

**Murata Manufacturing Co., Ltd.**  
**Tsuneo Murata**  
**Chairman of the Board,**  
**President and Representative Director**

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<https://www.murata.com/>

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information**

### **1. Basic Views**

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

The Company's basic principles on corporate governance are set out in the "Corporate Governance Guidelines," which are posted on the Company's website.

(Corporate Governance Guidelines:

<https://www.murata.com/en-us/about/csr/management/governance>)

### **[Reasons for Non-compliance with the Principles of the Japan's Corporate Governance Code]**

The Company has implemented each principle of Japan's Corporate Governance Code.

### **[Disclosure Based on the Principles of the Japan's Corporate Governance Code]**

#### **[Principle 1.4 Cross-Shareholdings]**

##### **(1) Policy regarding strategic shareholdings**

In the electronics industry, with rapid changes in the market environment and technological innovation, to aim for sustainable improvement in corporate value, it is necessary to have cooperative relationships with various companies in all areas of development, procurement, production, and sales. The Company holds stock in such counterparties with the aim of maintaining and strengthening transactional relationships with counterparties that will contribute to the maintenance and improvement of the Company's corporate value.

##### **(2) Objectives and rationale for strategic shareholdings**

For primary strategic shareholding stocks, the Board of Directors, in consideration of the risks and returns, conducts examination each fiscal year as to whether or not the holding of such stocks over the medium to long term will contribute to the maintenance and improvement of the Company's corporate value.

##### **(3) Policy on exercise of voting rights**

Regarding the exercise of voting rights for strategic shareholdings that the Company holds in a counterparty company, the Company determines to vote for or against a proposal upon individually investigating the effects on the improvement of corporate value for both the Company and the relevant counterparty company from a medium- to long-term viewpoint.

#### **[Principle 1.7 Related Party Transactions]**

Concerning transactions involving conflicts of interests with Members of the Board of Directors, approval is required from the Board of Directors under the Companies Act, and after implementation, reports are made to the Board of Directors. The presence of transactions between the Company and Members of the Board of Directors and relatives of these persons is confirmed with Members of the Board of Directors. Additionally, transactions with related parties are disclosed in line with laws and regulations.

**[Principle 3.1 Full Disclosure]**

(i)-a: Management philosophy

The Company has established the basic philosophy of its management as its “Murata’s Philosophy,” which all executives and employees share and aim to enact. Murata’s Philosophy is available on the Company’s website.

(Murata’s Philosophy:

<https://www.murata.com/en-us/about/company/philosophy>)

(i)-b: Management strategy, management plan

The Mid-term Direction for the three years from fiscal 2016 to fiscal 2018 is available on the Company’s website.

(The Mid-term Direction:

<https://www.murata.com/en-us/about/company/mid-term%20direction%202018>)

The Company will formulate its next Mid-term Direction (fiscal 2019 to fiscal 2021) in 2018.

(ii) Basic views and policies on corporate governance

As stated in “1. Basic Views” above.

(iii) Policies and procedures in determining remuneration of Members of the Board of Directors

Please see “Director Remuneration” “Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof” in “1. Organizational Composition and Operation” and “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” below.

(iv) Policies and procedures in the nomination of candidates for Members of the Board of Directors

Please see “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” below.

(v) Explanations with respect to the individual appointments and nominations of candidates for Members of the Board of Directors

Concerning candidates for Members of the Board of Directors, brief personal history and reasons for appointment are shown in the “Convocation Notice for the Ordinary General Meeting of Shareholders.”

(Convocation Notice for the Ordinary General Meeting of Shareholders:

<https://www.murata.com/en-us/ir/meetings>)

**[Supplementary Principle 4-1-1: Duties of the Board of Directors and Definition of Range of Entrustment to Management]**

The Board of Directors carries out functions including decision-making regarding management policy and execution of important operations as well as supervising the execution of duties by Members of the Board of Directors, and proposals and reports for the Board of Directors are defined within the Regulations of the Board of Directors.

To enable swift and resolute decision-making by the Executive Directors, certain individual decisions on important business execution, such as acquisition and disposal of important assets, or organization or personnel matters, are delegated to the Executive Directors.

**[Principle 4-8: Effective Use of Independent Directors]**

**[Principle 4-9: Independence Standards and Qualification for Independent Directors]**

In addition to requirements for outside directors stipulated by the Companies Act and independence standards stipulated by the Tokyo Stock Exchange, five Independent Outside Directors have been appointed based on the Company’s Independence Criteria (Criteria for Independence of Outside Directors), and they have been submitted to the Tokyo Stock Exchange as Independent Directors.

The Criteria for Independence of Outside Directors of the Company are as follows.

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

**[Supplementary Principle 4-11-1: Overall Balance of Expertise, Experience, and Capabilities of the Board of Directors and View Regarding Diversity and Scale]**

Please see “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” below.

**[Supplementary Principle 4-11-2: Status of Members of the Board of Directors Concurrently Serving as Officers of Other Listed Companies]**

The Company appoints candidate Members of the Board of Directors who are able to dedicate the time and energy required to appropriately carry out the duties and obligations of a Member of the Board of Directors, and they do so in practice.

Significant concurrent positions of Members of the Board of Directors of the Company are stated in the “Convocation Notice for the Ordinary General Meeting of Shareholders.”

