year ended March 31, 2022.

2) Financial resources for capital and fund liquidity

A) Financial strategy and decision-making on the allocation of management resources
The Companies aim to maintain a sound financial position on the one hand and a high capital efficiency on the other, and implement the optimal allocation of management resources responding to the market environment and competitive setting.
When it comes to the financial position, the Company strives to strengthen its capital adequacy in order to facilitate a prompt response to environmental changes and achieve sustained growth in profits, as well as to maintain stable management even in an increasingly harsh business environment, and prepare for a possible deterioration of market conditions. The Company obtained a credit rating of AA+ (very high creditworthiness supported by some excellent factors) from Rating and Investment Information, Inc., enabling us to obtain smooth and low-cost funding when funding is needed.
With regard to the allocation of management resources, our investments and returns to shareholders shall be made by emphasizing capital efficiency and growth potential based on the capital allocation policy in the Mid-term Direction 2024.
To make continued improvements to the capital efficiency, we set the target of ROIC (pre-tax basis) at 20% or higher. In addition, our capital cost is reflected in investment decision-making and business evaluation. The Companies' Weighted Average Cost of Capital (WACC) in the current fiscal year was 7.5% (based on the Company's estimate), maintaining the structure where ROIC stably exceeds WACC even if compared with after-tax earnings.
Our basic policy for returning profits to shareholders is to strive for a steady increase in dividends by increasing profit per share, while increasing the corporate value and strengthening its business structure over the long term. We aim to achieve a Dividend on Equity ratio (DOE) of 4% or more with a targeted payout ratio of approximately 30% in the medium term. As a means of returns to shareholders, we will conduct the acquisition of treasury stock appropriately for the purpose of improving capital efficiency.

B) Funding and liquidity on hand
It is the Companies' basic policy that capital expenditures and other business expenditures should be covered with internal funds obtained from our business activities. However, when capital requirements are necessary for business growth and working capital, we obtain external funds by appropriate means reflecting the situation at that time in the financial market, where we borrow from banks and issue domestic straight bonds, as necessary. We maintain a sound financial position and have a good relationship with partner financial institutions. We recognize there will be no problems when it comes to funding for future working capital.
In principle, financial requirements of the wholly owned subsidiaries shall be covered not by external finance such as from a bank, but by the group finance from the Company or its affiliates. This aims to centralize fundraising and enhance capital efficiency.
The Companies ensure an appropriate level of fund liquidity that is 2.5 to 3.5 times the average amount of monthly sales in order to flexibly respond to capital requirements for business activities and minimize risks such as deterioration of the financial market. There are some cases where the capital requirements temporarily exceed this level depending on the business conditions. However, we will pursue the optimization of capital requirements by promoting appropriate capital allocations based on the Capital Allocation Policy. The balance of liquid funds such as cash and deposits, short-term investments, and marketable securities as of the end of the current fiscal year was 493,253 million yen, which is equivalent to 3.5 times the average amount of monthly sales. The Companies have cash on hand, not for speculative purposes, but as a source of investment for business. So, it is held in safe and secure financial assets, including bank deposits, whose credit risk is considered low. The balance of interest-bearing liabilities such as bonds and loans payable at the end of the current fiscal year was 111,999 million yen. The balance of cash and cash equivalents the end of the current fiscal year was 469,406 million yen.

(4) Changes in operating segments

In Vision 2030 and Mid-term Direction 2024, announced in November 2021, we organized the thinking of our business portfolio under the name of “3-layer portfolio”. Accordingly, we have changed operating segments in line with the 3-layer portfolio from the first three months of the current fiscal year. Additionally, we have changed classifications of sales in operating segments and sales by application category. The following are details of the changes in operating segments and classifications of sales in the operating segments, sales by application category.

<Changes in operating segments and classifications of sales in operating segments>

～FY2021

Segment	Sales Category	Main products
Components	Capacitors	Multilayer ceramic capacitators (MLCCs)
	Piezoelectric Components	SAW filters Piezoelectric sensors Ceramic resonators
	Other Components	Inductors EMI Suppression filters Lithium ion secondary batteries Connectors Sensors Thermistors
Modules		RF modules Multilayer ceramic devices Connectivity modules Multilayer resin substrates Power supplies modules Solutions
Others		Machinery manufacturing Sales of software

FY2022～

Segment	Sales Category	Main products
Components	Capacitors	Multilayer ceramic capacitors (MLCCs)
	Inductors and EMI Filters	Inductors EMI suppression filters
Devices and Modules	High-Frequency Device and Communications Module	SAW filters RF modules Multilayer ceramic devices Connectors Connectivity modules Multilayer resin substrates
	Battery and Power Supply	Lithium-ion secondary batteries Power supplies modules
	Functional Device	Sensors Timing devices (Resonators)
Others		Solutions business Medical products Machinery manufacturing etc.

<Change in sales by application category>

～FY2021

Sales by Application	Main applications
AV	TV, Video Game
	Digital Camera
Communication	Smartphone
	Wearable Appliance
	Base Station
Computers and Peripherals	Electronic Data Processing
	Industrial equipment
Automotive Electronics	Automobile
	Motorcycle
Home Electronics and Others	Home Electrical Appliance
	Others

FY2022～

Sales by Application	Main applications
Communication	Smartphone
	Wearable Appliance
	Base Station
Mobility	Automobile
	Motorcycle
Computers	Electronic Data Processing
Home Electronics	TV, Video Game
	Digital Camera
	Power tool
	Home Electrical Appliance
Industry and Others	Industrial equipment
	Others

(5) Material accounting policies and estimates

The Companies’ consolidated financial statements are prepared in conformity with accounting principles generally accepted in the U.S. However, information about related parties is disclosed subject to the Regulation on Consolidated Financial Statements.
For preparation of consolidated financial statements, it is necessary to use estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses and the disclosure of contingent assets and liabilities.
In preparation of consolidated financial statements, the Companies consider that the following matters are material accounting policies. However, they are not for the purpose of a comprehensive description of all the accounting policies. The Companies’ material accounting policies are described in Note I.
These estimates and assumptions may differ from the actual results, depending on changes in the environment and circumstances surrounding the Companies.

A) Inventories
Inventories of the Companies are stated at the lower of cost or market as determined principally, using the weighted average cost method. We periodically review the salability and the degree of deterioration of inventories. An inventory write-down shall be made for excessive, long-term, and obsolescent inventories based on the demand trend and market changes. Additional write-downs may be made if the actual demand trend or market conditions become worse than the expected estimate.

B) Marketable securities and investments

The Companies measure non-marketable equity securities without readily determinable fair value at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. Valuation gain/loss is recorded in the net income/loss. If the fair value of any individual available-for-sale debt security has declined below the cost or amortized cost to a certain extent or for a certain period of time, we determine that such decline is other than temporary impairment and recognize the impairment losses. Furthermore, if unrealized losses continue beyond a certain period of time, the Companies determine the need for recognizing impairment losses, in consideration of the planned sale of or need to sell the said securities by the time the fair value is recovered, as well as the credit rating of the issuer. If the issuer's business conditions have deteriorated or any event that has a negative impact on the market has occurred, an additional valuation loss or impairment may be needed.

C) Impairment and disposal of long-lived assets

The Companies determine the need for impairment by comparing the carrying amount of a long-lived asset held or used by each business segment asset group with the estimated undiscounted future net cash flows expected to be generated by the asset. If it is determined that an impairment loss has occurred on the carrying amount of a long-lived asset, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the asset. The useful lives of long-lived assets to be disposed of are reviewed until the expected disposal period. Long-lived assets classified as held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell. If any change is necessary in estimated undiscounted future net cash flows expected to be generated by the asset, estimated disposal time, or fair value, an additional loss may be incurred.

D) Goodwill and other intangible assets

Goodwill and intangible assets with an indefinite useful life shall not be amortized and instead be tested for impairment annually and whenever any event or change in circumstances indicates the possibility of impairment. The amount of all goodwill shall be allocated to reporting units who receive benefits from the synergy effect of business combination. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess but limited to the carrying amount of goodwill allocated to that reporting unit. The fair value of a reporting unit's goodwill is measured mainly using the discounted cash flow method internally. However, a third-party's evaluation is used if necessary. This method uses various estimates and assumptions, including estimated future net cash flows, discount rate reflecting risks of each reporting unit, and perpetual growth rate. The assumption used in estimated future net cash flows is based on the business plan determined by the Companies, in consideration of its past experience, trend of products and technologies, market data, and the current and expected future situation of the world economy. The Companies consider that the estimation of future cash flows and fair value is reasonable. However, if the amount of cash flows and fair value become lower than the initial estimate owing to an unpredictable change in the course of business execution, an additional goodwill impairment may be recorded.

E) Retirement benefits

The Companies' retirement benefit expenses and liabilities are calculated based on the basic rate used in actuarial calculation. The basic rate includes the discount rate, long-term rate of return on pension plan assets, retirement rate, mortality rate and salary increase rate based on the latest statistical data. The discount rate is determined with reference to the long-term rate of return of Japanese government bonds and high-quality corporate bonds. The long-term rate of return on pension plan assets is determined in consideration of the rate of return on long-term Japanese government bonds in addition to the earnings forecast and the past performance by asset type. Any change in the basic rate affects the Companies' financial condition, business results, and cash flows. A lower discount rate will result in an increase in retirement benefit liabilities and an increase in retirement benefit expenses in the next fiscal year and beyond due to the amortization of actuarial difference. A lower rate of return on pension plan assets will result in an increase in retirement benefit expenses due to a decrease in the expected rate of return.

F) Deferred tax assets

The Companies assess the realizability of deferred tax assets by considering a future taxable income and careful and realizable continuous tax planning. A valuation allowance is recognized to reduce the deferred tax assets to the amount that is considers more likely than not to be realized. If the realization of deferred tax assets is less likely owing to the inability to achieve the profit plan, it may be necessary to post an additional valuation allowance.

5. Material contracts

Not applicable.

6. Research and development activities

The Companies have built a vertically integrated production system ranging from raw materials to finished products, developing our own technologies in areas such as materials, processes, product design, production, and their supporting software, analysis, and evaluation technologies. By linking these technologies together, we make a prompt and flexible response to customers' needs. Furthermore, by actively collaborating with external consortiums, universities and other companies, we promote the development of far-sighted technologies and products, aiming to create new markets and innovation. We also develop our original competitive products on the new growth stage backed by the spread and expansion of 5G in the communication market, as well as electrification automobiles in the mobility market. In the expanding IoT society, we strive to provide new values by integrating sensors and communication technologies. In recent years, we have been facing many social issues such as climate change and the depletion of natural resources. The Companies will contribute to the solution of these social issues.

In the Component business, pursuant to meet the key requirements for miniaturization, increased capacity, and higher reliability, we have promoted the development of multilayer ceramic capacitors, inductors, EMI suppression filters and others. As for inductors, we released high-current power inductors and inductors for interfaces corresponding the progress of the electrification of automobiles. We will strive to develop new products to meet the market needs and continue to contribute to higher performance and increased functionality of automobiles. We will also contribute to the activities to save energy and resource utilization by pursuing more compactness and portability.

In the Devices and Modules business, pursuant to meet the key requirements for miniaturization, increased functionality, and lower power consumption, we promoted the development of surface wave filters, high-frequency modules, multilayer resin substrates, connectivity modules, lithium-ion secondary batteries, sensors, etc. Regarding surface wave filters, our contribution to the miniaturization and increased functionality of smartphones was highly evaluated, and we were awarded the Commendation for Science and Technology (Development Category) by the Minister of Education, Culture, Sports, Science and Technology for the development of surface acoustic wave device and its manufacturing methods. In addition, edge AI modules "Type1WV" and "Type2DA" won the "CEATEC AWARD 2022" Key Technology Category Grand Prix at "CEATEC 2022". We will continue to contribute to miniaturization, increased functionality, and lower power consumption of electronic devices by expanding the product lineup to meet market needs through innovative products and technologies that lead the industry.

With a view to the creation of new businesses in four business opportunities (communication, mobility, environment and wellness) in Vision 2030, Corporate Research and Development develops new technologies, new products and basic technologies that support a wide range of the Companies' businesses. As an example of a product developed by Corporate Research and Development, "JIGlet", a business improvement support tool for on-site work provided by the Company and ACCESS CO., LTD. received the "Reform of Working Practices Award" in IoT Category of "16th ASPIC IoT・AI・Cloud Award 2022". Going forward, we will continue to promote innovation that leads to the provision of new value, contribute to society by providing innovative products and our technologies that lead the industry, and move forward with the aim of sustainably improving our corporate value.

The Company's development system consists of the Technology and Business Development Department, Monozukuri Engineering Group and the development division of each business unit. The development division of each business unit strives to develop new technologies regarding their responsible items and new products. The Technology and Business Development Department and Monozukuri Engineering Department focus on technology development to create new business and the development of elemental technologies and its platform. In addition, as an initiative for open innovation, we have launched the 'KUMIHIMO Tech Camp with Murata', a co-creation project aimed at soliciting new ideas that use our parts brought about from a wide range of companies and universities and realizing those ideas jointly. We will provide industry-leading and innovative products and technologies by strengthening corporation between Murata's Minato Mirai Innovation Center, Yasu Division, and Yokohama Technical Center, as well as promoting open innovation through strengthening collaboration, including technological exchange, with other companies and universities.

Expenses required for research and development by each operating segment in the past two fiscal years are shown in the following table.

From the first three months of the current fiscal year, we have changed our operating segment classifications. Details are as described in "II. Business Overview 4. Analysis of financial position, business results and cash flow status by management: (4) Changes in operating segments". In addition, basic research expenses that do not belong to any segment are now allocated to each segment, instead of being categorized under "Corporate".

The amounts for the previous fiscal year are shown after the reclassification to conform to the above change.

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Amount	Amount
Components	32,501	33,804
Devices and Modules	73,409	84,801
Others	5,387	5,634
Total	111,297	124,239

III Information on Facilities

1. Overview of capital investments

In the current fiscal year, the Companies made a total capital expenditure of 208,111 million yen, including 131,829 million yen by the Component business segment, 74,074 million yen by the Devices and Modules business segment, and 2,208 million yen by the Others segment.

Major expenditures were 117,462 million yen in the reinforcement and rationalization of manufacturing facilities of the Company and its subsidiaries, 28,180 million yen in the acquisition of land and buildings, and 17,203 million yen in the reinforcement of research and development facilities.

There were no disposal or sales that had a material impact on manufacturing capabilities.

2. Major facilities

The Companies' major facilities are as follows:

(1) Reporting company

As of March 31, 2023

Name of the business site (Location)	Main businesses	Description of facility	Book value (Millions of yen)					Employees (Persons)
			Land (Area; Thousands of m^2)	Buildings	Machinery and equipment, tools, furniture and fixtures	Construction in progress	Total	
Head Office (Nagaokakyo-shi, Kyoto)	Group-wide administration, sales, research and development, etc.	Research and development facilities, other facilities	5,061 (25)	4,624	6,993	641	17,321	2,728
Nagaoka Plant (Nagaokakyo-shi, Kyoto)	Group-wide administration, research and development, etc.	Research and development facilities, other facilities	29 (26)	4,617	169	–	4,817	370
Yokaichi Plant (Higashiomi-shi, Shiga)	Manufacturing of raw materials, components and devices/modules	Production facilities	575 (116)	20,291	10,855	3,413	35,136	1,618
Yasu Division (Yasu-shi, Shiga)	Manufacturing of raw materials, devices/modules and auto-machinery, research and development, etc.	Production facilities, research and development facilities	6,968 (277)	33,438	21,534	5,648	67,590	3,947
Yokohama Technical Center (Midori-ku, Yokohama-shi)	Research and development, etc.	Research and development facilities	1,797 (10)	2,992	1,061	15	5,866	263
Minato MIRAI Innovation Center (Nishi-ku, Yokohama-shi)	Research and development, etc.	Research and development facilities, other facilities	9,026 (8)	28,048	2,907	118	40,101	724
Sales Office, other	Sales, etc.	Other facilities	11,327 (304)	416	761	1,101	13,606	439

(Note) Major factor of land in "Sales Office and other" is land of 5,278 million yen (200 thousand m^2) for plant leased to Okayama Murata Manufacturing Co., Ltd.

(2) Domestic subsidiaries

As of March 31, 2023

Company name	Name of the business site (Location)	Main businesses	Description of facility	Book value (Millions of yen)					Employees (Persons)
				Land (Area; Thousands of m^2)	Buildings	Machinery and equipment, tools, furniture and fixtures	Construction in progress	Total	
Fukui Murata Manufacturing Co., Ltd.	Head Office, Takeo Business Site (Echizen-shi, Fukui), other	Manufacturing of components	Production facilities, etc.	4,495 (327)	55,736	53,966	10,705	124,902	4,848
Izumo Murata Manufacturing Co., Ltd.	Head Office (Izumo-shi, Shimane), other	Manufacturing of components	Production facilities, etc.	3,761 (463)	45,211	32,245	10,252	91,469	4,863
Okayama Murata Manufacturing Co., Ltd.	Head Office (Setouchi-shi, Okayama)	Manufacturing of components and devices/modules	Production facilities, etc.	857 (47)	40,250	25,574	5,777	72,458	2,134
Kanazawa Murata Manufacturing Co., Ltd.	Head Office (Hakusan-shi, Ishikawa), other	Manufacturing of devices/modules	Production facilities, etc.	2,580 (263)	28,301	16,259	6,967	54,107	2,585
Tohoku Murata Manufacturing Co., Ltd.	Head Office, Koriyama Business Site (Koriyama-shi, Fukushima), other	Manufacturing and development of devices/modules	Production facilities, etc.	1,699 (131)	7,891	6,812	10,863	27,265	1,409
Toyama Murata Manufacturing Co., Ltd.	Head Office (Toyama-shi, Toyama), other	Manufacturing of devices/modules	Production facilities, etc.	2,264 (130)	14,585	9,336	722	26,907	1,880

(3) Overseas subsidiaries

As of March 31, 2023

Company name	Name of the business site (Location)	Main businesses	Description of facility	Book value (Millions of yen)					Employees (Persons)
				Land (Area; Thousands of m^2)	Buildings	Machinery and equipment, tools, furniture and fixtures	Construction in progress	Total	
Wuxi Murata Electronics Co., Ltd.	Head Office (China)	Manufacturing of components and devices/modules	Production facilities, etc.	-	35,762	72,497	23,961	132,220	9,803
Philippine Manufacturing Co. of Murata, Inc.	Head Office (The Philippines)	Manufacturing of components	Production facilities, etc.	-	26,998	20,247	6,294	53,539	3,354
Murata Electronics (Thailand), Ltd.	Head Office (Thailand)	Manufacturing of components and devices/modules	Production facilities, etc.	6,434 (549)	9,876	13,973	17,457	47,740	6,166
Murata Electronics Singapore (Pte.) Ltd.	Head Office and other (Singapore)	Manufacturing of components and devices/modules, sales of products of the Company and its affiliates, general management of sales companies in ASEAN	Production facilities, etc.	4,196 (-)	10,222	26,619	2,098	43,135	2,295
Murata Energy Device Wuxi Co., Ltd.	Head Office (China)	Manufacturing and sales of devices/modules	Production facilities, etc.	-	19,443	21,663	108	41,214	3,910
Shenzhen Murata Technology Co., Ltd.	Head Office (China)	Manufacturing of devices/modules	Production facilities, etc.	-	12,546	16,437	518	29,501	1,445

(Note) Land is leased to Wuxi Murata Electronics Co., Ltd., Philippine Manufacturing Co. of Murata, Inc., Murata Electronics Singapore (Pte.) Ltd., Murata Energy Device Wuxi Co., Ltd., and Shenzhen Murata Technology Co., Ltd.
The land area is 228 thousand m^2, 137 thousand m^2, 151 thousand m^2, 179 thousand m^2, and 54 thousand m^2 respectively.

3. Plan for the installation and disposal of facilities

The Companies plan capital investments by comprehensively taking into account demand forecast, sales plan, production plan, investment efficiency, etc.

The expected amount of capital investments for the installation and renovation of material facilities in the next fiscal year is 220,000 million yen.

The plan for the installation and disposal of material facilities is as follows:

(1) Installation, renovation, etc.

Name of company, name of business site	Location	Description of facility	Expected amount of invest-ments (Millions of yen)	Funding method	Expected month of start and completion		Increased production capacity after completion
					Start	Completion	
Wuxi Murata Electronics Co., Ltd.	China	Production facility for components	28,000	Cash on hand and intra-group loans payable	April 2023	March 2024	—
Philippine Manufacturing Co. of Murata, Inc.	The Philippines	Production facility for components	25,000	Cash on hand and intra-group loans payable	April 2023	March 2024	—
Izumo Murata Manufacturing Co., Ltd.	Izumo-shi, Shimane, and other	Production facility for components	25,000	Cash on hand	April 2023	March 2024	—
Fukui Murata Manufacturing Co., Ltd.	Echizen-shi, Fukui, other	Production facility for components	17,000	Cash on hand	April 2023	March 2024	—
Tohoku Murata Manufacturing Co., Ltd.	Koriyama-shi, Fukushima	Production facility for devices/modules	16,000	Cash on hand and intra-group loans payable	April 2023	March 2024	—

(Note) The above production facilities are mainly investments to strengthen the production capacity, develop new products and streamline the production process. Increased production capacity after the completion is not stated because reasonable estimates are difficult to make owing to a wide range of our production items.

(2) Disposal and sales, etc.

There are no plans for disposal or sales of facilities that have a material impact on manufacturing capabilities.

IV Information on Reporting Company

1. Information on the Company's stock

(1) Total number of shares and other related information

1) Total number of shares

Class	Total number of shares authorized to be issued (Shares)
Common shares	1,743,000,000
Total	1,743,000,000

2) Issued shares

Class	Number of issued shares as of the end of fiscal year (Shares) (March 31, 2023)	Number of issued shares as of filing date (Shares) (June 29, 2023)	Name of the listed financial instrument exchange or authorized financial instruments firms association	Description
Common shares	675,814,281	675,814,281	Tokyo Stock Exchange, Inc. Prime Market Singapore Exchange Ltd.	Share unit number: 100 shares
Total	675,814,281	675,814,281	–	–

(2) Information on stock acquisition rights and others

1) Detail of the stock option plan

Not applicable.

2) Detail of the rights plan

Not applicable.

3) Information on other stock acquisition rights and others

Not applicable.

(3) Status of exercise of moving strike convertible bonds

Not applicable.

(4) Changes in the total number of issued shares, share capital, etc.

Date	Increase/ decrease in the total number of issued shares (Thousands of shares)	Total number of issued shares (Thousands of shares)	Increase/ decrease in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Increase/ decrease in capital reserves (Millions of yen)	Balance of capital reserves (Millions of yen)
April 1, 2019 (Note)	450,542	675,814	–	69,444	–	107,733

(Note) The increase is due to the three-for-one stock split.

(5) Shareholding by shareholder category

As of March 31, 2023

Category	Status of shares (share unit number: 100)								Status of shares of less than one unit (Shares)
	Japanese government and local governments	Financial institution	Financial instrument business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Other than individuals	Individuals			
Number of shareholders (people)	–	187	57	1,375	1,042	152	113,573	116,386	–
Number of shares held (unit)	–	2,731,182	132,928	253,291	2,480,698	1,467	1,153,556	6,753,122	502,081
Ratio of shares held (%)	–	40.4	2.0	3.8	36.7	0.0	17.1	100.0	–

(Note) "Individuals and others" and "Status of shares of less than one unit" include treasury stock by 460,907 units and 27 shares, respectively.

(6) Status of major shareholders

As of March 31, 2023

Name	Address	Number of shares held (Thousands of shares)	Ratio of the number of shares held against the total number of issued shares (excluding treasury stock) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsu-cho, Minato-ku, Tokyo	109,062	17.3
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	42,782	6.8
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong Shanghai Banking Corporation Limited, Tokyo Branch, Custodian Service Division)	ONE LINCOLN STREET, BOSTON MA USA 02111 (3-11-1 Nihonbashi, Chuo-ku, Tokyo)	17,418	2.8
Nippon Life Insurance Company	1-6-6 Marunouchi, Chiyoda-ku, Tokyo Nippon Life Insurance Company, Securities Operations Department	16,562	2.6
The Bank of Kyoto, Ltd.	700 Yakushimae-cho, Matsubaraagaru, Karasumadori, Shimogyo-ku, Kyoto-shi	15,780	2.5
Meiji Yasuda Life Insurance Company	2-1-1 Marunouchi, Chiyoda-ku, Tokyo	15,722	2.5
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (Shinagawa Intercity A-To, 2-15-1 Kounan, Minato-ku, Tokyo)	10,226	1.6
THE BANK OF NEW YORK MELLON 140042 (Standing proxy: Mizuho Bank, Ltd., Settlement & Clearing Services Department)	240 GREENWICH STREET, NEW YORK, NY 10286, U.S.A. (Shinagawa Intercity A-To, 2-15-1 Kounan, Minato-ku, Tokyo)	8,937	1.4
Mizuho Bank, Ltd.	1-5-5 Ote-machi, Chiyoda-ku, Tokyo	8,297	1.3
THE SHIGA BANK, LTD.	1-38 Hama-machi, Otsu-shi, Shiga	7,653	1.2
Total	–	252,442	40.1

(Note) Of the above number of shares held, the number of shares in trust operations is not stated as the Company cannot identify the details.

