

Innovator
in Electronics

Murata Report 2010

Corporate Report
CSR Report
Financial Data

Innovator in Electronics®

Many people are unaware of Murata's electronic components.
However, Murata components are used by almost all of us.
Computers, mobile phones, home appliances, car electronics...
Inside our electronic equipment, which continues to evolve dramatically,
becoming ever smaller with more advanced functions,
Murata components are hard at work.

Innovator in Electronics®

Electronic components keep on changing.
Murata wants to keep on changing, too.
We work to stay in step with the trends of the times,
keeping our focus on the customer,
carrying out our manufacturing with pride,
continually seeking out new challenges,
and striving to always remain
the tireless innovator that we are.
Under a philosophy that is unchanging,
we continue to make bold changes.
In any and every age,
Murata will always be an innovator.

Index

Corporate Report	01	Innovator in Electronics®
	02	Index
	03	Top Message
	05	Value Chain
	07	Business Field
	09	Products by Application
	15	Financial Highlights
CSR Report	17	Global Network
	19	CSR Commitment
	21	Promoting environmental management
	23	Global warming prevention
	25	Employees
	27	Society and the community
	29	Suppliers
	30	CSR management
	31	Customers
	33	CSR Activities: Targets and Results
Profile	35	Opinions from the third party
	36	List of domestic and overseas sites
	37	Members of directors Stock information Major shareholder
Financial Data		

In this brochure,
'Murata' refers to the Murata Manufacturing Group as a whole.



3 market segments



Emerging markets

Achieving No. 1 market share position

Winning over customers with our speed, low prices and agility

Core markets

Becoming strategic supplier

Provide Murata's integrated solution

New markets

Becoming the exciting prospect

Discovering business opportunities with customers and partners

01 Corporate Profile

All Rights Reserved, Copyright © Murata Manufacturing Co., Ltd. 2010

Unchanging values, a strategy of sustained effort

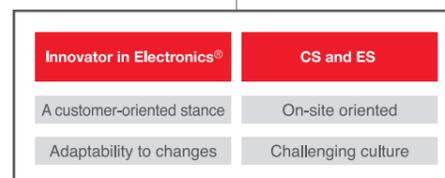
Does the work we do impress and astonish our customers?
 Do the people we work with find their work challenging and feel personal growth?
 These are the questions that we must each ask ourselves, and act upon.

MURATA PHILOSOPHY WE PLEDGE...

To Contribute...
 To The Continued Worldwide Development Of Industry And Culture Through Management Commitment

To Pursue...
 Total Quality And Customer Satisfaction, While Continuously Introducing Innovative Products In Integrated And Interrelated Technologies Which Will Allow Our Company, Our Employees, Customers And Other Partners, And Our Communities

To Grow And Prosper...
 With An Appreciative Feeling Of Mutual Pride and Trust



CS: "Making the efforts to have our customers consistently recognize the value we offer"
 ES: "A workplace environment in which the employees find their work challenging and in which they can continue to grow"

Since the establishment of our company, the convictions embodied in the Murata company philosophy have served as the foundation for the ideas and actions of all Murata employees. During these past few years, which have seen dramatic change in the market environment, I have consistently emphasized that our company management should be one that places high value on CS and ES. CS is making the efforts to have our customers consistently recognize the value we offer. ES is a workplace environment in which the employees find their work challenging and in which they can continue to grow. Do our technologies, products and services truly succeed in delivering value to customers? Does this value serve to impress and astonish the customer? I would like our organization to be made up of people who take the independent initiative to ask themselves such questions at all times. Cooperation is required not only between sales, production and business departments. It is rather our entire organization, including the development and staff departments, that must act as a cohesive and like-minded whole. This is the

Murata that I hope we can continue to be. Furthermore, it is only upon unchanging values like these that we can build our business strategies. At present, Murata considers markets in the context of three different market segments. First, in emerging markets, we work to win over customers with our speed, low prices and agility, and aim to achieve the No. 1 market share position. Secondly, in core markets, we are working to become the strategic supplier, resolving customer issues not only with our individual components but also with Murata's integrated solutions. Third, in new markets, we aim to become the exciting prospect capable of discovering business opportunities with our customers and partners. Murata employs these three different approaches for its various markets. Although we may vary our business strategies to suit the circumstances involved, what is important is that our convictions do not change. This is why we must remain the Murata that we are.

President
 Statutory Representative Director
 Tsuneo Murata



With the Murata's value chain provide highest value to customers

Our desire to serve our customers links us together.

Providing customers with value is not solely the responsibility of the sales department. The production and planning & development departments of course share in this responsibility, and all of Murata, including staff departments such as administration, personnel and accounting, must work in close cooperation to keep our organization directly aligned towards the customer.

It is within this common purpose that we must each find and perform our individual role. Creating a strong and flexible organization is the motivation behind our value chain.

- Point 1** **Recognizing one's own function and role**
"What am I capable of? What is required of me?" Understanding how our work connects us to the customer helps us understand the part we play.
- Point 2** **Coordination between the business units and functional staff**
The business units deal directly with the customer, and functional staff lends support. A shared customer-oriented philosophy can foster an ideal cooperative relationship.
- Point 3** **Coordination among functional staff**
Beyond the business unit lies the customer. A team effort between functional staff members whose ideas are based on this understanding will generate a strategic strength.



Units (produce customer value) **Planning/Development**

Striving for user-oriented development
Capacitors are Murata's main products. I consider customer input in addition to specifications to understand how products will be used, and try to incorporate my ideas and suggestions into my development.

Fukui Murata Manufacturing Co., Ltd. Capacitor Engineering Division I
Hiroki Awata

Product Design/Procurement and Distribution/Manufacturing

Delivering solutions that exceed expectations
SE (sales engineers) let us know what customers are looking for, and I do my best to propose and design products which provide customers with solutions exceeding their expectations.

Murata Manufacturing Co., Ltd. Communication Module Division
Hidetaka Kuwahara

Sales Marketing/Service

Providing customer support that satisfies
At Murata, we work with development staff to provide our unique technical support service, and it gives me pleasure to continually improve our relationships with customers who recognize us as a strategic partner.

Korea Murata Electronics Company, Limited Sales Engineering Group
Cheol Lee

Staff (support the production of customer value) **Accounting**

Helping Murata navigate the seas it sails
The figures we deal with are not just abstract numbers. They illuminate the course that Murata should take, helping our company make strategic decisions and supporting the development of our corporate vision.

Murata Manufacturing Co., Ltd. Accounting & Controller Dept.
Yuki Ishii

Production Engineering

Improving production lines to benefit the customer
We work to discover and resolve production line issues including those related to quality, cost and delivery. Our improvements help Murata improve its productivity, and benefit the customer as well.

Murata Manufacturing Co., Ltd. Production Engineering Support Dept.
Akihiro Hayashi

Legal Affairs and Corporate Communications

Legal and PR support from the customer perspective
As part of our effort to provide increased technical support to customers, I am involved with a project to construct an anechoic chamber in Shanghai, something I also work to publicize so that more customers may take advantage of it.

Murata (China) Investment Co., Ltd. Administration Dept.
Teng HaiYing

CUSTOMER

Providing value

Murata technology is playing a role in an increasingly broad range of fields.

Electronic components are finding use in even more applications, such as automotive electronics, environment/energy, and healthcare. With its innovative technology, Murata opens up new possibilities in electronics.

From core electronics for mobile phones, computers, and audio-visual equipment to new applications for automotive electronics, environment/energy and healthcare:

In an even broader range of fields, Murata is creating new value as an "Innovator in Electronics®", Opening up a bright future.



Automotive Electronics

Creating automobiles that are both people-friendly and eco-friendly

In terms of safety, comfort, and environmental responsibility, modern cars are expected to offer increasingly high functionality and performance. Murata electronics helps make automotive dreams a reality.



Healthcare

High-tech healthcare

Our electronics also helps people lead healthy lives by providing sensing technology that recognizes and communicates human behavior and feelings as well as networking for transmitting such information.



Environment, Energy

For the realization of sustainable society

Electronics also plays a part in offering solutions for new, more environmentally friendly lifestyles. Murata's electronic technology helps resolve energy issues.



Audio and Visual, Communications, Computers, Home Appliances

Bringing comfort to people's lives all around the world

Electronic equipment is now indispensable in our everyday lives. Murata products allow these devices to provide even higher comfort and functionality for ever more people.



Audio and Visual

TV plays an “ACTIVE” role
—Murata links TV to information technology—

Modern television sets do more than entertain by showing enjoyable programs. Thanks to increases in screen size and image quality, linkage to peripherals, and integration with communication services, they are now becoming the most accessible information terminals available. Murata electronic components not only enable the wireless transmission of high-definition TV signals, but also reduce power consumption.



Electronic components that bring “Innovation” into equipment

By downsizing electronic equipment and adding new functions, Electronic components transform equipment from within.

Smaller size along with higher and multiple-functionality does more than just make electronic equipment more convenient.

These advancements also create new value in our everyday lives.

Small electronic components have a great impact on us by changing our communication, working style, lifestyle, and entertainment.

If your life has changed from last year, you can be sure that Murata has played a part in it.

Key Murata products used in audio-visual equipment



Infrared Sensor

Infrared sensors serve as energy-saving units. They detect the presence of people nearby and switch off the LCD backlight when no one is around watching TV. Our surface mounting technology helps make TV sets even flatter.



Switching Power Supply

Featuring high efficiency, switching power supplies reduce power loss caused by heat generation. Murata offers small and low-profile units.



Wireless HD Module and IEEE 802.11n Module

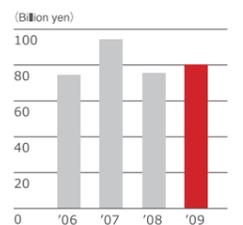
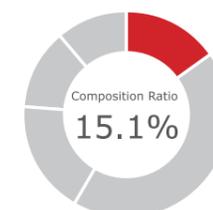
These modules, which allow for the wireless transmission of large high-definition data, are used in home theater systems and feature the free layout of system components.



Flat-screen TV sets represent a core market for Murata.

Enjoying rapidly increasing demand in emerging economies, flat-screen TVs not only drive the growth in demand for components such as capacitors, but stimulate the need for infrared sensors for energy savings and power supply modules that contribute to energy savings and downsizing. Murata expects progress in AV equipment networking to lead to a substantial growth in wireless module sales, including WirelessHD modules that allow for the free-layout of TV systems.

■ Net sales share and net sales for the AV market



Figures estimated by Murata

Communications

Mobile phones link you with your future, your security

—With Murata, connection takes up a brand new meaning—

People around the world now use mobile phones. The launch of new higher-speed, higher-capacity communication services is accelerating the trend for more diversified and smarter products. On the other hand, demand for simple low-end phones is also growing. Microwave products, sensors, and functional modules contribute to the advancement and diffusion of innovative communication technology.

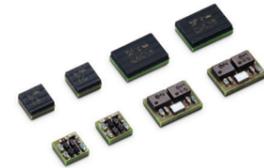


Key Murata products used in mobile phones



SAW Filter and Duplexer

SAW filters and duplexers, which separate the necessary signal from all radio frequency signals, are key devices in radio frequency circuits. With its unique miniaturization technology, Murata helps RF circuit downsizing.



SWITCHPLEXER®

SWITCHPLEXER® is used for noise filtering and switching between reception and transmission. Murata's innovative multilayer module technology allows the achievement of compact size and high reliability.



Communication Module

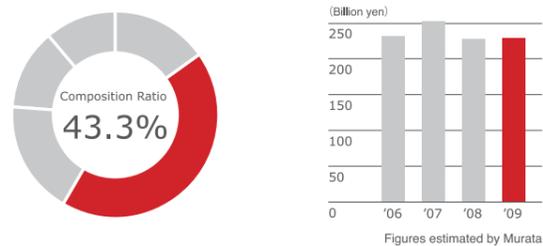
Enabling the mobile phone to access the Internet via wireless LAN, these modules lead the trend of increasing multifunctionality for mobile phones.



The spread of sophisticated mobile phones drives the growth of Murata components.

Components for mobile phones account for the largest portion of Murata's electronic component sales. In addition to the rapid increase in the number of handsets in use, the spread of sophisticated models such as 3G phones and smartphones has caused a sharp rise in the number of components used in a handsets, such as capacitors and SAW filters, permitting us to expect continued rapid growth in the market in the future.

■ Net sales share and net sales for the communication market



Computers

Ubiquitous computing in the true sense

—Murata makes things “simple” with not-so-simple technologies—

Easy to carry and connect to networks, highly mobile PCs are drawing enthusiastic attention with the spread of Internet connections and cloud computing services. Murata downsizes its electronic components, permits them to accommodate higher-frequency signals, reduces loss to make them friendlier to the battery, and develops sensors that confer high reliability and operating comfort, thereby providing support for new-age computing.



Key Murata products used in computers



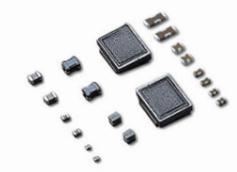
Shock Sensor

In addition to protecting hard disks from impact and vibration, shock sensors make it possible to operate computers by simply touching or shaking them without using the conventional mouse pointer.



Monolithic Ceramic Capacitor and Low-ESL Capacitor

These capacitors stabilize the power supply circuit to MPU, helping reduce size and thickness of mobile PCs.



Chip Ferrite Beads and Chip EMIFIL®

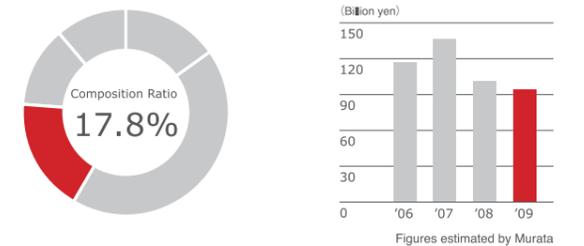
Offering an increasing range of functions, modern PCs face an even worse noise environment on the inside. Murata's traditional noise suppression products can eliminate various noise problems.



Mobile computing now in a new phase of growth.

The increase in CPU speed has accelerated demand for capacitors and noise suppression products for personal computers. Shock sensors for detecting impact on hard disk drives, which already enjoy an overwhelming share of the market, are expected to enjoy continued growth in the future thanks to the growing number of PCs in use, increased demand for external hard disk drives, and an increase in demand for servers due to further progress in cloud computing.

■ Net sales share and net sales for the computers and peripherals market



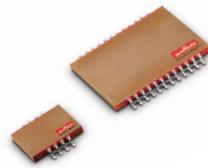
Automotive Electronics

Automotive technology is going through transformation for our Earth and people
—Thus Murata's missions abound—

The automotive industry is increasingly computerizing and electrifying their vehicles to improve their environmental compatibility as part of their responsibility for people and our planet. Murata's highly reliable electronic components based on the heat resistance of ceramics prove their mettle under punishing driving conditions. Power devices that accommodate high power accelerate advancements in hybrid and electric drive technology.



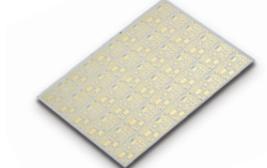
Key Murata products used in automobiles



Monolithic Ceramic Capacitor (for Power Electronics Applications)
Employed in the inverter that controls the hybrid / electric vehicle motor, monolithic ceramic capacitors for power electronics applications feature a space-saving design.



Ultrasonic Sensor
Ultrasonic sensors can detect the distance to obstacles during parking maneuvers. It realizes easy parking and enhance driver's comfort.

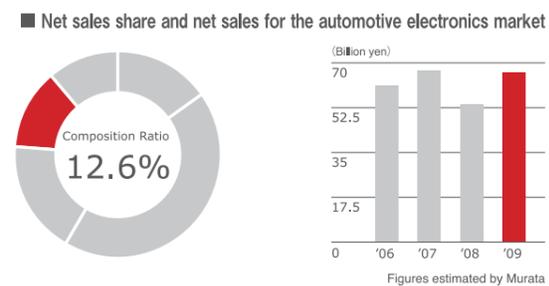


LTCC Multilayer Substrate
Co-fired at low temperatures, these ceramic substrates find use in the automotive ECU (electric control unit) of the powertrain control equipment, such as transmission control unit, which is required to be highly reliable.



Murata enjoys a growing demand for various electronic components that ensure environmental friendliness, safety, and comfort in cars.