(Convocation Notice for the Ordinary General Meeting of Shareholders:

<https://www.murata.com/en-us/ir/meetings>)

**[Supplementary Principle 4-11-3: Analysis and Evaluation of Effectiveness of the Board of Directors]**

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

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

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

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

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

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

**[Supplementary Principle 4-14-2: Policy on Training for Members of the Board of Directors]**

The Company's Members of the Board of Directors ensure that they acquire, verify and update the knowledge deemed necessary for carrying out their roles and responsibilities.

To acquire and verify knowledge deemed necessary for carrying out their roles and responsibilities, newly appointed Members of the Board of Directors undergo external training upon assuming office.

The Company provides opportunities for training in corporate governance, compliance and internal controls, etc. to Members of the Board of Directors.

The Company provides opportunities other than the Board of Directors meeting for the acquisition of knowledge relating to status of the Company's business and management issues, etc. to Outside Members of the Board of Directors.

**[Principle 5-1: Policy for Constructive Dialogue with Shareholders]**

Please see "2. IR Activities" of "III. Implementation of Measures for Shareholders and Other Stakeholders" below.

## 2. Capital Structure

(1) Foreign Shareholding Ratio: More than 30%

### (2) Status of Major Shareholders

Shareholder name	Number of shares held	Ownership ratio (%)
JPMorgan Chase Bank 380055	17,727,657	8.3
Japan Trustee Services Bank, Ltd. (Trust Account)	12,321,900	5.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,484,100	4.0
Nippon Life Insurance Company	7,361,157	3.5
State Street Bank and Trust Company	6,552,907	3.1
The Bank of Kyoto, Ltd.	5,260,023	2.5
Meiji Yasuda Life Insurance Company	5,240,900	2.5
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,009,200	1.9
THE SHIGA BANK, LTD.	3,551,058	1.7
STATE STREET BANK WEST CLIENT - TREATY 505234	3,432,777	1.6

(3) Controlling Shareholder (except for Parent Company): —

(4) Parent Company: None

### (5) Supplementary Explanation:

1. Although the Company holds 12,020 thousand shares of treasury stock, this stock does not have voting rights, and is excluded from the above Status of Major Shareholders.
2. Of the above number of shares held, the number of shares in trust operations are not stated as the Company cannot identify the details.
3. In the change report pertaining to the report of possession of large volume announced to the public on February 21, 2018 by BlackRock Japan Co., Ltd. and its joint shareholders, it is stated as shown below regarding shareholdings as of February 15, 2018. However, as the Company cannot confirm the actual number of shares held by these companies as of March 31, 2018, these companies are not included in the above Status of Major Shareholders. The content of the report of possession of large volume is as follows.

[Shareholder name (Number of shares held, Ownership ratio (%))]

BlackRock Japan Co., Ltd. (3,359 thousand shares, 1.5%)

BlackRock Fund Advisors (3,012 thousand shares, 1.3%)

BlackRock Institutional Trust Company, N.A. (2,951 thousand shares, 1.3%)

BlackRock Advisors, LLC (1,472 thousand shares, 0.7%)

BlackRock Asset Management Ireland Limited (892 thousand shares, 0.4%)

BlackRock (Luxembourg) S.A. (553 thousand shares, 0.3%)

BlackRock Investment Management (UK) Limited (464 thousand shares, 0.2%)

Blackrock Investment Management LLC (386 thousand shares, 0.2%)

BlackRock Fund Managers Limited (261 thousand shares, 0.1%)

BlackRock Life Limited (251 thousand shares, 0.1%)

Total: 13,606 thousand shares, 6.0%

4. In the change report pertaining to the report of possession of large volume announced to the public on January 22, 2018 by Mizuho Bank, Ltd. and its joint shareholders, it is stated as shown below regarding shareholdings as of January 15, 2018. However, as the Company cannot confirm the actual number of shares held by these companies as of March 31, 2018, these companies are not included in the above Status of Major Shareholders. The content of the report of possession of large volume is as follows.

[Shareholder name (Number of shares held, Ownership ratio (%))]

Asset Management One Co., Ltd. (7,036 thousand shares, 3.1%)

Mizuho Bank, Ltd. (5,000 thousand shares, 2.2%)

Mizuho Trust & Banking Co., Ltd. (1,087 thousand shares, 0.5%)

Mizuho Securities Co., Ltd. (614 thousand shares, 0.3%)

Total 13,738 thousand shares, 6.1%

5. In the change report pertaining to the report of possession of large volume announced to the public on January 12, 2018 by Capital Research and Management Company and its joint shareholders, it is stated as shown below regarding shareholdings as of January 4, 2018. However, as the Company cannot confirm the actual number of shares held by these companies as of March 31, 2018, these companies are not included in the above Status of Major Shareholders. The content of the report of possession of large volume is as follows.