(7) Information on voting rights

1) Issued shares

As of March 31, 2023

Category	Number of shares (Shares)		Number of voting rights (Rights)	Description
Non-voting shares		–	–	–
Shares with restricted voting rights (treasury stock, etc.)		–	–	–
Shares with restricted voting rights (others)		–	–	–
Shares with full voting rights (treasury stock, etc.)	Common shares	46,090,700	–	Share unit number: 100 shares
Shares with full voting rights (others)	Common shares	629,221,500	6,292,215	Same as above
Shares of less than one unit	Common shares	502,081	–	Shares of less than one unit (100 shares)
Total number of issued shares		675,814,281	–	–
Voting rights of all shareholders		–	6,292,215	–

(Note) Shares with full voting rights (treasury stock, etc.) are all treasury stock held by the Company.

2) Treasury stock, etc.

As of March 31, 2023

Name of shareholder	Address of shareholder	Number of shares held in the name of shareholder (Shares)	Number of shares held in the name of a third party (Shares)	Total number of shares held (Shares)	Ratio of the number of shares held against the total number of outstanding shares (%)
Murata Manufacturing Co., Ltd.	10-1, Higashikotari 1-chome, Nagaokakyo-shi, Kyoto	46,090,700	–	46,090,700	6.8
Total	–	46,090,700	–	46,090,700	6.8

2. Status of the acquisition of treasury stock

Class of stock, etc.

Acquisition of common shares pursuant to the provision of Article 155, Item 3 of the Company Act, acquisition of common shares by the demand for purchase of shares of less than one unit pursuant to the provision of Article 155, Item 7 of the same Act

(1) Status of acquisition of treasury stock by the resolution of the general meeting of shareholders

Not applicable.

(2) Status of acquisition of treasury stock by the resolution of the Board of Directors

Acquisition of treasury stock pursuant to the provision of Article 165, Paragraph (2) of the Company Act

Category	Number of shares (Shares)	Total amount (Yen)
Status of resolutions of the meeting of the Board of Directors (April 28, 2022) (Acquisition period: May 2, 2022 to October 31, 2022)	16,000,000 (upper limit)	80,000,000,000 (upper limit)
Treasury stock acquired before the current fiscal year	–	–
Treasury stock acquired in the current fiscal year	10,128,900	79,999,380,892
Total number and total amount of remaining shares to be acquired by the resolution	5,871,100	619,108
Ratio of unexercised shares as of the end of the current fiscal year (%)	36.69	0.00
Treasury stock acquired during the current period	–	–
Ratio of unexercised shares as of filing date (%)	36.69	0.00

(3) Treasury stock acquired other than the resolutions of the general meeting of shareholders or a meeting of the Board of Directors

Category	Number of shares (Shares)	Total amount (Yen)
Treasury stock acquired in the current fiscal year	1,225	9,149,960
Treasury stock acquired during the current period	101	808,371

(Notes) 1. Treasury stock acquired in the current fiscal year was pursuant to the provision of Article 155, Item 7 of the Company Act.

2. Treasury stock acquired during the current period was pursuant to the provision of Article 155, Item 7 of the Company Act.

3. The number of shares of treasury stock acquired during the current period does not include shares less than one unit acquired during the period from June 1, 2023 until the filing date of this report.

(4) Status of disposal of or holding acquired treasury stock

Category	Current fiscal year		Current period	
	Number of shares (shares)	Total amount of shares disposed of (yen)	Number of shares (shares)	Total amount of shares disposed of (yen)
Treasury stock under the solicitation of subscribers for shares for subscription	21,770	51,154,928	–	–
Cancelled treasury stock	–	–	–	–
Treasury stock transferred owing to merger, stock exchange, stock delivery and company split	–	–	–	–
Other (sales by the demand for sale of shares of less than one unit)	161	416,027	–	–
Treasury stock held	46,090,727	–	46,090,828	–

(Note) The number of shares of treasury stock disposed of during the current period does not include shares less than one unit sold during the period from June 1, 2023 until the filing date of this report.

3. Dividend policy

The Company's policy on the return of profits to its shareholders prioritizes the sharing of profits through the payment of dividends. The Company has adopted a basic policy under which it intends to realize a steady increase of dividend by increasing profit per share, while enhancing the value of the Company and improving its financial strength over the long term at the same time. The Company aims to achieve a Dividend on Equity ratio (DOE) of 4% or more with a targeted payout ratio of approximately 30% in the medium term. Based on this policy, after comprehensively examining the Company's consolidated performance and determining the amount of unappropriated retained earnings, it makes a return of profits to its shareholders through payment of dividends. Considering the acquisition of treasury stock as a method of return of profits to its shareholders, the Company implements it appropriately for the purpose of improving the capital efficiency.

Internal reserves shall be used effectively for future business development, including research and development for technological innovation, and investments for production facilities to develop new products and products for which a large demand is expected.

The amount of annual dividends in the current fiscal year was 150 yen per share consisting of 75 yen of interim dividend and 75 yen of year-end dividend.

The Company takes the basic policy of payment of dividend twice a year as an interim dividend and a year-end dividend. The decision-making bodies for profit distribution are the General Shareholders' Meeting for year-end dividends and the Board of Directors for interim dividends. The Company's articles of incorporation stipulate that it may pay interim dividends to shareholders with the record date of September 30 each year upon a resolution of the Board of Directors.

Dividends from surplus in the current fiscal year are as follows:

Date of resolution	Total amount of dividends (Millions of yen)	Amount of dividend per share (Yen)
October 31, 2022 Resolution of the Board of Directors	47,229	75
June 29, 2023 Resolution of the Annual General Meeting of Shareholders	47,229	75

4. Status of corporate governance

(1) Overview of corporate governance

1) Basic views on corporate governance

The Company considers corporate governance to be one of highest priorities in management, and we work constantly to establish and operate optimal management systems that will realize sound corporate growth and development while taking into consideration every stakeholder. The Company's basic principles on corporate governance are set out in the "Corporate Governance Guidelines".

2) Overview of the corporate governance system and reasons for adopting the system

The Company has long made efforts to strengthen its corporate governance. Initiatives include efforts to strengthen executive and supervisory functions and increase the transparency of management by establishing a Vice President system (in 2000), appointing Outside Officers (first Outside Statutory Auditors appointed in 1971 and Outside Directors in 2001), and establishing a Remuneration Advisory Committee (2004) and a Nomination Advisory Committee (2015). For its organizational design, the Company adopted "Company with an Audit and Supervisory Committee" structure in 2016 to reinforce the Board of Directors function and the supervisory function.

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

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

A) Board of Directors

The Board of Directors decides on the basic management direction and particularly important matters for execution. In addition to delegating decisions on important matters for execution to the Executive Directors, in order to realize more rapid management judgments and more flexible execution, the Company is also working to strengthen monitoring functions.

The Company also established a Management Committee as a deliberative body chaired by Norio Nakajima, President and Representative Director and made up of members of the Board of Directors excluding Audit and Supervisory Committee Members and Outside Directors, in order to assist the Board of Directors and the Representative Director in making decisions, creating a system for deliberation on management issues specified by the company regulations. In addition, as indicated above, the Company has introduced a Vice President system, and the Vice Presidents are engaged in the day-to-day implementation of executive tasks.

The Board of Directors is made up of ten Members, and the Board is chaired by Tsuneo Murata, who is Chairman and Representative Director. The five Members of the Board of Directors are Independent Outside Directors, and the Company appoints at least one-third of its directors as independent outside directors.

Composition, status of attendance, and activities of the Board of Directors held during the current fiscal year are as follows.

Composition and attendance at the Board of Directors meetings

Name	Position	Status of attendance
Tsuneo Murata ◎	Chairman of the Board and Representative Director	12/12 (100%)
Norio Nakajima	President and Representative Director	12/12 (100%)
Hiroshi Iwatsubo	Director	12/12 (100%)
Masanori Minamide	Director	12/12 (100%)
Yuko Yasuda	Outside Director	12/12 (100%)
Takashi Nishijima	Outside Director	10/10 (100%)
Yoshiro Ozawa	Director (Audit and Supervisory Committee Member)	12/12 (100%)
Hyo Kambayashi	Outside Director (Audit and Supervisory Committee Member)	12/12 (100%)
Takatoshi Yamamoto	Outside Director (Audit and Supervisory Committee Member)	12/12 (100%)
Naoko Munakata	Outside Director (Audit and Supervisory Committee Member)	12/12 (100%)

(Notes)
1. ◎ after the name means the person is the chairperson.
2. Because Takashi Nishijima was appointed as Member of the Board of Directors at the 86th Ordinary General Meeting of Shareholders held on June 29, 2022, the number of Board of Directors meetings available for his attendance differs from the other Members.

Activities of the Board of Directors

Main contents of discussion	Period
Progress of Medium-term Direction	July, December
Business portfolio	July
Financial strategy and IR	April, December
Strategies and initiatives for sustainability	July
Strategies and initiatives for human capital	March
Strategies and initiatives for intellectual property	May, October
Structure and status of group-wide risk extraction and evaluation	June, February
Nominating candidates for directors (including reports of advisory committees)	April
Director remuneration system (including reports of advisory committees)	May, June
Corporate governance, internal control	May, March
The role and effectiveness of the Board of Directors	February, March

The Company endeavors to improve the effectiveness of the Board of Directors by conducting an annual analysis and evaluation of the effectiveness of the Board of Directors as a whole. An overview of the procedure and results are as follows.

(1) Process of the analysis and evaluation
A questionnaire for all Members of the Board of Directors and interviews with Outside Directors were conducted and the analysis and evaluation were conducted through multiple discussions in the Board of Directors, making reference to the results of the questionnaire and interviews. Through conducting the questionnaire and interviews, various confirmations were carried out regarding the composition of the Board of Directors, agenda items submitted to meetings, status of deliberation, participation stance of the Directors, operation of each committee including voluntary advisory committee, and other matters regarding the operation of the Board of Directors. These were carried out by a third party.

(2) Major challenges and improvements recognized in the evaluation of effectiveness in FY 2021 and efforts to address them
In the evaluation of effectiveness in FY 2021, the following points were recognized as having some challenges and problems and expected further improvement.

・Measures to examine the desired direction of the Board of Directors and further enhance and energize discussions
With the aim of allocating more time for strategic discussions and discussions from a wider perspective, we will revise the balance between decision-making functions, oversight functions and advisory functions.

・Necessity to further enhance communications among Directors
Aiming to eliminate the information gap between Inside Directors and Outside Directors, and facilitate smooth communications among Directors, the Company is conducting various initiatives by providing meeting opportunities outside of the Board of Directors meetings, including providing explanations and company information to Outside Directors in advance, holding meetings between the Outside Directors and management, and holding meetings for only the Outside Directors as meeting opportunities outside of the Board of Directors meetings. By clarifying the objectives of each type of meeting, the Company strives for more effective utilization of these initiatives.

Based on the above, we have mainly promoted the following initiatives in FY 2022.

・Examination of schemes to strike balance between the decision making function, oversight function and advisory function and to improve the effectiveness of the respective functions

・Based on the above examination, organizing the roles expected of Outside Directors and the positioning of meetings outside the Board of Directors (pre-meeting explanations, provision of company information, Board of Outside Directors Meetings, etc.)

・Measures to conduct more strategic discussions and discussions from a wider perspective
- Improvement of operation of pre-meeting explanations
- Review of agenda items and agenda criteria for Board of Directors meetings

・Strengthening the PDCA cycle to improve the operations of the Board of Directors
- Setting a time for Directors to review Board of Directors meetings immediately after the meetings
- Strengthening cooperation between the Chairperson and other inside directors and the Secretariat of the Board of Directors

(3) Results of the analysis and evaluation, and recognition of challenges
With use of the analysis and reports of the questionnaire results and interview content conducted as described in (1) above, and discussions held by the Board of Directors in reference thereto, the Board of Directors of the Company has been assessed to be functioning with sufficient overall effectiveness in consideration of its duties and obligations.

・The number of Directors and their diversity, etc., composition of Board of Directors, as well as the selection of agenda items are generally appropriate.

・Under the appropriate leadership of the Chairperson, each member demonstrates his or her skills, experience, and knowledge, and an atmosphere that enables Directors to speak out freely and openly is being cultivated and broadminded and constructive discussions and exchanges of opinion are taking place.

・Outside Directors actively provide advice from their expert perspectives and ask effective questions. In addition, there is adequate communication with Inside Directors.

・With the support of the Secretariat of the Board of Directors, appropriate agenda items have been set, plans for deliberations have been formulated, and the information necessary for deliberations has been provided, leading to enhanced discussions.

・The Nomination Advisory Committee and Remuneration Advisory Committee are functioning effectively, and collaboration between committees and with the Board of Directors has been steadily strengthened.

・Substantial improvements have been made in points identified as challenges in the evaluation of effectiveness in FY 2021, with sufficient discussion on how to address them and monitoring of improvements.

On the other hand, it was recognized that mainly for the following points, there are some challenges and problems, and that further improvements are expected, and further efforts are needed in the future.

・Concretizing and clarifying a common understanding among the directors regarding the vision of the Company's Board of Directors (balancing execution and oversight, etc.)

・Further development of discussions from a wider perspective and strategic discussions
  -Maturing the content of reports
  -Deepening Outside Directors' knowledge and understanding of the Company

・Improving monitoring functions
  -Enhancing discussions from a risk perspective and promoting group-wide risk management
  -Enhancing discussions on the executive side (Management Committee, etc.)

・Enhancing discussions on individual themes
  -Ensuring diversity of core human resources
  -Operational condition of the internal control system

(4) Future initiatives

Based on the results of these evaluations and challenges to be considered, the Company will mainly take the following actions in FY 2023.

・Execution of discussions among directors regarding the ideal form of the Board of Directors

・Further maturing the management of pre-meeting explanations, including the realization of the identification of issues to be discussed at the Board of Directors meetings

・Creating an environment for the timely and appropriate acquisition of company information by Outside Directors

・Further enhancing the Management Committee, etc. and strengthening cooperation with the Board of Directors

・Strengthening cooperation between organizations in charge of agenda items and the Secretariat of the Board of Directors, particularly with regard to themes requiring enhanced discussions

The Company will continue working to further improve the effectiveness of the Board of Directors.

B) Audit and Supervisory Committee

The Audit and Supervisory Committee establishes auditing guidelines and plans, and based on these, in addition to attending important meetings, audits the legitimacy and appropriateness of duties implemented by the Members of the Board of Directors by conducting surveys of the status of operations and corporate finances with the cooperation of departments involved in the company's internal control system. The Committee is made up of four Directors who are Audit and Supervisory Committee Members (of whom three are Independent Outside Directors) shown in (2) Executives, 1) List of executives to be hereinafter described, and chaired by Yoshiro Ozawa. Detailed activities of the Committee have been described in (3) Audit Status to be hereinafter described.

C) Nomination Advisory Committee, Remuneration Advisory Committee

With the intent of improving the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination and remuneration of Members of the Board of Directors, the Company has established a Nomination Advisory Committee and Remuneration Advisory Committee as advisory organs of the Board of Directors.

The Nomination Advisory Committee considers criteria for selection of candidates for candidates for Members of the Board of Directors, independence standards for Independent Outside Directors, nomination of Members of the Board of Directors, nomination of candidates for Representative Directors and executive Members of the Board of Directors, and succession plans for the President and Representative Director, and reports its findings to the Board of Directors. The committee also considers the skill matrix of the Board of Directors and other key issues from the perspective of human resources so that the Board of Directors can continue to perform its functions, and supervises the appointment of Vice Presidents.

The Remuneration Advisory Committee deliberates on the remuneration system and levels for Members of the Board of Directors and reports its findings to the Board of Directors, and is entrusted from the Board of Directors to decide on the amounts of individual remuneration.

The members of these committees are selected by the Board of Directors from among its Members and Independent Outside Directors comprise the majority of the committee members in order to ensure the independence of the committees. Furthermore, at the Remuneration Advisory Committee, the chairperson is an Outside Director. At the Nomination Advisory Committee, the Chairman of the Board and Representative Director, who embodies Murata's Philosophy and engages in management strategy and governance from an overall perspective that is independent from business execution, sets the discussion plans and agenda items in light of the Company's circumstances and situation of individuals, etc., and leads the meeting proceedings as the chairperson of the committee.

Composition, status of attendance, and activities of the Nomination Advisory Committee held during the current fiscal year are as follows.

Composition and attendance at the Nomination Advisory Committee

Name		Position	Status of attendance
Tsuneo	Murata ◎	Chairman of the Board and Representative Director	7/7 (100%)
Masanori	Minamide	Member of the Board of Directors	7/7 (100%)
Yuko	Yasuda	Outside Member of the Board of Directors	7/7 (100%)
Takatoshi	Yamamoto	Outside Member of the Board of Directors (Audit and Supervisory Committee Member)	7/7 (100%)
Takashi	Nishijima	Outside Member of the Board of Directors	7/7 (100%)

(Notes)
1. ◎ after the name means the person is the chairperson.
2. The Nomination Advisory Committee and the Remuneration Advisory Committee held a joint meeting three times during the current fiscal year. The number of attendance of each person includes attendance in the three joint meetings.

Activities of the Nomination Advisory Committee

Main contents of discussion	Period
Revision of regulations related to the appointment of directors	September
Review skill matrix, define skills	December, January
Board succession, succession plans for the President and Representative Director	December, January, March
Consideration of collaboration with the Remuneration Advisory Committee	December, January, March
Report on the nomination of Members of the Board of Directors, and Representative Directors and executive Members of the Board of Directors	January, March

(Notes)
1. In December, January and March, a joint meeting for the Nomination Advisory Committee and the Remuneration Advisory Committee was held in addition to the meeting of the Nomination Advisory Committee.
2. In consideration of coordination with the Remuneration Advisory Committee, the strengthening of coordination in evaluation on the President and Representative Director and the building of a mechanism for that were considered and operated.
3. The Nomination Advisory Committee's report on the nomination of candidates for directors, representative directors, and executive directors was based on the results of the aforementioned evaluation on the President and Representative Director.

Composition, status of attendance, and activities of the Remuneration Advisory Committee held during the current fiscal year are as follows.

Composition and attendance at the Remuneration Advisory Committee

Name		Position	Status of attendance
Yuko	Yasuda ◎	Outside Member of the Board of Directors	14/14 (100%)
Tsuneo	Murata	Chairman of the Board and Representative Director	14/14 (100%)
Masanori	Minamide	Member of the Board of Directors	10/10 (100%)
Hyo	Kambayashi	Outside Member of the Board of Directors (Audit and Supervisory Committee Member)	14/14 (100%)
Takashi	Nishijima	Outside Member of the Board of Directors	10/10 (100%)

(Notes)
1. ◎ after the name means the person is the chairperson.
2. The Nomination Advisory Committee and the Remuneration Advisory Committee held a joint meeting three times during the current fiscal year. The number of attendance of each person includes attendance in the three joint meetings.
3. As Masanori Minamide and Takashi Nishijima became Committee members on June 29, 2022, the number of meetings of the Committee for them to attend differs from other Directors.

Activities of the Remuneration Advisory Committee

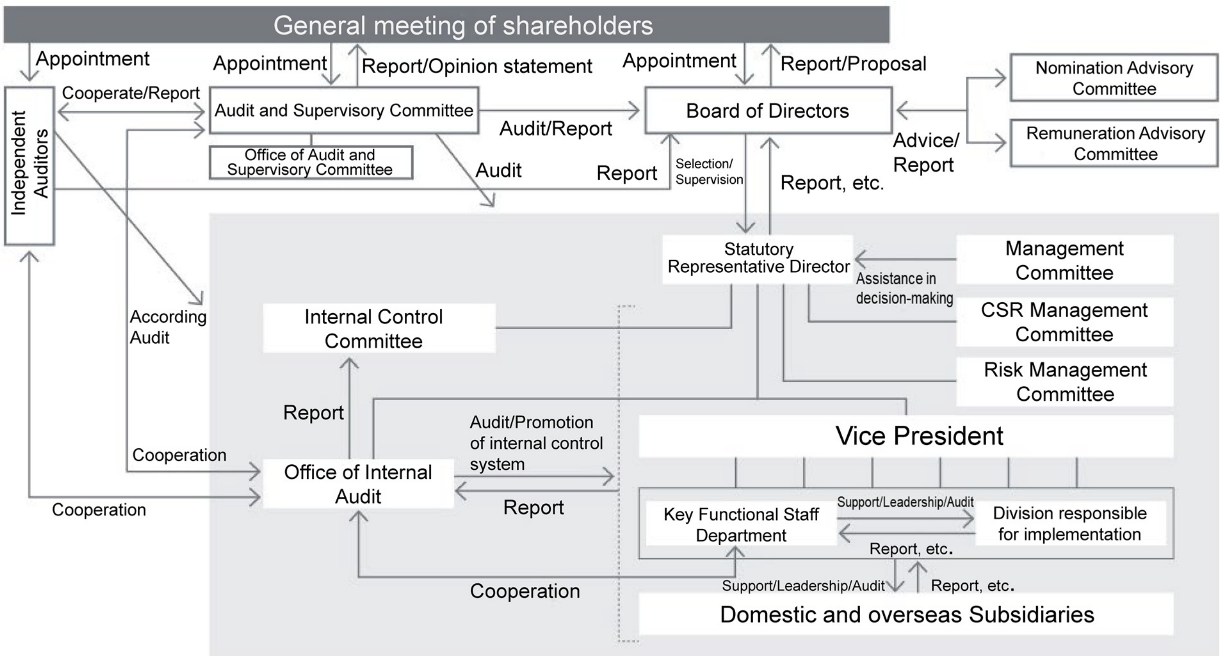
Main contents of discussion	Period
Consideration and reporting of the reference amount of Director remuneration for the 87th fiscal year	April
Reporting of decision policy of Director remuneration for the 87th fiscal year	May
Reporting of targets for bonus and share-based remuneration for the 87th fiscal year	May
Consideration and determination of the individual reference amount for Directors, etc. for the 87th fiscal year	June, July
Determination of activity plans for the Committee for the 87th fiscal year	July
Verification of the latest trends surrounding Director remuneration	October
Consideration of coordination with the Nomination Advisory Committee	November, December, January, February, March
Consideration of reference amount of Director remuneration for the 88th fiscal year	February, March

(Notes)
1. In December, January and March, a joint meeting for the Nomination Advisory Committee and the Remuneration Advisory Committee was held in addition to the meeting of the Remuneration Advisory Committee.
2. In consideration of coordination with the Nomination Advisory Committee, the strengthening of coordination in evaluation on the President and Representative Director and the building of a mechanism for that were considered and operated.

D) Other Committees

Information on other committees can be found in “3) Development status of internal control system” to be hereinafter described.

E) Organizational Chart of Corporate Governance



3) Development status of internal control system

The Company shares the Murata Philosophy as its management basic philosophy with its group companies (hereinafter collectively referred to as the “Companies”.) The Companies as a whole, including local and overseas subsidiaries, establish the common rules and procedures on decision-making. Based on these, deliberations regarding the business operations of subsidiaries are made, and the Companies share various information on our business operations. In addition, projects that meet the criteria of the agenda will be discussed and deliberated by the Management Committee and the Board of Directors. Moreover, divisions that supervise the various business functions (such as general affairs, personnel affairs, and accounting) of the Company shall define frameworks, processing procedures, and judgment standards for duties to ensure that duties within the Companies are performed appropriately and efficiently, in addition to providing appropriate direction to subsidiaries as required. In addition, the Internal Audit Department (Office of Internal Audit), as an independent organization, evaluates and monitors whether or not duties within the Companies are conducted appropriately and efficiently, adhering to laws and regulations and the internal regulations, etc. of the Company.
Headed by Masanori Minamide, Director and Executive Vice President, the Internal Control Committee evaluates and discusses the development and operational status of the system to secure the appropriateness of company operations (the internal control system), and regularly reports the relevant content to the Board of Directors. As for responses to the internal control reporting system under the Financial Instruments and Exchange Act, the Internal Control Committee constantly develops and evaluates the internal control of the Companies, based on which the Companies’ internal control system is maintained and continuously improved to ensure the credibility of financial reporting. Furthermore, management structures have been put in place so as to disclose timely and appropriately corporate information by establishing the Information Disclosure Committee, which deliberates the necessity of timely disclosure of corporate information and the disclosed content.