As environmentally friendly cars go mainstream, automobiles are fitted with more electronics, causing a rapid growth in demand for capacitors and other electronic components from Murata. Ultrasonic sensors used for safety equipment as well as gyroscopes and Bluetooth® modules for navigation systems are also successful. We expect to continue to achieve high growth in the sales of components for automobile applications.



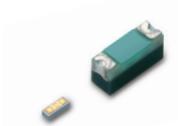
Home Appliances

Eco living is cool living
—Make it smart with Murata's electronic components—

Even more energy savings and environmental compatibility are required for the home electric appliances we use in our everyday lives, such as lighting and air-conditioning. Murata offers low-loss and long-life ceramic capacitors, transformation-efficient power supply modules, and sensors/communication modules that control equipment by monitoring its operation to provide support for smart home electronics.



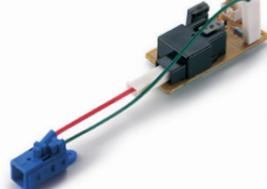
Key Murata products used in home appliances



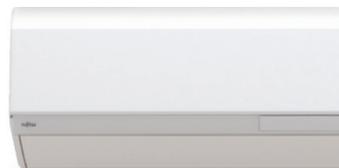
Anti Fuse Device
Used in LED lighting equipment, these protective elements increase energy-saving performance and service life.



POSISTOR® for Motor Starters
POSISTOR® controls the electric current generated when the refrigerator compressor is activated. By helping reduce power consumption, POSISTOR® contributes to the opening of a low-carbon society in future.

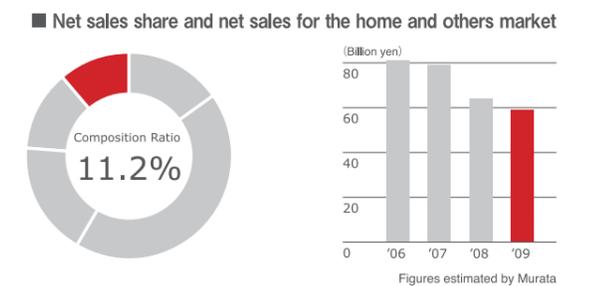


Ionizer (Ionissimo™)
This ion generator, which cleans indoor air by efficiently eliminating airborne fungi and viruses, is a new lifestyle product offering an "air care" solution.



Creating ecological value as a new form of affluence.

Home electric appliances are icons of a wealthy lifestyle. Emerging markets are seeing increasing demand for thermistors for refrigerators and air-conditioners. In advanced countries, home electric appliances represent a major target in the commitment to reducing energy consumption. Murata's electronic components also find use in the control circuit of LED lighting equipment.



Financial Highlights

The electronics market continues to grow by overcoming the drastic changes in the global economy.

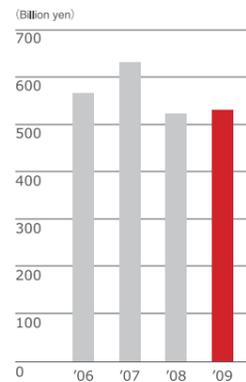
Murata's electronic components play a pioneering role in the further expansion of the market.

The shrinkage of the world economy following the collapse of Lehman Brothers seriously affected the electronics market. Despite the difficult environment, Murata achieved 1.3% growth in FY2009.

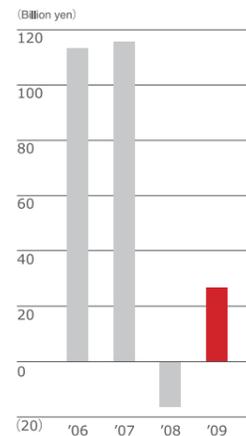
In FY2010, the company expects to return to double-digit growth.

The ongoing increase in the number of components used in equipment—due to increasing functional sophistication in all applications including mobile phones, computers, automobiles, and home appliances, and the introduction of new applications such as smartphones, e-books and tablet PCs—will lead to a further increase in demand for electronic components.

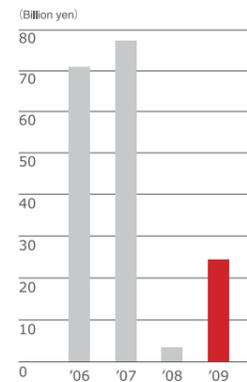
Net sales



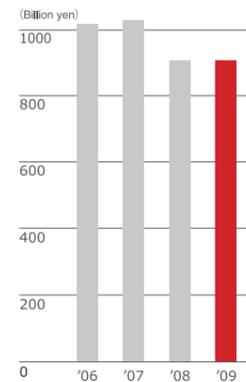
Operating income



Net income



Total assets

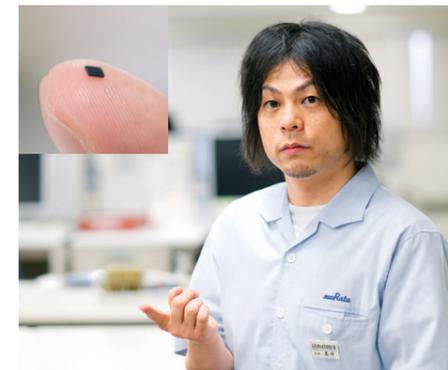
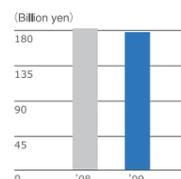
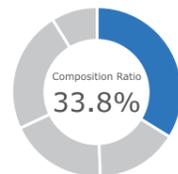


Capacitors

Murata proposes optimum solutions by anticipating customer needs.

Capacitors are Murata's core product category and are used in a broad range of applications. That's exactly why we anticipate customer needs in our development. We aim to propose optimum component solutions for various future products produced by our customers.

Murata Manufacturing Co., Ltd.
Planning & Market Promotion Dept.
Kaori Morito

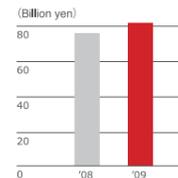
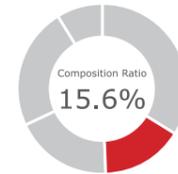


Piezoelectric products

From mobile equipment to various communication systems.

Microwave products such as SAW filters and duplexers have enjoyed substantial growth in the mobile phone market. Our basic policy is to further expand our share of the market. At the same time, however, we are developing technologies for PC data communication and car electronics. We believe they also have great potential as sensors.

Kanazawa Murata Manufacturing Co., Ltd. Microwave Products Development Division
Tsutomu Takai

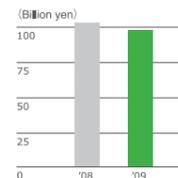
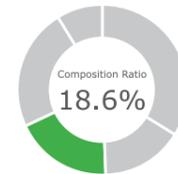
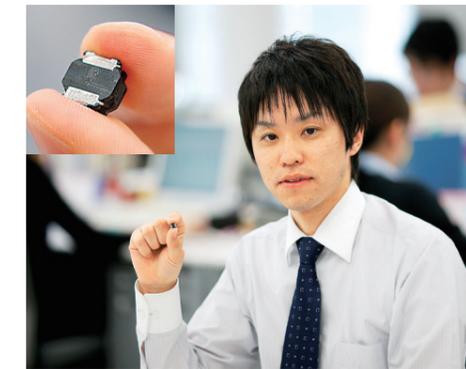


Other components

Speedy business development is the key to seizing opportunities in new markets.

In contrast to noise suppression components, which are one of the traditional Murata product categories, power inductors represent a product for the future and still have much room for growth. We aim to expand our business by further strengthening overseas production to increase our cost competitiveness. Speedy action will be the key in the future.

Murata Manufacturing Co., Ltd. EMI Filter Division
Takeshi Hashimoto

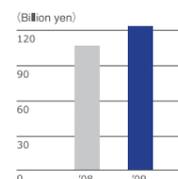


Communication modules

All-in-one modules as a strategic weapon.

In overseas markets, all-in-one modules, which integrate wireless LAN, Bluetooth®, and FM transmission/reception elements in a single chip, are finding increasing use in mobile phones. We will be aggressive in even larger markets, i.e., markets for game consoles and healthcare products.

Murata Manufacturing Co., Ltd.
Communication Module Division
Jun Makino

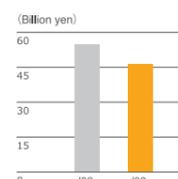
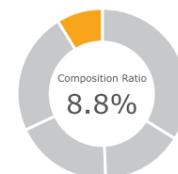
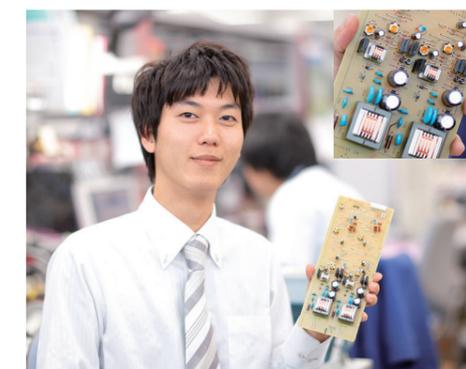


Other modules

Murata modules integrate technological elements to achieve more energy savings and higher efficiency.

The downsizing of power supply modules is an indispensable requirement for intelligent design in equipment. Energy savings and high efficiency represent key challenges in terms of environmental protection. We aim to create market-leading products by further developing our module components and circuit design technology.

Murata Manufacturing Co., Ltd. Power Supplies Dept.
Hiroshi Tanaka



Global Network



America



Net sales: 38.8 billion yen
Subsidiaries: 7

Murata Electronics North America, Inc.
 Global Sales Manager / Sales, Western Area

Michael Ingram

Protecting the core and helping lead Murata company into new markets segments.

In addition to balancing our focus and resource on continuous growth in the area of our core markets, we must at the same time focus our energies on new and emerging markets like the Smart Grid, Healthcare and Hybrid Vehicle markets. Are we up to the challenges that lie ahead? I think we are.

Global Network

66 companies in many regions of the world.
Wherever you find us, we are always Murata,
ever innovative.

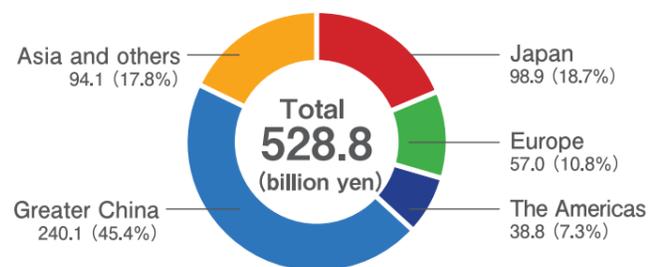
Approximately 80% of Murata products are sold overseas.

Japan, Asia, America, Europe.

Not only do we adhere to the same customer-oriented policy at each of our sites, we also strive to be a beloved corporate citizen and trusted presence in every region. Furthermore, each site recognizes itself as a member of the same Murata group, moving together towards a common goal.

Around the globe, Murata works as one.

Sales by Area



These figures reflect sales by area and subsidiary numbers as of March 31, 2010.



Europe



Net sales: 57 billion yen
Subsidiaries: 13

Murata Elettronica S.p.A.
 Sales Manager / National Account Business Unit

Roberto Ambrosi

New challenges for Murata Europe

We support the market with a wide range of applications. Automotive applications are now the most significant source of revenue in Europe, but Industrial and Home Appliances, as well as Energy applications, will also be important areas for future business creation. We will utilize our experience to contribute to the future growth of Murata Europe.



Japan



Net sales: 98.9 billion yen
Subsidiaries: 25

Murata Manufacturing Co., Ltd.
 Technology & Business Development Unit Manager

Makoto Inai

Challenge! & Evolution!!

Murata's largest development centers in Japan, the Head Office and Yasu Division develop the new materials, technologies, and products that support our present and future business operations. We lead Murata Japan in producing customer value with our knowledge, passion and craftsmanship, and will continue to support the growth of Global Murata.

Greater China



Net sales: 240.1 billion yen
Subsidiaries: 14

Murata Electronics Trading (Shanghai) Co., Ltd.
 Deputy General Manager / Sales Department III

Richard Zhang

Achieving new resplendence of Murata China tomorrow

In the face of new historical opportunities and challenges, we have been making thorough preparations by optimizing customer-oriented values and advancing effective sales innovations aiming at a new height, based on the 2010 company direction to command larger shares in the emerging industrial markets.

Asia and Others



Net sales: 94.1 billion yen
Subsidiaries: 7

Murata Electronics Singapore (Pte.) Ltd.
 Deputy General Manager / Distribution, EMS Customers & India Market, Sales Division

Alex Lim

Touches customers' heart through value added service that exceed their expectation.

We are responsible for handling ASEAN and emerging markets including India and Vietnam. Adapting ourselves to local needs and providing services that exceed expectations helps us to win the hearts of customers, and deeper penetration and expansion into emerging markets is essential for us. This will further enhance our contribution to Murata's global growth.

CSR Report 2010

In harmony with the Earth, Society and People Innovator in Electronics®



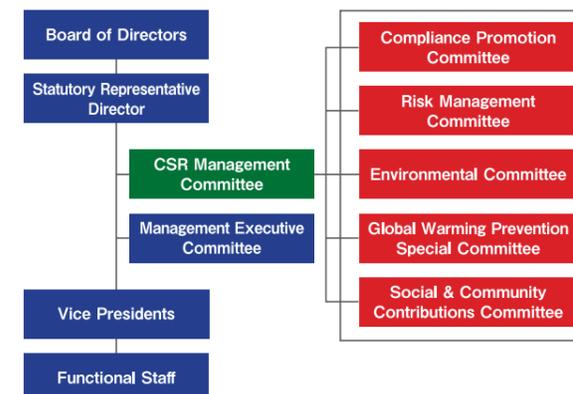
President
 Statutory Representative Director
 Tsuneo Murata

Murata Philosophy which guided us through our corporate activities since Murata's inception includes phrases such as "To contribute to the development of culture," "To pursue prosperity for our company, our employees, customers, other partners and our communities" and "To grow and prosper with an appreciative feeling of mutual pride and trust." These phrases represent the very spirit of our CSR activities today. We identify CS*¹ and ES*² as top priority values, strive to fulfill our responsibilities and actions for multi-stakeholders, and strengthen our commitment for global environmental protection. We have redoubled our effort starting last year by establishing Global Warming Prevention Special Committee under CSR Management Committee to deliberate CO₂ reduction measures from design/development phase to manufacturing phase. As a result, we have

established base unit goals leading us to reducing CO₂ emissions as a total. Murata intends to bear the responsibility of tackling an urgent problem of global warming prevention as a member of society. In terms of business activities, we also position safety and health for all workers as the top-priority goal for our administration. To this end, we are now applying company-wide efforts to create a safe and comfortable work environment and maintenance and improvement of mental/physical health. We are aiming to become certified for an occupational health and safety management system as a part of this initiative. These activities are examples of responding to social requests and promoting CSR management continuously and strategically with CSR Management Committee as the central driving force.

*1 CS: Making the efforts to have our customers consistently recognize the value we offer
 *2 ES: A workplace environment in which the employees find their work challenging and in which they can continue to grow

[CSR-related committees organizational chart]



[Scope of reports and information disclosure system]

This report is made and edited concisely focusing on helping readers understand Murata's CSR and its activities. Detailed information, case studies and environmental performance data are posted on the Murata website. Environmental data and unique activities at each plant are also disclosed in "CSR Report by business site" of the Murata website. Financial information can be found in detail in "Investor Relations."

[Period of the report]

Between April 1, 2009 and March 31, 2010
 ※ Some of the activities taking place before March 2009 or after April 2010 are covered in the report as well.

[Organizations reported]

Murata Manufacturing Group
 (Murata Manufacturing Co., Ltd. and 66 subsidiaries in and out of Japan)

[Promoting environmental management]

Those of us at different locations and in different fields share the same sentiment about environmental conservation.

We at Murata strive to aim at reaching harmony with the environment in every stage of our corporate activities including development, design and production processes.

Practicing efficient management through tighter collaboration among Group companies



Murata Electronics (Malaysia) Sdn. Bhd. Administration Department
 Hadari Mohamad Yusof

Having acquired ISO14001 certification in 1999, Murata Electronics (Malaysia) Sdn. Bhd. strives to meet requirements for efficient facility operations, resource saving and complying with pollution prevention. Murata Electronics (Malaysia) has strengthened collaboration with the Head Office in 2008 to tackle issues common among group companies. This effort resulted in smooth transferring of environment information when switching product group thanks to collaboration among all subsidiaries. We will continue to promote environmental conservation for the future generations.

