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Audit and Supervisory
Committee Member
Nomination Advisory
Committee Member
**Takatoshi
Yamamoto**

Outside Director
Audit and Supervisory
Committee Member
**Naoko
Munakata**

Outside Director
Nomination Advisory
Committee Member
Remuneration Advisory
Committee Member
(Committee Chairperson)
Yuko Yasuda

Outside Director
Nomination Advisory
Committee Member
Remuneration Advisory
Committee Member
**Takashi
Nishijima**

Outside Director
Audit and Supervisory
Committee Member
Remuneration Advisory
Committee Member
Hyo Kambayashi



What are the challenges to further increase corporate value that governance has brought to light?

Change in attitude toward governance

Yasuda I have served as a Member of the Board of Directors for five years. During this past year, I sensed that Murata's approach for governance has evolved. Under the leadership of Chairman Murata and President Nakajima, the word "governance" has been fully embraced by Members of the Board of Directors, and I sense that members are eagerly trying to link the strengthening of governance to corporate growth and value creation. This change is especially noticeable in determining the agenda for the Board of Directors meetings and in the activities of the Nomination and Remuneration Advisory Committees. I noticed changes at meetings, such as an increase in discussions related to medium- and long-term growth strategies. Although at times Outside

Directors and Inside Directors have clashed due to differences of opinion, I see this is a sign that our meetings have become a place for productive discussions.

Yamamoto In the three-way discussion in last year's Integrated Report, I noted that Murata's governance needed to be moved to the next phase. In addition to changes in the Board of Directors' composition, the substantive strengthening of the structure of the Nomination and Remuneration Advisory Committees and the deepening of our discussions, significant changes were made during the past year. This includes a deliberate change in the way that Chairman Murata leads as Chairman of the Board of Directors to stimulate discussions at the Board of Directors meetings.

When Chairman Murata was replaced by President Nakajima as

President, he said that he wanted to place more emphasis on governance to ensure Murata's sound and sustainable development, and I think we are starting to see substantial changes taking place. I feel that the Murata Group is strengthening its governance structure and enhancing internal control capabilities.

Kambayashi As you have both mentioned, I am also aware that Murata's governance has been evolving. Thanks to the deep commitment of Chairman Murata and the management team to governance and their willingness to incorporate outside opinions, I believe that the environment is such that talented Outside Directors can express their opinions on the ideal form of governance from many different perspectives.

Yamamoto In addition to providing company information to Outside Directors, the pre-meeting explanations of the Board of Directors agenda items are now given. Efforts to further improve governance through information sharing, such as regular meetings between Outside Directors and the two Representative Directors and executive sessions after Board of Directors meetings, are another significant change.

Munakata The introduction of opportunities to hear pre-meeting explanations of the Board of Directors agenda items was a major improvement in the previous fiscal year. Being able to check facts prior to meetings allows us to concentrate on day-of Board of Directors discussions and to use our meeting time more effectively. Details of the discussions that took place internally have been added to the text of agenda items, allowing for greater transparency of the issues.

Nishijima I was appointed as a Member of the Board of Director this year, and so I have only attended a few Board of Directors meetings. However, my impression was that the mood was very free and open and that Outside Directors, who come from different backgrounds, were asking questions based on their experience and freely shared insight in their individual areas of expertise. The discussions were both substantial and constructive.

Based on my experience as Chairman of a Board of Directors at another company, I can tell you that in order to improve the effectiveness of a Board, it is extremely important for Inside Directors to take the initiative and be willing to make changes, aiming for better management and corporate governance. A major premise of this is leveraging the experience and knowledge of Outside Directors. I sense that Murata's Inside Directors share this same desire.