Regarding the systems for compliance, in order for Members of the Board of Directors, Vice Presidents and employees of the Companies to conduct our business activities based on higher ethical standards in accordance with laws, regulations, and articles of incorporation, the "Corporate Ethics Policy and Code of Conduct" as well as regulations regarding compliance have been established and presented from legislative and ethical viewpoints. These corporate ethical standards and concrete action guidelines have been publicized within the Companies. In addition, as a committee in charge of the compliance with these guidelines and the preventative measures against problems such as ethical and legislative violations, the Compliance Promotion Committee has been established. Moreover, reporting reception desks have been set up both internally and externally to appropriately deal with the problems regarding the compliance, and measures have been taken to protect reporters from detrimental treatment. Also, regarding the Compliance Promotion Committee, the status of its activities and other matters are periodically reported to the Board of Directors.
The risk management structure and sustainability related initiatives are described in "II. Business Overview 3. Business and Other Risks" above and "2. Concept and Initiatives Regarding Sustainability" above respectively.

4) Summary of liability limitation agreements

The Company has entered into a liability limitation agreement with Members of the Board of Directors (excluding those who are the executive officers) to restrict liabilities for damages as stipulated by Article 423, Paragraph (1) of the Companies Act based on the provisions of Article 427, Paragraph (1) of the Companies Act. The liability limit under these agreements is the minimum liability amount stipulated in Article 425, Paragraph (1) of the Companies Act.

5) Summary of Directors and Officers Liability Insurance agreement

The Company has entered into a Directors and Officers Liability Insurance agreement, as stipulated in Article 430-3, Paragraph (1) of the Companies Act, with an insurance company. The scope of the insured under the insurance agreement includes Members of the Board of Directors and Vice Presidents of the Company and the Company's domestic subsidiaries, etc., and the insurance premiums are fully paid by the Company.
Under the insurance agreement, the insurance company covers damages that may arise from the insured being liable for the execution of their duties or being subject to a claim related to the pursuit of such liability, and the insurance agreement is renewed each year. The Company plans to renew the agreement with similar terms at the time of the next renewal.

6) Fixed number of Members of the Board of Directors

The Company stipulates in its Articles of Incorporation that it shall have not more than ten directors who are not Audit and Supervisory Committee Members and not more than five directors who are Audit and Supervisory Committee Members.

7) Decision-making body for purchase of treasury stock

The Company stipulates in its Articles of Incorporation that, in accordance with the provisions of Article 165, Paragraph (2) of the Companies Act, the Company may repurchase its own shares through market transactions or other methods pursuant to Paragraph (1) of the said Article by a resolution of the Board of Directors. This aims at exercising agile management in response to changes in the business environment.

8) Decision-making body for interim dividend

The Company stipulates in its Articles of Incorporation that, in accordance with the provisions of Article 454, Paragraph (5) of the Companies Act, the Company may, by a resolution of the Board of Directors, pay interim dividends to the shareholders and registered share pledgees listed or recorded in the final shareholder register on September 30 of each year. This aims at returning profits flexibly.

9) Special resolution requirements for General Meeting of Shareholders

The Company stipulates in its Articles of Incorporation that the adoption of a special resolution of the General Meeting of Shareholders prescribed in Article 309, Paragraph (2) of the Companies Act shall require at least two-thirds of the votes of shareholders present at the meeting, where those shareholders have at least one-third of the voting rights of the shareholders entitled to exercise their voting rights.
In addition, the Company stipulates in its articles of incorporation that, in accordance with the provisions of Article 341 of the Companies Act, the resolution to elect Directors shall be made by an affirmative vote of a majority of the voting rights held by shareholders present with exercisable voting rights representing one-third or more of the voting rights of all shareholders with exercisable voting rights present, and that no cumulative voting shall be used for the election of Directors.
These aim at further ensuring the quorum.

(2) Executives

1) List of executives * Some items in this section state what is planned for as of July 1, 2023.

Eight (8) males and two (2) females (the rate of females among executives is 20%)

Position title	Name	Date of birth	Career summary		Term of office	Number of shares held (in 100 shares)
Chairman of the Board and Representative Director	Tsuneo Murata	August 13, 1951	Mar. 1974	Entered the Company	One year from June 2023	46,365
			June 1989	Assumed the position of Member of the Board of Directors of the Company		
			June 1991	Assumed the position of Senior Vice President of the Company		
			June 1995	Assumed the position of Senior Executive Vice President of the Company		
			June 2003	Assumed the position of Representative Director and Executive Deputy President of the Company		
			June 2007	Assumed the position of President and Representative Director of the Company		
			Dec. 2010	Chairman of the Murata Science Foundation (present)		
			June 2017	Assumed the position of Chairman of the Board, President and Representative Director of the Company		
			June 2020	Assumed the position of Chairman of the Board and Representative Director of the Company (present)		
President and Representative Director Director of Communication and Sensor Business Unit	Norio Nakajima	September 21, 1961	Apr. 1985	Entered the Company	One year from June 2023	189
			July 2006	Assigned as Director of Communication Module Division, Module Business Unit of the Company		
			July 2010	Assumed the position of Vice President of the Company		
			June 2012	Assigned as Director of Module Business Unit of the Company		
			June 2013	Assumed the position of Member of the Board of Directors and Executive Vice President of the Company		
			July 2015	Assigned as Director of Communication and Sensor Business Unit of the Company		
				Assigned as Director of Energy Business Division of the Company		
			Apr. 2017	Assigned as Director of Module Business Unit of the Company		
			June 2017	Assumed the position of Representative Director and Senior Executive Vice President of the Company		
			June 2020	Assumed the position of President and Representative Director of the Company (present)		
			July 2022	Assigned as Director of Communication and Sensor Business Unit of the Company (present)		

Position title	Name	Date of birth	Career summary		Term of office	Number of shares held (in 100 shares)
Member of the Board of Directors Senior Executive Vice President Director of Corporate Technology & Business Development Unit	Hiroshi Iwatsubo	August 11, 1962	Apr. 1985	Entered the Company	One year from June 2023	159
			Feb. 2005	Assigned as General Manager of Corporate Planning Department of the Company		
			Mar. 2008	Assigned as Director of Sensor Division, Device Business Unit of the Company		
			July 2011	Assumed the position of Vice President of the Company		
				Assigned as Deputy Director of Sales & Marketing Unit of the Company		
			June 2012	Assigned as Director of Sales & Marketing Unit of the Company		
			July 2013	Assumed the position of Senior Vice President of the Company		
			June 2015	Assumed the position of Member of the Board of Directors and Executive Vice President of the Company		
			July 2015	Assigned as Director of Corporate Technology & Business Development Unit of the Company (present)		
			June 2020	Assumed the position of Member of the Board of Directors and Senior Executive Vice President of the Company (present)		
Member of the Board of Directors Executive Vice President Director of Corporate Unit	Masanori Minamide	December 3, 1964	Apr. 1987	Entered Komatsu Murata Manufacturing Co., Ltd.	One year from June 2023	58
			Oct. 2010	Assigned as General Manager in charge of Corporate Planning Department, Accounting & Planning Group of the Company		
			Mar. 2011	Assumed the position of Managing Director of Murata Electronics Singapore (Pte.) Ltd.		
			Aug. 2016	Assigned as General Manager of Corporate Planning Department, Accounting, Finance & Corporate Planning Group of the Company		
			July 2017	Assigned as Director of Accounting, Finance & Corporate Planning Group, Corporate Planning & Administration Unit (currently Corporate Management Group, Corporate Unit) of the Company (present)		
			July 2018	Assumed the position of Vice President of the Company		
			June 2019	Assumed the position of Member of the Board of Directors and Senior Vice President of the Company		
			June 2021	Assumed the position of Member of the Board of Directors and Executive Vice President of the Company (present)		
				In charge of Marketing Relations Department of the Company (present)		
			Jan. 2022	In charge of Management Group of the Company		
			July 2022	Assigned as Director of Corporate Unit of the Company (present) Assumed the position of President of Murata (China) Investment Co., Ltd. (present)		

Position title	Name	Date of birth	Career summary		Term of office	Number of shares held (in 100 shares)
Member of the Board of Directors	Yuko Yasuda	September 16, 1961	Apr. 1985	Entered IBM Japan Ltd	One year from June 2023	–
			Sept. 1991	Entered Booz Allen Hamilton Inc.		
			Sept. 1993	Entered Russell Reynolds Associates Japan Inc.		
			June 1996	Assumed the position of Managing Director of Russell Reynolds Associates Japan Inc.		
			Apr. 2003	Country Manager, Japan of Russell Reynolds Associates Japan Inc.		
				Assumed the position of Executive Committee Member of Russell Reynolds Associates Inc.		
			Apr. 2010	Assumed the position of member of The Board of Trustees of KEIZAI DOYUKAI (Japan Association of Corporate Executives)		
			Apr. 2013	Assumed the position of Executive Committee Member of Russell Reynolds Associates Inc.		
			June 2015	Assumed the position of Outside Director of SCSK Corporation		
			June 2016	Assumed the position of Outside Director and Audit and Supervisory Committee Member of SCSK Corporation		
			Mar. 2017	Assumed the position of Outside Director of SHOWA SHELL SEKIYU K.K.		
			June 2018	Assumed the position of Member of the Board of Directors and Audit and Supervisory Committee Member of the Company		
			Apr. 2019	Assumed the position of Outside Director of Idemitsu Kosan Co., Ltd.		
			June 2020	Assumed the position of Outside Director of Nissui Corporation. *Renamed from Nippon Suisan Kaisha, Ltd. in December 2022		
			June 2020	Assumed the position of Member of the Board of Directors of the Company (present)		
			July 2020	Assumed the position of Senior Partner of Board Advisors Japan, Inc. (present) *Renamed from Corporate Control Promotion Organization, Inc. in December 2020		
			June 2023	Assumed the position of Outside Director of Eisai Co., Ltd. (present)		

Position title	Name	Date of birth	Career summary		Term of office	Number of shares held (in 100 shares)
Member of the Board of Directors	Takashi Nishijima	August 12, 1957	Apr. 1981	Entered Hokushin Electric Works Ltd. (currently Yokogawa Electric Corporation)	One year from June 2023	–
			Oct. 2008	Assigned as Vice President, Head of Control Products Business Center, IA Business Headquarters of Hokushin Electric Works Ltd.		
			Apr. 2010	Assumed the position of President of Yokogawa Meters & Instruments Corporation (currently Yokogawa Test & Measurement Corporation)		
			June 2011	Assumed the position of Director of Yokogawa Electric Corporation Assumed the position of President of Yokogawa Meters & Instruments Corporation (currently Yokogawa Test & Measurement Corporation)		
			Apr. 2012	Assumed the position of Director and Senior Vice President, Head of IA Platform Business Headquarters of Yokogawa Electric Corporation		
			Apr. 2013	Assumed the position of President and Chief Operating Officer of Yokogawa Electric Corporation		
			Apr. 2019	Assumed the position of Chairman and Representative Director of Yokogawa Electric Corporation		
			June 2020	Assumed the position of Outside Director of LOGISTEED, Ltd. (present) * Renamed from Hitachi Transport System, Ltd. in April 2023.		
			Apr. 2021	Assumed the position of Chairman of Yokogawa Electric Corporation		
			June 2022	Assumed the position of Member of the Board of Directors of the Company (present)		
Member of the Board of Directors (Audit and Supervisory Committee Member, Standing)	Yoshiro Ozawa	April 16, 1962	Apr. 1985	Entered the Company	Two years from June 2022	30
			Mar. 2009	Assigned as General Manager of Accounting Department of the Company		
			July 2013	Assigned as General Manager of Human Resources Department, Administration Group of the Company		
			July 2017	Assigned as Director of Human Resources Group, Planning & Administration Unit of the Company		
			June 2018	Assumed the position of Member of the Board of Directors and Audit and Supervisory Committee Member (standing) of the Company (present)		

Position title	Name	Date of birth	Career summary		Term of office	Number of shares held (in 100 shares)
Member of the Board of Directors (Audit and Supervisory Committee Member)	Hyo Kambayashi	October 15, 1951	Nov. 1976	Entered Arthur Andersen & Co.	Two years from June 2022	–
			July 1991	Assumed the position of Worldwide Partner of Arthur Andersen		
			July 1993	Assumed the position of Senior Partner of Asahi & Co.		
			Sept. 2001	Assumed the position of Board Member of Andersen Worldwide Organization		
			Jan. 2003	Assumed the position of President and Representative Director of Protiviti Japan Co., Ltd.		
			Apr. 2004	Assumed the position of Visiting Professor of Tama Graduate School of Business		
			May 2005	Assumed the position of Representative Director of Robert Half Japan		
			Apr. 2010	Assumed the position of Visiting Professor of Aoyama Gakuin University Graduate School of Professional Accountancy		
			Jan. 2011	Assumed the position of President and Chief Executive Officer of Protiviti LLC		
			Jan. 2016	Assumed the position of Chairman and Senior Managing Director of Protiviti LLC		
			Oct. 2016	Assumed the position of Chairman of Japan Internal Control Research Association		
			June 2017	Assumed the position of Outside Audit & Supervisory Board Member of Sojitz Corporation		
			June 2018	Assumed the position of Member of the Board of Directors and Audit and Supervisory Committee Member of the Company (present)		
			Apr. 2021	Assumed the position of Senior Managing Director of Protiviti LLC (present)		
Member of the Board of Directors (Audit and Supervisory Committee Member)	Takatoshi Yamamoto	October 20, 1952	Apr. 1975	Entered Nomura Research Institute, Ltd.	Two years from June 2022	30
			Apr. 1989	Entered Morgan Stanley Japan Limited		
			Dec. 1995	Assumed the position of Managing Director of Morgan Stanley Japan Limited.		
			June 1999	Assumed the position of Managing Director of Tokyo Office and Deputy Chairman of Morgan Stanley Japan Limited		
			July 2005	Assumed the position of Managing Director and Deputy Chairman of UBS Securities Japan Co., Ltd.		
			June 2009	Assumed the position of Executive Managing Director of CASIO COMPUTER CO., LTD.		
			June 2011	Assumed the position of Advisor of CASIO COMPUTER CO., LTD.		
			June 2012	Assumed the position of Outside Corporate Auditor of Fuji Heavy Industries Ltd.		
			June 2013	Assumed the position of Outside Audit & Supervisory Board Member of Tokyo Electron Ltd.		
			June 2016	Assumed the position of Outside Director of Hitachi, Ltd. (present)		
			June 2019	Assumed the position of Member of the Board of Directors of the Company		
			June 2020	Assumed the position of Member of the Board of Directors and Audit and Supervisory Committee Member of the Company (present)		
			Oct. 2021	Assumed the position of Director of the Value Reporting Foundation		

Position title	Name	Date of birth	Career summary		Term of office	Number of shares held (in 100 shares)
Member of the Board of Directors (Audit and Supervisory Committee Member)	Naoko Munakata	February 12, 1962	Apr. 1984	Entered Ministry of International Trade and Industry (currently Ministry of Economy, Trade and Industry)	Two years from June 2022	1
			Sept. 2011	Assumed the position of Director-General, Multilateral Trade System Department, Trade Policy Bureau		
			June 2013	Assumed the position of Director-General for Trade Policy Bureau		
				Assumed the position of Councilor of Cabinet Secretariat		
			July 2014	Assumed the position of Director General, Trade and Economic Cooperation Bureau		
			July 2015	Assumed the position of Executive Secretary to the Prime Minister		
			July 2017	Assumed the position of Commissioner of Japan Patent Office		
			Nov. 2019	Assumed the position of Advisor for The Dai-ichi Life Research Institute INC.		
			June 2020	Assumed the position of Member of the Board of Directors and Audit and Supervisory Committee Member of the Company (present)		
			Apr. 2021	Assumed the position of Professor of the University of Tokyo Graduate School of Public Policy (present)		
			Sept. 2021	Assumed the position of Outside Director of ExaWizards Inc. (present)		
Total	10					46,833

(Notes) 1. Members of the Board of Directors, Yuko Yasuda, Takashi Nishijima, Hyo Kambayashi, Takatoshi Yamamoto, and Naoko Munakata are Outside Directors as stipulated by Article 2, Paragraph (15) of the Companies Act.

2. The Company has designated Members of the Board of Directors, Yuko Yasuda, Takashi Nishijima, Hyo Kambayashi, Takatoshi Yamamoto, and Naoko Munakata as Independent Directors as specified in the regulations of the Tokyo Stock Exchange and reported the designation to the exchange accordingly.

3. As of July 1, 2023, the Company plans to have 27 Vice Presidents, and 25 Vice Presidents aside from the Members of the Board of Directors above that hold concurrent positions as Vice Presidents.

2) Notions about the functions, roles, independence and appointment status of Outside Directors

The Company has set the following criteria for independence, in addition to requirements under the Companies Act, in order to strengthen operational execution decisions of the Board of Directors and monitoring functions of business execution by Members of the Board of Directors, and increase the independence and neutrality of the auditing system. It has appointed five Outside Directors, each of whom has sufficient capabilities and experience, etc., while also constituting diversification. As mentioned above, the outside auditor system was introduced in 1971 and the outside director system in 2001. Having started to ensure "viewpoints from outside" at an earlier time, the Company has been enhancing management transparency. The Company has no special interest with each of the Outside Directors and notified the Tokyo Stock Exchange so as to register all Outside Directors as Independent Directors.

Outside Directors receive reports concerning the status of material business executions at the Board of Directors while also receiving reports concerning the development and operational status of the internal control system from the Internal Control Committee as well as reports concerning the status of CSR activities from the CSR Control Committee. They give their views and comments as necessary.

(Reference) Criteria for Independence of Outside Directors

The Company sets the following criteria for independence in order to strengthen operational execution decisions of the Board of Directors and monitoring functions of business execution by Members of the Board of Directors, and increase the independence and neutrality of the auditing system.

[Summary of the Criteria for Independence of Outside Directors]
The person does not fall under any of the following categories.

(1) In the past 10 years, the person was an executive of the Company or a company that was a subsidiary within the past three years.
(2) The person is currently a major shareholder or was an executive of the major shareholder in the past three years.
(*) Major shareholder refers to one who holds 10% or more of the total number of the voting rights of the Company.
(3) In the past three years, the person was an executive of a company, etc. that was a material client or supplier within the past three years with the Companies.

(*) Material client or supplier refers to one with which the Company has transactions of 2% or more of consolidated net sales of the Company or of the client or supplier.
(*) The Companies refers to the Company and its current subsidiaries. The same shall apply hereinafter.

(4) In the past three years, the person was an executive of an organization (e.g., public interest incorporated foundation, public interest incorporated association, and nonprofit organization) that has received within the past three years a donation or grant of over 10.00 million yen per annum from the Companies.

(5) In the past three years, the person was an executive of a company or a subsidiary of that company that within the past three years employed a Member of the Board of Directors, Statutory Auditor (regardless of full-time or part-time) or Executive Officer of the Companies.

(6) The person was a material consultant, etc. of the Companies within the past three years.
(*) Material consultant refers to an expert, such as consultant, lawyer and certified public accountant, who earns over 10.00 million yen per annum other than director remuneration from the Companies in the case of an individual or earns money or property that exceed 2% of the total revenue of the organization other than director remuneration from the Companies in the case that the person belongs to an organization.

(7) The person was an executive of the Independent Auditor of the Company in the past three years.

(8) The person is a relative of the following persons.
[1] The person falls under (1) above and is a director or an employee in the position corresponding to General Manager or higher.
[2] The person falls under (3) above and is a director or an employee in the position corresponding to General Manager or higher.
[3] The person falls under (6) above.
(*) “Relative” refers to the spouse or a relative within the second degree of kinship, etc.

(9) The person carries the risk of creating a constant substantial conflict of interest between the Company’s general shareholders as a whole for reasons other than those considered in (1) to (8) above.

3) Cooperation between the supervision and internal auditing by Outside Directors and the auditing by the Audit and Supervisory Committee

Outside Directors receive reports from the Internal Audit Department (Office of Internal Audit) at the Board of Directors while also receiving reports concerning the audit policies, planning and results from the Audit and Supervisory Committee. They give their views and comments as necessary.

(3) Audit status

1) Status of auditing by the Audit and Supervisory Committee

The Audit and Supervisory Committee consists of four Audit and Supervisory Committee Members listed in "(2) Executives, 1) List of executives" above as of filing date, with Yoshiro Ozawa, the chairperson of the Committee serving as the standing member. Yoshiro Ozawa has experience in finance and accounting operations at the Company; Hyo Kambayashi is qualified as a certified public accountant; and Takatoshi Yamamoto has many years of experience as a security analyst. Each of them has an appreciable extent of knowledge on finance and accounting.

The composition of the Audit and Supervisory Committee and the attendance and activities of each member during the current fiscal year are as follows.

Composition and attendance of the Audit and Supervisory Committee meetings

Name	Position	Attendance at the Audit and Supervisory Committee meetings
Yoshiro Ozawa ◎	Board Member, Chairman of the Audit and Supervisory Committee (standing)	10/10 (100%)
Hyo Kambayashi	Board Member (Outside Director), Audit and Supervisory Committee Member	10/10 (100%)
Takatoshi Yamamoto	Board Member (Outside Director), Audit and Supervisory Committee Member	10/10 (100%)
Naoko Munakata	Board Member (Outside Director), Audit and Supervisory Committee Member	10/10 (100%)

(Note) ◎ after the name means the person is the chairperson.

Based on the audit policies and planning to be formulated every fiscal year, the Audit and Supervisory Committee examines the Companies' operations as well as the status of property, in cooperation with corporate internal control-related departments. In addition, the Committee regularly holds meetings with the Internal Audit Department (Office of Internal Audit) to ensure a close cooperation between them by mutually reporting the audit planning and the status of implementation, etc. With examining the status of execution of duties by directors and executive officers, etc., and the status of development and operation of the internal control system, the Committee conducts audits concerning the legality and appropriateness of execution of duties by Members of the Board of Directors as well as the reasonableness of Independent Auditors' audit approach and their results; and prepares Audit Reports. The Committee also discusses key audit matters with auditors, and receives reporting on their auditing status, and then requests their explanation as necessary.

The Audit and Supervisory Committee deliberates the election, etc. of the Company's Members of the Board of Directors who are not Members of the Audit and Supervisory Committee and their remuneration, etc. while also confirming the results of discussions by the Nomination Advisory Committee and the Remuneration Advisory Committee. The Audit and Supervisory Committee verifies that the nomination of candidates for Members of the Board of Directors is based on an evaluation of each candidate's status of business execution and business performance for the current fiscal year, the candidate's comments in meetings of the Board of Directors, and the candidate's career history, etc. up until present, and that remuneration for Members of the Board of Directors is based on such matters as the remuneration standards and system, as well as the specific calculation method for the amount of remuneration, before forming its opinions and expressing them at General Meeting of Shareholders.

The Committee also holds meetings with Representative Directors on a regular basis, receives explanations of management policies, growth strategies, etc. and actively exchanges opinions.

Full-time committee members are present at material meetings of the Management Committee, the Internal Control Committee, the CSR Management Committee, and the Risk Management Committee and inspect material approved documents. They also audit the status of execution of operations by methods such as visiting and interviewing Members of the Board of Directors, Vice Presidents, and key employees of the Company and its subsidiaries, and report the results to the Audit and Supervisory Committee. We strive to enhance the Companies' audit activities by these methods.

To ensure the effectiveness of audits by the Audit and Supervisory Committee, the Company has established the Office of Audit and Supervisory Committee to assist the Committee in its duties and has stationed a considerable number of employees. The employees do not receive supervision or orders from the Executive Directors, and the Executive Directors must consult on matters concerning human affairs of the employees with the Committee and obtain its consent.

Moreover, we have a system for reporting to the Committee, and do not detrimentally treat persons who make reports on the grounds of the reports.

2) Status of internal audits

The Companies' internal audits are conducted by the Office of Internal Audit (15 members), which was established as an independent organization.

The Office of Internal Audit establishes audit policies and plans, and on the basis of these, the Office evaluates and monitors whether the Companies' operations are appropriately and efficiently conducted under laws and regulations, internal regulations of the Company, and others with the cooperation of departments involved in the Company's internal control.

The Office also reports the results to Representative Directors, the Board of Directors meetings and the Audit and Supervisory Committee. In addition, the Office maintains close coordination with the Audit and Supervisory Committee and the Independent Auditor by holding regular meetings and reporting to one another on audit plans and their implementation status.

3) Status of accounting audits

A) Name and other details of the audit firm

For accounting audits, the Company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC. The audits are conducted by Certified Public Accountants Takashi Ishii and Yuya Minobe, who are designated limited liability partners and executive partners, with assistance from 18 certified public accountants, five associate members of the Japanese Institute of Certified Public Accountants, and 38 others. The Company receives legal audits pursuant to the Financial Instruments and Exchange Act and the Companies Act, and continually identifies issues related to accounting treatment and audits.
The Independent Auditor maintains close coordination with the Audit and Supervisory Committee and the Internal Audit Department by holding regular meetings and reporting to one another on audit plans and their implementation status.

B) Continuous audit period

In and after 1968
The rotation of executive partners has been appropriately implemented, and they are not involved in audit work for more than seven consecutive fiscal terms in principle.
In addition, the head of executive partners is not involved in audit work for more than five consecutive fiscal terms.