Environmental management

Murata has completed consolidation of environmental management framework based on the environmental management concept at every plant in Japan as well as every production site overseas in FY2009. We will share information with regard to environmental management, and aim at the promotion of highly efficient and effective environmental activities and strengthening of the governance.

Information collection through web-based research, to aid in smooth communication with our suppliers



Murata Manufacturing Co., Ltd. Production Engineering Unit Purchasing Dept.
 Left/ Yoko Takahashi
 Right/ Mao Kurokawa

Our responsibility at Purchasing Dept. at the Head Office is to acquire chemical content information for parts and materials from our suppliers in and out of Japan. We have introduced, this year, a mechanism to gain information through web search to establish smooth information transmission and sharing with our suppliers. We will continue to support procurement of Earth-friendly parts and materials to comply with REACH Regulation and customer requests as a part of our responsibilities.

Green procurement/green purchase

We need to practice "green procurement" to procure more environmentally preferable parts and materials to reduce environmental burden of our products. To this end, we have been asking our suppliers for their understanding and cooperation to practice their own environmental management.

Aiming at corporate activities that allow Murata to coexist with the ecosystem



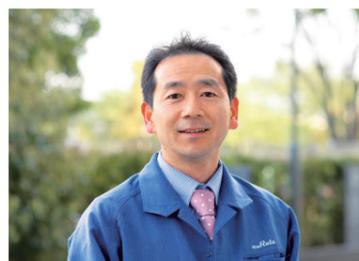
Murata Manufacturing Co., Ltd. Yasu Division Administration Dept.
 Hiroaki Tashiro

Yasu Division keeps track of influence of their business activities over the local ecosystem in pursuit of nature conservation activities. We maintain indigenous patches of carnivorous plants, Common Sundew, and primeval vegetation. Yasu Division plans to promote an awareness program for every employee so that every one of us can pursue our daily activities while understanding correlations between our business activities and biodiversity.

Biodiversity

Murata has been aware of correlation between our business activities and biodiversity in pursuit of nature conservation activities. We are now currently drafting policies for maintenance of the biodiversity in our local environment.

Pioneering a new product domain, environmental contribution through Murata's original technologies



Murata Manufacturing Co., Ltd. Module Business Unit Power Device Products Division Power Units Dept.
 Yasuhiko Shimanaka

The ionizer module developed by our business department replaces chemical-based disinfection by Ionizer, contributing to the future of environmental conservation activities. We have applied Murata's core technology, high-voltage technology, to an ion generating mechanism. We have high hopes for utilizing our original technology in brand new product domains such as environment and healthcare.

Design for Environment

At Murata, we manufacture environmentally preferable products thoroughly focusing on environmental burden throughout their entire lifecycle including parts and materials procurement, design and development, production, use, recycle and disposal.

Launching ECO-PROJECT, an initiative to enhance ECO-consciousness!



Izumo Murata Manufacturing Co., Ltd. Administration Dept.
 Yuji Hasegawa

Production Dept. at Izumo Murata Manufacturing has initiated launching of ECO-PROJECT aimed at energy-efficient production activities. This initiative plans and promotes planning and promotion of energy-saving policies from various angles. We take a pragmatic approach through actively participating in kaizen of production facilities and processes. ECO projects are vigorously promoted at each department enhancing ECO awareness by each and every employee. We will continue to engage in energy saving and reduction of CO₂ emissions.

Global warming prevention

Under the guidance of Global Warming Prevention Special Committee, Murata promotes group-wide activities to establish new global warming prevention policies, and aims to reduce the total quantities of greenhouse gasses emitted through our business activities.

Greatly reducing waste disposal by promoting their sorting rules! We also promote more efficient waste management practices.



Kanazu Murata Manufacturing Co., Ltd. Administration Sec.
 Yuko Miyamae

Many of the waste materials generated from Murata's production processes can be recycled or sold. Kanazu Murata Manufacturing collaborated with employees working at each production process to draft new waste separation rules to achieve 78% reduction in waste emissions in FY2009 over FY2000. Murata has also been promoting switching from paper manifesto to electronic manifesto for more efficient waste management. So far this transition is 97% complete. Kanazu Murata Manufacturing has completed the transition to electronic manifesto in FY2009.

Waste reduction

Murata as a group has achieved zero emissions domestically in FY2003. Currently we are working on achieving zero emissions at overseas sites as well as reducing waste generation itself at the source.

Clearing our CO₂ emissions reduction goal for domestic distribution!



Murata Manufacturing Co., Ltd. Production Engineering Unit Manufacturing System Design Dept.
 Seiji Kumegawa

During FY2009, we introduced a system to keep track of truck loads real time to eliminate *muda* in distribution routes and promoted improved fuel efficiency and safe driving via the use of driving recorders. As a result, we surpassed our initial goal of reducing CO₂ emissions for the domestic distribution by 36% over FY2000, and achieved 40% reduction. We will continue to reduce CO₂ emissions further by collaborating with distribution companies and drivers.

Environment-conscious distribution

We strive to reduce environmental burden at the distribution stage of products in addition to manufacturing stages. We reduce CO₂ emissions by promoting efficient transportation in addition to reducing waste through using less packaging materials.

Gaining understanding over Murata's environment conservation activities through active involvement with the local society



Toyama Murata Manufacturing Co., Ltd. Administration Dept.
 Go Mizuno

It is important to communicate Murata's business and environmental commitment to residents of the local community, so that they can rest assured. Such efforts include company tours for local primary school students, participating in neighborhood cleaning, and tree-planting at Tateyama mountain range. We will continue to actively involve ourselves with the local community and help people experience Murata's environmental conservation activities first hand.

Managing environmental risks

Murata strives to minimize environmental risks of business activities affecting the local community and to be ready for handling any problems promptly when they happen. To this end, we do our best to disclose information pertaining to such efforts including inviting local residents to company tours so that they can understand Murata's environmental conservation activities.

[Global warming prevention]

Reducing CO₂ emissions is for the Earth, for our community and for ourselves

“Reduction of total CO₂ emissions” is an important message to be made aware of, towards global warming prevention. Murata’s technological resources uphold realization of this important goal.



Awareness and activities at manufacturing lines is at the foundation of low-carbon society

Murata Manufacturing Co., Ltd.
Senior Executive Vice President
Atsushi Inoue

Mr. Inoue chairs Global Warming Prevention Special Committee. He loves outdoor activities such as mountain climbing and fishing. His wish is to share environmental awareness and knowledge among multi-stakeholders, rather than just in-house.

Contribution to the Earth’s environment is the key to sustainable development of our businesses.

Although electronic components Murata produces are very small, amount of energy and CO₂ emissions required to send them into the world is by far not negligible. Murata as a group tackles reduction of CO₂ emissions together. Although we must make short-term investments for renewal of eco-friendly facilities, in the long run our efforts will lead to betterment of our productivity and ultimately sustainable development of our businesses. Our direct customers are equipment manufacturers, but beyond them are the end-users all over the world. Knowing that our corporate activities are upheld by global users naturally makes environmental conservation our duty.

Achieving numerical targets for processes from design/development phase to manufacturing, with the help of all employees

Last year, we established Global Warming Prevention Special Committee in addition to existing Environmental Committee. We elevated from independent activities pursued by each plant to systematic company-wide activities, while reevaluating every process from the design/development phase onward. We have established 10% reduction of CO₂ emissions by FY2015 in terms of base unit figure from FY2007 based on our investigation. This figure allows business growth while reducing the total emissions. The most important factors in achieving this goal are actions by each one of us at the plant, motivation by workers, and guidance by the leadership.

Let us achieve a large-scale reduction of CO₂ emissions with understanding and confidence by the workplace.

Simultaneously realizing global warming prevention and business expansion through reduction of CO₂ and costs, while maintaining comfort and safety of the workplace



Becoming the flagship plant for all Murata Yasu Division’s ambition

Photo, from left to right
Murata Manufacturing Co., Ltd.
Yasu Division
Chemical Material Production Dept.
Takeshi Omura
Murata Manufacturing Co., Ltd.
Environmental Affairs Dept.
Masayuki Nagata
Murata Manufacturing Co., Ltd.
Yasu Division
Administration Dept.
Kazunari Nakanishi

Motivation of every member becomes the driving force for our project. Visualization “mieruka” of results enhances motivation of the workers.

Yasu Division is the main plant for manufacturing raw materials. Consequently its CO₂ emissions are ranked among the top organizations in the Murata Group. We have initiated this project with a strong will to motivate Murata Group as a whole by succeeding in reducing CO₂ emissions during the raw material production processes at the foundation of Murata’s manufacturing. This project aims at promotion of the global warming prevention activities. Production Dept., Environment Sec. of Yasu Division and Environment Dept. at the Head Office formed a team together to evaluate energy usage which is at the root of CO₂ emissions. Our findings showed that changing work environment at the production line was the key issue. In the past, it was determined that the essence of manufacturing was “quality as a top priority,” make it difficult to alter work environment conditions pertaining directly to the quality. Therefore, we had to execute the policy very carefully to maintain the quality and work comfort, and additionally take safety in consideration, since processes

involved handling of hazardous materials. No concept can achieve success if we could not gain understanding and confidence by the workplace. We held policy presentation meetings with associated individuals, exchanged information about the changes taking place by this policy, and visualized monthly reduction in energy consumption. We focused mainly on gaining understanding and confidence, although it may be hard for workers to develop a feel about how his/her tasks are associated with the large picture of global warming prevention. However, the project started developing unity when they understood that all these efforts can result in cost reduction as well. Upon executing this policy step by step starting in September of last year, we have managed to reduce CO₂ emissions by 1,500 tons, and several tens of millions of yen in cost from the previous term. Since this policy is executed throughout the year this year, we can expect these reductions to increase. We hope to promote our project through the entire Murata Group.

[Employees]

International human resource development through global rotation

Murata introduced its overseas training program in 1981, and initiated OJT for foreign local workers in Japan in FY2007.



Murata workers are crossing national borders, and I am at the forefront

Murata Manufacturing Co., Ltd.
Sales & Marketing Unit
East Japan Sales Group
Sales & Marketing Dept. II,
Tokyo Metropolitan Area

Alexander Vervuurt

Mr. Vervuurt has been interested in Japan since a Japanese traveler once stayed over at his house. He is 194 cm in height and was invited to join the Murata basketball club soon after coming to Japan - although he was a better soccer player.

Pursuing optimal global solutions that respect differences in Japanese and European corporate culture

At university, I majored in Japanese language with a minor in economics, and I've also studied abroad in Kyoto, so working for a Japanese corporation seemed like a natural next step. My first job was at the Murata Netherlands office, where I dealt with customer service. Then Murata began its global rotation program, which presented me with a chance to work in Japan, and I wasted no time in applying for the program. I was interested in seeing what made Japanese companies so successful, and I am currently undergoing training in sales at the Tokyo Branch, where I learn about everything from products to market trends. When I think back to the time when I learned I would be coming here, I remember my friends warning me how difficult things would be in Japan, and it was hard for me at first. I would be told to be more careful about the things that I said, or the way I wrote reports, and I was surprised by how exacting the Japanese were when it came to work. What I eventually came to understand was the importance of the relationships that we forge

with others, something that is, of course, important in Europe as well. Helping to build win-win relationships that benefit both the customer and our production departments is a very fulfilling part of my role as a salesman. After I complete my training in Japan, I hope to be able to engage in work that allows me to develop beneficial relationships like these in many parts of the world.

Memo

Business target management system / career development program

To respect the individuality of our employees and allow them to demonstrate their abilities to the full, Murata has introduced an ability and results-oriented system. Employees draw up their own objectives and plans, and we evaluate their process and results, putting what we learn to use in our human resource development and personnel management. For our young employees, we have also created a "career development program" that allows them to experience different types of work in a variety of work settings, providing them with an opportunity to confirm their own individual aptitudes and abilities.

In pursuit of a workplace that lets women shine

Childbirth, child-rearing, caring for the elderly... We have introduced a support system that allows women to advance their careers while fulfilling their important role within the home.



Work-life balance programs, freely available to all

Murata Manufacturing Co., Ltd.
Intellectual Property Dept.

Koyo Ogiso

Ms. Ogiso has a daughter in the sixth grade, and a son in his last year of preschool. The interval between their births is the time that she utilized to pursue her own career. Her husband is also an employee of Murata.

Being a necessary presence in the workplace and at home

I received a total of 13 months of prenatal, postnatal and childcare leave when I had my first child, with an extra month of "preschool adjustment" time added on when my second child was born. In the space of only a few years, improvements had already been made to the system! However, even with this kind of system available, one worries about the ramifications of taking parental leave for more than a year, especially with respect to making a smooth transition back to the workplace afterwards. When it comes to children and childcare, I know that I am needed at home, but I also want to be a necessary presence in the workplace. It was this kind of motivation that helped me stay positively focused when I was away from work, and being able to meet with personnel managers and superiors before returning to the workplace also makes the transition back easier. I enjoy being a working woman, and I will

continue to pursue both my family and work goals, and try to show my children what I am capable of.

Memo

Respect for human rights

Murata respects the human rights and dignity of all persons, maintaining a work environment and personnel system that do not discriminate on the basis of race, faith, gender, religion, nationality or medical condition. Additionally, Murata strictly prohibits the use of child labor or forced labor at any of its domestic or overseas plants.

Equal and diverse employment opportunities

In its hiring practices, Murata guarantees equal employment opportunities to all individuals regardless of such issues as gender, race or disability, and is committed to maintaining a work environment in which there is no unjustified discrimination in the management, training or other treatment of employed individuals.

[Society and the community]

A desire to be of service to others – it's a feeling we all share

Murata contributes to society and the community through education, cultural activities and sports, and here we introduce a few examples.



Showing the next generation how fun science can be - social and community contribution worthy of the Murata name

Photo, from left to right

Yokohama Technical Center
Administration Dept.

Masayuki Sekiguchi /
Azusa Miura / Shoko Uruguchi

Technology & Business Development Unit
New Technology & Products Development Group
System Design Center

Atsuto Komoda

Technology & Business Development Unit
New Technology & Products Development Group
Product Development Dept. 6
Emi Kojima

Technology & Business Development Unit
New Technology & Products Development Group
Product Development Dept. 4

Eiichi Kobayashi

Yokohama Technical Center
Administration Dept.

Emi Hasui

Device Business Unit
Sensor Products Division
Planning & Market Promotion Dept.
Daisuke Mori

“Vibrating Alien & Tap-tap Remote Controller”

- an original electronics kit developed to show how interesting science can be

To demonstrate just how much fun science and manufacturing can be, Murata organizes electronic craft workshops for children. Though workshops like these until now used commercial hobby kits, members of our Yokohama Technical Center developed the original Murata “Vibrating Alien & Tap-tap Remote Controller” electronics hobby kit. An unusual-looking buttonless remote control (the Tap-tap Remote Control) is used to activate the two left and right motors of the Quivering Alien, which moves forward with a vibrational quivering motion. Tapping the “Tap-tap Remote Control” lightly causes shock sensors detect an impact, and it is these control signals that are conveyed to the Quivering Alien. In addition to helping children experience the satisfaction of creating something by hand, this kit also results in a fun toy that moves, lights up and makes sounds. The Quivering Alien is something any child would want to play with, but for the children who use soldering irons to create this toy on their own, it is something even more special. The enthusiasm of the children is something that always manages to infect participating Murata employees as well.

Our Yokohama Technical Center has established an organizational climate reform committee to pursue CS and ES, and it was from this committee that the idea to develop an original kit arose. The Yokohama Technical Center as a whole worked together on all aspects of the project, from the development of the electronics kit to the planning and execution of the workshops. In the future, we plan to hold these workshops at Murata offices and plants in other areas and cooperate with local volunteers in locations without Murata plants to introduce our “Vibrating Alien & Tap-tap Remote Controller” to as many regions as possible.



Vibrating Alien &
Tap-tap Remote Controller

To help children develop a love for science, we conduct “delivery lectures” near our plants

A declining interest in science among children has been a subject of concern in recent years. As a corporation specializing in manufacturing, Murata has been conducting “delivery lectures” at elementary and junior high schools located near our Head Office, plants, and subsidiaries since 2006 in an effort to show the children who will shoulder our future just how interesting science can be.