Enhancing Nomination and Remuneration Advisory Committees activities

Yasuda Another area where change has been particularly noticeable is in the activities of the Nomination and Remuneration Advisory Committees. The activities of the Remuneration Advisory Committee, which I chair, have increased dramatically during the last fiscal year. We conducted numerous discussions regarding the composition of remuneration for Members of the Board of Directors, including the introduction of a mechanism that incorporates ESG factors. I believe that we have created a precise model that only Murata, a company known for its fairness, can provide. While we are building a remuneration system that will link to improving Murata's competitiveness, we also need to continue to carefully consider what the most appropriate model is as the social environment and the market changes.

Kambayashi I also strongly feel that we have had some effective discussions, especially over the past year. In addition to Murata's unique approach, the basic concept of "Value for Fee" has been incorporated as the foundation for remuneration.

Issues for the future include collaboration with the Nomination Advisory Committee and ESG and remuneration. As the way in which ESG is perceived around the world changes, we need to keep a close eye on what new values will be demanded and deepen our discussions to include not only remuneration paid to Members of the Board of Directors and Vice Presidents, but also remuneration paid to employees.

Yasuda In terms of collaboration between the Remuneration Advisory Committee and the Nomination Advisory Committee, efforts are underway to link Representative Directors' self-evaluation to the process of selecting and dismissing future Presidents. I think this was a major step forward.

The Nomination Advisory Committee has discussed the composition of the Board of Directors, the skills matrix, and a contingency plan (measures for when the President is incapacitated). These discussions have also been very productive.

Yamamoto Yes. We also checked the training provided to the future management team and the sustainability of human resource composition. Diversity & Inclusion (D&I) was another major topic that came up in our discussions. This year for the first time, a foreign national was appointed as Vice President. We are now in the process of deepening

discussions on the development and selection of other such global human resources.

While it is certainly true that the activities of both Advisory Committees have been enhanced, there are still issues that need to be addressed in terms of cooperation between each committee, as well as with the Audit and Supervisory Committee. If we are going to create a structure befitting the Global No. 1 Component & Module Supplier, it is essential for these three committees to share an awareness of the issues Murata is facing and deepen constructive discussions and cooperation.

Realizing the medium- to long-term plan and maximizing corporate value in the future

Yasuda In the previous fiscal year, Murata formulated and announced its long-term Vision 2030 and the first phase of that vision, Medium-term Direction 2024. Murata described the plans in detail to Outside Directors, including providing preliminary explanations from a very early stage. Murata started the formulation process much earlier than it did last time, and it was encouraging to see discussions making progress.

Kambayash I agree. The process of formulating this medium- to long-term plan, characterized by the fact that it was shared and discussed several times during briefings to Outside Directors and at the Board of Directors meetings, was a truly excellent governance initiative.



Munakata This was the first time I witnessed the formulation of a medium- to long-term plan. I got to experience the process of gradually fleshing out the plan from its skeleton form. It was an excellent opportunity for me to revisit my understanding of the company's thinking.

Words used when talking about visions and policies tend to be highly abstract. As a company grows and the number of people involved increases, we need to think about the best way to communicate our message so that it is received in the spirit in which it is intended. I participated in discussions that were very mindful of the need to deliver content in as concrete a way as possible. For example, one of Murata's four management transformations is "management that creates a continuous cycle of social value and economic value." The goal is to expand the axis of value provision to innovation related to solving social issues, which will eventually lead to financial value. This should happen in line with the Murata Philosophy, which states a desire to contribute to the development of culture, rather than being written from a supplier's perspective. We need to look at how Murata has built up its management capital by practicing this Philosophy and consider how it can build on it even further in the future. If Murata can cleverly verbalize the story behind its value creation which is inherent in its Philosophy, I am sure that it will be able to increase employee engagement and meet investors' expectations for disclosure of the methods used to realize its strategy.

Kambayashi I believe it is vital for companies to understand internal and external risks, such as the state of the economy, geopolitics, customer trends, laws and regulations, the global environment, technology, and employee engagement. This sets the framework and direction for their medium- to long-term plans. With this plan, I paid close attention to Murata's ability to thoroughly identify changes in risk. Risk scenarios are constantly evolving, and there may come a time when it is necessary to change a strategy. Going forward, one of the key points will be organizing how to accurately identify these changes, who should make timely decisions on strategic changes, and how such decisions should be made in a way that is easy to understand.