C) Reason for selecting the audit firm

The Audit and Supervisory Committee receives proposals on candidates for Independent Auditor from the Accounting & Controller and Finance departments and the Internal Audit Department, and receives a sufficient report on the following matters for each of the candidates from the relevant department before the resolution of appointment of the Independent Auditor.

(1) Outline of the audit firm (name, location, representative, quality control manager, history, audit results, etc.)
(2) Quality management system of the audit firm
(3) Cause for disqualification under the Companies Act
(4) Independence of and non-audit services provided by the audit firm
(5) Details of audit plans and audit team formation
(6) Level of audit quotation and details and level of non-audit fees, if any

The Committee conducts an adequate factual investigation based on the information in a neutral position, and evaluates the qualifications of the audit firm to be appointed on the basis of prescribed evaluation items, and then determines the content of the proposal to be submitted to a General Meeting of Shareholders regarding the appointment and dismissal of the Independent Auditor.

D) Evaluation of the audit firm

The Audit and Supervisory Committee collects information on the audit firm's independence, quality management status, appropriateness of work performance systems, and audit implementation status in the current fiscal year from the Accounting & Controller and Finance departments, the Internal Audit Department, and the audit firm to evaluate whether the corporation can appropriately perform its duties in the following fiscal year.
The Committee determined that Deloitte Touche Tohmatsu LLC, the present Independent Auditor, can appropriately perform its duties both in the current fiscal year and the following fiscal year, and it is appropriate to reappoint the corporation as the Independent Auditor.

4) Details of audit fees

A) Fees for certified public accountants involved in audits

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
Reporting company	253	75	266	–
Subsidiary	38	–	36	–
Total	291	75	302	–

(Previous fiscal year)
The content of non-audit services in the Company includes advisory and guidance operations regarding financial reporting.

B) Details of fees for organizations belonging to the same network (Deloitte Touche Tohmatsu Limited Group) as certified public accountants involved in audits (excluding A above)

(Millions of yen)

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
Reporting company	–	65	69	36
Subsidiary	282	228	341	279
Total	282	293	411	316

(Previous fiscal year and current fiscal year)
The content of non-audit services in the Company and the subsidiaries include tax-related operations.

C) Details of fees for other material audit services
There are no applicable items.

D) Decision policy on audit fees
The total amount of audit fees payable to Deloitte Touche Tohmatsu LLC by the Company is determined by taking into account the maintenance of independence of the audit firm, the characteristics of operations, and the number of days of audits.

E) Reason for agreeing on audit fees
The Audit and Supervisory Committee agrees on the amount of audit fees for the current fiscal year after receiving an explanation on audit quotations from the Independent Auditor, the Accounting & Controller and Finance departments, and the Internal Audit Department and conducting necessary verification of the content of the Independent Auditor’s audit plans, the performance status of its accounting audit duties and whether the calculation bases of the audit quotations is appropriate.

(4) Remuneration for Directors

1) The amount of compensation, etc., of Directors and matters related to policy concerned with determination of calculation methods

The Company, upon establishing the following remuneration governance, operates its remuneration program and determines compensation, etc. of Directors based on the resolutions of the General Meeting of Shareholders and the decision policy of individual compensation, etc. of Members of the Board of the Company, which includes the basic policy for the remuneration system.

A) Remuneration governance

(1) Method to determine decision policy of compensation, etc.

The Company makes decisions at the Board of Directors about the decision policy on individual compensation, etc. regarding the amount of compensation, etc., of Directors of the Company and determination of its calculation methods, based on reports from the Remuneration Advisory Committee, which was established to enhance objectivity and transparency and to improve corporate governance.

(2) Roles and responsibilities of the Remuneration Advisory Committee

The Remuneration Advisory Committee of the Company appointed an external remuneration consulting company, WTW (Willis Towers Watson) as an advisor. Sufficiently understanding the recent environment surrounding executive remuneration and societal trends, making practical use of remuneration benchmarks of corporations, etc., similar in scale to the Company's business, type of industry, and business conditions, and other information and advice gleaned from the advisor, the Remuneration Advisory Committee of the Company verifies the validity of remuneration standards for Members of the Board of Directors and the remuneration system along with determining individual payments, and report necessary findings to the Board of Directors.
In addition, the Company, to secure considerable independence and objectivity of all judgements related to the remuneration system, has delegated decisions on details of individual compensation, etc., of Members of the Board of Directors to the Remuneration Advisory Committee.
The Company, as measures for appropriate exercising of delegated power, will diligently provide objective information to the Remuneration Advisory Committee that is sufficient and necessary by making use of the external remuneration consultant. This is to ensure effective deliberation at the Remuneration Advisory Committee while maintaining its independence. Also, in regard to the remuneration system of the Members of the Board of Directors who are Audit and Supervisory Committee Members, in accordance with the provisions of Article 361, Paragraph (3) of the Companies Act, fixed individual remuneration will be determined by discussion amongst the Members of the Board of Directors who are Audit and Supervisory Committee Members.

(3) Composition of the Remuneration Advisory Committee, attributes of the Chairperson, and methods of resolutions

The Remuneration Advisory Committee of the Company will be composed of Members of the Board of Directors selected by the Board of Directors and will be composed of a majority of Outside Directors. In addition, the Chairperson of the Remuneration Advisory Committee will be resolved by the Board of Directors and will be selected from Directors who are Independent Outside Directors.
Also, the Remuneration Advisory Committee of the Company will be attended by a majority of Directors who can participate in resolutions, and resolutions will be passed by means of a majority vote by those in attendance. However, Directors cannot exercise voting rights on resolutions where there is a special interest, and in this case, the voting rights of said Directors will not be included in the number of voting rights of Directors in attendance.

B) Remuneration program

(1) Basic policy of the Director remuneration system

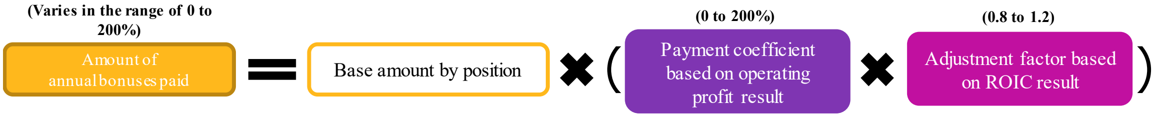
Regarding the remuneration for Members of the Board of Directors and Vice Presidents of the Company, the Company makes it a basic policy to provide a system and level of remuneration that is considered suitable for executive-level managers of a globally competitive electronic equipment and component manufacturer to ensure recruitment of human talent considered to be excellent based on a comparison with same-industry competitors, to raise the morale and motivation to improve financial results and to contribute to the maximization of corporate value.

(2) Organization of the Director remuneration system

Remuneration for Members of the Board of Directors who are not Audit and Supervisory Committee Members is made up of (a) monthly remuneration, (b) bonus with the aim of giving a short-term incentive, and (c) share-based remuneration (non-monetary remuneration) with the aim of making them further share values with our shareholders by giving a medium- to long-term incentive.

(a) Monthly remuneration: The monthly remuneration is a fixed remuneration of an amount individually decided for each Member of the Board of Directors based on a fixed amount for service as a Member of the Board of Directors, and an amount that is decided based on consideration of the level of importance of each Member of the Board of Directors' business execution allocation and responsibility. Also, the timing of payments will be monthly payments.

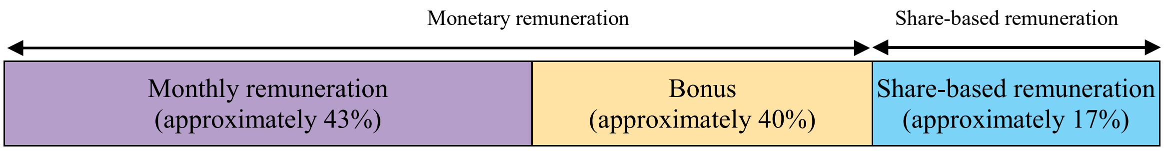
(b) Bonus: Bonus is cash remuneration that is provided as an incentive to create economic value in each fiscal year and, in principle, is paid in June after the end of the fiscal year. The amount is calculated by multiplying a reference amount for each position by a factor (variable within a range of 0% and 200%) according to the level of achievement of the targets for performance evaluation indicators. The performance evaluation indicators are consolidated operating income and ROIC (pre-tax basis), which are indicators related to the Group-wide management targets for economic value outlined in the Mid-term Direction 2024. The Company selected these indicators in order to provide an incentive to increase net sales, which are accompanied by profit margins that the Company emphasizes, and efficiently generate profits from invested capital.



(c) Share-based remuneration: The Company's share-based remuneration aims to increase the willingness to contribute to the continuous enhancement of share values and corporate value spanning the long term between the Company's Members of the Board of Directors and shareholders. According to the reference amount set for each position of each Member of the Board of Directors, restricted shares will be allotted every July. Furthermore, because a portion of the share-based remuneration (approximately 20% of the total share-based remuneration) is based on an evaluation of initiatives related to the creation of medium- to long-term social value and ESG, every fiscal year the Remuneration Advisory Committee evaluates progress of the initiatives for achieving the Group-wide management targets related to social value in the Mid-term Direction 2024 and adjusts the amount of such portion within a range of ±20% of the reference amount set for each position. In addition, restrictions of the allotted restricted shares will be lifted when eligible members of the Board of Directors' term of both positions as Member of the Board of Directors and Vice President expires, or retires due to the compulsory retirement age or resigns.

The remuneration paid to Outside Directors who are not Audit and Supervisory Committee Members and to Members of the Board of Directors who are Audit and Supervisory Committee Members, considering their duties, is only monthly remuneration.

Each standard and composition ratio of monthly remuneration, bonus, and share-based remuneration is based on the "Executive Compensation Database" operated by the external remuneration consulting company, WTW (Willis Towers Watson) and will be determined by performing benchmarks on corporations similar to the Company's type of industry and scale and verifying the validity. Furthermore, the composition ratio of remuneration elements of remuneration of the President and Representative Director is largely as follows. The composition ratio of remuneration elements for other inside Members of the Board of Directors who are not Audit and Supervisory Committee Members of the Company is set so that the ratio of bonuses and share-based remuneration is higher for upper ranking positions according to the responsibilities, etc. for each position. In the diagram of composition ratios below, the ratios displayed are those in the case where the bonus and the share-based remuneration are the base amount. The actual composition ratios of the remuneration components actually paid may differ from those shown below.



(3) Guidelines for the holding of shares

From the perspective of strengthening the sharing of value with shareholders, the Company has recommended shareholdings as follows for Executive Directors. At the end of the current fiscal year, the President and Representative Director holds shares equivalent to 2.2 times his fixed remuneration.

President and Representative Director: His or her target shall be to hold shares equivalent to 2.0 times fixed remuneration, within five years of being appointed to the relevant position

Other Executive Directors: Their target shall be to hold shares equivalent to 1.5 times fixed remuneration, within five years of being appointed to the relevant position

(4) Repayment of remuneration, etc. (malus and clawback provision)

In order to ensure soundness of the remuneration system for Members of the Board of Directors, the Company has established a provision (a so-called malus and clawback provision) whereby based on the decision of the Board of Directors following deliberations by the Remuneration Advisory Committee, the right to receive a bonus before it is paid and share-based remuneration before the transfer restrictions are lifted are fully or partially forfeited under certain circumstances, such as misconduct or retrospective adjustments to financial statements due to fraudulent accounting. The provision applies to bonuses to be paid and share-based remuneration to be allotted after the 86th Ordinary General Meeting of Shareholders held in June 2022 and will remain in effect for all periods thereafter.

2) Relationship between remuneration results and business performance

A) Total compensation, etc. by category, total compensation by type and number of eligible Directors

Category	Total amount of compensation, etc. (Millions of yen)	Total amount per type of compensation, etc. (Millions of yen)			Persons
		Monthly remuneration	Bonus	Share-based remuneration	
Members of the Board of Directors (excluding Audit and Supervisory Committee Members) (excluding Outside Directors)	382	220	78	82	6
Members of the Board of Directors who are Audit and Supervisory Committee Members (excluding Outside Directors)	29	29	–	–	1
Outside Directors	81	81	–	–	6

(Notes) 1. The amount of compensation, etc. for Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members) does not include employee salaries provided to Members of the Board of Directors concurrently serving as employees.

2. By resolution at the 80th Ordinary General Meeting of Shareholders held on June 29, 2016, the amount of compensation (excluding share-based remuneration) is 700 million yen or less per year for Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members). However, this does not include employee salaries and bonuses provided to Members of the Board of Directors concurrently serving as Vice Presidents. At the conclusion of the said General Meeting of Shareholders, the number of Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members) was eight (of which, one was Outside Director).

3. By resolution at the 80th Ordinary General Meeting of Shareholders held on June 29, 2016, the amount of compensation is 100 million yen or less per year for Members of the Board of Directors who are Audit and Supervisory Committee Members. At the conclusion of the said General Meeting of Shareholders, the number of Members of the Board of Directors who are Audit and Supervisory Committee Members was four (of which, three were Outside Directors).

4. By resolution at the 81st Ordinary General Meeting of Shareholders held on June 29, 2017, the maximum amount of compensation for the restricted share remuneration is 300 million yen or less, and the maximum number of shares is 60,000 shares per year. Shares are not granted to Members of the Board of Directors who are Audit and Supervisory Committee Members or Outside Directors. At the conclusion of the said General Meeting of Shareholders, the number of Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members and Outside Directors) was seven.

5. At the 85th Ordinary General Meeting of Shareholders held on June 29, 2021, the restricted period under the restricted share remuneration plan was approved to change from “a period of minimum three years and maximum five years that starts from the payment date of common shares of the Company allotted under the agreement on allotment of shares with transfer restrictions entered into between the Company and each Eligible Director (hereinafter referred to as “Allotted Shares”) determined in advance by the Board of Directors of the Company” to “the period from the payment date of Allotted Shares to the time immediately after any of the Eligible Directors resigns or retires from both positions of Member of the Board of Directors and Vice President of the Company”. At the conclusion of the said General Meeting of Shareholders, the number of Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members and Outside Directors) was six.

B) Targets and results of performance evaluation indicators for performance-linked remuneration for the evaluation period of the current fiscal year

(1) Bonus

The following are the targets and results of performance evaluation indicators for performance-linked remuneration with the current fiscal year as the evaluation period.

Performance-linked indicators	Targets	Results
Consolidated operating income	400,000 million yen	297,887 million yen
ROIC (pre-tax basis)	20%	14.6%

(2) Stock-based remuneration (Portion of the creation of social value and ESG)

For the share-based remuneration for the current fiscal year as the evaluation period, the Remuneration Advisory Committee confirms the measures taken during the current fiscal year for achieving the social value goals (environment, diversity, and ES) set forth in the Medium-Term Direction 2024. After the end of the fiscal year, the Remuneration Advisory Committee receives the reports about the progress of the initiatives concerning these measures and evaluates its progress. The progress made during the current fiscal year is as described above in “II Business Overview, 1. Management policies, business environment, and issues to be addressed, etc., (2) Medium- to long-term company management strategy II. Mid-term Direction 2024, Progress in creating social value compared to our targets".

C) Total compensation, etc. of persons whose total compensation, etc. is 100 million yen or more

Name (Category)	Company category	Total amount per type of compensation, etc. (Millions of yen)			Total amount of compensation, etc. (Millions of yen)
		Monthly remuneration	Bonus	Share-based remuneration	
Tsuneo Murata (Member of the Board of Directors)	Reporting company	63	21	23	109
Norio Nakajima (Member of the Board of Directors)	Reporting company	70	30	29	130

D) Matters related to the determination of the details of individual compensation, etc. for Members of the Board of Directors for the current fiscal year

Composition, attendance and activities of the Remuneration Advisory Committee held in the current fiscal year are described in "(1) Overview of corporate governance 2) Overview of the corporate governance system and reasons for adopting the system" above.

When determining the details of individual compensation, etc. for Members of the Board of Directors of the Company for the current fiscal year, the Remuneration Advisory Committee of the Company ensured the sufficiency of deliberation content through the activities described in "(1) Overview of corporate governance 2) Overview of the corporate governance system and reasons for adopting the system" above. Then the Board of Directors of the Company received a report from the Remuneration Advisory Committee stating that the Committee appropriately determined the details of individual compensation, etc. for Members of the Board of Directors of the Company for the current fiscal year and judged that the details of individual compensation, etc. for Members of the Board of Directors is in line with the decision policy of individual compensation, etc.

(5) Information on shareholdings

1) Bases and views of classification of investment shares

The Company classifies investment shares held for pure investment and those held for purposes other than pure investment as follows.

A) Shares held for pure investment:
Investment shares held for benefits from value changes or dividends

B) Shares held for purposes other than pure investment:
Investment shares held for maintaining and developing business relationships, i.e., for cross-shareholdings

2) Investment shares held for purposes other than pure investment

A) Shareholding policy, method of verifying reasonableness of shareholding, and verification of appropriateness of holding individual issues by the Board of Directors
In the electronics industry with rapid changes in the market environment and technological innovation, it is necessary to have cooperative relationships with various companies in all areas of development, procurement, production, and sales in order to achieve sustainable improvement in corporate value. The Company holds shares of counterparties that contribute to maintaining and improving the Company's medium to long-term corporate value with the aim of maintaining and strengthening business relationships with them.
With regard to all cross-shareholdings, the Board of Directors examines the rationale for holding cross-shareholdings every year from qualitative aspects, such as the purpose of holding and transaction status, and quantitative aspects, such as profitability in relation to the cost of capital. For those shares for which the rationale for holding was not confirmed, we will engage in dialogue with the counterparty and reduce the number of shares to be held as a strategic shareholding.
In addition, we will exercise our voting rights in relation to shares held under the policy, after carefully examining each proposal individually to determine whether or not it constitutes a violation of laws and regulations or antisocial behavior, whether or not it would damage shareholder value, and whether or not it would contribute to improving the corporate value of the Company and the relevant company from a medium to long-term perspective through maintaining and strengthening business transactions and cooperative relationships.

B) Number of issues and balance sheet amount

	Number of issues (Issues)	Total balance sheet amount (Millions of yen)
Shares not listed	31	743
Shares other than those not listed	23	17,218

(Issues whose number of shares increased in the current fiscal year)

	Number of issues (Issues)	Total acquisition cost for increased shares (Millions of yen)	Reason for increase in number of shares
Shares not listed	1	45	Maintenance and strengthening of business relationships
Shares other than those not listed	1	1	Regular purchases by client's holding associations

(Issues whose number of shares decreased in the current fiscal year)

	Number of issues (Issues)	Total sale amount for decreased shares (Millions of yen)
Shares not listed	–	–
Shares other than those not listed	2	72

C) Information on the number of shares per issue and balance sheet amount

Specified investment shares

Issue	Current fiscal year: Number of shares (Thousands of shares) / Balance sheet amount (Millions of yen)	Previous fiscal year: Number of shares (Thousands of shares) / Balance sheet amount (Millions of yen)	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company holds shares
OMRON Corporation	473	473	Shares of the company are held to maintain and strengthen product sales relationships in the components and devices/modules business.	Yes
	3,650	3,890		
Sumitomo Metal Mining Co., Ltd.	544	544	Shares of the company are held to maintain and strengthen material/component procurement relationships in the components and devices/modules business.	Yes
	2,749	3.355		
SHIZUKI ELECTRIC COMPANY INC.	4,471	4,471	Shares of the company are held to maintain and strengthen business alliance relationships mainly in the components business.	Yes
	2,231	2,029		
The Bank of Kyoto, Ltd.	307	307	Shares of the company are held to maintain business cooperative relationships centered on financial transactions relating to the Company's overall business.	Yes
	1,920	1,643		
KYOCERA Corporation	267	267	Shares of the company are held to maintain and strengthen product sales relationships and material/component procurement relationships in the components and devices/modules business.	Yes
	1,843	1,841		
Sumitomo Mitsui Financial Group, Inc.	189	189	Shares of the company are held to maintain business cooperative relationships centered on financial transactions relating to the Company's overall business.	Yes
	1,001	738		
THE SHIGA BANK, LTD.	242	267	Shares of the company are held to maintain business cooperative relationships centered on financial transactions relating to the Company's overall business.	Yes
	648	590		
SHIMADZU CORPORATION	130	130	Shares of the company are held to maintain and strengthen product sales relationships and material/component procurement relationships in the components and devices/modules business.	Yes
	538	550		
SCREEN Holdings Co., Ltd.	40	40	Shares of the company are held to maintain and strengthen material/component procurement relationships in the components and devices/modules business.	Yes
	469	497		
Mitsubishi Electric Corporation	280	280	Shares of the company are held to maintain and strengthen product sales relationships and material/component procurement relationships in the components and devices/modules business.	Yes
	443	395		

Issue	Current fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company holds shares
	Number of shares (Thousands of shares)	Number of shares (Thousands of shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
TODA CORPORATION	548	548	Shares of the company are held to maintain and strengthen relationships with building and other contractors relating to the Company's overall business.	Yes
	378	406		
Mitsubishi UFJ Financial Group, Inc.	238	238	Shares of the company are held to maintain business cooperative relationships centered on financial transactions relating to the Company's overall business.	Yes
	202	181		
MS&AD Insurance Group Holdings, Inc.	48	48	Shares of the company are held to maintain business cooperative relationships centered on damage insurance transactions relating to the Company's overall business.	Yes
	197	191		
Taikisha Ltd.	50	50	Shares of the company are held to maintain and strengthen relationships with utility contractors relating to the Company's overall business.	Yes
	184	152		
Mizuho Financial Group, Inc.	75	75	Shares of the company are held to maintain business cooperative relationships centered on financial transactions relating to the Company's overall business.	Yes
	141	118		
Iwatani Corporation	20	20	Shares of the company are held to maintain and strengthen relationships with industrial gas and comprehensive energy suppliers relating to the Company's overall business.	Yes
	120	107		
Sompo Holdings, Inc.	22	22	Shares of the company are held to maintain business cooperative relationships centered on damage insurance transactions relating to the Company's overall business.	Yes
	117	119		
Hosiden Corporation	61	61	Shares of the company are held to maintain and strengthen product sales relationships in the components and devices/modules business.	Yes
	98	70		
TOREX SEMICONDUCTOR LTD.	40	40	Shares of the company are held to maintain and strengthen material/component procurement relationships in the components and devices/modules business.	No
	95	107		
Ubiquitous AI Corporation	202	202	Shares of the company are held to maintain and strengthen business alliance relationships mainly in the devices/modules business.	Yes
	79	94		
SIIX Corporation	48	47	Shares of the company are held to maintain and strengthen product sales relationships and material/component procurement relationships in the components and devices/modules business. The number of held shares increased through the regular purchases by client's holding associations in the current fiscal year.	No
	68	50		

Issue	Current fiscal year	Previous fiscal year	Purpose of shareholding, overview of business alliance, quantitative effects of shareholding, and reason for increase in number of shares	Whether the Company holds shares
	Number of shares (Thousands of shares)	Number of shares (Thousands of shares)		
	Balance sheet amount (Millions of yen)	Balance sheet amount (Millions of yen)		
TAMURA CORPORATION	25	25	Shares of the company are held to maintain and strengthen product sales relationships and material/component procurement relationships in the components and devices/modules business.	Yes
	20	15		
NIPPON CHEMICAL INDUSTRIAL CO., LTD.	9	9	Shares of the company are held to maintain and strengthen material/component procurement relationships in the components and devices/modules business.	Yes
	18	22		
Hokuhoku Financial Group, Inc.	–	5	–	Yes
	–	4		

(Notes) 1. As mentioned in A. above, the Company examines the rationale for whether holding cross-shareholdings from qualitative aspects, such as the purpose of holding and transaction status, and quantitative aspects, such as profitability in relation to the cost of capital. While quantitative effects of shareholding are not mentioned here because they are considered business secrets, we determined there are sufficient effects of shareholding based on the policy.

2. "–" means that the issue is excluded from specified investment shares.

3) Investment shares held for pure investment

There are no applicable items.

V. Financial Information

1. Method of Preparing Consolidated Financial Statements and Non-consolidated Financial Statements

(1) The Company's consolidated financial statements are prepared in accordance with terminology, forms, and preparation methods of accounting principles generally accepted in the United States of America, as allowed pursuant to the provisions of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements of Japan (Ministry of Finance Order No. 28 of 1976; the "Regulation on Consolidated Financial Statements") (subject to Paragraph (3) of the Supplementary Provisions of the Cabinet Office Order No. 11 of 2002). However, information on related party is prepared pursuant to the Regulation on Consolidated Financial Statements.

(2) The Company's non-consolidated financial statements are prepared pursuant to the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; the "Regulation on Financial Statements").

The Company is qualified as a company submitting financial statements prepared in accordance with special provision and prepares the non-consolidated financial statements in accordance with the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit Certification

The Company had its consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) and its non-consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) audited by Deloitte Touche Tohmatsu LLC pursuant to the provisions of Article 193-2, Paragraph (1) of the Financial Instruments and Exchange Act.