When we take our bicycle-riding MURATA BOY and unicycle-riding MURATA GIRL robots to local elementary schools, the children greet us with cries of “They’re robots!” and “We’ve seen them on TV!” We introduce simple scientific concepts in our explanations of how MURATA BOY and MURATA GIRL manage to keep their balance, show videos documenting the development process of these robots, and emphasize the importance of not allowing oneself to give up, no matter how many problems may be encountered. We receive many encouraging comments from the participating children, who tell us that they “feel more interested in science”, would like to “make a robot of their own”, or “dream of becoming engineers” in the future, and these classes also provide inspiration to the Murata staff who conduct them. In FY2009, we carried out 105 of these classes near our various locations, and Murata will continue to deliver these unique science lectures to many more children in the future as well.



Displaying the many electronic components that fill MURATA BOY's backpack



Supporting the Haiti earthquake relief effort with our matching gifts program

On January 12, 2010, a 7.1 magnitude earthquake struck the island of Haiti, with great devastation caused by the initial event and subsequent aftershocks. At Murata Power Solutions, Inc., the desire of employees to do something to help improve the situation took shape in a fundraising drive, and, in an amount equal to the individual contributions and company donations made as of February 5, 2010, Murata Power Solutions, Inc. has made a matching gift of 5,000 dollars to the American Red Cross. Additionally, the Murata Electronics North America, Inc. Headquarters and SyChip, Inc. have also instituted matching gift programs, and Murata Electronics (Netherlands) B.V. employees took the initiative in placing a ‘Haiti Box’ in their office reception area to collect contributions. The funds they raised have been donated through a local church that gathered funds for the Haiti relief effort.



Murata Electronics (Netherlands) B.V. Murata Power Solutions, Inc.

[Suppliers]

We promote fair and sincere purchasing

Murata's legal compliance in purchasing is a matter of course.

We request legal compliance and consideration of society and environment to suppliers for our mutual prosperity.



Murata and its supplier will aim at the same direction together.

Kanazawa Murata Manufacturing Co., Ltd.
Administration Dept.
Sachiko Sekino

Ms. Sekino has six years of experience as a buyer. She feels challenge in solving troubles associated with procurement such as quality and due dates, and coordinating wishes of requesting departments and suppliers.

Treasure the trusting relationships with suppliers who walk right alongside with us as a part of the supply chain.

Most people tend to think that the main mission of buyers is cost reduction. That is not the case with Murata. Of course we must be conscious of costs, but more importantly we must judge if the price is fair. Murata makes numerous requests to our suppliers. These requests include environmental consideration through green procurement, actions involving human rights and labor safety and hygiene, situational CSR procurement, continuous quality improvement, etc. in addition to legal compliance. The concept of supply chain is for us to cooperate with the suppliers who agree to act on these challenges, to supply good merchandize to the market together. If we were to require efforts from suppliers, we as buyers must work just as hard as them. We have to be especially careful with the subcontract law, since lack of knowledge can result in illegal actions. We are trying to deepen our understanding of the law through regular study

sessions. We then try to disseminate the related information and educate requesting departments. Since procurement tasks are managed by Murata's own "procurement system," in such a way that as long as we follow proper procedure according to the system legal violation may be prevented. However, we need to pay close attention to irregular cases. Our job sounds very dry, and there are tasks that must be handled dryly. However, forming a good relationship with suppliers is a very important part of our job. We will continue to aim at the same direction together with our suppliers.

[CSR management]

Continuity of businesses as a social responsibility

When accidents and disasters happen, our top priority is saving lives.

Next most important thing is "business continuity."



Murata never ceases to act at all times. That is the reason why everybody trusts us.

Okayama Murata Manufacturing Co., Ltd.
Administration Dept.
Yasuhide Isono

Since Mr. Isono joined Murata in 1990, his main project was the introduction of ISO14001. Back then, there were few case studies on such introductions and he had to "figure things out as he ran around." To this day, that still is his work style.

Conducting plant-wide training activities to identify potential risks

Needless to say, securing safety of people and corporate assets at the time of disasters is important. However, from the viewpoint of contributing to the society by steadily supplying products, a mechanism to provide business continuity by recovering the plant function as soon as possible is essential. In FY2008, we drafted a business continuity plan (BCP) taking an earthquake, the most damaging disaster into consideration. We have been trying out various patterns of evacuation drills based on this plan. Through the drills, we have confirmed that there are some locations in production lines difficult to hear the emergency announcement due to machine noise. We have also found that there is delay in message transmission for employees with hearing problems since they have to be communicated secondarily by their supervisors who listen to the announcement. In FY2010, we have started installing a system to turn on emergency lights in response to early earthquake warnings and fire alarms so that we can visually transmit disaster information.

Memo

Internal Control System

Murata Manufacturing has established a number of committees such as the "Internal Control Committee" to maintain and improve internal control system to ensure appropriate control of businesses group-wide. We are especially focusing on preparing systems for prevention of illegal actions and appropriate measures when such actions are discovered, risk management, and timely and appropriate information disclosure. Simultaneously, a framework for businesses ensuring their proper and efficient execution, procedures and judgment criteria are being established, and are given as guidelines to our subsidiaries as necessary.

Reporting and Consultation Channels

Murata makes available services to accept claims and consultation by emails and phone with regard to questions and problems pertaining to legal compliance. All services from in-house service by the Compliance Promotion Committee Secretariat, the "Corporate Ethics Hotline" by Dial Service Co., Ltd. can be utilized anonymously protecting privacy and interest of people reporting claims or requesting consultation. These services are available to Murata employees (directors, full-time employees, temporary workers, part-time workers and short-term contracted workers, excluding Murata retirees) as well as dispatched workers, subcontractor employees, customers' and suppliers' employees working at Murata, and their family members.

[Customers]

Surprise and joy for customers, motivation and growth for employees

What Murata regards as important values
Let us examine an example in a business story



Photo, from left to right

Yasu Division RF Semiconductor Production Dept. Hiroshi Tsuchida	Communication Module Division Product Engineering Dept. Yuta Saito
Communication Module Division Products Dept. I Takayuki Tomita	Communication Module Division Products Dept. I Kazuhiro Iida
Sales & Marketing Unit Business Development Group Business Development Dept. Tatsuhiko Nuka	Communication Module Division Products Dept. I Mitsuo Arie

Success story by teamwork across the globe

Murata was out of Company A's scope

Mr. Nuka from Murata Electronics North America Inc. started making sales visits to Company A to sell FEM (frontend module for high frequency application) at the beginning of 2008. At that time, Company A was procuring FEM from another component manufacturer, and thought Murata had neither technical nor cost advantages. Mr. Nuka recalls "It was miserable not to be given any opportunity at all. I resolved myself to make some achievements to turn their heads." We finally caught their attention by visiting Company A with Mr. Arie from the Head Office to present a case study of planning and mass producing WiMAX *1 power amplifiers *2 matching Company A's specification. We were told to put present a sample that meets their specification. Mr. Niwa took over Mr. Nuka's responsibility. Mr. Niwa along with his American boss, Michael took over Mr. Nuka's project and submitted the sample that was prepared by the engineering team from the Head

Office. Unfortunately, although the sample showed good characteristic during the testing in Japan, it did not operate normally on the circuit board prepared by Company A. They suspected the compatibility between the sample and Company A's circuit board, and started working on finding possible causes.

Engineers from around the world worked together to solve a problem.

Mr. Niwa requested Company A to let him borrow the circuit board to take back to Japan. Once the board was in Murata's lab, he had the sales engineer Mr. Saito, Mr. Iida and Mr. Tomita from the design department conducted a series of tests. Murata engineers also flew to European research center of Company A to discuss approaches. Guy from Murata Electronics (Netherlands) B.V. supported the team from technical and communication aspects. Furthermore, Company A's

Asian design site collaborated with Murata to conduct tests. Mr. Simomae, an SE from Taiwan Murata Electronics Co., Ltd. helped coordinate this effort.

Mr. Niwa said, "We have associates from Murata all over the world promptly providing necessary resources. I felt assured and proud of the team working on this project."

We finally found a solution by collaborating with Company A. It was a big step for our FEM project.

What impressed Company A was our effort to shorten the lead time.

Thus, the challenge with the performance was cleared. However, we now had a problem with the production lead time. Initially, Murata estimated that we needed 16 weeks to produce FEMs. Company A requested it to be 10 weeks.

Company A representative's words, "We cannot accept products that take 16 weeks to manufacture." sounded rather harsh to us. Mr. Niwa participated in the production lead time compression training hosted by Company A along with Mr. Fukushi from Products Dept. I and Mr. Tsuchida from RF Semiconductor Production Dept.

"Certainly Company A's demand is strict, but the fundamentals of SCM *3 (Supply Chain Management) are the same for Company A and Murata. It was beneficial for us to confirm that in the training process," said Mr. Niwa. Once Company A and Murata developed the common concept and mechanism with regard to SCM, and with the help of our suppliers, we finally managed to shorten the lead time by four weeks. Although we missed meeting Company A's demand, Company A finally decided to incorporate Murata products recognizing Murata's efforts and orientation up till this point.

Mr. Niwa communicated to all staff members who participated in the project, the message from Company A's manager, "The fact that Murata survived the competition against numerous powerful suppliers and finally landed the business is quite praiseworthy."

Key elements of success were that much less known player, Murata, showing outstanding performance beyond the customer expectation, and our international teamwork backing up such efforts. The experience gained from this project and words of Company A's manager became a new driving force for the next challenge.

*1 WiMAX
One of the wireless communications technology standards

*2 Power amplifier
Amplifies wireless signal power to the necessary scale

*3 SCM (Supply Chain Management)
A method to realize "management efficiency" and "improved customer satisfaction" simultaneously by establishing a mechanism to share ordering information and production planning information among associated companies

Photo, from the left

Murata Electronics North America, Inc.
Global Sales Manager / Sales, Western Area

Michael Ingram

Key Account Manager /
Global Coordinator

Hiroyuki Niwa



Murata Electronics (Netherlands) B.V.
Technical Business
Development Engineer

Guy Engel



Taiwan Murata Electronics Co., Ltd.
RF Products
Technical Adviser

Tomokazu Shimomae



Communication Module Division
Products Dept. I

Masao Fukushi



[CSR Activities: Targets and Results]

Social and Environmental Targets and Results

Murata commits itself to continual improvement in priority theme areas through the implementation of a broad range of measures.

■ Social Activity: Targets and Results for Fiscal 2009 and Targets for Fiscal 2010

○: Achieved
△: Nearly achieved

Major Activities	Targets for FY2009	Results for FY2009	Achievement	Targets for FY2010
Promoting development of an internal control system	Develop internal control over financial reporting in compliance with the Financial Instruments and Exchange Law, as well as continuously promote operational standardization, visualization, improvement and reforms; and establish compliance and risk management by building and operating an internal control system to ensure the appropriateness of operations in keeping with corporate law.	In addition to developing internal controls to ensure the appropriateness of operations, Murata continuously promoted operational standardization, visualization, improvement and reforms, and introduced internal controls aimed at ensuring compliance as well as operational effectiveness and efficiency.	△	Promote internal controls aimed at ensuring the appropriateness of operations, as well as continuously promote operational standardization, visualization, improvement and reforms.
	Improve monitoring functions by implementing internal audits by independent third parties and defining the scope of audits based on a risk approach in order to increase transparency and effectiveness.	Under the reorganized internal audit system, the internal audit department assessed and monitored priority areas by following a risk approach, improving transparency and effectiveness.	△	Improve monitoring functions to ensure operational appropriateness to increase the transparency and effectiveness of the corporate governance system.
Promoting compliance	Enhance the compliance system in accordance with internal control and increase the system's effectiveness at all sites.	Conducted survey of all sites in and outside Japan. Compliance system was found to be effective for internal control.	○	Eliminate redundancy and superfluous practices while maintaining internal control effectiveness. Reestablish the compliance system from a cross-group perspective to streamline operation of the system.
	Further enhance the compliance system through systematization and re-establishment in conformity with Murata's management characteristics.	Reviewed compliance promotion within the Murata Group in Japan and decided on transition to the new system starting in FY2010.	△	① Conduct a survey of compliance and test understanding of the Code of Conduct. ② Internally publish how the reporting system has been used. ③ Prepare and distribute a textbook describing the compliance program and ensure the use thereof.
Strengthening risk management	Establish Business Continuity Plans (BCPs) (Ensure that each Group company establishes BCPs in preparation for earthquakes and outbreaks of pandemic influenza).	Established basic BCP regulations in preparation for earthquakes and ensured their establishment in Group companies. Implemented measures against outbreaks of influenza A (H1N1), which caused a global pandemic in 2009.	△	Effectively execute the business risk management cycle of "identification," "analysis and assessment," "formulation and implementation of measures," "monitoring," and "improvement."
	Strengthen information security (Implement Company-wide information leakage prevention measures focusing on IT).	A filtering system to encrypt data and prevent secondary leaks is being introduced step-by-step within the Group.	△	The Risk Management Committee must continue to implement measures against risks in key areas such as information security and BCPs (Business Continuity Plans) in preparation for earthquakes and outbreaks of pandemic influenza.
Society and community	Promote social/community contribution activities with a focus on priority fields.	Not only continued existing activities but opened an electronic craft workshop for elementary and junior high school children using an original electronics hobby kit.	△	Continue social/community contribution activities with a focus on priority fields.
	Organize systems and develop in-house networks to promote activities.	Analyzed activities at subsidiaries and plants to promote the sharing of information with their responsible persons.	△	Strengthening social/community contribution activities with a focus on employee ideas and involvement.
Suppliers	① Promote the conclusion of an agreement with suppliers to obtain their understanding of and support for Murata's CSR procurement policies. ② Hold CSR workshops for suppliers.	① 77% of all suppliers trading with domestic purchasing sites signed the CSR agreement. ② Hosted a CSR workshop in February 2010 for 20 participants from 16 suppliers.	○	Japan: Increase CSR agreement share to more than 90% of partners. Overseas: Increase CSR agreement share to 80% of partners starting with pilot sites with the highest purchase amounts. Formulate procedures for concluding and applying the CSR agreement.
	Implement in-house training programs and operational diagnosis to strengthen procurement compliance group-wide.	① Conducted a training program on the Subcontract Law eight times, for a total of 70 participants. ② Conducted a training program on legal and contractual matters four times, for a total of 50 participants. ③ Implemented an E-test on compliance for all buyers in Japan. ④ Conducted an operational diagnosis of a purchasing department in Japan.	○	Japan: Include CSR in education programs for Purchasing Dept. and implement an annual in-house education program and test. Overseas: Create textbooks and tests for overseas sites. Implement in-house training programs and operational diagnosis regarding compliance group-wide.
Employees	Continue to implement the system to enable employees to select carrier paths according to their aptitudes.	① Implemented an in-house open recruitment program for eight positions. ② Transferred personnel under the career development program (CDP) for younger employees.	△	Continue to implement the system to enable employees to select carrier paths according to their aptitudes. Promote acceptance of employees on loan from overseas (15 in FY2010).
	Promote a reemployment program for retirees.	Reemployed 277 retirees group-wide.	○	
	Continue to expand career opportunities for women.	Employed many women (39.3% of new employees in FY2009).	○	
	Promote education and awareness-raising programs to prevent harassment.	Provided with managers and executives with regular training to prevent harassment.	△	Promote education and awareness-raising programs to prevent harassment. (10 such programs are planned for FY2010).
	Reestablish a benefit package.	Rebuilt housing benefit program (company dormitories and company housing) with a focus on encouraging employee independence, ensuring security, and increasing motivation.	○	Develop a benefit package with a focus on ensuring diversity and independence.
	Enhance and establish a system to help employees strike a balance between work and family life (work-life balance).	① Started concluding service contracts with outside childcare specialists. ② Provided an explanation about company support for work-life balance in training programs for managers.	○	Enhance and establish a system to help employees strike a balance between work and family life (work-life balance).
	Promote measures to reduce total work hours and promote diverse ways of working.	Broadened the scope of application of the flextime system to reduce total work hours. Flextime workers increased from 2,458 to 3,473. Overtime hours per employee reduced from 21 to 9.3.	△	Promote measures to reduce total working hours and promote diverse ways of working.
	Establish an occupational health and safety management system.	Completed establishment of the organization and rules aimed at introducing an occupational health and safety management system at the Head Office.	○	Achieve certification for the occupational health and safety management system at the Head Office.
	Promote manufacturing education.	Implemented a plant training program for new employees. 122 individuals participated in the 7-month-long program.	○	Provide a simulated production training program for new employees.
	Provide training and employ the PDCA cycle to improve management skills.	Implemented a group training program to improve management ability. 190 managers participated. Implemented a training program for 141 chiefs to help them understand their own strong and weak points and improve their on-the-job training skills.	△ △	Hold training and employ the PDCA cycle to improve management skills.