[Shareholder name (Number of shares held, Ownership ratio (%))]

Capital Research and Management Company (25,063 thousand shares, 11.1%)

Capital Guardian Trust Company (1,835 thousand shares, 0.8%)

Capital International, Inc. (1,556 thousand shares, 0.7%)

Capital International Limited (620 thousand shares, 0.3%)

Total: 29,075 thousand shares, 12.9%

### **3. Corporate Attributes**

**(1) Listed Stock Market and Market Section:** Tokyo Stock Exchange First Section

**(2) Fiscal Year-End:** March

**(3) Type of Business:** Electric Appliances

**(4) Number of Employees (consolidated) as of the End of the Previous Fiscal Year:** More than 1000

**(5) Sales (consolidated) as of the End of the Previous Fiscal Year:** More than ¥1 trillion

**(6) Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year:**

From 50 to less than 100

### **4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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### **5. Other Special Circumstances which may have Material Impact on Corporate Governance**

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

(1) **Organization Form:** Company with an Audit and Supervisory Committee

#### (2) Directors

- **Maximum Number of Directors Stipulated in Articles of Incorporation:** 20
- **Term of Office Stipulated in Articles of Incorporation:** 1 year
- **Chairperson of the Board of Directors:** President
- **Number of Directors:** 12
- **Appointment of Outside Directors:** Appointed
- **Number of Outside Directors:** 5
- **Number of Independent Directors Designated from among Outside Directors:** 5

#### i) Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company
Hiroaki Yoshihara	From another company	—
Takashi Shigematsu	From another company	h ○
Hiroshi Ueno	Other	—
Hyo Kambayashi	Certified public accountant	h ○
Yuko Yasuda	From another company	—

\* Categories for "Relationship with the Company"

\* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past;

\* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- a. Executive (a person who executes business; hereinafter, the same) of the Company or its subsidiary
- b. Executive or non-executive Director of the parent of the Company
- c. Executive of a fellow subsidiary of the Company
- d. Party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accounting professional or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a corporation)
- h. Executive of a client or supplier of the Company (which does not correspond to any of d., e., or f.) (the director himself/herself only)
- i. Executive of a corporation to which outside officers are mutually appointed (the director himself/herself only)
- j. Executive of a corporation that receives a donation from the Company (the director himself/herself only)
- k. Other

## **ii) Outside Directors' Relationship with the Company (2)**

**Hiroaki Yoshihara** (Independent Director)

### **[Supplementary Explanation of the Relationship]**

(No applicable items)

### **[Reasons for Appointment]**

Hiroaki Yoshihara has worked as an executive and consultant at an international consulting firm, has extensive experience solving management problems for global companies, and has specialized insight in accounting. He has served as an Outside Director at the Company since 2008 and as Outside Director and Audit and Supervisory Committee Member of the Company since 2016. Leveraging his experience and insight in managing the affairs of the Company, he has contributed to strengthening the functions of the Board of Directors from an independent perspective.

In addition to the above reason, he is appointed as an Outside Director because the Company expects that he will be able to strengthen decision-making and supervisory functions of the Board of Directors from an independent perspective.

**Takashi Shigematsu** (Independent Director)

### **[Supplementary Explanation of the Relationship]**

DENSO TEN Limited, of which Takashi Shigematsu has served as Chairman and Representative Director, has business relations with the Company Group regarding sales and purchases of products. However, sales involving the relations accounted for only less than 1% of the Company's consolidated sales in the 82nd fiscal year, indicating that there is no materiality that would affect his independence as Outside Director.

### **[Reasons for Appointment]**

Takashi Shigematsu has extensive experience and insight as an executive in the manufacturing industry and the automotive industry in particular. Leveraging his experience and insight in managing the affairs of the Company as an Outside Director since 2015, he has contributed to strengthening the functions of the Board of Directors from an independent perspective.

In addition to the above reason, he is appointed as an Outside Director because the Company expects that he will continue to strengthen the decision-making and supervisory functions of the Board of Directors from an independent perspective.

**Hiroshi Ueno** (Audit and Supervisory Committee Member / Independent Director)

### **[Supplementary Explanation of the Relationship]**

(No applicable items)

### **[Reasons for Appointment]**

Hiroshi Ueno has abundant experience and insight in government administration of such fields as tax and finance, as well as operation of Antimonopoly Act and has contributed to strengthen the functions of the Board of Directors from an independent perspective as Outside Director and Audit and Supervisory Committee Member since 2016.

Though he has never previously engaged in company management, in addition to the above reason, he is appointed as an Outside Director who is an Audit and Supervisory Committee Member because the Company expects that he will continue to strengthen the decision-making functions and audit and supervisory functions of the Board of Directors from an independent perspective.



**Hyo Kambayashi** (Audit and Supervisory Committee Member / Independent Director)

**[Supplementary Explanation of the Relationship]**

Although the Company Group outsources consulting services to Protivity Japan Co., Ltd., where Hyo Kambayashi serves as Chairman and Senior Managing Director, the business amounts to less than 1% of sales of Protivity Japan Co., Ltd. in each fiscal year, which represents no materiality that would affect his independence as Outside Director.

**[Reasons for Appointment]**

Hyo Kambayashi has been engaged in affairs concerning financial auditing, internal control advising, risk management, and strengthening governance for many years as a certified public accountant and executive and has extensive experience and insight in corporate accounting, auditing and internal control.

In addition to the above reason, he is newly appointed as an Outside Director who is an Audit and Supervisory Committee Member because the Company expects that he will be able to strengthen the decision-making functions and audit and supervisory functions of the Board of Directors from an independent perspective.

**Yuko Yasuda** (Audit and Supervisory Committee Member / Independent Director)

**[Supplementary Explanation of the Relationship]**

(No applicable items)

**[Reasons for Appointment]**

Yuko Yasuda has engaged in introducing, assessing, and developing CEOs and evaluating the effectiveness of the Board of Directors for many years as a Japan Director at companies that search for corporate executive candidates, and she has extensive experience and insight in fields concerning executive personnel assessment, development and corporate governance.