3. Special Efforts to Ensure Appropriateness of Consolidated Financial Statements, etc.

In order to properly understand the content of accounting standards and organize a system allowing proper accounting treatment, the Company has made efforts to collect information by joining the Financial Accounting Standards Foundation, participating in workshops held by audit firms, and subscribing to accounting journals.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

Category	Note number	As of March 31, 2022 Amount (Millions of yen)		Composition ratio (%)	As of March 31, 2023 Amount (Millions of yen)		Composition ratio (%)
Assets							
I Current assets							
1. Cash		370,388			318,557		
2. Short-term investments		174,074			162,456		
3. Marketable securities	II	23,979			12,240		
4. Trade notes receivable		0			-		
5. Trade accounts receivable		360,517			272,894		
6. Allowance for doubtful accounts		(2,207)			(2,276)		
7. Inventories	III	464,723			575,026		
8. Prepaid expenses and other		43,732			69,193		
Total current assets			1,435,206	51.1		1,408,090	49.0
II Property, plant and equipment							
1. Land		81,213			85,649		
2. Buildings		789,142			846,923		
3. Machinery and equipment, tools, dies, furniture and fixtures, and autos and trucks		1,530,121			1,609,043		
4. Construction in progress		89,723			135,966		
5. Accumulated depreciation		(1,405,460)			(1,529,644)		
6. Operating lease right-of-use assets	XII	31,863			40,261		
Total property, plant and equipment			1,116,602	39.7		1,188,198	41.4
III Investments and other assets							
1. Investments	II	34,618			30,365		
2. Intangible assets	XVI	47,141			44,387		
3. Goodwill	XVI	118,014			126,839		
4. Deferred income taxes	IX	26,562			31,885		
5. Other	V	31,028			42,999		
Total investments and other assets			257,363	9.2		276,475	9.6
Total assets			2,809,171	100.0		2,872,763	100.0

Category	Note number	As of March 31, 2022 Amount (Millions of yen)		Composition ratio (%)	As of March 31, 2023 Amount (Millions of yen)		Composition ratio (%)
Liabilities							
I Current liabilities							
1. Trade accounts payable		93,842			65,597		
2. Current portion of bonds	IV	-			59,981		
3. Accrued payroll and bonuses		63,997			54,984		
4. Income taxes payable		59,228			14,184		
5. Accrued expenses and other	V, VII, XIV	97,816			101,922		
6. Current operating lease liabilities	XII	6,375			6,929		
Total current liabilities			321,258	11.4		303,597	10.6
II Long-term liabilities							
1. Bonds	IV	109,901			49,968		
2. Long-term debt	IV	1,078			1,496		
3. Termination and retirement benefits	V	64,566			63,261		
4. Deferred income taxes	IX	13,233			10,601		
5. Noncurrent operating lease liabilities	XII	25,627			32,626		
6. Other		9,596			8,738		
Total long-term liabilities			224,001	8.0		166,690	5.8
III Commitments	XI						
Total liabilities			545,259	19.4		470,287	16.4

Category	Note number	As of March 31, 2022 Amount (Millions of yen)		Composition ratio (%)	As of March 31, 2023 Amount (Millions of yen)		Composition ratio (%)
Equity	XVII						
I Murata Corporation's shareholders' equity							
1. Common stock			69,444			69,444	
Common shares							
Number of shares authorized to be issued							
End of previous fiscal year 1,743,000,000 shares							
End of current fiscal year 1,743,000,000 shares							
Total number of issued shares							
End of previous fiscal year 675,814,281 shares							
End of current fiscal year 675,814,281 shares							
2. Capital surplus			121,004			121,116	
3. Retained earnings			2,024,368			2,186,040	
4. Accumulated other comprehensive income (loss)	VI						
(1) Unrealized gains (losses) on securities		(43)			(49)		
(2) Pension liability adjustments	V	(1,963)			2,267		
(3) Foreign currency translation adjustments		104,324			157,187		
Total accumulated other comprehensive income (loss)			102,318			159,405	
5. Treasury stock, at cost			(53,538)			(133,494)	
Number of treasury shares							
End of previous fiscal year 35,982,533 shares							
End of current fiscal year 46,090,727 shares							
Total Murata Corporation's shareholders' equity			2,263,596	80.6		2,402,511	83.6
II Noncontrolling interests			316	0.0		(35)	(0.0)
Total equity			2,263,912	80.6		2,402,476	83.6
Total liabilities and equity			2,809,171	100.0		2,872,763	100.0

2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

		From April 1, 2021 to March 31, 2022			From April 1, 2022 to March 31, 2023		
Category	Note number	Amount (Millions of yen)		Percent-age (%)	Amount (Millions of yen)		Percent-age (%)
I Net sales	VII		1,812,521	100.0		1,686,796	100.0
II Operating costs and expenses	V						
1. Cost of sales		1,044,292			1,010,948		
2. Selling, general and administrative		232,872			253,722		
3. Research and development		111,297	1,388,461	76.6	124,239	1,388,909	82.3
Operating income			424,060	23.4		297,887	17.7
III Other income (expenses)							
1. Interest and dividend income		1,193			6,512		
2. Interest expense		(318)			(335)		
3. Foreign currency exchange gain (loss)		263			992		
4. Other-net	VIII	7,504	8,642	0.5	9,839	17,008	1.0
Income before income taxes			432,702	23.9		314,895	18.7
IV Income taxes	IX						
1. Current		116,610			71,932		
2. Deferred		2,213	118,823	6.6	(10,432)	61,500	3.7
Net income			313,879	17.3		253,395	15.0
V Net income (loss) attributable to noncontrolling interests			(245)	(0.0)		(295)	(0.0)
Net income attributable to Murata Corporation			314,124	17.3		253,690	15.0
Amounts per share	X						
Net income attributable to Murata Corporation per share		490.95 yen			401.33 yen		
Cash dividends per share		120.00 yen			145.00 yen		

Consolidated Statements of Comprehensive Income

		From April 1, 2021 to March 31, 2022	From April 1, 2022 to March 31, 2023
Category	Note number	Amount (Millions of yen)	Amount (Millions of yen)
I Net income		313,879	253,395
II Other comprehensive income (loss), net of tax	VI		
1. Unrealized gains (losses) on securities		(11)	(6)
2. Pension liability adjustments		12,851	4,230
3. Foreign currency translation adjustments		92,224	52,873
Other comprehensive income (loss)		105,064	57,097
III Comprehensive income		418,943	310,492
IV Comprehensive income (loss) attributable to noncontrolling interests		(126)	(285)
V Comprehensive income attributable to Murata Corporation		419,069	310,777

3) Consolidated Statements of Shareholders' Equity

(Millions of yen)

Item	Note number	Number of common shares issued (Shares)	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Murata Corporation's shareholders' equity	Noncontrolling interests	Total equity
Balance at March 31, 2021		675,814,281	69,444	120,880	1,786,660	(2,627)	(53,552)	1,920,805	840	1,921,645
Purchases of treasury stock at cost							(13)	(13)		(13)
Disposal of treasury stock				1			0	1		1
Net income					314,124			314,124	(245)	313,879
Cash dividends					(76,779)			(76,779)	(36)	(76,815)
Other comprehensive income (loss), net of tax	VI					104,945		104,945	119	105,064
Restricted stock compensation				120			27	147		147
Equity transactions with noncontrolling interests and other				3	363			366	(362)	4
Balance at March 31, 2022		675,814,281	69,444	121,004	2,024,368	102,318	(53,538)	2,263,596	316	2,263,912
Purchases of treasury stock at cost							(80,009)	(80,009)		(80,009)
Disposal of treasury stock				0			1	1		1
Net income					253,690			253,690	(295)	253,395
Cash dividends					(92,018)			(92,018)	(66)	(92,084)
Other comprehensive income (loss), net of tax	VI					57,087		57,087	10	57,097
Restricted stock compensation				115			52	167		167
Equity transactions with noncontrolling interests and other				(3)				(3)		(3)
Balance at March 31, 2023		675,814,281	69,444	121,116	2,186,040	159,405	(133,494)	2,402,511	(35)	2,402,476

4) Consolidated Statements of Cash Flows

Category	Note number	From April 1, 2021 to March 31, 2022 Amount (Millions of yen)		From April 1, 2022 to March 31, 2023 Amount (Millions of yen)	
I Operating activities					
1. Net income			313,879		253,395
2. Adjustments to reconcile net income to net cash provided by operating activities					
(1) Depreciation and amortization		155,583		161,276	
(2) Losses on sales and disposals of property, plant and equipment		911		2,219	
(3) Impairment losses on long-lived assets	XIII	2,526		579	
(4) Provision for termination and retirement benefits, less payments		(5,059)		(5,277)	
(5) Deferred income taxes		2,213		(10,432)	
(6) Changes in assets and liabilities					
(Increase) decrease in trade notes and accounts receivable		11,637		103,877	
(Increase) decrease in inventories		(81,363)		(101,368)	
(Increase) decrease in prepaid expenses and other		(9,857)		(25,249)	
Increase (decrease) in trade notes and accounts payable		3,507		(30,027)	
Increase (decrease) in accrued payroll and bonuses		9,081		(9,731)	
Increase (decrease) in income taxes payable		16,601		(45,285)	
Increase (decrease) in accrued expenses and other		914		(14,871)	
Other-net		885	107,579	(2,828)	22,883
Net cash provided by operating activities			421,458		276,278

Category	Note number	From April 1, 2021 to March 31, 2022 Amount (Millions of yen)	From April 1, 2022 to March 31, 2023 Amount (Millions of yen)
II Investing activities			
1. Capital expenditures		(150,531)	(189,951)
2. Payment for purchases of marketable securities, investments and other		(38,941)	(38,567)
3. Maturities and sales of marketable securities, investments and other		34,335	44,081
4. Increase in long-term deposits and loans		(81)	(13)
5. Decrease in long-term deposits and loans		5,476	0
6. (Increase) decrease in short-term investments		(16,689)	22,595
7. Acquisitions of businesses, net of cash acquired	XV	(48,802)	-
8. Other-net		2,933	4,005
Net cash used in investing activities		(212,300)	(157,850)
III Financing activities			
1. Net increase (decrease) in short-term borrowings		(91)	5
2. Proceeds from long-term debt		357	879
3. Repayment of long-term debt		(6)	(6)
4. Repayment of bonds	IV	(40,000)	-
5. Dividends paid		(76,779)	(92,018)
6. Purchases of treasury stock at cost		(13)	(80,009)
7. Other-net		(973)	(2,559)
Net cash used in financing activities		(117,505)	(173,708)
IV Effect of exchange rate changes on cash and cash equivalents		12,720	12,614
Net increase (decrease) in cash and cash equivalents		104,373	(42,666)
Cash and cash equivalents at beginning of year		407,699	512,072
Cash and cash equivalents at end of year		512,072	469,406
Additional operating activities information			
1. Interest paid		302	328
2. Income taxes paid		96,271	128,930
Additional information on non-cash investing activities			
Obligations related to acquisition of property, plant and equipment		15,290	33,450
Additional cash and cash equivalents information			
Cash		370,388	318,557
Short-term investments		174,074	162,456
Short-term investments with the original maturities over 3 months		(32,390)	(11,607)
Cash and cash equivalents at end of year		512,072	469,406

Notes to Consolidated Financial Statements

I Summary of significant consolidated accounting policies

1. Terminology, forms, and preparation methods governing consolidated financial statements

The consolidated financial statements are prepared in conformity with corporate accounting standards generally accepted in the United States of America (the "US GAAP").

Financial Accounting Standard Board (FASB) Accounting Standards Codification (ASC) is an example of the US GAAP.

Because information on related party is not important, its disclosure under ASC 850 ("Related Party Disclosures") is omitted. However, the information is disclosed pursuant to the Regulation on Consolidated Financial Statements to ensure the continuity of disclosure.

2. Preparation of consolidated financial statements and registration with the U.S. Securities and Exchange Commission

The Company issued Singapore depositary receipts in August 1976 and Continental depositary receipts in March 1977 to increase capital through public offerings at overseas market prices. On the grounds that the Company had prepared and disclosed consolidated financial statements under the US GAAP according to respective deposit agreements and a commitment with Singapore Exchange Ltd., it submitted to the Minister of Finance a "Written Application for Approval under the Guidelines for the Regulation on Consolidated Financial Statements No. 86" on February 21, 1979 and received the approval with the Securities Bureau Notice No. 260 as of February 27 of the same year. The Company has continued preparing consolidated financial statements under the US GAAP and submitting and disclosing them to Singapore Exchange Ltd. thereafter.

Meanwhile, the Company has not registered with the U.S. Securities and Exchange Commission.

3. Major differences with consolidated financial statements prepared in conformity with principles, procedures, and indication methods under accounting treatment in Japan (the "Japanese GAAP") and the amount of impact on income before income taxes

When income before income taxes increases relative to that under the Japanese GAAP, "(increase)" is inserted, and when it decreases, "(decrease)" is inserted.

(1) Marketable securities and investments

Under the Japanese GAAP, marketable securities and investments are stipulated in the Accounting Standards for Financial Instruments. Meanwhile, in consolidated financial statements, they are booked under the provisions of ASC 320 ("Investments - Debt Securities"), ASC 321 ("Investments - Equity Securities"), and ASC 825 ("Financial Instruments"). The Companies classify debt securities as available-for-sale securities 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, except investments whose unrealized holding gain and loss is recorded as net income by electing the fair value option. In addition, equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are measured at fair value, with any gains or losses recorded in net income. Nonmarketable equity securities whose fair value cannot be reliably determined are measured at cost after impairment, adjusted for observable changes in the price of orderly transactions for the same or similar investments by the same issuer. Gains and losses on sales of marketable securities are computed on an average cost basis.

The Companies regularly measure the fair value of marketable securities to determine whether the fair value of individual available-for-sale debt securities has declined relative to the cost or amortized cost, and whether such decline is temporary or not. Whether the decline is temporary or not is determined on the basis of the degree of the decline relative to the cost or amortized cost at fair value or the duration of the decline, and the necessity for impairment is determined in consideration of the expectation to sell such securities and the credit rating of the issuer. If determining that the decline in fair value is not temporary, we recognize the impairment and record it as a loss for the fiscal year the decline occurs.

For your reference, in consolidated financial statements, the respective impact amounts on income before income taxes due to the accounting treatment for the latest two fiscal years are 659 million yen (increase) for the current fiscal year, and 880 million yen (decrease) in the previous fiscal year.

(2) Bond issuance cost

Under the Japanese GAAP, bond issuance cost is fully expensed when incurred. Meanwhile, in consolidated financial statements, the cost is directly deducted from the face value of the bond and is amortized over the redemption period of the bond.

(3) New share issuance cost

Under the Japanese GAAP, new share issuance cost is fully expensed when incurred. Meanwhile, in consolidated financial statements, the cost is deducted from capital surplus after the tax effect adjustment.

(4) Unused paid leave

With regard to unused paid leave, in consolidated financial statements, the labor cost equivalent is accrued under the provisions of ASC 710 (“Compensation”). For your reference, in consolidated financial statements, the respective impact amounts on income before income taxes by the accounting treatment for the latest two fiscal years are 2,463 million yen (decrease) for the current fiscal year, and 1,581 million yen (decrease) in the previous fiscal year.

(5) Termination and retirement benefits

Under the Japanese GAAP, the termination and retirement benefits are stipulated in the “Accounting Standards for Retirement Benefits”. Meanwhile, in consolidated financial statements, all termination and retirement benefit obligations are booked under the provisions of ASC 715 (“Compensation - Retirement Benefits”). For your reference, in consolidated financial statements, the respective impact amounts on income before income taxes by the accounting treatment for the latest two fiscal years are 2,115 million yen (decrease) for the current fiscal year and 576 million yen (decrease) in the previous fiscal year.

(6) Noncurrent assets reduction entry

The reduction entry from acceptance of government subsidies, etc. based on the direct reduction method is added to the cost of the relevant noncurrent asset and booked as profit in consolidated financial statements. For your reference, in consolidated financial statements, the respective impact amounts on income before income taxes by the accounting treatment for the latest two fiscal years are 5,326 million yen (increase) for the current fiscal year and 1,094 million yen (increase) in the previous fiscal year.

(7) Goodwill

Under the Japanese GAAP, goodwill is stipulated in the “Accounting Standards for Business Combinations” that it shall be systematically amortized over the period when the goodwill has an effect within 20 years by using the straight-line method or any other reasonable method. Meanwhile, in consolidated financial statements, goodwill is not amortized but tested for impairment at least once a year in accordance with ASC 350 (“Intangibles—Goodwill and Other”). For your reference, in consolidated financial statements, the respective impact amounts on income before income taxes by the accounting treatment for the latest two fiscal years are 10,604 million yen (increase) for the current fiscal year and 5,322 million yen (increase) in the previous fiscal year.

(8) Presentation format

A) Under the Japanese GAAP, the consolidated balance sheet consists of Assets, Liabilities and Net Assets. Meanwhile, the Companies’ consolidated balance sheet, which is prepared based on the US GAAP, consists of Assets, Liabilities and Equity.

B) The item presented as “Extraordinary profit/loss” under the Japanese GAAP is presented as “Selling, general and administrative” or “Other income (expenses)” under the US GAAP.

C) Net income attributable to Murata Corporation per share is presented below the consolidated statements of income. Although the disclosure is not required under the US GAAP, for your reference, the respective Murata Corporation’s shareholders’ equity per share for the latest two fiscal years is 3,815.18 yen as of March 31, 2023 and 3,537.80 yen as of March 31, 2022.

4. Scope of consolidation and application of the equity method

The consolidated financial statements include the accounts of the Company and all its subsidiaries, while eliminating major transactions and account balances among the consolidated companies. The equity method is applied to investments in all affiliates (with the Company’s ownership ratio of each voting stock being from 20% to 50%).

The breakdown of numbers of subsidiaries included in the consolidated financial statements is as follows:

	Previous fiscal year	Current fiscal year
Domestic subsidiaries	30	30
Overseas subsidiaries	58	56

The breakdown of numbers of equity method affiliates is as follows:

	Previous fiscal year	Current fiscal year
Domestic affiliates	–	–
Overseas affiliates	1	1

Note: Subsidiaries and affiliates are listed in “I. Overview of the Company, 4 Information on affiliates”.

5. Scope of funds in short-term investments and consolidated statements of cash flows
The Companies classify time deposits, which can be withdrawn as needed without any loss in the original principal, and highly liquid commercial papers as short-term investments. Cash and deposits as well as short-term investments of which date of either maturity or redemption comes within three months from the date of acquisition are defined as cash and cash equivalents in consolidated statements of cash flows.

6. Evaluation criteria and depreciation methods, etc. for material assets
   (1) Inventories
   Inventories of the Companies are stated at the lower of cost or market as determined principally, using the weighted average cost method.
   (2) Property, plant and equipment
   Property, plant and equipment of the Companies are stated at the cost. Depreciation cost is calculated by the straight-line method on the basis of estimated useful lives of assets. The main useful lives are as follows:

Buildings	10-50 years
Machinery and equipment, tools, dies, furniture and fixtures, and autos and trucks	4-17 years

7. Revenue recognition
The Companies adopted ASC 606 (“Revenue from Contracts with Customers”). The Companies recognize revenue based on the following five-step approach:
   Step 1: Identify the contract(s) with a customer
   Step 2: Identify the performance obligations in the contract
   Step 3: Determine the transaction price
   Step 4: Allocate the transaction price to the performance obligations in the contract
   Step 5: Recognize revenue when the entity satisfies a performance obligation
The Companies conduct sales of electronic items consisting of each operating segment of the Companies (Components, Devices and Modules, and Others) and products related to those items. With regard to the sales of products, the Companies recognize revenue at the time of delivery of a product since we consider that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc.

8. Advertising and promotion costs
Advertising and promotion costs of the Companies are fully expensed when incurred. These expenses amounted to 3,907 million yen for the current fiscal year and amounted to 3,265 million yen for the previous fiscal year.

9. Income taxes
The Companies adopted the tax effect accounting to book income taxes pursuant to the provisions of ASC 740 (“Income Taxes”). The Accounting Standards Codification requires temporary differences between tax accounting practices and consolidated accounting practices to be booked as deferred tax assets/liabilities. Deferred tax assets/liabilities are measured on the basis of the statutory tax rates that are expected to apply in the year when such temporary differences are resolved. For the portion of deferred tax assets that is highly unlikely to be recovered, a valuation reserve is booked. As for subsidiaries’ year-end earnings yet to be distributed, the expected tax amounts when distributed in the future are booked in deferred tax liabilities. In this regard, however, the portion of those earnings that are non-taxable under the exclusion from the taxable income system, even if the Company receives them as dividends, are not recognized as deferred liabilities.
Accounting treatment for uncertainty of corporate income taxes is based on the provisions of ASC 740 (“Income Taxes”). Pursuant to the Accounting Standards Codification, if the tax position is recognized with a probability over 50% in the tax authority’s investigation, its impact on financial statements is recognized. The tax benefit in this case is measured at the maximum amount that is expected to be realized with a probability over 50% by the resolution with the tax authority.

10. Earnings per share
The Companies adopted ASC 260 (“Earnings per Share”). The Accounting Standards Codification requires “net income attributable to Murata Corporation per share”, which is net income attributable to Murata Corporation divided by the average number of common shares during the fiscal year, and “diluted net income attributable to Murata Corporation per share”, which takes into account the dilution effect of dilutive shares, to be stated below the consolidated statements of income, and also requires the calculation details to be noted.

11. Fair value measurements
The Companies adopted ASC 820 (“Fair Value Measurement”). The Accounting Standards Codification defines what is fair value, establishes the framework of fair value measurement and requires the scope of disclosing fair value measurement to be expanded.

12. Derivatives
    The Companies adopted ASC 815 (“Derivatives and Hedging”).
    The Accounting Standards Codification sets the accounting treatment and reporting form concerning derivatives trading and hedging activities and requires all derivatives to be booked as fairly valued assets or liabilities on consolidated balance sheets. According to the Accounting Standards Codification, changes in fair value of derivatives that are specified as cash flow hedging and judged as being valid are to be booked as accumulated other comprehensive income (loss) and will be transferred to income (loss) at the point of time when the hedged items have an impact on income (loss).

13. Stock compensation
    The Companies adopted ASC 718 (“Compensation - Stock Compensation”). The Accounting Standards Codification requires stock compensation expense to be measured on the basis of the fair value as of the date of granting compensation and to be expensed over the period when the necessary services are provided.

14. Shipping and handling costs
    The portion of shipping and handling costs that is included in selling, general and administrative amounted to 16,323 million yen in the current fiscal year and 18,365 million yen in the previous fiscal year.

15. Impairment and disposal of long-lived assets
    The Companies adopted ASC 360 (“Property, Plant, and Equipment”). The Accounting Standards Codification requires all long-lived assets, including those of any discontinued operation, to be considered for the impairment on the occurrence of any event or condition that makes the carrying amount of the assets impossible to recover. The Companies determine the recoverability of the long-lived assets to be held and used by comparing the carrying amount of each asset group by business to the estimated undiscounted future cash flows generated from the assets. When the carrying amount of the assets exceeds the estimated undiscounted future cash flows, the excess amount of the carrying amount over the fair value shall be recognized as impairment loss. The useful life of long-lived assets to be disposed of is reviewed before the disposal time limit. Long-lived assets classified as held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell.

16. Acquisitions or Business combinations
    The Companies adopted ASC 805 (“Business Combinations”). In accordance with the Accounting Standards Codification, the Companies reevaluate the entire acquired company, including its noncontrolling interests, in the fair value, applying the acquisition method. The excess portion of the acquisition cost over the acquired net assets is booked as goodwill. Acquisition-related expenses are fully expensed when incurred.

17. Goodwill and other intangible assets
    The Companies account for goodwill and other intangible assets in accordance with ASC 350 (“Intangibles–Goodwill and Other”). In accordance with this statement, goodwill is not amortized and is instead tested for impairment annually and at the time of an event or change in circumstances that indicates the possibility of impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives. Also, this statement requires that an intangible asset that is determined to have an indefinite useful life is not amortized but is instead tested for impairment until its useful life is determined to be no longer indefinite.
    In January 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-04, “Intangibles–Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment”. The update eliminates Step 2 of the current goodwill impairment test, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. The new guidance requires that goodwill impairment loss be recognized for any excess of a reporting unit’s carrying amount over its fair value. The Companies have adopted this update early since the fiscal year ended March 31, 2018 and will use the new standards prospectively towards the future.

18. Use of estimates
    The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as well as the reported amounts of revenues and expenses. In addition, these estimates may differ from actual results.

19. Reclassification
    Reclassification has been made to conform the previous fiscal year’s consolidated financial statements with current fiscal year presentation.

20. New accounting standards
    Unadopted new accounting standards
    With the aim of improving comparability through the disclosure of international financial statements and enhancing the group’s business management infrastructure over the medium to long term, the Company plans to voluntarily adopt International Financial Reporting Standards (IFRS) in place of conventional US GAAP from the first quarter of the next fiscal year (April 1, 2023 to March 31, 2024). For this reason, the description of unadopted new accounting standards regarding US GAAP has been omitted.