■ 4th Environmental Action Plan: Targets and Results for Fiscal 2009 and Targets for Fiscal 2010 (selection)

○: Achieved
△: Nearly achieved
×: Not Achieved

Major Activities	Targets for FY2009	Results for FY2009	Achievement	Targets for FY2010	
Environmental Management	Environmental Management System	<ul style="list-style-type: none"> Start operations of the environmental cost management system overseas. Implement Eco-Factory evaluations for overseas affiliate companies. 	<ul style="list-style-type: none"> Began aggregating costs at two factories covered by multi-site certification (Wuxi, Shenzhen). Reviewed desired state of Eco-Factory system and postponed system implementation at overseas subsidiaries. 	△	<ul style="list-style-type: none"> Unify structure of ISO14001 in ALL Murata. Start publication of an environmental cost management results in OSA factories.
	Environmentally conscious design	<ul style="list-style-type: none"> Continue product assessments Prepare for introduction of product assessments taking into account environmental impact in each stage of product life-cycle. 	<ul style="list-style-type: none"> Created simple LCA calculating software for internal use. Conducted product assessments from life cycle perspective, introduced eco-product certification system. 	○	Build a manufacturing structure with a focus on reducing environmental impact of the entire life cycle.
Supplying environmentally friendly products	Reducing use of environmentally hazardous substances in products	<ul style="list-style-type: none"> Develop alternative products and prepare for replacements in keeping with the revision of the list of EU RoHS exemptions. Conduct development and evaluations of alternatives to polyvinyl chloride (PVC), and prepare for replacements, in order of priority. 	<ul style="list-style-type: none"> Technology for replacing lead contained in glass with an alternative component is being developed as a priority project. Developing alternatives to polyvinyl chloride (PVC). 	○	<ul style="list-style-type: none"> Push forward "adoption of alternative material" or "switch to an alternative technology" positively. Cope with revision of the list of EU RoHS exemptions.
	Reducing use of packaging materials and saving energy in logistics	<ul style="list-style-type: none"> Reduce amount of taped packaging used for chip monolithic ceramic capacitors and chip ferrite beads per unit of production at domestic sites by at least 47% relative to FY2000. Reduce CO2 emissions from logistics per unit of net production in Japan by more than 37% relative to FY2000. 	<ul style="list-style-type: none"> Reduced the amount by 43% relative to FY2000. Implementation of measures achieved a further reduction, but did not mitigate the impact of an increase in production. Reduced CO2 emissions by 40% relative to FY2000. Target achieved by revising logistic network. 	△ ○	<ul style="list-style-type: none"> Reduce amount of packaging materials used for chip monolithic ceramic capacitors or chip ferrite beads per unit of production by more than 50% compared to FY2000 levels. Reduce CO2 emissions from logistics per unit of net production in Japan by more than 38% compared to FY2000 levels.
	Global warming prevention	Reduce CO2 emissions per unit of net production in Japan by at least 35% relative to FY1990.	Reduced 47% compared with FY1990. Target achieved by continued implementation of energy-saving measures. The change in CO2 conversion factor made by the power company also contributed.	○	Reduce CO2 emissions per unit of net production in Japan by more than 35% compared to FY1990 levels.
Eco-Friendly Business Activities	Resource conservation and waste reduction, reuse, recycling	<ul style="list-style-type: none"> Reduce total waste emissions per unit of net production in Japan by at least 50% relative to FY2000. Attain a waste recycling rate of at least 90% at overseas plants. Reduce water consumption per unit of net production in Japan by at least 50% relative to FY2000. 	<ul style="list-style-type: none"> Reduced total waste emissions by 40% relative to FY2000. Benefited from reduced production due to a rapid change in the business environment. Achieved a recycling rate of 87%. Despite newly achieving a recycling rate of 100% at Wuxi and Shenzhen, results fell slightly short of the target. Reduced water consumption by 42% relative to FY2000. Failed to achieve target despite achieving a 5% reduction from the figures for the previous year. 	△ △	<ul style="list-style-type: none"> Reduce total waste emissions per unit of net production in Japan by more than 55% compared to FY2000 levels. Achieve zero waste emissions in overseas factories. Reduce water consumption per unit of net production in Japan by more than 55% compared with FY2000 levels.
	Controlling and reducing environmentally hazardous chemical substances used in production processes	<ul style="list-style-type: none"> Reduce atmospheric emissions of VOCs in Japan by at least 20% relative to FY2000 by implementing measures according to the guidelines for reducing VOCs. Reduce atmospheric emissions of PFCs in Japan by at least 53% relative to FY2002. 	<ul style="list-style-type: none"> A 7% increase relative to FY2000. Efforts to control atmospheric emissions were continued, but failed to mitigate the effect of an increase in production. Reduced atmospheric emissions of PFCs by 53% relative to FY2002. Target achieved thanks to progress in replacement by alternatives. 	× ○	<ul style="list-style-type: none"> Reduce atmospheric emissions of volatile organic compounds (VOC) in Japan by more 30% compared to FY2000 levels. Reduce atmospheric emissions of PFCs in Japan by more than 60% compared to FY2002 levels.
	Risk management	Maintain the system for the continuing treatment of soil and groundwater pollution and the minimization of environmental risks.	Implemented measures to accelerate treatment at relevant sites, as planned.	○	Maintain the system for the continuing treatment of soil and groundwater pollution and the minimization of environmental risks.
Social activities	Community / social contribution activities	<ul style="list-style-type: none"> Continue "Murata Forest" conservation activities. Continue implementing environmental education programs and environmental fairs for elementary and junior high school children. Continue developments under the Mid-Term Greening Plan. 	<ul style="list-style-type: none"> Implemented Murata Forest conservation activities once every month. (Total of participants: 500) Implemented environmental education programs by 19 plants/affiliated companies for about 4,600 children. Continued developments under the Mid-Term Greening Plan. 	○ ○ ○	Continually promote social / community contribution activities and the greening of plants, and ensure that business is deeply rooted in the communities and societies where Murata operates.

[Opinions from the third party]

High Expectations for Murata's CSR

CSR is the responsibility that binds a company to society, and the various sectors of society are the stakeholders of a company. Shareholders, employees, community residents, and the general public all have a stake in a company, and considering the responsibilities of a company in the context of this relationship is the foundation on which CSR is based.

When considering CSR, one does not begin in the present. It is important that there is first a consciousness of the society we should strive for in the future, and then a consideration of what efforts a company can, or should, make towards that goal. Understanding the direction that society should go, and what a company can do to enable this, is the guiding principle behind CSR.

As a global electronics components manufacturer, Murata already plays a significant role in society, but it also bears a responsibility to help bring about the society of the future. Although this can mainly be accomplished with social contributions made through its business activities, other elements such as efforts by Murata employees to create a better society, involvement in the community, and protection of the environment should also be a part of this endeavor.

In this report, the enthusiasm of the many Murata employees participating in the CSR activities of their company can be clearly felt. Providing employees with a rewarding work environment is a company's central social responsibility, and it is from here that the company's contributions to the community and the world as a whole are born. This report demonstrates that Murata is indeed working hard to promote this effort.

However, advancing CSR is not an easy matter, and generating social value is something that is accompanied by difficulties. That is why it is essential for Murata to have management that can establish its main CSR priorities, and then break those goals down into actionable parts. Instead of being bound by conventional ideas of CSR, Murata should also place more weight upon what only it is capable of, and what it is particularly adept at.

It is also important for Murata to make an effort to involve the opinions of many stakeholders, and to continually make any needed adjustments in its direction. CSR is a way for a company – and its employees – to open up a window for stakeholders, and two-way communication should determine the road to be traveled next. I look forward to the further developments I believe we will be seeing in Murata's CSR.



Graduate School of Business Administration,
Kobe University

Professor
Katsuhiko Kokubu

[Profile]

List of domestic and overseas sites

[List of domestic sites]

Murata Manufacturing/ Head Office•Branch•Plant and Division•Sales Office	
Head Office	Murata Manufacturing Co., Ltd.
Branch	Tokyo Branch
Plant and Division	Yokohama Technical Center/ Yasu Division/ Yokaichi Plant/ Nagaoka Plant
Sales Office	Sendai Regional Office/ Mito Regional Office Sales & Marketing Dept., East Japan / Sales & Marketing Dept. I and II, Tokyo Metropolitan Area , Tokyo Branch Nishi-Tokyo Regional Office, Sales & Marketing Dept. I, Tokyo Metropolitan Area Nagano Regional Office, Azumi Murata Manufacturing Co., Ltd. Shizuoka Regional Office Sales & Marketing Dept., Central Japan , Nagoya Regional Office Sales & Marketing Dept. II, Tokyo Metropolitan Area, Nagoya Regional Office Sales & Marketing Dept., West Japan ,Head Office Kanazawa Liaison Office, Sales & Marketing Dept., West Japan,, Kanazawa Murata Manufacturing Co., Ltd. Kobe Regional Office/ Okayama Regional Office/ Kyushu Regional Office

Domestic subsidiaries	
Fukui Murata Manufacturing Co., Ltd.	Azumi Murata Manufacturing Co., Ltd.
Izumo Murata Manufacturing Co., Ltd.	Wakura Murata Manufacturing Co., Ltd.
Toyama Murata Manufacturing Co., Ltd.	Tome Murata Manufacturing Co., Ltd.
Komatsu Murata Manufacturing Co., Ltd.	Ogaki Murata Manufacturing Co., Ltd.
Kanazawa Murata Manufacturing Co., Ltd.	Asuwa Electronics Industries, Ltd.
Okayama Murata Manufacturing Co., Ltd.	Anamizu Electronics Industries, Ltd.
Kanazawa Murata Manufacturing Co., Ltd.	Murata Land & Building Co., Ltd.
Sabae Murata Manufacturing Co., Ltd.	Murata Eiko Co., Ltd.
Iwami Murata Manufacturing Co., Ltd.	Murata Active Partner Co., Ltd.
Hakui Murata Manufacturing Co., Ltd.	Murata Electronics Co., Ltd.
Himi Murata Manufacturing Co., Ltd.	Murata Software Co., Ltd.

[List of overseas sites]

North & South America	
U.S.A.	Murata Electronics North America, Inc. (MEHQ/Headquarters) SyChip, Inc. Murata Power Solutions, Inc.
Canada	Murata Power Solutions (Toronto) ULC Murata Power Solutions (Canada) ULC
Mexico	Murata Electronics Trading Mexico, S.A. de C.V.
Brazil	Murata World Comercial Ltda.
Europe	
Netherlands	Murata Europe Management B.V. Murata Electronics (Netherlands) B.V.
Finland	Murata Europe Management B.V. Helsinki Office
Spain	Murata Electronics (Netherlands) B.V. Barcelona Office
Sweden	Murata Electronics (Netherlands) B.V. Stockholm Office
Germany	Murata Elektronik GmbH Murata Power Solutions GmbH
Hungary	Murata Elektronik GmbH Budapest Office
Switzerland	Murata Elektronik GmbH Opfikon Branch, Switzerland
U.K.	Murata Electronics (UK) Limited Murata Power Solutions UK Ltd. Murata Power Solutions (Milton Keynes) Limited Murata Power Solutions (Celab) Limited Celab Power Management Limited NCL Holdings Limited
France	Murata Electronique SAS Murata Power Solutions SARL
Italy	Murata Elettronica S.p.A.

Asia	
China	Murata (China) Investment Co., Ltd. Beijing Murata Electronics Co., Ltd. Wuxi Murata Electronics Co., Ltd. Shenzhen Murata Technology Co., Ltd. Murata Electronics Trading (Tianjin) Co., Ltd. Murata Electronics Trading (Shanghai) Co., Ltd. Murata Electronics Trading (Shenzhen) Co., Ltd. Murata Electronics Plant Shenzhen Co., Ltd SyChip Electronic Technology (Shanghai) Ltd. Murata Power Solutions (Shanghai) Co., Ltd. Guangzhou Murata Power Solutions Limited
Hong Kong	Murata Company Limited
Taiwan	Taiwan Murata Electronics Co., Ltd.
Korea	Korea Murata Electronics Company, Limited
Singapore	Murata Electronics Singapore (Pte.) Ltd.
Thailand	Murata Electronics (Thailand) , Ltd. Thai Murata Electronics Trading, Ltd.
Malaysia	Murata Electronics (Malaysia) Sdn. Bhd.
Philippines	Murata Electronics Philippines Inc.
India	Murata Electronics Singapore (Pte.) Ltd. India Liaison Office
Vietnam	Representative Office of Murata Electronics Singapore (Pte.) Ltd. in Hanoi

Members of directors

Statutory Representative Directors

President Tsuneo Murata
Executive Deputy President Yoshitaka Fujita

Board of Directors

Tsuneo Murata
Yoshitaka Fujita
Atsushi Inoue
Hideharu Ieki
Koji Makino
Yasuro Tanahashi (Outside Director)
Hiroaki Yoshihara (Outside Director)

Statutory Auditors

Standing Statutory Auditors
Motohiko Nakayama
Kunisaburo Tomono
Statutory Auditors
Tetsuya Hiraoka (Outside Auditor)
Hideki Yamada (Outside Auditor)
Masakazu Toyoda (Outside Auditor)

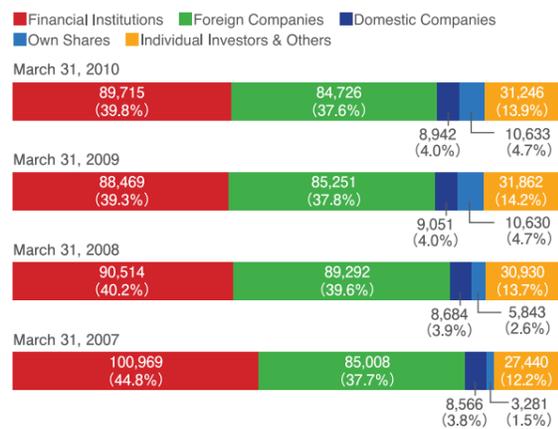
Vice Presidents

Corporate Senior Executive Vice President
Shinji Ushiro
Senior Executive Vice President
Atsushi Inoue
Executive Vice Presidents
Hideharu Ieki
Hideo Sakamoto
Koji Makino
Kiminori Yamauchi
Vice Presidents
Nobuo Tanaka
Hiroshi Takagi
Masao Nishimura
Masaro Ito
Yukio Hamaji
Yuichi Kojima
Toru Inoue
Osamu Yamaoka
Shinichi Madokoro
Takekazu Okada
Norio Nakajima

Stock information As of March 31, 2010

Number of shares outstanding at the end of current term
225,263 thousands of shares
Number of shareholders at the end of current term
75,161

Number of Shares Outstanding (thousands of shares)



Stock Exchange Listing

[Domestic] Tokyo Stock Exchange First Section
Osaka Stock Exchange First Section
[Overseas] Singapore Exchange

Major shareholder As of March 31, 2010

Name	Number of shares (thousands of shares)	Share of voting rights (%)
Japan Trustee Services Bank, Ltd. (trust account)	10,757	5.0
Nippon Life Insurance Company	9,685	4.5
The Master Trust Bank of Japan, Ltd. (trust account)	9,436	4.4
JP Morgan Chase Bank, National Association 380055	9,401	4.4
Meiji Yasuda Life Insurance Company	5,610	2.6
The Bank of Kyoto, Ltd.	5,260	2.5
The Shiga Bank, Ltd.	3,551	1.7
State Street Bank and Trust Company 505225	3,442	1.6
Mitsui Sumitomo Insurance Company, Limited	3,015	1.4
Mizuho Corporate Bank, Ltd.	3,000	1.4

(Note)
The company holds 10,633 thousands of shares of its own stock. As these shares do not confer voting rights, the shares have been excluded from the above table.

Innovator in Electronics, SWITCHPLEXER, EMIFIL, POSISTOR and Ionissimo are the trademarks or registered trademarks of Murata Manufacturing Co., Ltd. WirelessHD is a trademark or registered trademark of SiBEAM, Inc. Bluetooth is a trademark or registered trademark of Bluetooth SIG, Inc. (USA). WiMAX is a trademark or registered trademark of WiMAX Forum.