In addition to the above reason, she is newly appointed as an Outside Director who is an Audit and Supervisory Committee Member because the Company expects that she will be able to strengthen the decision-making functions and audit and supervisory functions of the Board of Directors from an independent perspective.

### **(3) Audit and Supervisory Committee**

#### **i) Committee's Composition and Chairperson's Attributes**

	Total Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	4	1	1	3	Inside director

#### **Appointment of Directors and/or Employees to**

**Support Duties of the Audit and Supervisory Committee:** Appointed

#### **ii) Matters Related to the Independence of Such Directors and/or Employees from Executive Directors**

To ensure the effectiveness of the audits of the Audit and Supervisory Committee, the Company has established the Office of Audit and Supervisory Committee to assist the Audit and Supervisory Committee in its duties and has stationed an appropriate number of employees. The employees shall not receive supervision or orders from the Executive Directors, and for human resources matters regarding these employees, the Executive Directors shall consult with the Audit and Supervisory Committee and obtain the consent. Moreover, the Executive Directors have established a system for reporting to the Audit and Supervisory Committee and persons who make reports shall not receive any detrimental treatment for having done so.

#### **iii) Cooperation among Audit and Supervisory Committee, Independent Auditor and Internal Audit Department**

To ensure the effectiveness of audits, the Audit and Supervisory Committee maintains regular and close contact with the Office of Internal Audit. The Audit and Supervisory Committee discloses its audit policy and audit plan to the Office of Internal Audit and receives reports from the Office of Internal Audit on matters related to internal audits such as the internal audit plan and its implementation status. The two bodies discuss the appropriateness of their audits.

The Independent Auditor maintains close contact with the Audit and Supervisory Committee by holding regular meetings and reporting on the audit plan and its implementation status.

#### (4) Voluntary Committees

##### Voluntary Establishment of Committee(s) Equivalent to

Nomination Committee or Remuneration Committee: Established

##### i) Voluntary Establishment of Committee(s), Committee's Name, Composition, and Chairperson's Attributes

	Committee's Name	Total Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Equivalent to Nomination Committee	Nomination Advisory Committee	4	0	2	2	0	0	Inside director
Committee Equivalent to Remuneration Committee	Remuneration Advisory Committee	4	0	2	2	0	0	Outside director

##### ii) Supplementary Explanation

Please see “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” below.

#### (5) Independent Directors

##### i) Number of Independent Directors: 5

##### ii) Matters relating to Independent Directors

Please see “1. Basic Views [Disclosure Based on the Principles of the Japan's Corporate Governance Code],” [Principle 4-9] of “I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information” above.

#### (6) Incentives

##### i) Implementation of Measures to Provide Incentives to Directors: Performance-linked remuneration

##### ii) Supplementary Explanation

The Company has introduced a restricted share remuneration plan with the goal of providing an incentive to inside Members of the Board of Directors who are not Audit and Supervisory Committee Members to sustainably increase the Company's corporate value, and to further promote shared value of these Members of the Board of Directors with shareholders.

##### iii) Recipients of Share Options: —

##### iv) Supplementary Explanation: —

#### (7) Director Remuneration

##### i) Disclosure (of individual directors' remuneration): Selected directors

##### ii) Supplementary Explanation

The total amount of remuneration, etc. paid to Members of Board of Directors in fiscal 2017 was 510 million yen. Of this, the amount paid to Members of the Board of Directors who are not Audit and Supervisory Committee members was 438 million yen and the amount paid to those who are Audit and Supervisory Committee members was 72 million yen. Included in the above is the amount of restricted share remuneration (60 million yen for seven Members of the Board of Directors, excluding Members of the Board of Directors who are Audit and Supervisory Committee Members, and Outside Directors) for the fiscal year under review. Total remuneration, etc., provided to Outside Directors, was 56 million yen.

The maximum amount of remuneration for Members of the Board of Directors who are not Audit and Supervisory Committee Members is 700 million yen, and the maximum amount of restricted share remuneration is 300 million yen. The maximum amount of remuneration for Members of the Board of Directors who are Audit and Supervisory Committee Members is 100 million yen.

For persons receiving remuneration, etc., in a total amount exceeding 100 million yen, individual remuneration is disclosed in the Company's Annual Securities Report.

**iii) Policy for Determining Remuneration Amounts or Calculation Methods Thereof:** Established

**iv) Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof**

To improve corporate governance as well as enhance objectivity and transparency, for the decision making process for matters related to the remuneration of Members of the Board of Directors, the Company has established a Remuneration Advisory Committee, consisting of four (4) Members of the Board of Directors of which two (2) are Outside Directors, and the decision is made at the Board of Directors meeting upon receiving report from that committee.

With respect to remuneration for Member of the Board of Directors, 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 in order to ensure recruitment of human talent considered to be excellent based on a comparison with same-industry competitors, to raise the morale and motivation to improve financial results and to contribute to the maximization of corporate value.

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

- (i) 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 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 and the previous fiscal year's financial performance.
- (ii) Bonus: The total amount of bonus is decided according to the Company's financial performance and the amount allocated to each Member of the Board of Directors is decided by giving consideration to the level of contribution to financial performance of each individual.
- (iii) Share-based remuneration: The share-based remuneration is set by position of each Member of the Board of Directors.