II Marketable securities and investments

The cost or amortized cost, gross unrealized gains, gross unrealized losses and fair value for debt securities classified as available-for-sale securities by major security type as of the end of the latest two fiscal years were as follows:

(Millions of yen)

Type	End of previous fiscal year (March 31, 2022)				End of current fiscal year (March 31, 2023)			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Private debt securities	29,444	0	62	29,382	14,012	2	72	13,942

The gross unrealized losses for debt securities classified as available-for-sale securities by duration as of the end of the latest two fiscal years were as follows:

(Millions of yen)

Type	End of previous fiscal year (March 31, 2022)				End of current fiscal year (March 31, 2023)			
	Less than 12 months		12 months or longer		Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities	21,809	34	3,772	28	6,842	59	5,398	13

The Companies have not recognized impairment losses on the debt securities of which gross unrealized losses have been incurred during a certain period or longer as of March 31, 2023 because (1) the Companies did not intend to sell such securities as of March 31, 2023, (2) it was more likely than not that the Companies would not be required to sell such securities before the recovery of amortized cost and (3) their fair value is considered to recover to the respective amortized costs since issuers of the securities had favorable credit ratings.

Debt securities classified as available-for-sale securities by maturity as of the end of the current fiscal year were as follows:

Maturity date	Amortized Cost (Millions of yen)	Fair Value (Millions of yen)
Within 1 year	12,312	12,240
After 1 year through 5 years	1,700	1,702
Total	14,012	13,942

As no debt securities classified as available-for-sale securities were sold for the latest two fiscal years, there are no realized gains or realized losses.

Realized gains (losses) and unrealized gains (losses) for equity securities included in investments in the consolidated balance sheet for the latest two fiscal years were as follows:

(Millions of yen)

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Total gains (losses) in the current fiscal year	(1,524)	(2,144)
Realized gains (losses) from the sale of equity securities in the current fiscal year	(163)	10
Impairment of equity securities	(264)	(2,165)
Unrealized gains (losses) on equity securities	(1,097)	11

The Companies measure nonmarketable equity securities whose fair value cannot be reliably determined at cost after impairment, adjusted for observable changes in the price of orderly transactions for the same or similar investments by the same issuer. The carrying amounts of such nonmarketable equity securities were 3,474 million yen as of March 31, 2022 and 2,369 million yen as of March 31, 2023.

III Inventories

Inventories as of the end of the latest two fiscal years were as follows:

(Millions of yen)

Item	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
Merchandise and finished goods	199,279	245,832
Work in process	166,977	191,204
Raw materials and supplies	98,467	137,990
Total	464,723	575,026

IV Short-term borrowings, bonds and long-term debt

1. Short-term borrowings

There were no short-term borrowings as of the end of the latest two fiscal years.

2. Bonds and long-term debt

Bonds and long-term debts outstanding as of the end of the latest two fiscal years were as follows:

Item	End of previous fiscal year (March 31, 2022)		End of current fiscal year (March 31, 2023)	
	Amount (Millions of yen)	Weighted average interest rate (%)	Amount (Millions of yen)	Weighted average interest rate (%)
2nd unsecured bonds (Repayment year: FY 2023)	59,955	0.2	59,981	0.2
3rd unsecured bonds (Repayment year: FY 2024)	49,946	0.1	49,968	0.1
Others	1,177	0.5	2,050	0.8
Total	111,078	0.1	111,999	0.1
Deduction (CPLTD)	(99)	0.5	(60,535)	0.2
Bonds and long-term debt	110,979	0.1	51,464	0.1

Repayment schedule of bonds and long-term debt by fiscal year is as follows. Bonds and long-term debt outstanding as of March 31, 2023 are scheduled to be repaid by FY 2025.

Fiscal year	Amount (Millions of yen)
2023	60,535
2024	50,499
2025	965
2026	–
2027	–
2028 and thereafter	–
Total	111,999

V Termination and retirement benefits

1. Summary of the retirement package utilized by the Companies

The Company and its domestic subsidiaries have established a retirement lump-sum plan as a defined benefit retirement benefit plan. In addition, they hold both or either of a defined benefit pension plan and a defined-contribution pension plan. Furthermore, the Company and some of its domestic subsidiaries have adopted a point plan which is mainly based on employees' positions, qualifications, and performance assessment results. Some overseas subsidiaries hold a defined benefit plan or a defined contribution plan.

2. Termination and retirement benefit liabilities

Information on expected benefit obligation for the end of the latest two fiscal years were as follows:

(Millions of yen)

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Changes in expected benefit obligation		
Expected benefit obligation at beginning of year	229,944	216,189
Service cost	11,745	10,716
Interest cost	970	1,723
Prior service costs	–	1,899
Actuarial gain (loss)	(17,545)	(16,718)
Pension benefits paid	(2,247)	(2,233)
Settlement paid to retirees	(6,678)	(7,268)
Expected benefit obligation at end of year	216,189	204,308
Changes in pension plan assets		
Fair value of pension plan assets at beginning of year	154,828	164,435
Actual return on pension plan assets	3,528	(5,503)
Employer contribution	10,231	7,417
Pension benefits paid	(2,247)	(2,233)
Settlement paid to retirees	(1,905)	(1,656)
Fair value of pension plan assets at end of year	164,435	162,460
Funded status at end of year	(51,754)	(41,848)

The above-mentioned "termination and retirement benefit liabilities" are reported in the consolidated balance sheets as follows:

(Millions of yen)

Item	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
Other non-current assets	16,522	26,141
Accrued expenses and other current liabilities	(3,710)	(4,728)
Termination and retirement benefits	(64,566)	(63,261)
Net amount recognized	(51,754)	(41,848)

Accumulated benefit obligations were in excess of the fair value of pension plan assets at the end of latest two fiscal years. More precisely, they amounted to 209,046 million yen as of March 31, 2022 and 197,844 million yen as of March 31, 2023.

3. Amounts Recognized in Accumulated Other Comprehensive Income (Loss)

Amounts recognized in accumulated other comprehensive income (loss) at the end of latest two fiscal years were as follows.

(Millions of yen)

Item	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
Actuarial gain (loss)	(7,099)	1,238
Prior service costs	3,521	1,089
Pension liability adjustments (before tax effect adjustment)	(3,578)	2,327

4. Periodic Retirement Benefit Cost and Amounts Recognized in Accumulated Other Comprehensive Income (Loss)

Periodic retirement benefit cost for the latest two fiscal years consisted of the following.

(Millions of yen)

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Service cost	11,745	10,716
Interest cost	970	1,723
Expected return on pension plan assets	(2,765)	(2,966)
Recorded amount of prior service costs	(846)	(534)
Recorded amount of actuarial difference expenses	1,058	89
Recognized amount in periodic retirement benefit cost	10,162	9,028

Amounts recognized in other comprehensive income (loss) for the latest two fiscal years consisted of the following.

(Millions of yen)

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Prior service costs incurred	–	(1,899)
Actuarial gain (loss) incurred	18,309	8,249
Recorded amount of prior service costs	(846)	(534)
Recorded amount of actuarial difference expenses	1,058	89
Amounts recognized in accumulated other comprehensive income (loss) (before tax effect adjustment)	18,521	5,905

5. Accounting Method

To provide for retirement benefits to employees, the Companies record benefits based on the estimated amount of the retirement benefit obligation and the fair value of pension plan assets at the end of the current fiscal year, in accordance with ASC 715 (“Compensation - Retirement benefits”). The overfunded or underfunded status of a defined benefit postretirement plan is recognized as an asset or liability in the consolidated balance sheets, with an adjustment to accumulated other comprehensive income or loss.

The unrecognized prior service costs are 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 pension plan assets are being amortized on a straight-line basis over five years.

6. Assumptions for Calculating Retirement Benefit Obligation and Periodic Pension Cost

The following assumptions were utilized to calculate the retirement benefit obligation at the end of the latest two fiscal years.

(%)

Item	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
Discount rate	0.9	1.5
Compensation increase rate	2.6	2.4
Interest crediting rate for plans similar to a cash balance pension plan	2.0	2.0

The following assumptions were utilized to calculate the periodic pension cost at the end of the latest two fiscal years.

(%)

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Discount rate	0.5	0.9
Compensation increase rate	2.6	2.6
Interest crediting rate for plans similar to a cash balance pension plan	2.0	2.0
Long-term rate of return on pension plan assets	2.0	2.0

The discount rate is determined with reference to the long-term rate of return of Japanese government bonds and high-quality corporate bonds. The long-term rate of return on pension plan assets is determined in consideration of the rate of return on long-term Japanese government bonds in addition to the earnings forecast and the past performance by asset type.

7. Pension Plan Assets

Pension plan assets are invested for the Companies to ensure a sufficient rate of return to maintain a sound and healthy pension plan into the future. Considering expected rates of return on basic investable assets, their related standard deviations, and related correlation coefficients, the Companies formulate a strategic asset allocation that is considered appropriate in future years and strive to maintain this asset allocation within a certain range. Based on the strategic asset allocation, the Companies select optimal investing institutions by invested asset category and entrust the investment of pension plan assets to them, aiming to achieve the expected rate of return on a mid-term to long-term basis. The strategic asset allocation is revised when needed.
The strategic asset allocation of the Company’s pension plan assets, which account for most of the Companies’ pension plan assets, as of March 31, 2023 consisted of 17% equity securities, 58% debt securities and life insurance company general accounts, and 25% other.

The three broad levels of inputs used to measure fair value are described in “XIII. Fair value measurements”.
The fair values of the Companies’ pension plan assets as of March 31, 2022 were as follows:

Item	Fair value measurements			
	Level 1 (Millions of yen)	Level 2 (Millions of yen)	Level 3 (Millions of yen)	Total (Millions of yen)
Assets measured at other than net asset value				
Private debt securities	–	14,397	–	14,397
Life insurance company general accounts	–	35,418	–	35,418
Other	–	7,741	–	7,741
Assets measured at net asset value				
Pooled funds (equity securities)	–	–	–	36,446
Pooled funds (debt securities)	–	–	–	45,902
Pooled funds (other)	–	–	–	24,531
Total	–	57,556	–	164,435

Specific investments measured at net asset value (or its equivalent) are not categorized in the fair value hierarchy.

The fair values of the Companies' pension plan assets as of March 31, 2023 were as follows.

Item	Fair value measurements			
	Level 1 (Millions of yen)	Level 2 (Millions of yen)	Level 3 (Millions of yen)	Total (Millions of yen)
Assets measured at other than net asset value				
Private debt securities	–	14,338	–	14,338
Life insurance company general accounts	–	37,578	–	37,578
Other	–	6,251	–	6,251
Assets measured at net asset value				
Pooled funds (equity securities)	–	–	–	36,063
Pooled funds (debt securities)	–	–	–	46,553
Pooled funds (other)	–	–	–	21,677
Total	–	58,167	–	162,460

Specific investments measured at net asset value (or its equivalent) are not categorized in the fair value hierarchy.

Private debt securities
Private debt securities are measured at fair value based on the market approach of the quoted prices of identical or similar assets in inactive markets and are classified as Level 2.

Life insurance company general accounts
Life insurance company general accounts are investments in general accounts of life insurance companies. Life insurance company general accounts guarantee principal and certain rates of return, and they are measured by the market approach using inputs other than quoted prices that are observable for the assets, resulting in a Level 2 classification.

Pooled funds
Pooled funds are measured by the allocated net asset value of pooled fund assets by holding units of shares. Pooled funds are valued on the basis of the net asset value provided by the funds.
Pooled funds investment in equity securities mainly contains marketable equity securities. Pooled funds investment in debt securities mainly contains government bonds and private debt securities.

8. Cash Flow

The Companies expect to contribute 5,720 million yen to the pension plan assets in the year ending March 31, 2024.

Future benefit payments are expected as follows:

Fiscal year	Amount (Millions of yen)
2023	8,676
2024	9,292
2025	9,753
2026	9,528
2027	10,252
2028-2032	51,526

9. Defined Contribution Plan

Related to annual contributions to the defined contribution plans, the Company and some of its subsidiaries recognized the cost of 2,273 million yen in the current fiscal year (2,220 million yen in the previous fiscal year).

VI Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) in the previous fiscal year consisted of the following.

(Millions of yen)

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)			
	Unrealized gains (losses) on securities	Pension liability adjustments	Foreign currency translation adjustments	Total
Beginning balance	(32)	(14,814)	12,219	(2,627)
Other comprehensive income (loss) before reclassification (after tax effect adjustment)	(11)	12,712	92,224	104,925
Amounts reclassified from accumulated other comprehensive income (loss) (after tax effect adjustment)	–	139	–	139
Net changes	(11)	12,851	92,224	105,064
Other comprehensive income (loss) attributable to noncontrolling interests	–	–	119	119
Ending balance	(43)	(1,963)	104,324	102,318

Amounts recognized in the consolidated statements of income after reclassification from accumulated other comprehensive income (loss) in the previous fiscal year were as follows:

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	
	Amounts reclassified from accumulated other comprehensive income (loss) (Millions of yen)	Account
Pension liability adjustments	212	Other-net
	(73)	Income taxes
	139	Subtotal
Total reclassification amounts	139	

Note: Increases (decreases) in the amounts indicate decreases (increases) in income in the consolidated statements of income.

Changes in accumulated other comprehensive income (loss) in the current fiscal year consisted of the following.

(Millions of yen)

Item	Current fiscal year (from April 1, 2022 to March 31, 2023)			
	Unrealized gains (losses) on securities	Pension liability adjustments	Foreign currency translation adjustments	Total
Beginning balance	(43)	(1,963)	104,324	102,318
Other comprehensive income (loss) before reclassification (after tax effect adjustments)	(6)	4,541	52,873	57,408
Amounts reclassified from accumulated other comprehensive income (loss) (after tax effect adjustment)	–	(311)	–	(311)
Net changes	(6)	4,230	52,873	57,097
Other comprehensive income (loss) attributable to noncontrolling interests	–	–	10	10
Ending balance	(49)	2,267	157,187	159,405

Amounts recognized in the consolidated statements of income after reclassification from accumulated other comprehensive income (loss) in the current fiscal year were as follows:

	Current fiscal year (from April 1, 2022 to March 31, 2023)	
	Amounts reclassified from accumulated other comprehensive income (loss) (Millions of yen)	Account
Pension liability adjustments	(445)	Other-net
	134	Income taxes
	(311)	Subtotal
Total reclassification amounts	(311)	

(Note) Increases (decreases) in the amounts indicate decreases (increases) in income in the consolidated statements of income.

Other comprehensive income (loss) in the latest two fiscal years consisted of the following.

(Millions of yen)

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)			Current fiscal year (from April 1, 2022 to March 31, 2023)		
	Before tax effect adjustment	Tax effect amount	After tax effect adjustment	Before tax effect adjustment	Tax effect amount	After tax effect adjustment
Unrealized gains (losses) on securities						
Unrealized gains (losses) on securities arising during period	(16)	5	(11)	(8)	2	(6)
Reclassification adjustment for gains (losses) included in net income	–	–	–	–	–	–
Total unrealized gains (losses) on securities	(16)	5	(11)	(8)	2	(6)
Pension liability adjustments						
Pension liability adjustments arising during period	18,309	(5,597)	12,712	6,350	(1,809)	4,541
Reclassification adjustment for gains (losses) included in net income	212	(73)	139	(445)	134	(311)
Total pension liability adjustments	18,521	(5,670)	12,851	5,905	(1,675)	4,230
Foreign currency translation adjustments arising during period	96,591	(4,367)	92,224	54,037	(1,164)	52,873
Other comprehensive income (loss)	115,096	(10,032)	105,064	59,934	(2,837)	57,097

VII Revenue

Operating segments of the Companies are classified based on the Companies' business strategies, and we recognized the Components segment, the Devices and Modules segment and Others. The Companies, based on contracts with customers that produce revenue from contracts with customers, divide the Components Business into the categories of Capacitors and Inductors / EMI Filters and the Devices and Modules Business into the categories of High-Frequency Device and Communications Module, Battery and Power supply and Functional Device.

Note that from the first three months of the current fiscal year, we have made changes to our operating segments and the net sales categories within operating segments. Details are presented in "II Business Overview 4. Analysis of financial position, business results and cash flow status by management (4) Changes in operating segments". Furthermore, the amounts for the previous fiscal year shown below have been reclassified to the post-change net sales categories.

The relationship between disaggregated revenue and segment net sales is as follows:

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Amount (Millions of yen)	Amount (Millions of yen)
Capacitors	788,539	738,841
Inductors and EMI Filters	195,760	175,324
Components	984,299	914,165
High-Frequency Device and Communications Module	528,217	453,646
Battery and Power supply	180,438	214,556
Functional Device	106,385	92,778
Devices and Modules	815,040	760,980
Others	13,182	11,651
Total	1,812,521	1,686,796

The Companies conduct sales of electronic components comprising each of the Companies' operating segments (Components, Devices and Modules and Others) and related products. With regard to the sales of products, the Companies recognize revenue at the time of delivery of a product since we consider that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc. The Companies mostly receive transaction consideration within one year after satisfying performance obligations, and there are no significant financial components included.

Liabilities from contracts with customers in the previous fiscal year were as follows.

	Beginning of previous fiscal year (April 1, 2021)	End of previous fiscal year (March 31, 2022)
	Amount (Millions of yen)	Amount (Millions of yen)
Contract liabilities	5,624	4,716

Liabilities from contracts with customers in the current fiscal year were as follows.

	Beginning of current fiscal year (April 1, 2022)	End of current fiscal year (March 31, 2023)
	Amount (Millions of yen)	Amount (Millions of yen)
Contract liabilities	4,716	2,604

Contract liabilities are primarily the balance of consideration received from customers before transferring control to customers. Contract liabilities are included in accrued expenses and other current liabilities in the consolidated balance sheet. Of the revenues recognized in the previous year and in the current fiscal year, the amounts included in the balance of contract liabilities at the beginning of the period are 5,497 million yen and 4,916 million yen respectively. Furthermore, the amounts of revenues recognized during the last two fiscal years from the performance obligations satisfied (or partially satisfied) in prior periods were immaterial. The Companies apply the exemption provision in accordance with stipulations in ASC 606 ("Revenue from Contracts with Customers") because there are no material transactions where the individual forecast contract period exceeds one year. Also, within consideration produced from contracts with customers, there are no material amounts not included in transaction price. The balance of contract assets is immaterial.

VIII Government subsidies

Government subsidies are granted for the acquisition of property, plant and equipment (land, buildings, machinery and equipment) primarily for the purpose of research and development or increasing production, and are fully charged to income as incurred. 4,017 million yen in the previous fiscal year and 8,020 million yen in the current fiscal year were recorded in "Other-net" in the consolidated statements of income. In addition, subsidies include those that are contingent on the continuation of the business for a certain period of time after the investment is made.

IX Income taxes

Effective tax rates in the consolidated statements of income for the latest two fiscal years differ from the effective statutory tax rate, respectively, for the following reasons.

(%)

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Effective statutory tax rate	30.5	30.5
Increase (decrease) resulting from		
Tax credit	(2.8)	(5.1)
Permanent exclusions from deduction expenses and from gross revenues	(0.1)	(0.5)
Differences from applicable tax rates to overseas subsidiaries	(2.6)	(6.3)
Increase (decrease) in valuation allowance for deferred tax assets	0.2	(2.0)
Tax effect on undistributed earnings of overseas subsidiaries	1.2	1.7
Others	1.1	1.2
Effective tax rate in the consolidated statements of income	27.5	19.5

The temporary differences and tax loss carryforwards, which constitute deferred tax assets/liabilities, consisted of the following at the end of the latest two fiscal years.

(Millions of yen)

Item	End of previous fiscal year (March 31, 2022)		End of current fiscal year (March 31, 2023)	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Elimination of unrealized gains (losses)	17,529	–	13,133	–
Retirement benefit obligation	19,741	–	16,809	–
Accrued enterprise taxes	3,304	–	812	–
Accrued paid leave balance	3,676	–	4,431	–
Inventories	8,573	–	17,571	–
Undistributed earnings of overseas subsidiaries	–	42,909	–	49,362
Adjustments for marketable securities and investments	–	2,028	–	1,250
Property, plant and equipment/intangible assets	25,714	37,462	37,638	41,236
Accrued bonuses	10,268	–	7,520	–
Asset liability adjustments	–	2,461	–	–
Other	18,553	4,604	22,785	5,065
Tax loss carryforwards	10,876	–	7,456	–
Total	118,234	89,464	128,155	96,913
Valuation allowance	(15,441)	–	(9,958)	–
Deferred tax assets/liabilities	102,793	89,464	118,197	96,913

The Companies assess the realizability of deferred tax assets by considering future taxable income and careful and realizable continuous tax planning. If the whole or part of deferred tax assets is determined to be unrealizable, the corresponding valuation allowance is recorded.
As of March 31, 2023, the valuation allowance for deferred tax assets had decreased by 5,483 million yen (it had increased by 6,162 million yen as of March 31, 2022).
The Company and subsidiaries have tax loss carryforwards, which amounted to 22,798 million yen as of March 31, 2023 (38,267 million yen as of March 31, 2022), excluding a portion available only for local taxes, which amounted to 19,951 million yen as of March 31, 2023 (21,749 million yen as of March 31, 2022). These losses will mainly expire from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2037, excluding those that can be carried forward for an indefinite period of time.

The total amounts of unrecognized tax benefits as of March 31, 2023 and as of March 31, 2022 are not material. Also, changes in unrecognized tax benefits for the latest two fiscal years are not material.
Interest and penalties related to unrecognized tax benefits are included in income taxes in the consolidated statements of income. Accrued interest and penalties in the consolidated balance sheets as of March 31, 2023 and as of March 31, 2022, as well as interest and penalties in the consolidated statements of income for the latest two fiscal years are not material.
The Japanese tax authority completed the tax examinations on the Company and domestic subsidiaries, which have adopted the group tax sharing system, for the fiscal years before the fiscal year ended March 31, 2018. Further, the tax authorities completed the tax examinations on major overseas subsidiaries for the fiscal years before the fiscal year ended March 31, 2012. The Companies believe unrecognized tax benefits are reasonably estimated, but unrecognized tax benefits may change as a result of the tax examinations. As of March 31, 2023, the Companies do not anticipate any material change in unrecognized tax benefits within the next 12 months.

X Earnings per Share

The Company has introduced a restricted stock compensation plan (hereinafter, the "Plan") for Directors (excluding directors serving as Audit and Supervisory Committee Members and Outside Directors) and Vice Presidents. Among the shares under the Plan, those of which rights have not been confirmed are distinguished as participating securities from common shares. A holder of participating securities has the same rights as a holder of common shares to net income attributable to Murata Corporation. Net income attributable to Murata Corporation per share is calculated as follows.

Diluted net income attributable to Murata Corporation per share is not stated since there are no dilutive shares.

Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Net income attributable to Murata Corporation (Millions of yen)	314,124	253,690
Net income attributable to participating securities (Millions of yen)	5	5
Net income attributable to common shareholders (Millions of yen)	314,119	253,685
Weighted-average number of outstanding shares (Shares)	639,829,641	632,129,522
Weighted-average number of participating securities (Shares)	9,833	11,715
Weighted-average number of common shares (Shares)	639,819,808	632,117,807
Net income attributable to Murata Corporation per share (Yen)	490.95	401.33

XI Commitments

Commitments concerning non-current assets amounted to 137,119 million yen as of March 31, 2023 (105,405 million yen as of March 31, 2022). Commitments concerning inventories amounted to 5,335 million yen as of March 31, 2023 (13,516 million yen as of March 31, 2022).

XII Lessee Lease Accounting

The Companies determine if a contract includes a lease arrangement at the inception of each contract, and we have operating and finance leases for plants, warehouses, sales offices, employee housing, vehicles, etc.

The Companies have chosen a practical expedient method to account for lease and non-lease components as a single lease component for all lease contracts. Right-of-use assets and lease liabilities are measured by taking into account discounted present value calculations based on lease payments, lease term and rate implicit in the lease under the lease agreement and other components. The Companies take options to extend or to terminate the lease into account to determine the lease term when it is reasonably certain that we will exercise these options. The Companies use an incremental borrowing rate if the interest rate implicit in the lease cannot be readily available. The Companies' leases do not have material residual value guarantees or material restrictive covenants.

Finance lease right-of-use assets are included in buildings and structures, machinery and equipment, tools, dies, furniture and fixtures, and autos and trucks, and finance lease liabilities are included in accrued expenses and other current liabilities, and other long-term liabilities in the consolidated balance sheets.