Financial Data 2010

Year Ended March 31, 2010

Index

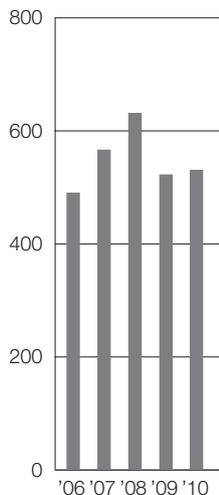
Financial Data Section	01	Financial Data
	02	Production, Order and Backlog by Product
	03	Capital Investment
	03	Liquidity in hand
	04	Consolidated Balance Sheets
	06	Consolidated Statements of Income
	07	Consolidated Statements of Comprehensive Income
	07	Consolidated Statements of Shareholders' Equity
	08	Consolidated Statements of Cash Flows
	09	Notes to Consolidated Financial Statements
36	Independent Auditors' Report	
Internal Control Section	37	Internal Control Section
	38	Management's Report on Internal Control
	39	Independent Auditors' Report <small>(filed under the Financial Instruments and Exchange Act of Japan)</small>

Financial Data

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2006–2010

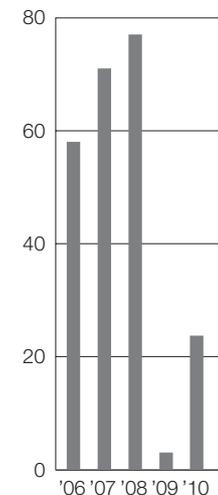
Net sales

(Billions of yen)



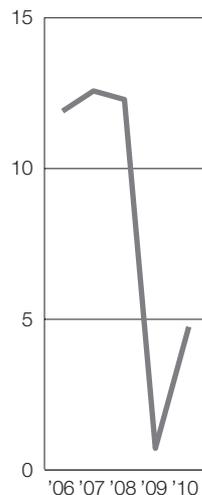
Net income

(Billions of yen)



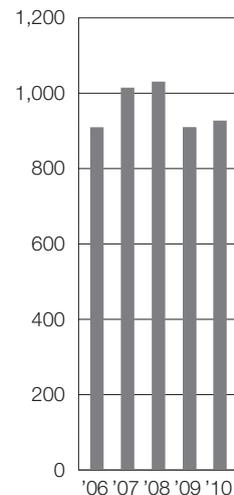
Return on net sales

(%)

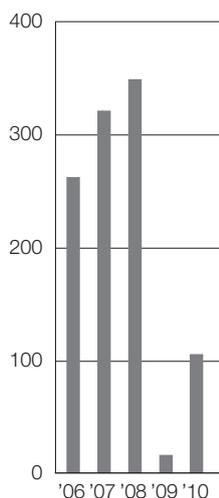


Total assets

(Billions of yen)

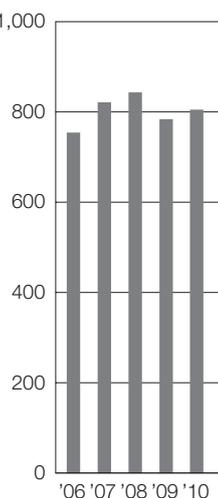


Diluted earnings per share^{*1} (Yen)

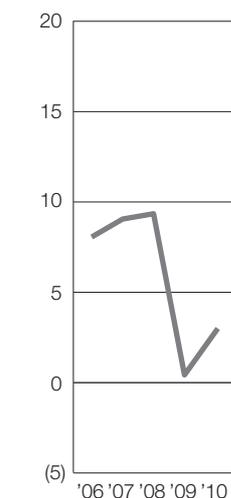


Shareholders' equity

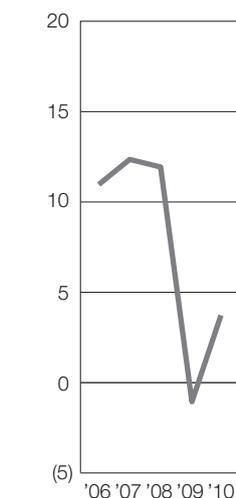
(Billions of yen)



Return on equity (ROE) (%)

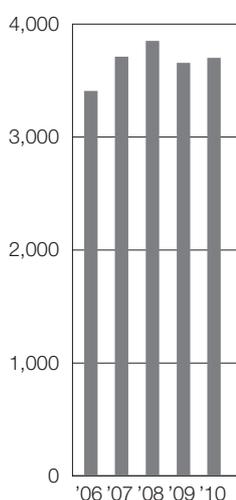


Income (loss) before Tax on total assets (ROA) (%)



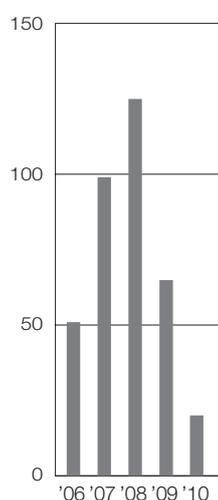
*1 Based on the average number of common shares outstanding and common equivalent shares outstanding such as those related to stock options.

Shareholders' equity per share^{*2} (Yen)



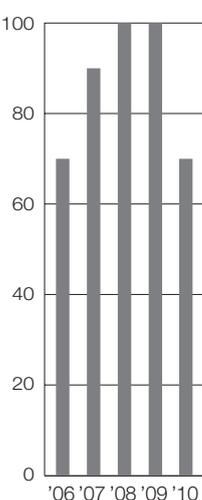
Capital investment

(Billions of yen)



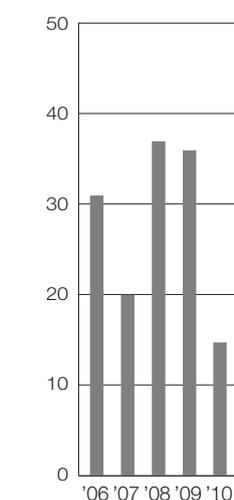
Dividend per share

(Yen)



Total return^{*3}

(Billions of yen)



*2 Based on the number of common shares outstanding at term-end.

*3 Total of Dividend payments and Share buyback.

Production, Order and Backlog by Product

Murata Manufacturing Co., Ltd. and Subsidiaries
Year ended March 31, 2010

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
2010				
Production by Product				
		%	%	
Capacitors	¥177,912	33.6	10.0	\$1,913,032
Piezoelectric Components	81,955	15.5	12.8	881,237
Other Components	96,578	18.2	(2.5)	1,038,473
Components Total	356,445	67.3	6.9	3,832,742
Communication Modules	125,744	23.8	21.3	1,352,086
Other Modules	47,250	8.9	(13.5)	508,065
Modules Total	172,994	32.7	9.3	1,860,151
Total	¥529,439	100.0	7.7	\$5,692,893

*1 Figures are based on production quantity and sales price to customers.

*2 Exclusive of consumption taxes

*3 The tables by product indicate production, order and backlog of electronic components and related products.

*4 The classification of products has been changed from April 1, 2009. Short-range wireless communication modules and multilayer ceramic devices, previously included in "Microwave Devices", and circuit modules, previously included in "Module products", have been separated from these classifications and are indicated as "Communication Modules". Connectors and isolators, previously included in "Microwave Devices" are indicated as "Other Components", together with EMI suppression filters, coils, sensors, and resistors, previously classified as "Other Products".

Along with the reclassification and change of product classification, we have newly made "Components" category and "Modules" category. "Components" include "Capacitors", "Piezoelectric Components" and "Other Components", and "Modules" consist of "Communication Modules" and "Other Modules".

The figures for the year ended March 31, 2009, and as of March 31, 2009 have been reclassified for comparison.

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
2010				
Order by Product				
		%	%	
Capacitors	¥199,825	35.4	18.5	\$2,148,656
Piezoelectric Components	87,222	15.4	18.5	937,871
Other Components	104,699	18.5	7.7	1,125,796
Components Total	391,746	69.3	15.4	4,212,323
Communication Modules	124,805	22.1	15.2	1,341,989
Other Modules	48,877	8.6	(4.7)	525,559
Modules Total	173,682	30.7	8.8	1,867,548
Total	¥565,428	100.0	13.3	\$6,079,871

*1 Figures are based on order quantity and sales price to customers.

*2 Exclusive of consumption taxes

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
2010				
Backlog by Product				
		%	%	
Capacitors	¥29,983	41.9	231.9	\$322,398
Piezoelectric Components	9,635	13.4	105.7	103,602
Other Components	12,754	17.8	103.2	137,140
Components Total	52,372	73.1	161.9	563,140
Communication Modules	14,498	20.3	13.7	155,893
Other Modules	4,746	6.6	110.3	51,032
Modules Total	19,244	26.9	28.2	206,925
Total	¥71,616	100.0	104.6	\$770,065

*1 Figures are based on backlog quantity and sales price to customers.

*2 Exclusive of consumption taxes

*3 Backlog by Product for this year has increased drastically compared to the previous year.

This is because sharp inventory adjustment caused by demand deflection ended by the end of the previous fiscal year, and procurements of components were increased by the customers.

Capital Investment

Murata Manufacturing Co., Ltd. and Subsidiaries
Year ended March 31, 2010

1) Capital Investment for the fiscal year ended March 2010 amounted to ¥22,868 million (\$245,892 thousand). Major capital investment included expansion and rationalization of production facilities, construction of buildings and expansion of R&D facilities.

2) Major property, plant and equipment on book value basis

2010	Millions of yen				
	Land	Buildings	Machinery and equipment	Construction in progress	Total
Parent Company					
Plant, Office and other					
Head Office in Kyoto	¥ 157	¥ 1,618	¥ 1,856	¥ 80	¥ 3,711
Yokaichi Plant in Shiga	468	6,074	5,681	506	12,731
Yasu Plant in Shiga	7,014	20,515	10,500	2,389	40,419
Yokohama Technical Center in Kanagawa.....	2,654	1,942	219	0	4,815
Other	7,195	1,494	595	43	9,329

2010	Millions of yen				
	Land	Buildings	Machinery and equipment	Construction in progress	Total
Domestic subsidiaries					
Company Name					
Kanazawa Murata Manufacturing Co., Ltd.	¥3,501	¥11,849	¥13,413	¥2,068	¥30,831
Fukui Murata Manufacturing Co., Ltd.	2,025	10,742	16,575	1,401	30,743
Izumo Murata Manufacturing Co., Ltd.	1,384	11,515	12,803	623	26,325
Murata Land & Building Co., Ltd.	4,734	11,337	23	–	16,094
Okayama Murata Manufacturing Co., Ltd.	–	6,589	6,627	1,569	14,785
Toyama Murata Manufacturing Co., Ltd.	1,610	3,182	4,284	365	9,441

2010	Millions of yen				
	Land	Buildings	Machinery and equipment	Construction in progress	Total
Foreign subsidiaries					
Company Name					
Wuxi Murata Electronics Co., Ltd.	–	¥ 3,291	¥ 7,391	¥ 472	¥11,154
Murata Electronics Singapore (Pte.) Ltd.	–	3,351	3,447	–	6,798
Shenzhen Murata Technology Co., Ltd.	–	2,413	2,089	4	4,506
Murata (China) Investment Co., Ltd.	–	1,882	155	797	2,834
Murata Electronics (Thailand), Ltd.	¥ 222	757	1,604	105	2,688

Liquidity in hand

Murata Manufacturing Co., Ltd. and Subsidiaries
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Cash and cash equivalents at end of year	¥108,777	¥117,502	\$1,169,645
Short-term investments with the original maturities over three months	21,897	22,584	235,452
Available-for-sale securities (Governmental and Private debt securities)....	230,168	165,545	2,474,925
Liquidity in hand	¥360,842	¥305,631	\$3,880,022

Consolidated Balance Sheets

Murata Manufacturing Co., Ltd. and Subsidiaries
March 31, 2010 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Current assets:			
Cash	¥ 66,688	¥ 46,296	\$ 717,075
Short-term investments	63,986	93,790	688,022
Marketable securities (Note 3)	32,793	83,342	352,613
Notes and accounts receivable:			
Trade notes	2,088	3,494	22,452
Trade accounts	109,942	80,578	1,182,172
Allowance for doubtful notes and accounts	(1,021)	(1,013)	(10,979)
Inventories (Note 4)	89,216	94,104	959,312
Deferred income taxes (Note 9)	17,378	16,363	186,860
Prepaid expenses and other	7,071	23,753	76,032
Total current assets	388,141	440,707	4,173,559
Property, plant and equipment:			
Land	43,829	43,899	471,280
Buildings	272,070	267,737	2,925,484
Machinery and equipment	570,701	567,299	6,136,570
Construction in progress	12,162	20,979	130,774
Total	898,762	899,914	9,664,108
Accumulated depreciation	(613,497)	(571,632)	(6,596,742)
Net property, plant and equipment	285,265	328,282	3,067,366
Investments and other assets:			
Investments (Note 3)	207,958	90,138	2,236,107
Deferred income taxes (Note 9)	9,654	20,496	103,806
Other (Notes 6 and 16)	37,772	29,704	406,151
Total investments and other assets	255,384	140,338	2,746,064
Total assets	¥928,790	¥909,327	\$9,986,989

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Current liabilities:			
Short-term borrowings (Note 5)	¥ 5,476	¥ 9,240	\$ 58,882
Trade notes payable	777	2,472	8,355
Trade accounts payable	28,861	17,939	310,333
Accrued payroll and bonuses	20,351	17,417	218,828
Income taxes payable	3,226	1,405	34,688
Accrued expenses and other (Note 6)	20,055	20,982	215,645
Total current liabilities	78,746	69,455	846,731
Long-term liabilities:			
Long-term debt (Note 5)	11	17	118
Termination and retirement benefits (Note 6)	46,496	53,593	499,957
Deferred income taxes (Note 9)	1,812	889	19,484
Other.....	868	1,031	9,333
Total long-term liabilities	49,187	55,530	528,892
Commitments and contingent liabilities (Note 13)			
Shareholders' equity (Notes 8 and 18):			
Common stock (authorized 581,000,000 shares in 2010 and 2009; issued 225,263,592 shares in 2010 and 2009)	69,377	69,377	745,989
Capital surplus	102,388	102,388	1,100,946
Retained earnings	698,613	692,099	7,511,968
Accumulated other comprehensive income (loss):			
Unrealized gains on securities	3,132	344	33,677
Pension liability adjustments (Note 6)	3,167	(4,928)	34,054
Unrealized losses on derivative instruments	(300)	(590)	(3,226)
Foreign currency translation adjustments	(27,446)	(26,288)	(295,118)
Total accumulated other comprehensive loss	(21,447)	(31,462)	(230,613)
Treasury stock, at cost 10,633,763 shares in 2010 and 10,630,495 shares in 2009	(48,074)	(48,060)	(516,924)
Total shareholders' equity	800,857	784,342	8,611,366
Total liabilities and shareholders' equity	¥928,790	¥909,327	\$9,986,989

Consolidated Statements of Income

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Net sales	¥530,819	¥523,946	¥631,655	\$5,707,731
Operating costs and expenses:				
Cost of sales	382,877	398,112	387,842	4,116,957
Selling, general and administrative	79,563	95,289	85,780	855,516
Research and development	41,649	46,832	42,281	447,839
Total operating costs and expenses	504,089	540,233	515,903	5,420,312
Operating income (loss)	26,730	(16,287)	115,752	287,419
Other income (expenses):				
Interest and dividend income	3,254	4,061	4,866	34,989
Interest expense	(67)	(478)	(537)	(720)
Foreign currency exchange gain (loss)	1,443	1,396	(32)	15,516
Other-net	3,298	989	1,781	35,463
Other income (expenses)-net	7,928	5,968	6,078	85,248
Income (loss) before income taxes	34,658	(10,319)	121,830	372,667
Income taxes (Note 9)	9,901	(13,907)	44,417	106,463
Net income	¥ 24,757	¥ 3,588	¥ 77,413	\$ 266,204
Amounts per share (Note 11):		Yen		U.S. dollars (Note 2)
Basic earnings per share	¥115.35	¥ 16.48	¥349.09	\$1.24
Diluted earnings per share.....	¥115.35	¥ 16.48	¥349.05	\$1.24
Cash dividends per share.....	¥ 85.00	¥100.00	¥100.00	\$0.91

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Net income	¥24,757	¥ 3,588	¥ 77,413	\$266,204
Other comprehensive income (loss), net of tax (Note 12):				
Unrealized gains (losses) on securities	2,788	(2,610)	(2,414)	29,979
Pension liability adjustments	8,095	(5,573)	(7,821)	87,043
Unrealized gains (losses) on derivative instruments	290	(606)	45	3,118
Foreign currency translation adjustments	(1,158)	(17,771)	(8,901)	(12,452)
Other comprehensive income (loss)	10,015	(26,560)	(19,091)	107,688
Comprehensive income (loss)	¥34,772	¥(22,972)	¥ 58,322	\$373,892