Yamamoto As Mr. Kambayashi has pointed out, a significant number of risk factors were considered when formulating Vision 2030 and Medium-term Direction



2024. Companies must remain flexible and adapt to these constant changes. The autonomous and decentralized organizational management advocated by President Nakajima must be strong to ensure a resilient response when adapting. Murata has announced that it will raise net sales of its third layer businesses in its 3-layer portfolio to 100.0 billion yen in fiscal 2030. Yet the market will surely calm down, and we will have to see how far along we are towards achieving this goal at the end of the Medium-term Direction 2024.

Munakata At the first layer, I would like to see Murata maintain its current policy of sparing no expense in research and development activities and investment necessary to continue to be a leader. At the second layer, I would like to see responding sensitively to customer changes and integrating acquired companies to make them competitive. With the third layer, which is above these two layers,, I would like to see the development of new customers by showing technology options. In the future, I think Murata will need to further increase the speed and accuracy with which technology is deployed by putting itself in the customer's position and appointing personnel to advocate for them.

Yasuda For Murata to further improve its corporate value, it needs not only to enhance the businesses in each of the three layers, but also to invest in

its management base. From a human resources perspective, I believe that it is essential to invest in human capital, a significant source of value. President Nakajima has indicated that diversity within the organization is necessary to create the soil for new businesses to emerge from. I believe that D&I should be promoted in terms of career advancement of both women and global human resources. I have had an increasing number of opportunities to talk with Murata's female managers, and I sense there are many highly capable executive candidates with a determined sense of improvement. I hope that Murata will train these women properly and, at the same time, achieve its ambitious goal of increasing the number of female managers to 10% by fiscal 2030.

I find the management goal of sending overseas employees to other locations to gain experience outside of their home country very intriguing. Personnel who work and study across national borders are a source of growth, and I hope that Japanese personnel will continue to be encouraged to gain this global experience.

Nishijima Human resources are the most crucial factor for expanding the scope of value from "things" to "experience." I have been involved in running manufacturing businesses for many years. When you focus on manufacturing, the necessary qualities are firmly cultivated in organizations and individuals. However, this can be an obstacle when it comes to providing value for experience. I intend to follow this process carefully to see whether human resource strategies are being developed in conjunction with management strategies. I will also track whether the necessary initiatives are being implemented to close the gap between required human capital and current situations.

Yamamoto Regarding human capital, increasing employee engagement is one of Murata's medium- to long-term management goals. However, workplaces that are comfortable for employees are not necessarily a sign of a good organization. We need an environment in which there is a certain amount of tension that energizes people and the organization. We will not see improvements in long-term engagement and the maximization of corporate value unless this healthy tension can be converted into motivation that allows people to rise to and take on challenges.

Munakata Murata should also strengthen its intellectual capital initiatives. The source of Murata's competitiveness and



differentiation from its competitors lies in its intellectual property and intangible assets. We were briefed on the situation in the first and second layers at the Board of Directors meetings. It would be good if we could deepen our discussions from the perspective of intellectual capital when considering new business models for the third layer.

Moving forward in leaps and bounds

Kambayashi As I mentioned earlier, risks affect the realization of Murata's management philosophy and medium- to long-term strategies. To be honest, I feel that Murata's tolerance is not yet clear in terms of the magnitude of risks that occur. It is my understanding that realizing a management philosophy is all about selecting the best strategy based on appropriate governance, identifying risks inherent in that strategy, developing and operating appropriate internal controls, and maintaining a balance between risks and internal controls over the medium to long term, with the aim of improving expected value. I plan to continue to closely monitor how Murata's management reacts to the five elements of management philosophy, governance, strategy, risk, and internal controls.