The consolidated statements of income information related to leases is as follows:

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Operating lease cost	7,430	7,608
Short-term lease cost	1,252	1,229
Depreciation and amortization of finance lease right-of-use assets	861	1,344
Interest paid on finance lease liabilities	115	33

The consolidated statements of cash flows information related to leases is as follows:

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating lease	7,430	7,608
Operating cash flows from interest paid on finance lease	115	33
Financing cash flows from finance lease	655	1,842
Non-cash information of lease liabilities occurred through acquisition of right-of-use assets		
Finance lease	2,035	1,382
Operating lease	8,390	14,906

A schedule by year of the future minimum lease payments as of March 31, 2023 is as follows:

Fiscal year	Finance lease (Millions of yen)	Operating lease (Millions of yen)
2023	1,135	7,113
2024	592	6,674
2025	385	5,963
2026	307	5,448
2027	273	2,123
2028 and thereafter	1,114	17,137
Total future minimum lease payments	3,806	44,458
Less imputed interest	(263)	(4,903)
Total	3,542	39,555

Information of weighted-average remaining lease term and discount rate related to finance lease and operating lease is as follows:

	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
Finance lease		
Weighted-average remaining lease term (year)	4	4
Weighted-average discount rate (%)	1.72	1.85
Operating lease		
Weighted-average remaining lease term (year)	6	7
Weighted-average discount rate (%)	1.77	1.82

XIII Fair value measurements

The Companies adopted ASC 820 ("Fair Value Measurement"). This accounting standard applies inputs to the following three levels of priority to measure fair value and classifies levels of fair value.

Level 1: Quoted prices for identical assets or liabilities in active markets

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the assets or liabilities

Level 3: Inputs that are unobservable for the assets or liabilities

Fair values of assets and liabilities that are continuously measured for fair value as of the end of the previous fiscal year were as follows:

(Millions of yen)

Item	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
Private debt securities	–	29,382	–	29,382
Equity securities	19,733	–	6,008	25,741
Derivatives				
Forward exchange contracts	–	70	–	70
Liabilities				
Derivatives				
Forward exchange contracts	–	9,706	–	9,706

Fair values of assets and liabilities that are continuously measured for fair value as of the end of the current fiscal year were as follows:

(Millions of yen)

Item	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
Private debt securities	–	13,942	–	13,942
Equity securities	19,597	–	6,697	26,294
Derivatives				
Forward exchange contracts	–	803	–	803
Liabilities				
Derivatives				
Forward exchange contracts	–	1,264	–	1,264

Fluctuations in assets of level 3 that are continuously measured for fair value during the previous fiscal year were as follows:

Item	Equity securities (Millions of yen)
Beginning balance	4,870
Total gains and losses (realized/unrealized)	
Amount included in consolidated statements of income as other income (expenses)	1,151
Investments and dividends	(13)
Ending balance	6,008

Fluctuations in assets of level 3 that are continuously measured for fair value during the current fiscal year were as follows:

Item	Equity securities (Millions of yen)
Beginning balance	6,008
Total gains and losses (realized/unrealized)	
Amount included in consolidated statements of income as other income (expenses)	247
Investments and dividends	442
Ending balance	6,697

Available-for-sale securities
Private debt securities are measured at fair value based on the market approach of the quoted prices of identical or similar assets in inactive markets and are classified as Level 2. The Companies adopted the fair value option under ASC 825 ("Financial Instruments"), for some equity securities included in available-for-sale securities. No gains or losses occurred owing to fluctuations in fair value for the current fiscal year. However, a loss of one million yen occurred owing to fluctuations in fair value for the previous fiscal year, and this was recorded in the consolidated statements of income as "Other-net". There are no available-for-sale securities with the fair value option elected as of March 31, 2022 and as of March 31, 2023.

Equity securities
Level 1: Fair value is measured based on quoted prices in an active market.
Level 3: Fair value is measured based on unobservable inputs provided by investment partnerships and others.

Derivatives
Forward exchange contracts are measured at fair value based on the market approach of market data such as the observable spot exchange rate and interest and is classified as Level 2.

Fair values of assets and liabilities that are measured for fair value on a nonrecurring basis as of the end of previous fiscal year were as follows:

(Millions of yen)

Item	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Property, plant and equipment	–	–	402	402
Equity securities	–	350	0	350

Property, plant and equipment
The Companies recognized impairment losses of 2,526 million yen in selling, general and administrative for the previous fiscal year related to facilities, etc. which were not expected to be used and were deemed to have declined in profitability in the Devices and Modules segment and Corporate. The fair value of facilities was measured by estimated future cash flows. The above assets were measured by unobservable inputs; they were classified within level 3.

Equity securities
Level 2: Fair value is measured based on observable prices in orderly transactions for identical or similar investments of the same issuer.
Level 3: Fair value is measured by the method to recognize impairment losses based on unobservable inputs provided by the issuer. The Companies recognized impairment losses of 264 million yen for the previous fiscal year.

Fair values of assets and liabilities that are measured for fair value on a nonrecurring basis as of the end of the current fiscal year were as follows:

(Millions of yen)

Item	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Property, plant and equipment	–	–	–	–
Equity securities	–	273	0	273

Property, plant and equipment
The Companies also recognized impairment losses of 579 million yen in selling, general and administrative for the current fiscal year related to facilities, etc., which were deemed to have declined in profitability in the Devices and Modules segment. The fair value of facilities was measured by estimated future cash flows. The above assets were measured by unobservable inputs; they were classified within level 3.

Equity securities
Level 2: Fair value is measured based on observable prices in orderly transactions for identical or similar investments of the same issuer.
Level 3: Fair value is measured by the method to recognize impairment losses based on unobservable inputs provided by the issuer. The Companies recognized impairment losses of 2,165 million yen for the current fiscal year.

XIV Financial instruments and concentration of credit risk

During the course of normal business, the Companies record various types of financial assets and liabilities.

1. Assets and liabilities

(1) Cash, short-term investments, trade notes receivable, trade accounts receivable, financial instruments included in other noncurrent assets, short-term borrowings, trade accounts payable, bonds and long-term debt

The fair value of these financial instruments approximates the amounts carried on the consolidated balance sheet.

(2) Marketable securities and investments

Fair values are calculated primarily based on market value or discounted present value of financial instruments traded under similar terms, computed using the most recent market interest rate. The fair values of marketable securities and investments as of March 31, 2023 and 2022 are presented in "II Marketable securities and investments" and "XIII Fair value measurements".

2. Derivatives

In order to hedge market risk arising from fluctuations in the foreign exchange market, the Companies enter into forward exchange contracts. Incidentally, the Companies do not hold any forward exchange contracts for trading purposes. Counterparties are large-scale financial institutions, and as such, the credit risk is minimal. Furthermore, the Companies do not foresee any defaults with regard to the counterparties.

The Companies record changes in fair value of forward exchange contracts as gains or losses upon their occurrence.

The notional amounts of forward exchange contracts as of March 31, 2023 and 2022 were as follows:

(Millions of yen)

Item	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
Forward exchange contracts	169,317	96,566

The fair values of forward exchange contracts as of March 31, 2023 and 2022 were as follows:

Item	Account	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
		Fair value (Millions of yen)	Fair value (Millions of yen)
Forward exchange contracts	Prepaid expenses and other current assets	70	803
	Accrued expenses and other current liabilities	9,706	1,264

The amount of forward exchange contracts not designated as hedges recognized in the consolidated statements of income for the fiscal years ended at March 31, 2023 and 2022 were as follows:

Item	Account	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
		Amount (Millions of yen)	Amount (Millions of yen)
Forward exchange contracts	Foreign currency exchange gain (loss)	(25,596)	(24,186)

(Note) Although the Companies use forward exchange contracts in order to manage market risk due to fluctuations in foreign exchange rates and consider their hedging effect to be high, they are handled as not designated as hedges in the accounting process.

3. Concentration of credit risk

The Companies sell our products to electronics manufacturers around the world.

In general, the Companies grant credit to our customers, and the collectability of these trade receivables is affected by conditions in the electronics market. However, the Companies are strict in granting credit and have not experienced any large losses in the past.

XV Acquisitions

There are no material acquisitions for the current fiscal year.

Material acquisitions for the previous fiscal year were as follows:

1. The acquisition of Eta Wireless, Inc.

On September 1, 2021 (local time), the Companies acquired all issued shares of Eta Wireless, Inc. ("Eta"). Eta became a wholly owned subsidiary of the Companies. The total acquisition price was 15,262 million yen. The breakdown is cash of 13,810 million yen and accounts payable of 1,452 million yen. The amount of gain recognized as a result of remeasuring to fair value the equity interest held before the acquisition of 700 million yen is included in "Other-net" in the consolidated statements of income. The fair value as of the acquisition date was measured by comprehensively considering the additional purchase price of Eta's shares, future expected cash flows generated from the investee, etc.

Eta's Digital ET technology optimizes the voltage within the RF circuit, thereby reducing the consumption of electricity. The Companies are aiming to provide superior RF products with higher energy-saving performance through the synergy between Eta's technology and design techniques cultivated with Company's electronic components for RF circuits.

The estimated fair values of the assets acquired and liabilities assumed at the acquisition date were as follows:

	Amount (Millions of yen)
Cash	431
Other current assets	19
Property, plant and equipment	10
Intangible assets	13,461
Goodwill	6,537
Total assets acquired	20,458
Current liabilities	163
Long-term liabilities	3,500
Total liabilities assumed	3,663
Cash paid for acquisition	15,262
Equity interest held before acquisition	1,533
Net assets acquired	16,795

Intangible assets acquired are mainly technologies of 13,461 million yen for which the amortization period is estimated to be 10 years. Goodwill recognized, which is assigned to the Devices and Modules segment, is recorded because the costs exceeded the aggregate market value at the time of the acquisition primarily owing to excess earning power estimated from combining the operation resources of Eta and the Companies. The recognized goodwill is not considered to be tax-deductible.

Acquisition-related costs of 108 million yen are included in selling, general and administrative in the consolidated statements of income.

The results of operations of Eta from the acquisition date are included in the consolidated financial statements of the Company, and the amounts are immaterial.

The pro forma results related to the above acquisition are immaterial.

2. The acquisition of Resonant Inc.

On March 28, 2022, Murata Electronics North America, Inc. (“MEA”), one of the Companies, acquired all issued shares of Resonant Inc. (“Resonant”). Resonant became a wholly owned subsidiary of MEA. The total acquisition price was 35,424 million yen. As a result of the acquisition, Resonant and its subsidiary were newly consolidated into the Companies’ consolidated financial statements. The amount of gain recognized as a result of remeasuring to fair value the equity interest held before the acquisition of 897 million yen is included in “Other-net” in the consolidated statements of income. The fair value as of the acquisition date was measured mainly based on the quoted price of Resonant’s shares.

Resonant is a leading company in RF filter design. Resonant’s proprietary XBAR technology achieves high attenuation with low loss and steep filter characteristics in a high-frequency band that will expand in the future more and more, making it possible to suppress signals that existing filters have been forced to accept as noise. This technology will be extremely material in achieving reliable, high-speed wireless communications for standards such as 5G and beyond. With this acquisition, the Company further strengthens its position as a leader in the telecommunications market by combining filter and process technologies that have been cultivated with electronic components such as SAW filters and I.H.P. SAW filters, and proprietary manufacturing capabilities with Resonant’s XBAR technology to provide advanced high-frequency filters.

The estimated fair values of the assets acquired and liabilities assumed at the acquisition date were as follows:

	Amount (Millions of yen)
Cash	1,188
Other current assets	159
Property, plant and equipment	326
Intangible assets	5,024
Goodwill	34,721
Other non-current assets	179
Total assets acquired	41,597
Current liabilities	3,368
Long-term liabilities	1,283
Total liabilities assumed	4,651
Cash paid for acquisition	35,424
Equity interest held before acquisition	1,522
Net assets acquired	36,946

Intangible assets acquired are mainly technologies of 4,992 million yen for which the amortization period is estimated to be 13 years. Goodwill recognized, which is assigned to the Devices and Modules segment, is recorded because the costs exceeded the aggregate market value at the time of the acquisition primarily owing to excess earning power estimated from combining operation resources of Resonant and the Companies. The recognized goodwill is not considered to be tax-deductible.

Acquisition-related costs of 617 million yen are included in selling, general and administrative in the consolidated statements of income.

The results of operations of Resonant from the acquisition date are included in the consolidated financial statements of the Company, and the amounts are immaterial.

The pro forma results related to the above acquisition are immaterial.

XVI Goodwill and other intangible assets

Intangible assets other than goodwill at March 31, 2023 and 2022 were as follows:

(Millions of yen)

	End of previous fiscal year (March 31, 2022)			End of current fiscal year (March 31, 2023)		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets						
Software	36,711	20,247	16,464	34,330	16,482	17,848
Technology	27,853	7,729	20,124	18,574	2,610	15,964
Customer relationships	7,952	6,008	1,944	9,212	8,255	957
Patents	4,002	654	3,348	3,364	221	3,143
Other	5,388	321	5,067	6,644	364	6,280
Total	81,906	34,959	46,947	72,124	27,932	44,192
Unamortized intangible assets	194	–	194	195	–	195

Intangible assets (excluding goodwill) acquired for the current fiscal year totaled 7,815 million yen and primarily consisted of software of 7,213 million yen. The weighted-average useful life for software is 5 years.

Total amortization expenses of amortized intangible assets amounted to 10,466 million yen for the current fiscal year and amounted to 12,455 million yen for the previous fiscal year. The estimated amortization expenses for intangible assets for the next five years are as follows:

Fiscal year	Amount (Millions of yen)
2023	8,494
2024	6,651
2025	5,515
2026	4,024
2027	2,878

The changes in the carrying amount of goodwill of each operating segment for the years ended March 31, 2023 and 2022 were as follows:

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)			
	Components	Devices/ Modules	Others	Total
Beginning balance				
Gross carrying amount	14,008	66,581	10,466	91,055
Accumulated impairment losses	(760)	(11,749)	(7,488)	(19,997)
Net carrying amount	13,248	54,832	2,978	71,058
Increase (decrease) resulting from				
Goodwill recognized during the year	–	41,258	–	41,258
Impairment losses recognized during the year	–	–	–	–
Foreign currency translation adjustments and other	246	5,138	314	5,698
Balance at the end of the fiscal year				
Gross carrying amount	14,254	112,977	10,780	138,011
Accumulated impairment losses	(760)	(11,749)	(7,488)	(19,997)
Net carrying amount	13,494	101,228	3,292	118,014

(Millions of yen)

	Current fiscal year (from April 1, 2022 to March 31, 2023)			
	Components	Devices/ Modules	Others	Total
Beginning balance				
Gross carrying amount	14,254	112,977	10,780	138,011
Accumulated impairment losses	(760)	(11,749)	(7,488)	(19,997)
Net carrying amount	13,494	101,228	3,292	118,014
Increase (decrease) resulting from				
Goodwill recognized during the year	–	–	–	–
Impairment losses recognized during the year	–	–	–	–
Foreign currency translation adjustments and other	316	8,209	300	8,825
Balance at the end of the fiscal year				
Gross carrying amount	14,570	121,186	11,080	146,836
Accumulated impairment losses	(760)	(11,749)	(7,488)	(19,997)
Net carrying amount	13,810	109,437	3,592	126,839

(Notes) 1. From the first three months of the current fiscal year, we have made changes to our operating segments. Details are presented in “II Business Overview 4. Analysis of financial position, business results and cash flow status by management (4) Changes in operating segments”. The amounts for the previous fiscal year have been restated based on the reclassification after the change.

2. Under ASC 350 (“Intangibles–Goodwill and Other”), entities that have one or more reporting units with zero or negative carrying amounts shall identify those reporting units and disclose the amount of goodwill allocated to each and provide the segment information about the reporting units. In the Others segment, the amount of goodwill allocated to one reporting unit with negative carrying amount as of March 31, 2022 and 2023 is 3,292 million yen and 3,592 million yen respectively.

XVII Subsequent events

1. The Companies have evaluated subsequent events through June 29, 2023, which is the filing date of this Annual Securities Report.

2. The Ordinary General Meeting of Shareholders on June 29, 2023 resolved to pay cash dividends (year-end dividends for the 87th fiscal period) of 75.00 yen per share to shareholders of record or registered pledgees at March 31, 2023, or a total of 47,229 million yen.

3. The Company, at a meeting of the Board of Directors held on May 23, 2023, resolved to implement a stock split and institute a partial amendment to its articles of incorporation in conjunction with this split.

(1) Purpose of the stock split

The purpose of the stock split is to lower the stock price per investment unit and expand its investor base and improve the liquidity of the Company's stock.

(2) Outline of the stock split

1) Method of the stock split

The Company will carry out a 3-for-1 stock split of shares of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Saturday, September 30, 2023 (effectively Friday, September 29, 2023, as that date is a holiday for the shareholder register administrator).

2) Increase in shares due to the stock split

Total number of issued shares prior to the stock split	675,814,281 shares
Increase in shares due to the stock split	1,351,628,562 shares
Total number of issued shares following the stock split	2,027,442,843 shares
Total number of shares authorized to be issued following the stock split	5,229,000,000 shares

3) Schedule of the stock split

Public notice of record date (tentative)	Thursday, September 14, 2023
Record date	Saturday, September 30, 2023
Effective date	Sunday, October 1, 2023

4) Impact on per share information

Per share information based on the assumption that the stock split was conducted at the beginning of the previous fiscal year is as follows.

Diluted net income attributable to Murata Corporation per share is not shown because there are no residual shares having a dilutive effect.

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Murata Corporation's shareholders' equity per share	1,179.27 yen	1,271.73 yen
Net income attributable to Murata Corporation per share	163.65 yen	133.78 yen

(3) Partial amendment to the Articles of Incorporation relating to the stock split

1) Reason for amendment to the Articles of Incorporation

In accordance with the stock split, pursuant to Article 184, Paragraph (2) of the Companies Act, the Company will amend the total number of authorized shares as stipulated in Article 6 of the Company's Articles of Incorporation to match the split ratio as of October 1, 2023.

2) Details of the Amendments to the Articles of Incorporation

The details of the amendment are as follows:

(Underlines indicate amendments.)

Current Articles of Incorporation	Articles of Incorporation after amendment
(Total number of shares authorized to be issued) Article 6 The total number of shares authorized to be issued by the Company shall be <u>1,743,000,000</u> shares.	(Total number of shares authorized to be issued) Article 6 The total number of shares authorized to be issued by the Company shall be <u>5,229,000,000</u> shares.

3) Schedule for amending the Articles of Incorporation

Date of resolution by the Board of Directors:	Tuesday, May 23, 2023
Effective date:	Sunday, October 1, 2023

XVIII Segment information

1. Operating segment information

The Companies mainly develop, manufacture, and sell electronic components and related products.

Operating segments of the Companies are classified based on the Companies' business strategies, and we recognized the Components segment, the Devices and Modules segment and Others.

From the first three months of the current fiscal year, we have made changes to our operating segments. Details are presented in "II Business Overview 4. Analysis of financial position, business results and cash flow status by management (4) Changes in operating segments".

Also, from the first three months of the current fiscal year, we have changed the profit category presented from "segment income" to "operating income". In conjunction with this change, corporate revenues, expenses, and basic research costs, which were previously presented under "Corporate expenses", have been allocated to each segment.

Note that the amounts for the previous fiscal year shown below have been reclassified according to the above changes.

Segment information for the years ended March 31, 2023 and 2022 were as follows:

	Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)		Current fiscal year (from April 1, 2022 to March 31, 2023)	
		Amount (Millions of yen)	Percent-age (%)	Amount (Millions of yen)	Percent-age (%)
Components	Net sales				
	(1) Sales to unaffiliated customers	984,299		914,165	
	(2) Intersegment sales	13,842		10,222	
	Total	998,141	100.0	924,387	100.0
	Operating income (loss)	355,536	35.6	280,121	30.3
	Assets	1,516,167		1,607,641	
	Depreciation and amortization	78,980		86,676	
	Expenditure for long-lived assets	97,030		133,809	
Devices and Modules	Net sales				
	(1) Sales to unaffiliated customers	815,040		760,980	
	(2) Intersegment sales	10		6	
	Total	815,050	100.0	760,986	100.0
	Operating income (loss)	69,697	8.6	20,582	2.7
	Assets	1,236,676		1,215,739	
	Depreciation and amortization	73,479		71,381	
	Expenditure for long-lived assets	60,145		79,769	
Others	Net sales				
	(1) Sales to unaffiliated customers	13,182		11,651	
	(2) Intersegment sales	57,986		62,913	
	Total	71,168	100.0	74,564	100.0
	Operating income (loss)	(1,173)	(1.6)	(2,816)	(3.8)
	Assets	56,328		49,383	
	Depreciation and amortization	3,124		3,219	
	Expenditure for long-lived assets	3,230		2,348	

	Item	Previous fiscal year (from April 1, 2021 to March 31, 2022)		Current fiscal year (from April 1, 2022 to March 31, 2023)	
		Amount (Millions of yen)	Percent-age (%)	Amount (Millions of yen)	Percent-age (%)
Corporate and eliminations	Net sales				
	(1) Sales to unaffiliated customers	–		–	
	(2) Intersegment sales	(71,838)		(73,141)	
	Total	(71,838)	–	(73,141)	–
	Operating income (loss)	–	–	–	–
	Assets	–		–	
	Depreciation and amortization	–		–	
	Expenditure for long-lived assets	–		–	
Consolidated	Net sales				
	(1) Sales to unaffiliated customers	1,812,521		1,686,796	
	(2) Intersegment sales	–		–	
	Total	1,812,521	100.0	1,686,796	100.0
	Operating income (loss)	424,060	23.4	297,887	17.7
	Assets	2,809,171		2,872,763	
	Depreciation and amortization	155,583		161,276	
	Expenditure for long-lived assets	160,405		215,926	

(Notes) 1. Major products and businesses included in the operating segments:
(1) Components･･･Capacitors, inductors, EMI suppression filters, etc.
(2) Devices and Modules･･･High-frequency device, SAW filters, lithium-ion secondary batteries, sensors, etc.
(3) Others･･･Machinery manufacturing, healthcare devices, solutions business, etc.
2. Intersegment transactions are based on market prices.
3. Expenditure for long-lived assets represents expenditure for property, plant and equipment, and intangible assets. Incidentally, it does not include expenditure related to acquisitions.

2. Geographic information

Net sales by region of the Company and subsidiaries are attributed to countries or areas based on customer locations.

Long-lived assets are composed of property, plant and equipment based on their physical locations.

Net sales by region

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Amount	Amount
Japan	166,870	152,157
The Americas	206,253	252,990
Europe	162,619	173,927
Greater China	993,868	842,495
Asia and others	282,911	265,227
Total	1,812,521	1,686,796

(Note) Major countries and areas included in the individual categories

(1) The Americas: USA and Mexico

(2) Europe: Germany, Hungary, and United Kingdom

(3) Greater China: China and Taiwan

(4) Asia and others: South Korea, Singapore, and Thailand

Long-lived assets

(Millions of yen)

	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
	Amount	Amount
Japan	745,884	770,933
The Americas	6,929	11,238
Europe	26,567	31,511
Greater China	197,091	208,089
Asia and others	140,131	166,427
Total	1,116,602	1,188,198

(Note) Major countries and areas included in the individual categories

(1) The Americas: USA

(2) Europe: Finland, France, and Netherlands

(3) Greater China: China and Taiwan

(4) Asia and others: The Philippines, Thailand, Singapore, and Malaysia

3. Information about major customers

Previous fiscal year (from April 1, 2021 to March 31, 2022)

Name or title of customer	Net sales (Millions of yen)	Related segment name
Hon Hai Technology Group	249,815	Components, Devices and Modules and Others

Current fiscal year (from April 1, 2022 to March 31, 2023)

Name or title of customer	Net sales (Millions of yen)	Related segment name
Hon Hai Technology Group	206,302	Components, Devices and Modules and Others

XIX Information about related parties

This is prepared in accordance with the Regulation on Consolidated Financial Statements.

Previous fiscal year (from April 1, 2021 to March 31, 2022)

Transaction between the company submitting the consolidated financial statements and the related party

Officers and major individual shareholders of the company submitting the consolidated financial statements

Type	Name	Location	Common stock (Millions of yen)	Details of the business or occupation	Percentage of voting rights holding (or held)	Relationship with related party	Summary of transactions	Transaction amount (Millions of yen)	Acco-unt	Ending balance (Millions of yen)
Officer and close relative	Tsuneo Murata	–	–	Chairman of the Board of the Company Chairman of the Murata Science Foundation	Held Directly, 0.7	Contribution of money	Contribution of money to the Murata Science Foundation, for which he serves as Chairman	100	–	–

Current fiscal year (from April 1, 2022 to March 31, 2023)

Transaction between the company submitting the consolidated financial statements and the related party

Officers and major individual shareholders of the company submitting the consolidated financial statements

Type	Name	Location	Common stock (Millions of yen)	Details of the business or occupation	Percentage of voting rights holding (or held)	Relationship with related party	Summary of transactions	Transaction amount (Millions of yen)	Acco-unt	Balance at the end of the fiscal year (Millions of yen)
Officer and close relative	Tsuneo Murata	–	–	Chairman of the Board of the Company Chairman of the Murata Science Foundation	Held Directly, 0.7	Contribution of money	Contribution of money to the Murata Science Foundation, for which he serves as Chairman	100	–	–

5) Consolidated supplementary schedules

Schedule of bonds

Described in the Notes to Consolidated Financial Statements IV-2.