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 is only monthly remuneration. The amount paid to each Member of the Board of Directors who are Audit and Supervisory Committee Members is decided as a fixed individual remuneration through discussion by the Members of the Board of Directors who are Audit and Supervisory Committee Members.

(Please also see "2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)" of "II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" below.)

**(8) Supporting System for Outside Directors**

Activities of Outside Directors are assisted by the General Administration Department, and the Outside Directors who are Audit and Supervisory Committee Members are assisted with their duties by dedicated staff.

**(9) Status of Persons Who Have Retired as Representative Director and President**

**i) Names and other information regarding Former Representative Director and President as Senior Corporate Advisor (*Sodanyaku*), Corporate Advisor (*Komon*), or similar position**

- **Name:** Yasutaka Murata
- **Position/Title:** Honorary Senior Corporate Advisor
- **Description of tasks:**  
Appointment to management roles in industrial or public organizations approved by the Company
- **Working format and conditions (full/part time; with/without remuneration, etc.):**  
Part-time, without remuneration
- **Date of retirement from President or similar position:** June 26, 2009
- **Term of Office:** Whole life

**ii) Number of Former Representative Director and President as Senior Corporate Advisor (*Sodanyaku*), Corporate Advisor (*Komon*), or similar position: 1**

**iii) Other items: —**

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance 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). In 2016, the Company adopted “Company with an Audit and Supervisory Committee” structure.

The Board of Directors is made up of 12 Members (of whom 5 are Independent Outside Directors), and the Audit and Supervisory Committee is made up of 4 members (of whom 3 are Independent Outside Directors). Independent Outside Directors represent more than one-third of the 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. 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 Company also established a Management Executive Committee as a deliberative body made up of executive Members of the Board of Directors and Members of the Board of Directors who concurrently serve as Vice Presidents, 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.

The Audit and Supervisory Committee establishes auditing guidelines and auditing 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 Audit and Supervisory Committee includes members who possess a considerable degree of knowledge in the areas of finance and accounting.

The Internal Control Committee is responsible for the maintenance and continual improvement of the system to secure the appropriateness of company operations (the internal control system). In addition, the CSR Management Committee has been established to continuously and systematically promote CSR management.

▪ **Procedure for determining remuneration for the Members of the Board of Directors**

With regard to remuneration for Members of the Board of Directors, to strengthen the independence, objectivity, and accountability of the Board of Directors function, a Remuneration Advisory Committee was established as an advisory organ to the Board of directors. The members of the committee are selected by the Board of Directors from among its Members and include several Independent Outside Directors. The Committee deliberates on the remuneration system and levels

for Members of the Board of Directors and reports its findings to the Board of Directors.

The Board of Directors decides on the standards regarding remuneration for Members of the Board of Directors based on the report from the Remuneration Advisory Committee. Individual remuneration of Members of the Board of Directors who are not Audit and Supervisory Committee Members are decided through discussion by the Board of Directors and individual remuneration of Members of the Board of Directors who are Audit and Supervisory Committee Members by discussion with the Audit and Supervisory Committee.

▪ Policy and process for appointing candidates for Members of the Board of Directors

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

In consideration of the business content, scale, and management environment, etc., of the Company, personnel with knowledge, experience, and qualities that can contribute to enabling the Board of Directors to function (determination of basic management principles and important business execution, as well as supervision of execution of duties of Members of the Board of Directors) are selected as candidates for Members of the Board of Directors taking into account the balance and diversity in the expertise, experience, and capabilities of the overall Board of Directors as a whole. Additionally, in appointing Outside Directors, the Company seeks personnel across a wide and diverse range, and works to secure candidates who satisfy the independence standards of the Tokyo Stock Exchange and the Company.

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

With the intent of improving the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination of Members of the Board of Directors, the Company established a Nomination Advisory Committee as an advisory organ of the Board of Directors. The Committee members are selected by the Board of Directors from among its members and include multiple Independent Outside Directors. The committee considers criteria for selection of candidates for Members of the Board of Directors, independence standards for Independent Outside Directors, nomination of Members of the Board of Directors, and nomination of Representative Directors and executive Members of the Board of Directors, and reports its findings to the Board of Directors.

Furthermore, the Board of Directors determines the nomination of Members of the Board of Directors based on the reported findings of the Nomination Advisory Committee. Nominations for candidates for Members of the Board of Directors who will be Audit and Supervisory Committee members are subject to approval by the Audit and Supervisory Committee.

### **3. Reasons for Adoption of Current Corporate Governance System**

Please see “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” above.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Energize General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Notification of General Meeting of Shareholders	Basically dispatched approximately three weeks prior to the date of the General Meeting of Shareholders, and in 2018, it was dispatched on June 1 for the meeting held on June 28. Additionally, prior to dispatch, both Japanese and English versions are posted early on the Company's website, etc. (Posted on May 28, 2018)
Allowing Electronic or Magnetic Exercise of Voting Rights	Voting rights may be exercised by accessing the Internet from a personal computer, smartphone, mobile phone, or other device.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the electronic voting platform (ICJ) for institutional investors. Both Japanese and English versions of the Convocation Notice are posted on ICJ.
Providing Convocation Notice in English (Translated Fully or Partially)	An English Convocation Notice is prepared, and alongside the Japanese Convocation Notice, is posted on the Tokyo Stock Exchange, ICJ, and the Company's website.