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2010, 2009 and 2008

	Number of common shares issued	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance at March 31, 2007	225,263,592	¥69,377	¥102,363	¥655,240	¥ 14,189	¥(18,276)
Purchases of treasury stock at cost ...						(15,035)
Exercise of stock options			21			210
Stock-based compensation expense ..			19			
Net income				77,413		
Cash dividends, ¥100.00 per share				(22,200)		
Other comprehensive loss, net of tax					(19,091)	
Balance at March 31, 2008	225,263,592	69,377	102,403	710,453	(4,902)	(33,101)
Purchases of treasury stock at cost ...						(15,025)
Disposal of treasury stock			(15)			66
Net income				3,588		
Cash dividends, ¥100.00 per share				(21,942)		
Other comprehensive loss, net of tax					(26,560)	
Balance at March 31, 2009	225,263,592	69,377	102,388	692,099	(31,462)	(48,060)
Purchases of treasury stock at cost ...						(14)
Net income				24,757		
Cash dividends, ¥85.00 per share.				(18,243)		
Other comprehensive income, net of tax					10,015	
Balance at March 31, 2010	225,263,592	¥69,377	¥102,388	¥698,613	¥(21,447)	¥(48,074)

	Thousands of U.S. dollars (Note 2)				
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance at March 31, 2009	\$745,989	\$1,100,946	\$7,441,925	\$(338,301)	\$(516,774)
Purchases of treasury stock at cost ..					(150)
Net income			266,204		
Cash dividends, \$0.91 per share ...			(196,161)		
Other comprehensive income, net of tax				107,688	
Balance at March 31, 2010	\$745,989	\$1,100,946	\$7,511,968	\$(230,613)	\$(516,924)

Consolidated Statements of Cash Flows

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2010, 2009, and 2008

Thousands of
U.S. dollars (Note 2)

	Millions of yen			2010
	2010	2009	2008	
Operating activities:				
Net income	¥ 24,757	¥ 3,588	¥ 77,413	\$ 266,204
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	69,896	80,978	65,134	751,570
Losses on sales and disposals of property, plant and equipment...	181	411	740	1,946
Impairment losses on long-lived assets	-	506	-	-
Impairment losses on goodwill	-	9,777	-	-
Gains on sales of securities	-	(47)	(8)	-
Provision for termination and retirement benefits, less payments ..	3,970	1,039	(1,650)	42,688
Deferred income taxes	2,608	(18,341)	4,895	28,043
Changes in assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable ...	(28,870)	39,183	(280)	(310,430)
Decrease (increase) in inventories.....	4,616	18,189	(25,628)	49,634
Decrease (increase) in prepaid expenses and other.....	16,563	(14,540)	(61)	178,097
Increase (decrease) in trade notes and accounts payable...	9,259	(23,012)	3,730	99,559
Increase (decrease) in accrued payroll and bonuses.....	2,954	(4,953)	1,518	31,764
Increase (decrease) in income taxes payable.....	2,178	(10,973)	(16,704)	23,419
Decrease in accrued expenses and other	(369)	(7,528)	(2,856)	(3,968)
Other-net	(440)	2,244	114	(4,731)
Net cash provided by operating activities.....	107,303	76,521	106,357	1,153,795
Investing activities:				
Capital expenditures.....	(22,868)	(65,427)	(125,557)	(245,892)
Payment for purchases of marketable securities, investments and other ..	(159,411)	(21,575)	(37,118)	(1,714,097)
Maturities and sales of marketable securities, investments and other ..	86,712	84,664	110,411	932,387
Increase in long-term deposits	-	-	(4,000)	-
Decrease in long-term deposits.....	1,000	3,000	2,000	10,753
Acquisition of subsidiaries, net of cash acquired.....	-	-	(9,623)	-
Decrease (increase) in short-term investments.....	687	(19,338)	(2,365)	7,387
Other.....	619	570	661	6,656
Net cash used in investing activities	(93,261)	(18,106)	(65,591)	(1,002,806)
Financing activities:				
Net increase (decrease) in short-term borrowings.....	(3,977)	(6,821)	4,517	(42,764)
Dividends paid	(18,243)	(21,942)	(22,200)	(196,161)
Payment for purchases of treasury stock.....	(14)	(15,025)	(15,035)	(150)
Other.....	(145)	(26)	226	(1,559)
Net cash used in financing activities.....	(22,379)	(43,814)	(32,492)	(240,634)
Effect of exchange rate changes on cash and cash equivalents ...	(388)	(7,235)	(4,293)	(4,172)
Net increase (decrease) in cash and cash equivalents ...	(8,725)	7,366	3,981	(93,817)
Cash and cash equivalents at beginning of year	117,502	110,136	106,155	1,263,462
Cash and cash equivalents at end of year	¥108,777	¥117,502	¥110,136	\$1,169,645
Additional cash flow information:				
Interest paid	¥ 70	¥ 534	¥ 505	\$ 753
Income taxes paid (refund)	(11,349)	32,571	56,611	(122,032)
Additional cash and cash equivalents information:				
Cash	¥ 66,688	¥ 46,296	¥ 36,783	\$ 717,075
Short-term investments.....	63,986	93,790	76,599	688,022
Short-term investments with the original maturities over three months ...	(21,897)	(22,584)	(3,246)	(235,452)
Cash and cash equivalents at end of year	¥108,777	¥117,502	¥110,136	\$1,169,645

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Murata Manufacturing Co., Ltd. and
Subsidiaries

1. Summary of Significant Accounting Policies

(a) Nature of operations

Murata Manufacturing Co., Ltd. (the "Company") and subsidiaries (together the "Companies") are engaged in the development, manufacture and sale of electronic components (Components and Modules) in numerous countries, with Japan, North America and certain other Asian and European countries as its primary markets. Components consist of capacitors, piezoelectric components and other components. Modules consist of communication modules and other modules. The Companies' products are sold mainly to electronics companies for use as components in telecommunication, computer, audio, video, automotive electronics and other electronic products.

(b) Basis of financial statements

The consolidated financial statements, stated in Japanese yen, reflect certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles generally accepted in the United States.

Effective July 1, 2009, the Companies adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105, "Generally Accepted Accounting Principles" (the provisions which were previously included in Statement of Financial Accounting Standards ("SFAS") No.168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162") in the United States of America. According to SFAS No. 168, the Companies replaced Statement of Financial Accounting Standards and others with FASB Accounting Standards Codification (ASC). Adoption of this FASB Accounting Standards Codification has no effect on the Companies' consolidated financial statements.

The principal adjustments to amounts recorded in the Companies' books of account include the measurement of net periodic cost for defined benefit retirement plans, the accrual of compensated absences, accounting for derivatives, and the provision for deferred income taxes relating to these adjustments.

(c) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany items have been eliminated in consolidation.

(d) Short-term investments, cash and cash equivalents

Short-term investments include time deposits which may be withdrawn on demand without diminution of principal, and commercial paper which is a highly-liquid investment.

The Companies consider cash and short-term investments with original maturities of three months or less as cash and cash equivalents.

(e) Marketable securities and investments

Under ASC320, "Investment - Debt and Equity Securities" (the provisions which were previously included in SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities"), the Companies classify all debt securities and marketable equity securities as available-for-sale and carry them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as a separate component of shareholders' equity. Gains and losses on sales of investments are computed on an average cost basis. Equity securities that do not have a readily determinable fair value are recorded at average cost (See Note 3). The Companies review the fair value of their marketable securities and investments on a regular basis to determine if the fair value of any individual investment has declined below its cost and amortized cost and if such decline is other than temporary. A determination of whether a decline in fair value represents an other than temporary impairment is based on criteria that include the extent to which the securities' carrying value exceeds its fair value, the duration of the market decline, and the Companies' requirement and intent to sell the investment. Losses from other-than-temporary impairments, if any, are charged to income as incurred.

(f) Inventories

Inventories are stated at the lower of cost, which is determined principally by the average cost method, or market.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment

has been principally computed using the declining-balance method (straight-line method for certain overseas subsidiaries) based upon the estimated useful lives of the assets. The range of useful lives is principally from 10 to 50 years for buildings and from 4 to 8 years for machinery and equipment.

(h) Termination and retirement benefits

Termination and retirement benefits are accounted for in accordance with ASC715, "Compensation - Retirement benefits" (the provisions which were previously included in SFAS No.87, "Employers' Accounting for Pensions" and SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)").

(i) Revenue recognition

The Companies recognize revenue when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

(j) Advertising expenses

Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2010, 2009 and 2008 were ¥1,964 million (\$21,118 thousand), ¥2,536 million and ¥2,354 million, respectively.

(k) Taxes on Income

The Companies follow the provisions of ASC740, "Income Taxes" (the provisions which were previously included in SFAS No. 109, "Accounting for Income Taxes") to account for income taxes. Under ASC740, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax bases of assets and liabilities using the enacted tax rates. Deferred income tax expenses and credits are based on the change in the deferred tax assets and liabilities from period to period. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

A revised income tax act was enacted during the year ended March 31, 2009, and it treats almost all dividends received from subsidiaries after April 1, 2009 as non-taxable income for tax calculation. Regarding undistributed earnings of subsidiaries the Companies doesn't recognize the corresponding deferred tax liabilities.

The Companies account for uncertainty in income taxes in accordance with ASC740, "Income Taxes" (the provisions which were previously included in FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109"). ASC740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

(l) Earnings per share

The Companies account for earnings per share in accordance with ASC260, "Earnings per share" (the provisions which were previously included in SFAS No. 128, "Earnings per Share"). Diluted earnings per share reflects the potential dilution from potential shares outstanding such as shares issuable upon the exercise of stock options. A reconciliation of the numerator and denominator of the basic and diluted earnings per share computation is included in Note 11.

(m) Fair value measurements

The Companies account for fair value measurements in accordance with ASC820, "Fair value measurements and disclosures" (the provisions which were previously included in SFAS No. 157, "Fair value measurements"). ASC820 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

(n) Derivatives

The Companies account for their derivative instruments and hedging activities in accordance with ASC815, "Derivatives and Hedging" (the provisions which were previously included in SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of FASB Statement No. 133," SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140," and SFAS No. 161, "Disclosures about Derivative Instruments

and Hedging Activities – an amendment of FASB Statement No. 133”). These standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

On the date the derivative contract is entered into, the Companies designate the derivative as a hedge of forecasted foreign currency cash flows. The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as foreign currency cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific forecasted transactions. The Companies consider all hedges to be highly effective in offsetting changes in cash flows of hedged items, because the currencies and terms of the derivatives correspond to those of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a foreign currency cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

(o) Stock-based Compensation

The Company accounts for stock-based awards to employees in accordance with ASC718, “Compensation - Stock compensation” (the provisions which were previously included in SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS No. 123R”)), using the modified prospective application. ASC718 requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide service in exchange for the award on or after the effective date. Stock-based compensation for the year ended March 31, 2008 was ¥19 million. There is no tax effect on the stock-based compensation. There were no stock-based compensations for the years ended March 31, 2010 and 2009.

(p) Shipping and Handling costs

Shipping and Handling costs which are included in selling, general and administrative expenses for the years ended March 31, 2010, 2009 and 2008 were ¥4,828 million (\$51,914 thousand), ¥5,086 million and ¥5,953 million, respectively.

(q) Consideration given by a vendor to a customer

The Companies account for consideration given to a customer as a reduction of revenue in accordance with ASC605-50, “Customer payments and incentives” (the provisions which were previously included in Emerging Issues Task Force (“EITF”) No. 01-9, “Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor’s Products”). ASC605-50 defines the income statement classification of consideration given by a vendor to a customer or reseller of the vendor’s products.

(r) Impairment or Disposal of Long-Lived Assets

The Companies account for impairment or disposal of long-lived assets and discontinued operations in accordance with ASC360, “Property, plant, and equipment” (the provisions which were previously included in SFAS No.144, “Accounting for the Impairment or Disposal of Long-Lived Assets”). This statement applies to all long-lived assets. The Companies’ long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. If the Companies determine to dispose of assets, depreciation estimates for the assets shall be revised to reflect those remaining useful lives. Assets classified as held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell.

Except for idle long-lived assets and long-lived assets to be disposed of by sale, long-lived assets are aggregated into asset groups based on product category.

The Companies recognized ¥506 million of impairment losses in selling, general and administrative expenses for the year ended March 31, 2009.

In the year ended March 31, 2009, the Company entered into sales agreement of certain idle long-lived assets located in Japan and recognized ¥506 million of impairment losses. Impairment losses consist of ¥237 million for building and ¥269 million for land. Net realizable values of these long-lived assets were determined at fair value less cost to sell, which were equal with the price contracted by the sales agreement.

(s) Goodwill and other intangible assets

The Companies account for goodwill and other intangible assets in accordance with ASC350, "Intangibles - Goodwill and other" (the provisions which were previously included in SFAS No. 142, "Goodwill and Other Intangible Assets"). In accordance with this statement, goodwill is not amortized and is instead tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives.

And also this statement requires that an intangible asset that is determined to have indefinite useful life is not amortized but is instead tested at least annually for impairment until its useful life is determined to be no longer indefinite.

(t) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(u) Reclassifications

Certain items in prior years' financial statements have been reclassified to conform to the 2010 presentation.

2. Translation of Japanese Yen Amounts into U.S. Dollar Amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience of readers outside of Japan and have been made at the rate of ¥93 to \$1, the approximate rate of exchange at March 31, 2010. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Marketable Securities and Investments

The cost and amortized cost, gross unrealized gains, gross unrealized losses and fair value for available-for-sale securities by major security type, at March 31, 2010 and 2009 were as follows:

	Millions of yen			
	2010			
	Cost and Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	¥ 4,528	¥ 61	–	¥ 4,589
Private debt securities	223,922	2,249	¥ 592	225,579
Equity securities	5,275	3,574	–	8,849
Investment trusts.....	600	10	–	610
Total available-for-sale securities..	¥ 234,325	¥ 5,894	¥ 592	¥ 239,627

	Millions of yen			
	2009			
	Cost and Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	¥ 6,558	¥ 79	¥ 0	¥ 6,637
Private debt securities	159,878	435	1,405	158,908
Equity securities	4,606	1,764	–	6,370
Investment trusts.....	600	5	–	605
Total available-for-sale securities ..	¥ 171,642	¥ 2,283	¥1,405	¥ 172,520

	Thousands of U.S. dollars			
	2010			
	Cost and Amortized cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	\$ 48,688	\$ 656	-	\$ 49,344
Private debt securities	2,407,764	24,183	\$6,366	2,425,581
Equity securities	56,720	38,430	-	95,150
Investment trusts.....	6,452	107	-	6,559
Total available-for-sale securities..	<u>\$2,519,624</u>	<u>\$63,376</u>	<u>\$6,366</u>	<u>\$2,576,634</u>

The fair value and gross unrealized losses for available-for-sale securities by major security type and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2010 and 2009 were as follows:

	Millions of yen			
	2010			
	Less than 12 months		12 months or longer	
Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	
Private debt securities	¥63,598	¥528	¥5,630	¥64
Total	<u>¥63,598</u>	<u>¥528</u>	<u>¥5,630</u>	<u>¥64</u>

	Millions of yen			
	2009			
	Less than 12 months		12 months or longer	
Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	
Governmental debt securities	-	-	¥ 14	¥ 0
Private debt securities	¥28,445	¥287	31,978	1,118
Total	<u>¥28,445</u>	<u>¥287</u>	<u>¥31,992</u>	<u>¥1,118</u>

	Thousands of U.S. dollars			
	2010			
	Less than 12 months		12 months or longer	
Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	
Private debt securities	\$683,849	\$5,678	\$60,538	\$688
Total	<u>\$683,849</u>	<u>\$5,678</u>	<u>\$60,538</u>	<u>\$688</u>

Effective April 1, 2009, the Companies adopted ASC320, "Investment - Debt and Equity Securities" (the provisions which were previously included in FSP 115-2 and 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments").

The Companies did not recognize other-than-temporary impairment loss on debt securities which have a fair value below amortized cost as of March 31, 2010, as the Companies don't intend to and more likely than not won't be required to sell such securities before the recovery of amortized cost and as the issuers of the securities have favorable credit ratings.