Schedule of loan payable, etc.

Described in the Notes to Consolidated Financial Statements IV-1&2.

Schedule of asset retirement obligations

Because the amount of asset retirement obligations at the beginning and end of the current fiscal year is one hundredth or less of the total amount of liabilities and equity at the beginning and end of the current fiscal year, its description is omitted.

(2) Others

Quarterly information for the current fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current fiscal year
Net sales (Millions of yen)	436,657	920,224	1,339,202	1,686,796
Income before income taxes (Millions of yen)	101,204	213,162	279,854	314,895
Net income attributable to Murata Corporation (Millions of yen)	75,201	160,356	211,823	253,690
Net income attributable to Murata Corporation per share (Yen)	118.03	252.71	334.67	401.33

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income attributable to Murata Corporation per share (Yen)	118.03	134.76	81.73	66.48

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

1) Non-consolidated Balance Sheets

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Assets				
Current assets				
Cash and deposits		245,109		160,105
Accounts receivable - trade	*1	369,152	*1	263,697
Securities		23,978		12,239
Merchandise and finished goods		15,171		12,033
Raw materials and supplies		27,618		40,487
Work in process		22,852		25,480
Accounts receivable - other	*1, *2	74,052	*1, *2	65,873
Income taxes refund receivable		–		6,347
Current portion of long-term loans receivable	*1	28,928	*1	46,382
Other	*1	4,091	*1	7,370
Allowance for doubtful accounts		(2)		(17)
Total current assets		810,953		640,001
Non-current assets				
Property, plant and equipment				
Buildings	*3	91,034	*3	86,900
Structures	*3	7,545	*3	7,529
Machinery and equipment	*3	30,519	*3	32,349
Vehicles	*3	197	*3	176
Tools, furniture and fixtures	*3	10,424	*3	11,758
Land	*3	32,680	*3	34,786
Construction in progress		6,071		10,939
Total property, plant and equipment		178,473		184,440
Intangible assets		39,843		71,108
Investments and other assets				
Investment securities		28,793		25,841
Shares of subsidiaries and associates		278,183		289,222
Investments in capital of subsidiaries and associates		17,335		17,335
Long-term loans receivable	*1	46,075	*1	55,388
Deferred tax assets		18,490		18,239
Other	*1	7,179	*1	10,384
Allowance for doubtful accounts		(14)		(14)
Total investments and other assets		396,042		416,397
Total non-current assets		614,360		671,946
Total assets		1,425,313		1,311,948

(Millions of yen)

		As of March 31, 2022		As of March 31, 2023
Liabilities				
Current liabilities				
Accounts payable - trade	*1	125,070	*1	100,658
Current portion of bonds payable		–		60,000
Short-term borrowings	*1	329,739	*1	312,617
Current portion of long-term borrowings	*1	2,700	*1	1,800
Accounts payable - other	*1	14,669	*1	19,626
Accrued expenses	*1	24,903	*1	21,860
Income taxes payable		39,991		488
Other	*1	12,707	*1	4,590
Total current liabilities		549,781		521,641
Non-current liabilities				
Bonds payable		110,000		50,000
Long-term borrowings		–	*1	800
Provision for retirement benefits		31,591		28,612
Other		2,973		3,129
Total non-current liabilities		144,565		82,541
Total liabilities		694,346		604,183
Net assets				
Shareholders’ equity				
Share capital		69,444		69,444
Capital surplus				
Legal capital surplus		107,733		107,733
Other capital surplus		19,017		19,138
Total capital surplus		126,751		126,872
Retained earnings				
Legal retained earnings		7,899		7,899
Other retained earnings				
Reserve for tax purpose reduction entry of land		13		13
Reserve for tax purpose reduction entry of replacement assets		49		767
Reserve for purchase of specified shares		130		130
General reserve		162,707		162,707
Retained earnings brought forward		411,026		466,485
Total retained earnings		581,828		638,004
Treasury shares		(53,537)		(133,494)
Total shareholders’ equity		724,486		700,826
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		6,480		6,938
Total valuation and translation adjustments		6,480		6,938
Total net assets		730,966		707,765
Total liabilities and net assets		1,425,313		1,311,948

2) Non-consolidated Statements of Income

(Millions of yen)

		Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023
Net sales	*2	1,233,464	*2	1,069,417
Cost of sales	*2	877,580	*2	761,589
Gross profit		355,884		307,828
Selling, general and administrative expenses	*1	230,404	*1	262,931
Operating profit		125,480		44,897
Non-operating income				
Interest and dividend income	*2	89,844	*2	118,492
Other	*2	4,343	*2	11,152
Total non-operating income		94,188		129,645
Non-operating expenses				
Interest expenses	*2	276	*2	2,384
Foreign exchange losses		1,324		12,042
Product replacement and repair costs		1,650		3,899
Loss on tax purpose reduction entry of non-current assets		–		5,338
Other	*2	2,630	*2	4,252
Total non-operating expenses		5,882		27,917
Ordinary profit		213,786		146,625
Profit before income taxes		213,786		146,625
Income taxes - current		25,568		(2,066)
Income taxes - deferred		3,433		497
Total income taxes		29,001		(1,568)
Profit		184,784		148,193

3) Non-consolidated Statements of Shareholders' Equity

Previous fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
						Other retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of land	Reserve for special deprecia-tion	Reserve for tax purpose reduction entry of replacement assets	Reserve for purchase of specified shares	General reserve
Balance at beginning of period	69,444	107,733	18,894	126,628	7,899	13	4	49	130	162,707
Changes during period										
Restricted stock compensation			122	122						
Dividends of surplus										
Profit										
Purchase of treasury shares										
Disposal of treasury shares			0	0						
Reversal of reserve for special depreciation							(4)			
Provision of reserve for tax purpose reduction entry of replacement assets										
Net changes in items other than shareholders' equity										
Total changes during period	–	–	123	123	–	–	(4)	–	–	–
Balance at end of period	69,444	107,733	19,017	126,751	7,899	13	–	49	130	162,707

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
	Other retained earnings	Total retained earnings					
	Retained earnings brought forward						
Balance at beginning of period	303,016	473,823	(53,551)	616,343	7,153	7,153	623,496
Changes during period							
Restricted stock compensation			26	149			149
Dividends of surplus	(76,778)	(76,778)		(76,778)			(76,778)
Profit	184,784	184,784		184,784			184,784
Purchase of treasury shares			(12)	(12)			(12)
Disposal of treasury shares			0	0			0
Reversal of reserve for special depreciation	4	–		–			–
Provision of reserve for tax purpose reduction entry of replacement assets				–			–
Net changes in items other than shareholders' equity					(672)	(672)	(672)
Total changes during period	108,009	108,005	14	108,142	(672)	(672)	107,470
Balance at end of period	411,026	581,828	(53,537)	724,486	6,480	6,480	730,966

Current fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for tax purpose reduction entry of land	Reserve for special deprecia-tion	Reserve for tax purpose reduction entry of replacement assets	Reserve for purchase of specified shares	General reserve
Balance at beginning of period	69,444	107,733	19,017	126,751	7,899	13	–	49	130	162,707
Changes during period										
Restricted stock compensation			120	120						
Dividends of surplus										
Profit										
Purchase of treasury shares										
Disposal of treasury shares			0	0						
Reversal of reserve for special depreciation										
Provision of reserve for tax purpose reduction entry of replacement assets								717		
Net changes in items other than shareholders' equity										
Total changes during period	–	–	121	121	–	–	–	717	–	–
Balance at end of period	69,444	107,733	19,138	126,872	7,899	13	–	767	130	162,707

	Shareholders' equity				Valuation and translation adjustments		Total net assets
	Retained earnings						
	Other retained earnings						
	Retained earnings brought forward	Total retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	411,026	581,828	(53,537)	724,486	6,480	6,480	730,966
Changes during period							
Restricted stock compensation			51	171			171
Dividends of surplus	(92,017)	(92,017)		(92,017)			(92,017)
Profit	148,193	148,193		148,193			148,193
Purchase of treasury shares			(80,008)	(80,008)			(80,008)
Disposal of treasury shares			0	1			1
Reversal of reserve for special depreciation	–	–		–			–
Provision of reserve for tax purpose reduction entry of replacement assets	(717)	–		–			–
Net changes in items other than shareholders' equity					458	458	458
Total changes during period	55,458	56,176	(79,956)	(23,659)	458	458	(23,201)
Balance at end of period	466,485	638,004	(133,494)	700,826	6,938	6,938	707,765

Notes to Non-consolidated Financial Statements

(Significant Accounting Policies)

1. Valuation standards and valuation methods of securities
   Shares of subsidiaries and associates ··············· At cost based on the moving-average method
   Other securities
   Securities other than stock, etc., without market prices ····· Fair value method based on market prices (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the moving-average method)
   Stock, etc., without market prices ····························· At cost based on the moving-average method

2. Valuations standards and valuation methods of derivatives
   Derivatives ·························· Fair value method

3. Valuation standards and valuation methods of inventories
   Merchandise ·· At cost based on the moving-average method
   (Non-consolidated balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability.)

   Finished goods, raw materials, work in process, supplies At cost based on the periodic-average method
   (Non-consolidated balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability.)

4. Depreciation method for non-current assets
   Property, plant and equipment ···· Straight-line method
   Primary useful lives are as follows:
   Buildings ························· 10-50 years
   Machinery and equipment ····· 4-17 years
   Intangible assets ····················· Straight-line method
   Software for internal use is amortized by the straight-line method based on an estimated useful life (3-5 years).

5. Standards for recording of allowances
   (1) Allowance for doubtful accounts
   To provide for possible losses resulting from uncollectible receivables such as trade accounts and loans, the estimated uncollectible amount is recorded based on the historical default rate with regard to general accounts, and by individually assessing possible collectability for certain receivables such as loans with default possibility.
   (2) Provision for retirement benefits
   To provide for retirement benefits to employees, the amount is recorded based on the estimated amount of termination and retirement liabilities and pension assets as of the closing date.
   Prior service cost is recorded as expenses using the straight-line method based on the average remaining years of service of employees as of the time of occurrence. Actuarial differences are amortized using the straight-line method over a period of five years within the average remaining years of service of employees commencing the following fiscal year after incurrence.

6. Revenue and expense recognition standards
   The Company conducts sales of electronic items, including Components (Capacitors, Inductors, EMI Suppression Filters, etc.) and Devices and Modules (High-Frequency Modules, Surface-Wave Filters, Lithium-Ion Secondary Batteries, Sensors, etc.), and related merchandise and finished goods. With regard to the sales of merchandise and finished goods, the Company recognizes revenue at the time of delivery of merchandise or finished goods since it considers that the customer obtains control over the merchandise or finished goods and performance obligations are satisfied at the time of delivery of the merchandise or finished goods. Furthermore, for domestic sales, because shipment through delivery is within the usual timeframe, revenue is recognized after shipment to the domestic delivery area designated by the customer. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc. The Companies mostly receive transaction consideration within one year after satisfying performance obligations, and there are no material financial components included.

7. Other material matters concerning the preparation of non-consolidated financial statements
   (1) Application of group tax sharing system
   The group tax sharing system is applied.
   (2) Amounts of less than one million yen are rounded down.

(Changes in Accounting Policies)

Application of "Implementation Guidance on Accounting Standard for Fair Value Measurement"

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Implementation Guidance") has been applied from the beginning of the current fiscal year, and in accordance with the transitional handling stipulated in Paragraph (27-2) of Fair Value Measurement Implementation Guidance, the new accounting policy stipulated by the Fair Value Measurement Implementation Guidance will be applied in the future. This has no effect on the non-consolidated financial statements.

(Changes in Presentation)

As the amount of government subsidies, etc. deducted from the cost of assets acquired with government subsidies, etc. has become significant, notes to reduction entry have been added to the notes (Non-consolidated Balance Sheets) in accordance with Note 24 (2) to the Business Accounting Principles, effective from the current fiscal year.

(Non-consolidated Balance Sheets)

*1. Monetary claims and monetary liabilities with affiliates

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Short-term monetary claims	406,421	317,888
Long-term monetary claims	47,774	57,088
Short-term monetary liabilities	439,630	407,940
Long-term monetary liabilities	–	800

*2. With respect to consumption tax, etc., the amount of claim for a tax refund based on the final tax return at the end of the current fiscal year is included in accounts receivable - other.

*3. Reduction entry

The amount of reduction entry from acceptance of government subsidies, etc. in the previous and current fiscal years is as follows.

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Buildings	–	3,838
Land	–	1,500

Accumulated reduction entry, which is directly deducted from non-current assets acquired with government subsidies, etc., is as follows.

(Millions of yen)

	Previous fiscal year (as of March 31, 2022)	Current fiscal year (as of March 31, 2023)
Buildings	915	4,753
Structures	28	28
Machinery and equipment	263	263
Vehicles	0	0
Tools, furniture and fixtures	23	23
Land	286	1,786

Guarantee obligations

Guarantee obligations for trade notes and accounts payable of following affiliates are undertaken.

(Millions of yen)

Previous fiscal year (as of March 31, 2022)		Current fiscal year (as of March 31, 2023)	
pSemi Corporation	467	pSemi Corporation	27
Shenzhen Murata Technology Co., Ltd.	78		
Total	545	Total	27

(Non-consolidated Statements of Income)

*1. The approximate percentage of selling expenses is 7% and 8% for the previous fiscal year and the current fiscal year respectively, and the approximate percentage of general and administrative expenses is 93% and 92% for the previous fiscal year and the current fiscal year respectively.
Main items and their amount of selling, general and administrative expenses were as follows:

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Employees' salaries and other allowances	27,863	29,389
Bonus allowances	13,606	12,103
Depreciation and amortization	11,989	17,233
Commissions	73,713	81,560
Business commission income	(21,571)	(22,369)
Research and development expenses	99,767	107,546

*2. Matters with affiliates

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Business transactions		
Net sales	1,054,825	900,626
Purchase turnover	819,108	703,317
Non-business transactions		
Interest income	308	370
Dividend income	88,903	115,325
Asset transfer	871	1,285
Interest expenses	129	2,264
Asset purchase	17,148	41,542

(Securities)

Shares of subsidiaries and associates

Previous fiscal year (as of March 31, 2022)

Shares of subsidiaries (carrying amount in the non-consolidated balance sheet: 278,183 million yen) are not described because of no market price.

Current fiscal year (as of March 31, 2023)

Shares of subsidiaries (carrying amount in the non-consolidated balance sheet: 289,222 million yen) are not described because of no market price.

(Tax Effect Accounting)

1. Breakdown of primary causes for occurrence of deferred tax assets and liabilities

(Millions of yen)

	End of previous fiscal year (March 31, 2022)	End of current fiscal year (March 31, 2023)
Deferred tax assets		
Accrued bonuses	4,056	2,988
Inventories	3,243	4,697
Accrued expenses	776	749
Accounts payable - other	137	5
Accrued enterprise taxes	1,582	–
Provision for retirement benefits	9,665	8,466
Shares of subsidiaries and associates	5,014	5,014
Tangible and intangible non-current assets	1,954	1,988
Deferred tax credits	–	282
Investment securities	483	661
Other temporary differences	996	3,462
Total	27,910	28,316
Valuation allowances	(6,131)	(6,590)
Total	21,779	21,725
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(3,211)	(2,964)
Enterprise tax refund receivable	–	(129)
Other temporary differences	(78)	(392)
Total	(3,289)	(3,486)
Net deferred tax assets	18,490	18,239

2. Breakdown of major items which caused the difference when there is material difference between the statutory tax rate and the effective income tax rate after application of tax effect accounting

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Statutory tax rates	30.5%	30.5%
(Adjustments)		
Exemption for dividend income	(12.5)	(23.1)
Tax exemption for R&D promotion tax system	(4.7)	(8.1)
Valuation allowances for deferred tax assets	(0.0)	0.3
Other	0.3	(0.7)
Effective income tax rates	13.6	(1.1)

3. Accounting for income taxes and local income taxes or tax effect accounting related to these taxes
   The Company started to apply the group tax sharing system at the beginning of the current fiscal year. In addition, the Company accounts for and discloses income taxes and local income taxes or tax effect accounting related to these taxes based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021).

(Acquisitions)
The description is omitted since they are described in Note XV to Consolidated Financial Statements.

(Revenue Recognition)
The information that is basic to an understanding of revenue resulting from contracts with customers is omitted because the same matters are described in Note VII to Consolidated Financial Statements.

(Material Subsequent Events)
The Company, at a meeting of the Board of Directors held on May 23, 2023, resolved to implement a stock split and institute a partial amendment to its articles of incorporation in conjunction with this split.

(1) Purpose of the stock split
The purpose of the stock split is to lower the stock price per investment unit and expand its investor base and improve the liquidity of the Company's stock.

(2) Outline of the stock split

1) Method of the stock split
The Company will carry out a 3-for-1 stock split of common shares owned by shareholders listed or recorded in the closing register of shareholders on the record date of Saturday, September 30, 2023 (effectively Friday, September 29, 2023, as that date is a holiday for the shareholder register administrator).

2) Increase in shares due to the stock split

Total number of issued shares prior to the stock split	675,814,281 shares
Increase in shares due to the stock split	1,351,628,562 shares
Total number of issued shares following the stock split	2,027,442,843 shares
Total number of shares authorized to be issued following the stock split	5,229,000,000 shares

3) Schedule of the stock split

Public notice of record date (tentative)	Thursday, September 14, 2023
Record date	Saturday, September 30, 2023
Effective date	Sunday, October 1, 2023

4) Impact on per share information
Per share information based on the assumption that the stock split was conducted at the beginning of the previous fiscal year is as follows.
Diluted net income per share is not shown because there are no residual shares having a dilutive effect.

	Previous fiscal year (From April 1, 2021 to March 31, 2022)	Current fiscal year (From April 1, 2022 to March 31, 2023)
Net assets per share	380.81 yen	374.64 yen
Net income per share	96.27 yen	78.09 yen

(3) Partial amendment to the Articles of Incorporation relating to the stock split

1) Reason for amendment to the Articles of Incorporation

In accordance with the stock split, pursuant to Article 184, Paragraph (2) of the Companies Act, the Company will amend the total number of authorized shares as stipulated in Article 6 of the Company's Articles of Incorporation to match the split ratio as of October 1, 2023.

2) Details of the Amendments to the Articles of Incorporation

The details of the amendment are as follows

(Underlines indicate amendments)

Current Articles of Incorporation	Articles of Incorporation after amendment
(Total number of shares authorized to be issued) Article 6 The total number of shares authorized to be issued by the Company shall be <u>1,743,000,000</u> shares.	(Total number of shares authorized to be issued) Article 6 The total number of shares authorized to be issued by the Company shall be <u>5,229,000,000</u> shares.

3) Schedule for amending the Articles of Incorporation

Date of resolution by the Board of Directors: Tuesday, May 23, 2023

Effective date: Sunday, October 1, 2023

4) Supplementary schedules

Schedule of property, plant and equipment

(Millions of yen)

Category	Type of assets	Balance at beginning of the current fiscal year	Amount increased in the current fiscal year	Amount decreased in the current fiscal year	Amount depreciated in the current fiscal year	Balance at end of the current fiscal year	Accumu-lated deprecia-tion
Property, plant and equipment	Buildings	91,034	5,435	4,295	5,273	86,900	74,623
	Structures	7,545	603	7	612	7,529	8,861
	Machinery and equipment	30,519	12,940	1,044	10,066	32,349	105,528
	Vehicles	197	51	4	66	176	295
	Tools, furniture and fixtures	10,424	5,386	127	3,926	11,758	39,836
	Land	32,680	4,161	2,055	–	34,786	–
	Construction in progress	6,071	33,711	28,843	–	10,939	–
	Total	178,473	62,291	36,378	19,945	184,440	229,146
Intangible assets	Total	39,843	45,491	339	13,887	71,108	–

(Note) “Amount increased in the current fiscal year” of “Construction in progress” is due to strengthening of research and development facilities, acquisition of land and buildings, strengthening and rationalization of production facilities, etc.

Schedule of allowances

(Millions of yen)

Account	Balance at beginning of the current fiscal year	Amount increased in the current fiscal year	Amount decreased in the current fiscal year	Balance at end of the current fiscal year
Allowance for doubtful accounts	16	15	0	31

(2) Components of major assets and liabilities

The description is omitted since the consolidated financial statements have been prepared.

(3) Others

Not applicable

VI. Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31
Ordinary General Meeting of Shareholders	In June
Record date	March 31
Record date of dividends of surplus	September 30 March 31
Number of shares per unit	100 shares
Purchase or sale of shares less than one unit	
Handling office	(Handling of shares less than one unit recorded in a special account) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Department of the Head Office, Mizuho Trust & Banking Co., Ltd. (Handling of shares less than one unit recorded in a transfer account other than special account) Account management institution (securities company, etc.) for which the transfer account was opened
Shareholder registry administrator	(Shareholder registry administrator and special account management institution) 1-3-3 Marunouchi, Chiyoda-ku, Tokyo Mizuho Trust & Banking Co., Ltd.
Purchase and sale commissions	Free of charge
Method of public notice	The method of public notice by the Company shall be an electronic public notice on our website. (https://corporate.murata.com/ja-jp) However, when an electronic public notice is not available owing to an accident or any other unavoidable reason, such a notice shall be given in the Nihon Keizai Shimbun.
Special benefits for shareholders	Not applicable.

(Note) Pursuant to the Articles of Incorporation of the Company, shareholders of shares of less than one unit of the Company do not have any rights other than the rights specified in each item of Article 189, Paragraph (2) of the Companies Act, rights to make claims as provided for in Article 166, Paragraph (1) of the said Act, rights of shareholders to subscribe for shares or share warrants allotted by the Company in accordance with the number of shares held by them, and the right to demand the sale of shares of less than one unit.

VII. Reference Information of Reporting Company

1. Information about parent of reporting company

The Company does not have a parent company, etc. specified in Article 24-7, Paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

The Company has filed the following documents from the commencing date of the current fiscal year to the filing date of this Annual Securities Report.

(1) Annual Securities Report, accompanying documents, and confirmation letter

Fiscal year (86th term) (from April 1, 2021, to March 31, 2022):

Filed with the Director-General of the Kanto Local Finance Bureau on June 29, 2022.

(2) Internal control report and accompanying documents

Filed with the Director-General of the Kanto Local Finance Bureau on June 29, 2022.

(3) Quarterly Securities Reports and confirmation letters

(First quarter of the 87th term) (from April 1, 2022, to June 30, 2022):

Filed with the Director-General of the Kanto Local Finance Bureau on August 8, 2022.

(Second quarter of the 87th term) (from July 1, 2022, to September 30, 2022):

Filed with the Director-General of the Kanto Local Finance Bureau on November 9, 2022.

(Third quarter of the 87th term) (from October 1, 2022, to December 31, 2022):

Filed with the Director-General of the Kanto Local Finance Bureau on February 10, 2023.

(4) Extraordinary Report

Filed with the Director-General of the Kanto Local Finance Bureau on July 1, 2022.

This is an Extraordinary Report based on Article 19, Paragraph (2), item (ix)-2 (results of exercise of voting rights at the shareholders meeting) of the Cabinet Office Order on Disclosure of Corporate Affairs.

(5) Amended statement for Annual Securities Report, and confirmation letter

Filed with the Director-General of the Kanto Local Finance Bureau on September 9, 2022.

Fiscal year (83rd term) (from April 1, 2018, to March 31, 2019) amended and confirmation letter

Fiscal year (84th term) (from April 1, 2019, to March 31, 2020) amended and confirmation letter

Fiscal year (85th term) (from April 1, 2020, to March 31, 2021) amended and confirmation letter

Fiscal year (86th term) (from April 1, 2021, to March 31, 2022) amended and confirmation letter

(6) Securities Registration Statement (allotment to others) and accompanying documents

Filed with the Director-General of the Kanto Local Finance Bureau on June 29, 2022.

(7) Amended statement for the Securities Registration Statement (allotment to others)

Filed with the Director-General of the Kanto Local Finance Bureau on July 1, 2022.

This is an amended statement for the Securities Registration Statement (allotment to others) filed on June 29, 2022.

(8) Share Buyback Report

Reporting period (from June l, 2022 to June 30, 2022)

Filed with the Director-General of the Kanto Local Finance Bureau on July 7, 2022.

Reporting period (from July 1, 2022 to July 31, 2022)

Filed with the Director-General of the Kanto Local Finance Bureau on August 5, 2022.

Reporting period (from August 1, 2022 to August 31, 2022)

Filed with the Director-General of the Kanto Local Finance Bureau on September 7, 2022.

Reporting period (from September 1, 2022 to September 30, 2022)

Filed with the Director-General of the Kanto Local Finance Bureau on October 7, 2022.

Reporting period (from October 1, 2022 to October 31, 2022)

Filed with the Director-General of the Kanto Local Finance Bureau on November 8, 2022.

Part II Information about Reporting Company's Guarantor, etc.

Not applicable.