#### 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	<ul style="list-style-type: none"> <li>•The Company's basic policy is to disclose information to stakeholders, including shareholders and investors, in a timely and appropriate manner.</li> <li>•The Company observes relevant laws and regulations, such as the Financial Instruments and Exchange Act, fair disclosure rules, and the timely disclosure rules of the Tokyo Stock Exchange and Singapore Exchange, on which the Company's shares are listed. The Company also strives to disclose information that it judges to be effective for understanding the Company, even if it does not correspond to the relevant laws and regulations or the timely disclose rules.</li> <li>•A disclosure policy has been established, stipulating policies and methods, etc., for information disclosure. The disclosure policy is posted on the Company's website. <a href="https://www.murata.com/en-us/ir/disclosure">https://www.murata.com/en-us/ir/disclosure</a></li> </ul>

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Analysts and Institutional Investors	<ul style="list-style-type: none"> <li>•As an opportunity for dialogue with institutional investors, a corporate information meeting is held by top management once a year, and an earnings release conference is held every quarter by officers in charge.</li> <li>•Regarding meetings with institutional investors, the Company strives to make accommodations within a reasonable scope.</li> </ul>	Provided
Regular Investor Briefings for Overseas Investors	<ul style="list-style-type: none"> <li>•As an opportunity for dialogue with institutional investors, corporate information meetings are held by top management once a year in Europe and the United States.</li> <li>•Regarding meetings with institutional investors, the Company strives to make accommodations within a reasonable scope.</li> </ul>	Provided

	Supplementary Explanations
Posting of IR Materials on Website	<ul style="list-style-type: none"> <li>Materials for corporate information meetings, earnings release conferences, and other information are posted on the Company's website to provide wide public disclosure. <a href="https://www.murata.com/en-us/ir/">https://www.murata.com/en-us/ir/</a></li> </ul>
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>Department responsible for IR: Accounting &amp; Controller Department (Contact office representative: Masahiro Sawada, General Manager, Accounting &amp; Controller Department)</li> </ul>
Other	<ul style="list-style-type: none"> <li>Although the Company does not conduct meetings with individual investors, the Company believes its active response to institutional investors and media outlets can lead to providing information to individual shareholders. To encourage interest in the Company from individual investors, the Company works to enrich its corporate PR and improve its website. Additionally, if inquiries are received via telephone, etc., from individual shareholders, the Company responds in a sincere manner.</li> <li>Feedback and opinions received from shareholders and investors through IR activities are reported to the Board of Directors appropriately as necessary.</li> </ul>

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Provisions to Ensure Due Respect for Stakeholders in Internal Rules, etc.	The Company issues CSR reports and states its view on its relationships with stakeholders.
Implementation of Environmental Activities, CSR Activities, etc.	The Company is promoting CSR management with the aim of continuing to be a company that is trusted by society. It has established the "CSR Charter" and is committed not only to compliance with laws and regulations, but also to highly transparent governance, respect for human rights, health and safety, social contribution and environmental preservation, etc., on the basis of high corporate ethics.
Formulation of Policies for Information Provision to Stakeholders	The Company has established a disclosure policy and stipulated information disclosure policies, methods, etc.



## **IV. Matters Related to Internal Control System**

### **1. Basic Views on Internal Control System and Progress of System Development**

The Company's Board of Directors has defined a basic policy regarding the maintenance of a system to secure the appropriateness of company operations (internal control system), as shown below. Based on this, the Company works to appropriately maintain and operate the internal control system.

- (1) System to secure compatibility between execution of duties of Members of the Board of Directors and employees with laws and regulations and the Articles of Incorporation
  - 1) The Company shall appoint Outside Directors to strengthen operational execution decisions of the Board of Directors and monitoring functions of business execution by Members of the Board of Directors.
  - 2) The Company shall establish an organizational committee to evaluate the maintenance and operational conditions of the internal control system, and work to maintain and continuously improve the internal control system.
  - 3) In order to fulfill corporate social responsibilities (CSR), the Company shall establish an organizational committee which manages activities regarding CSR areas such as compliance, risk management, and environment, etc., and promote CSR management of the Company Group continuously and systematically.
  - 4) The Company shall establish an organization responsible for promotion of CSR activities. This organization will work in tandem with organizational committees related to CSR, and act as a central group to spread CSR within the Company and handle issues with the outside of the Company.
  - 5) In order for Members of the Board of Directors, Vice Presidents, and employees to adhere to laws and regulations and conduct business activities based on high ethical standards, the Company shall define and work to spread Corporate Ethics Policy and Code of Conduct and regulations regarding compliance.
  - 6) In order to appropriately deal with issues related to compliance, the Company shall establish a reporting hotline within and outside of the Company, and ensure that measures are in place such that there is no detriment to reporters.
  - 7) The Company shall clearly define within its Corporate Ethics Policy and Code of Conduct to firmly refuse correspondence and contact with anti-social activities and organizations and to not resolve unreasonable requests received from anti-social forces via the use of cash, etc., and will appropriately deal with such events based on the policy and the code.
  - 8) The Company shall establish an independent internal auditing department to evaluate and monitor the effectiveness of the internal control system.
- (2) System to store and manage information regarding the execution of duties by Members of the Board of Directors
  - 1) Minutes and group approval documents of the Board of Directors and other important documents concerning the execution of duties by Members of the Board of Directors shall be stored based upon internal regulations of the Company, and shall be suitably made available for viewing by Members of the Board of Directors.
  - 2) Basic items regarding storing and managing documents shall be defined within the internal regulations of the Company, and documents contained in the above item shall be appropriately stored and managed.
  - 3) A meeting structure shall be established to deliberate the necessity and content of timely disclosure of company information, and company information shall be disclosed in a timely and appropriate manner.
- (3) Regulations and other systems regarding management of risks of loss
  - 1) Regulations shall be defined regarding risk management, and the division that supervises each business function shall conduct risk management.
  - 2) Deliberations regarding the Company Group's risk management structure and operational status shall be conducted at an organizational committee. Additionally, evaluations will be made regarding countermeasures against significant risks, driving forward the activities of the Company Group.