Munakata As Mr. Kambayashi mentioned, we are in the VUCA (Volatility, Uncertainty, Complexity, Ambiguity) era, in which the future is difficult to predict and

there are various risks. The global landscape is tenuous and companies must adapt to new balances and relationships. Going forward, the "power to read the future," one of Murata's core competencies, will be even more important.

In the past, the management environment was driven by changes in technology and markets. Currently, policy risks in each country are having a major impact on a range of business divisions. Murata needs to closely monitor the direction in which each country's systems and policies are heading, prepare scenarios, develop mechanisms to swiftly act, and enhance its proficiency. I hope that I can be of help by offering the perspectives I have developed through my experience.

Yamamoto Since I was an analyst, I have had the impression that Murata Manufacturing Co., Ltd. was a company with a lot of institutional knowledge. I have witnessed some of the diverse aspects of the company over the past three years, and I believe that its expansion in size and the changing trends in the world require it to explicitly state its knowledge in a positive way. I understand that this is exactly what Murata is working on now, including the creation of new policies. I hope that this process contributes to constructive dialogue with securities analysts and investors and appropriate information disclosure.

Yasuda I believe imagination is necessary for Murata's growth. I would like to see Murata go beyond the boundaries of a component manufacturer as an "Innovator in Electronics." Rather than considering domestic and Chinese



component manufacturers in the same industry as its benchmarks, Murata should be considering global innovators who are expanding their business around the world as they are more comparative groups.

To this end, it is important not only to work hard on daily tasks, but also to play around and shake things up. Murata must invest in creating an environment in which engineers can innovate, such as by setting aside time for them to think about something other than their current business.

Nishijima Murata is famous for using new technologies to create innovative products. However, due to its sincere and humble corporate culture, Murata projects an image of being a force behind the scenes rather than taking center stage. In my view, being at the center of world-changing innovations that can create both social and economic value is a requirement for a top global company. To create innovation in both "things" and "experience," Murata must change its approach as an organization that thinks of products and services from its own view point to one that approaches things from the perspective of customers and society first.

I have experience managing a company that operates globally and been involved in expanding business domains to include "experience." Although my experience was in a different industry, the industrial structure itself is undergoing a major transformation, and the boundaries between markets are blurring. In that sense, I would like to use my experience and knowledge to contribute to the improvement of Murata's corporate value. I hope to ask a number of questions and engage in constructive discussion from a perspective different from Murata's conventional wisdom.

Kambayashi As a universal value, the Murata Philosophy is the foundation of Murata's management. I strongly feel the need to further strengthen the mechanisms for every officer and employee to realize how the Murata Philosophy is being put into practice and whether the company is being managed in accordance with the Murata Philosophy.

Munakata The culture at Murata is one of self-discipline, hard work, and trust. As someone who has been involved in one aspect of Japan's industrial policy as an administrative official, I am very proud that Murata is showing that it can win in the world through this mindset. Even as industrial structures and business

domains change, I hope that Murata will make even greater strides while leveraging the spirit embodied in the Murata Philosophy.

Yamamoto In today's capital markets, Murata has an excellent reputation for management and profitability, and Murata is right to feel confident. Meanwhile, to achieve the sustainable creation of economic and social value, it is important for Murata to continue to take measures to disseminate its Philosophy and slogan, since these have been the source of its success to date. Murata should work to recruit and develop human resources and improve employee engagement to establish a more resilient organization. It is also important for Murata to maintain its global leadership position and high market share of first-layer products and to use this as a driving force to create a continuous cycle with second- and third-layer products.

Yasuda For my part, I will continue to emphasize that innovation is created amidst diversity in terms of human capital. New innovations and completely different ways of thinking will emerge by continuing to seek out diversity, whether that be by employing more women in leadership positions or foreign nationals. It would be great if the management team and employees at sites could experience that. I will continue to propose diversity initiatives and emphasize the importance of maintaining a broad vision that is not limited to a component manufacturer.