- (4) System to secure efficient execution of duties by Members of the Board of Directors
  - 1) The Company shall formulate long and medium term policies and based on such long and medium term policies formulate yearly policies, budgets, and action plans, and manage the progress and confirm status of the achievement.
  - 2) The Company shall implement a Vice President system, and by separating decision making for management policies and important business execution with daily business execution, strengthen monitoring functions and business execution functions.
  - 3) To conduct appropriate decision making, approval regarding matters that are defined in the internal regulations of the Company shall be conducted via group approval procedures utilizing information technology (IT), through deliberation by concerned Members of the Board of Directors, Vice Presidents, and significant employees.
  - 4) As a deliberation body to supplement decision making by the Board of Directors and Representative Directors, the Company shall establish the Management Executive Committee composed of executive Members of the Board of Directors and Members of the Board of Directors who concurrently serve as Vice Presidents. The Management Executive Committee shall receive reports and deliberate on matters that are defined in the internal regulations of the Company.
  - 5) Various information regarding the status of business execution shall be provided to concerned Members of the Board of Directors, Vice Presidents, and employees periodically or as required, and a system to share information shall be established via the use of IT.
- (5) System to secure appropriate business in the Company Group, composed of the Company and its subsidiaries
  - 1) The Company Group shall share corporate policy that acts as a fundamental management policy, in addition to strictly enforcing and sharing Corporate Ethics Policy and Code of Conduct, and regulations regarding compliance.
  - 2) The Company Group shall establish regulations and procedures regarding decision making. Based on these, deliberations will be made with subsidiaries regarding the business operations of subsidiaries, in addition to sharing various information regarding business operations of the Company Group.
  - 3) Divisions that supervise the various business functions of the Company shall define frameworks, processing procedures, and judgment standards for duties to ensure that duties within the Company Group are performed appropriately and efficiently, in addition to providing appropriate direction to subsidiaries as required.
  - 4) The Internal Audit Department shall evaluate and monitor whether or not duties within the Company Group are conducted appropriately and efficiently, adhering to laws and regulations and the internal regulations, etc. of the Company.
  - 5) Members of the Board of Directors, Vice Presidents, and employees of subsidiaries shall report to the Company matters defined in items 2) through 4) above, and other items regarding the execution of duties.
  - 6) The Company shall direct each subsidiary to establish and operate internal control systems that are appropriate for the content and scale of each business.
- (6) Matters regarding Members of the Board of Directors and employees who assist the duties of the Audit and Supervisory Committee, matters regarding the independence of these employees from Members of the Board of Directors who are executive officers, and matters regarding securing the ability to execute orders given to these employees
  - 1) The Company shall station an appropriate number of dedicated employees to assist the duties of Audit and Supervisory Committee Members.
  - 2) These employees shall not receive supervision or orders from Members of the Board of Directors who are executive officers. Additionally, for matters regarding human resources of these employees, Members of the Board of Directors who are executive officers must consult with and obtain permission from the Audit and Supervisory Committee.
- (7) System for reporting to the Audit and Supervisory Committee and system to ensure that parties that report to the Audit and Supervisory Committee do not receive detrimental treatment as a result of reporting
  - 1) Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall

submit to the Audit and Supervisory Committee minutes and materials from Management Executive Committee, etc., group approval documents of the Company Group, and periodic reports of business reports, etc., and also report on facts that may conflict with the Corporate Ethics Policy and Code of Conduct, status of risks and risk management, status and content of reports to the internal reporting hotline, and audit results of external public institutions.

- 2) In the event that facts are discovered regarding the business execution of the Company Group that conflict with laws and regulations, the Articles of Incorporation, Corporate Ethics Policy and Code of Conduct, or other internal regulations of the Company, or may cause significant harm to the Company Group, Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall immediately report to the Audit and Supervisory Committee.
  - 3) In the event that facts are discovered regarding the business execution of the Company Group that conflict with laws and regulations, the Articles of Incorporation, Corporate Ethics Policy and Code of Conduct, or other internal regulations of the Company, or may cause significant harm to the Company Group, Members of the Board of Directors, Vice Presidents, and employees of subsidiaries or parties that received such reports from the Members of the Board of Directors, Vice Presidents, and employees of subsidiaries shall report to the Audit and Supervisory Committee.
  - 4) Apart from the previous items, if requested by the Audit and Supervisory Committee, Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall submit requested documents, etc., or report as required.
  - 5) Regarding the previous items, the Company shall not give detrimental treatment to reporters as a result of reporting.
- (8) Other systems to secure the effectiveness of audits by the Audit and Supervisory Committee
- 1) Members of the Board of Directors who are executive officers shall maintain an environment that allows for Audit and Supervisory Committee Members designated by the Audit and Supervisory Committee to attend important meetings.
  - 2) Members of the Board of Directors who are executive officers and employees shall conform to the “Audit Plan” as formulated on a yearly basis by the Audit and Supervisory Committee, and cooperate to allow for effective audits.
  - 3) Members of the Board of Directors who are executive officers and employees shall cooperate with and fulfill the requests of the Audit and Supervisory Committee in the event that evaluation hearings are required with attorneys-at-law or the Independent Auditor.
  - 4) Fees, etc., incurred as a result of the execution of duties by Audit and Supervisory Committee Members shall be borne by the Company.
  - 5) Members of the Board of Directors who are executive officers and employees shall cooperate with and fulfill the requests of the Audit and Supervisory Committee during the course of cooperation between the Audit and Supervisory Committee and the Independent Auditor.
  - 6) The Internal Audit Department shall work to cooperate with the Audit and Supervisory Committee as requested.
  - 7) Representative Directors, etc., shall work to exchange information with the Audit and Supervisory Committee.

## **2. Basic Views on Eliminating Anti-Social Forces and Progress of Related Efforts**

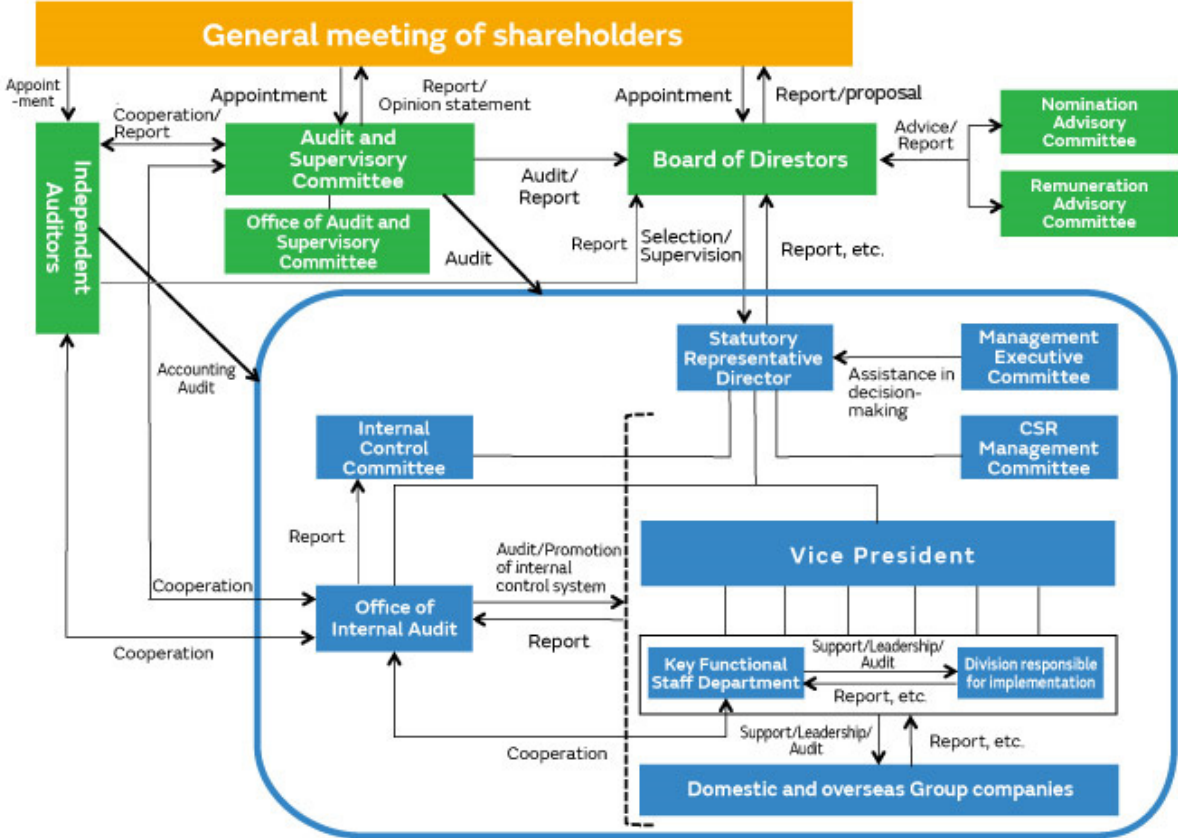
The Company has made a commitment within its “Corporate Ethics Policy and Code of Conduct” to “firmly refuse correspondence and contact with anti-social activities and organizations and to not resolve unreasonable requests received from anti-social forces via the use of cash, etc.” In the “business transaction guidebook,” the Company also requires its suppliers “not to deal with companies that have relationships with anti-social forces,” and has stated a clear position of upholding its social responsibility in the supply chain, not only of the Company, but also of its suppliers.

Furthermore, with a view to preventing the involvement of anti-social forces with management activities, as well as damage by such forces, the Company has made the General Administration Department the internal department for dealing with such matters and established a response structure for the entire organization.

**V. Other**

- 1. **Adoption of Anti-Takeover Measures:** Not adopted
- 2. **Other Matters Concerning Corporate Governance System:** There are no applicable items.

**[Reference material: Organization chart]**  
 Summary of structure of corporate governance system



Summary of structure for timely disclosure