The aggregate carrying amounts of equity securities that do not have a readily determinable fair value at March 31, 2010 and 2009, which were valued at cost, were ¥1,124 million (\$12,086 thousand) and ¥960 million, respectively. At March 31, 2010 and 2009, equity securities of ¥1,118 million (\$12,022 thousand) and ¥934 million, respectively, were not evaluated for impairment because (a) the Companies did not identify any events or changes in circumstances that might have a significant adverse effect on the fair value of the securities and (b) the Companies determined that it was not practicable to estimate the fair value of the securities.

Notes to Consolidated Financial Statements

The Companies previously classified all available-for-sale debt securities as current assets without consideration of contractual maturities. On April 1, 2009, the Companies changed accounting method by which debt securities are classified as current or long-term investments based on their contractual maturities, unless the Companies intend to sell an investment within the next twelve months, in which case it is classified as current. The Companies believe this new method is a preferable accounting method as it better reflects when cash will be realized. In accordance with ASC 250, "Accounting Changes and Error Corrections" (the provisions which were previously included in SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of APB Opinion No. 20 and FASB Statement No. 3"), this change is accounted for as a change in accounting principle. There is no effect on income and earning per share, and no cumulative effect on April 1, 2008 due to this change. In connection with this accounting change, certain debt securities of ¥197,375 million (\$2,122,312 thousand) and ¥82,203 million as of March 31, 2010 and March 31, 2009, respectively, have been reclassified to long-term. Also, current deferred tax assets of ¥452 million (\$4,860 thousand) and ¥718 million, and current deferred tax liabilities of ¥879 million (\$9,452 thousand) and ¥175 million, as of March 31, 2010 and March 31, 2009, respectively, have been reclassified to long-term before offsetting deferred tax assets and liabilities.

Contractual maturities of debt securities (Governmental and private debt securities) as of March 31, 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	Within one year.....	¥ 32,671	¥ 32,793	\$ 351,301
After one year through five years.....	194,779	196,387	2,094,398	2,111,688
After five years.....	1,000	988	10,753	10,624
Total	<u>¥228,450</u>	<u>¥230,168</u>	<u>\$2,456,452</u>	<u>\$2,474,925</u>

Information related to sales of available-for-sale securities was as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
	Proceeds from sales.....	-	¥4,526	¥997
Gross realized gains	-	47	8	-
Gross realized losses.....	-	-	14	-

4. Inventories

Inventories at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
	Finished products.....	¥37,167	¥41,903
Work-in-process.....	31,165	31,119	335,108
Materials and supplies	20,884	21,082	224,559
Total	<u>¥89,216</u>	<u>¥94,104</u>	<u>\$959,312</u>

5. Short-Term Borrowings and Long-Term Debt

Short-Term Borrowings at March 31, 2010 and 2009 consisted of the following:

	Millions of yen	Weighted-Average Interest Rate	Millions of yen	Weighted-Average Interest Rate	Thousands of U.S. dollars
	2010		2009		2010
Bank loans	¥5,476	0.6%	¥9,240	1.4%	\$58,882

Long-term debt at March 31, 2010 and 2009 consisted of the following:

	Millions of yen	Weighted-Average Interest Rate	Millions of yen	Weighted-Average Interest Rate	Thousands of U.S. dollars
	2010		2009		2010
Long-term loan payable ..	¥13	3.5%	¥19	3.4%	\$139
Total	13	3.5	19	3.4	139
Less: Portion due within one year ..	2	3.8	2	3.6	21
Total	¥11	3.5%	¥17	3.4%	\$118

The aggregate future maturities of long-term debt outstanding at March 31, 2010 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011	¥ 2	\$ 21
2012	2	21
2013	1	11
2014	1	11
2015	1	11
2016 and thereafter	6	64
Total	¥13	\$139

6. Termination and Retirement Benefits

The Companies sponsor termination and retirement benefit plans which cover most employees. Benefits are primarily based on the employee's position and assessment of performance or the employee's years of service, with some plans also considering compensation and other factors. If the termination is involuntary or caused by death, the employee or their beneficiary is usually entitled to greater payments than in the case of voluntary termination.

The Companies fund a portion of the obligation under these plans. The general funding policy is to contribute amounts computed in accordance with accepted actuarial methods.

The Companies have several termination and retirement plans, some partially funded and administered by independent trustees, others unfunded and administered by the Companies. These plans usually provide lump sum termination and retirement benefits and are paid at the earlier of the employee's termination or the mandatory retirement age although periodic payments are available under certain conditions.

Notes to Consolidated Financial Statements

The following table summarizes the financial status of the termination and retirement plans and the amounts recognized in the financial statements at March 31:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Change in benefit obligation:			
Benefit obligation at beginning of year	¥105,006	¥102,644	\$1,129,097
Service cost	6,448	6,528	69,333
Interest cost	2,018	1,973	21,699
Amendments	(2,582)	(2,108)	(27,764)
Actuarial loss	(3,448)	483	(37,075)
Benefits paid	(1,432)	(1,305)	(15,398)
Settlement paid	(2,344)	(3,209)	(25,204)
Benefit obligation at end of year	103,666	105,006	1,114,688
Change in plan assets:			
Fair value of plan assets at beginning of year	50,467	58,495	542,656
Actual return on plan assets	6,686	(9,874)	71,893
Employer contribution	3,525	3,755	37,903
Benefits paid	(1,432)	(1,305)	(15,398)
Settlement paid	(406)	(604)	(4,366)
Fair value of plan assets at end of year	58,840	50,467	632,688
Funded status at end of year	¥ (44,826)	¥ (54,539)	\$ (482,000)
Amounts recognized in the consolidated balance sheet consist of:			
Long-term receivables, advances and other	¥ 2,745	–	\$ 29,516
Accrued expenses and other	(1,075)	¥ (946)	(11,559)
Termination and retirement benefits	(46,496)	(53,593)	(499,957)
Net amount recognized	¥ (44,826)	¥ (54,539)	\$ (482,000)
Accumulated benefit obligation at end of year	¥ 99,202	¥100,615	\$1,066,688

Accumulated benefit obligations for all of the Companies' termination and retirement plans were in excess of their plan assets at March 31, 2010 and 2009.

Amounts recognized in accumulated other comprehensive loss (income) at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Actuarial loss	¥17,145	¥ 30,269	\$184,355
Prior service benefit	(22,405)	(21,943)	(240,914)
Pension liability adjustments, before tax	¥ (5,260)	¥ 8,326	\$ (56,559)

Net periodic benefit cost for the years ended March 31:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost	¥6,448	¥ 6,528	¥ 5,606	\$69,333
Interest cost	2,018	1,973	1,862	21,699
Expected return on plan assets	(1,004)	(1,163)	(1,274)	(10,796)
Amortization of prior service benefit	(2,120)	(1,988)	(1,988)	(22,796)
Recognized actuarial loss	3,949	2,134	255	42,463
Net periodic benefit cost	¥9,291	¥ 7,484	¥ 4,461	\$99,903

Other amounts recognized in other comprehensive loss (income) for the years ended March 31:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Prior service benefit due to amendments	¥ (2,582)	¥ (2,108)	\$ (27,764)
Actuarial loss	(9,175)	11,606	(98,655)
Amortization of prior service benefit	2,120	1,988	22,796
Recognized actuarial loss	(3,949)	(2,134)	(42,463)
Total recognized in other comprehensive loss (income), before tax ...	¥(13,586)	¥ 9,352	\$ (146,086)

The estimated prior service cost and net loss for the termination and retirement benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year are a gain of ¥2,224 million (\$23,914 thousand) and a loss of ¥1,601 million (\$17,215 thousand), respectively.

Termination and retirement benefits, accounted for in accordance with ASC715, "Compensation-Retirement benefits" (the provisions which were previously included in SFAS No.87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R),") are provided at the amount incurred during the period, which is based on the estimated present value of the projected benefit obligation less the fair value of plan assets at the end of the period. The overfunded or underfunded status of a defined benefit postretirement plan is recognized as an asset or liability in its statement of financial position, with an adjustment to accumulated other comprehensive income (loss).

The unrecognized prior service benefit due to certain plan amendments is being amortized on a straight-line basis over the average remaining service period of employees. In the year ended March 31, 2009, the Company and a domestic subsidiary amended their termination and retirement benefit plans. As a result of these amendments, the benefit obligation decreased by ¥2,108 million during the year ended March 31, 2009. In the year ended March 31, 2010, domestic subsidiaries changed from qualified pension plans to defined benefit retirement plans, and amended termination and retirement benefit plans. As a result of these changes and amendments, the benefit obligation decreased by ¥2,582 million (\$27,764 thousand) during the year ended March 31, 2010.

The unrecognized actuarial gains and losses in excess of 10% of the larger of the projected benefit obligation or plan assets are being amortized over five years.

The following assumptions were utilized to calculate the actuarial present value of the benefit obligation as of March 31:

	2010	2009
Discount rate	2.2%	2.0%

The following assumptions were utilized to calculate net periodic benefit cost for the years ended March 31:

	2010	2009	2008
Discount rate	2.0%	2.0%	2.0%
Expected long-term rate of return on plan assets.....	2.0%	2.0%	2.0%

The Companies determined the discount rate based on a risk-free rate estimated considering the long-term rate of return on Japanese Government Bonds and the rate of returns on other high-quality fixed-income investments. The Companies determined the expected long-term rate of return on plan assets, based on the historical performance of various invested asset categories, as well as the long-term rate of return on Japanese Government Bonds.

Compensation increase rate is not used in the calculation of benefit obligation and net periodic benefit cost under the point system.

Notes to Consolidated Financial Statements

Plan assets are invested for the purpose of achieving a sufficient rate of return to maintain pension plan assets for future payment of benefits to plan participants. Considering the expected rate of return on invested assets, a related standard deviation, and a related correlation coefficient, the Companies believe the current asset allocation is adequate for purposes of meeting investment objectives. For achieving the expected rate of return on plan assets on a mid-term to long-term basis, the Companies select optimal investing institutions by invested asset category and entrust the investment of plan assets to them. The Companies revise the asset allocation when and to the extent considered necessary. The asset allocation of the Company's plan assets which account for most of plan assets at March 31, 2010 consists of 42% of equity securities, 50% of debt securities and life insurance company general accounts, and 8% of other.

The fair values of the Companies' plan assets at March 31, 2010 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Equity securities				
Stocks	¥ 3,204	¥ 18	–	¥ 3,222
Pooled funds.....	–	16,461	–	16,461
Debt Securities				
Governmental debt securities	9,422	200	–	9,622
Private debt securities	–	885	–	885
Pooled funds.....	–	9,797	–	9,797
Life insurance company general accounts	–	14,764	–	14,764
Other				
Pooled funds.....	–	–	¥1,434	1,434
Other.....	–	2,655	–	2,655
Total	¥12,626	¥44,780	¥1,434	¥58,840
	Thousands of U.S. dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Equity securities				
Stocks	\$ 34,451	\$ 194	–	\$ 34,645
Pooled funds.....	–	177,000	–	177,000
Debt Securities				
Governmental debt securities	101,312	2,150	–	103,462
Private debt securities	–	9,516	–	9,516
Pooled funds.....	–	105,344	–	105,344
Life insurance company general accounts	–	158,753	–	158,753
Other				
Pooled funds.....	–	–	\$15,420	15,420
Other.....	–	28,548	–	28,548
Total	\$135,763	\$481,505	\$15,420	\$632,688

The fair values of the Companies' plan assets of level 3 for the year ended March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Other Pooled funds	Other Pooled funds
Beginning balance	¥1,228	\$13,204
Actual Return on Plan Assets		
Relating to assets still held at the reporting date	226	2,430
Relating to assets sold during the period	(2)	(21)
Purchases, sales, and settlements	(18)	(193)
Transfers in and/or out of Level 3	–	–
Ending balance	¥1,434	\$15,420

The Companies' benefit plan weighted-average asset allocation at March 31, 2009 by asset category was as follows:

	2009
Equity securities	27.9%
Debt securities	38.5
Life insurance company general accounts	25.2
Other	8.4
	<u>100.0%</u>

Stocks

Stocks contain marketable equity securities and nonmarketable equity securities. Marketable equity securities are measured by the market approach using quoted prices in active markets; they are classified within level 1. This class consists of 100% Japanese stocks.

Stocks include common stock of the Company in the amounts of ¥59 million (\$634 thousand) (0.10% of total plan assets) and ¥22 million (0.04% of total assets) at March 31, 2010 and 2009, respectively.

Governmental debt securities

Governmental debt securities contain government bonds and local government bonds. Government bonds are measured by the market approach using quoted prices in active markets; they are classified within level 1. Local government bonds are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within level 2. This class consists of 55% Japanese governmental debt securities and 45% foreign governmental debt securities.

Private debt securities

Private debt securities are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within level 2. This class consists of 100% Japanese private debt securities.

Pooled funds

Pooled funds are measured to distribute the fair values of pooled fund assets by units of shares.

Pooled funds (equity securities) mainly contain marketable equity securities. Pooled funds (equity securities) are measured by the market approach using inputs other than quoted prices that are observable for the assets; they are classified within level 2. This class consists of 45% Japanese pooled funds (equity securities) and 55% foreign pooled funds (equity securities).

Pooled funds (debt securities) mainly contain government bonds and local government bonds. Pooled funds (debt securities) are measured by the market approach using inputs other than quoted prices that are observable for the assets; they are classified within level 2. This class consists of 32% Japanese pooled funds (debt securities) and 68% foreign pooled funds (debt securities).

Pooled funds (other) are measured by the income approach using inputs that are not unobservable for the assets; they are classified within level 3.

Notes to Consolidated Financial Statements

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; they are classified within level 2.

The Companies expect to contribute ¥3,203 million (\$34,441 thousand) to their defined benefit plans in the year ending March 31, 2010.

The future benefit payments are expected as follows:

Year ending March 31	Thousands of	
	Millions of yen	U.S. dollars
2011.....	¥ 3,356	\$ 36,086
2012.....	3,439	36,978
2013.....	3,511	37,753
2014.....	3,566	38,344
2015.....	4,333	46,591
2016-2020	23,888	256,860

7. Stock-based Compensation

For the year ended March 31, 2006, the Company authorized the grant of options to purchase common stock of the Company to employees of the Company and its subsidiaries under a fixed stock option plan.

Under the above plan, the exercise price of the option exceeds the market price of the Company's common stock on the date of grant and the options expire six years after the date of grant.

Generally, the options granted become fully vested and exercisable after two years.

A summary of the Company's fixed stock option plan activity and related information for the year ended March 31, 2010 was as follows:

	Number of Shares	Yen	Years	Millions of yen
		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Fixed Options				
Outstanding at beginning of year ..	119,300	¥5,746		
Granted.....	—	—		
Exercised	—	—		
Forfeited	—	—		
Expired	(21,200)	5,863		
Outstanding at end of year	98,100	5,720	1.00	—
Options exercisable at end of year..	98,100	¥5,720	1.00	—

	U.S. dollars	Thousands of U.S. dollars
	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Fixed Options		
Outstanding at beginning of year.	\$61.78	
Granted.....	—	
Exercised.....	—	
Forfeited	—	
Expired	63.04	
Outstanding at end of year	61.51	—
Options exercisable at end of year..	\$61.51	—

The Company has not granted any options during the years ended March 31, 2010 and 2009, respectively.

No options were exercised during the year ended March 31, 2010 and 2009 respectively. As of March 31, 2010, there was no unrealized compensation expense.

8. Shareholders' Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting, if companies meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The amount available for dividends under the Corporate Law was ¥211,445 million (\$2,273,602 thousand) as of March 31, 2010, based on the amount recorded in the parent company's general books of account.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Notes to Consolidated Financial Statements

9. Income Taxes

The provision for income taxes for the years ended March 31, 2010, 2009 and 2008, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Current	¥7,293	¥ 4,434	¥ 39,522	\$ 78,420
Deferred	2,608	(18,341)	4,895	28,043
Provision for income taxes.....	¥9,901	¥(13,907)	¥ 44,417	\$106,463

A revised income tax act was enacted during the year ended March 31, 2009, and it treats dividends received from foreign subsidiaries after April 1, 2009 as non-taxable income for tax calculation. The provision for income tax-deferred for the year ended March 31, 2009 included a credit of ¥19,736 million for the effect of the change on deferred income taxes (non-current liability).

The effective income tax rates of the Company and subsidiaries differ from the normal Japanese statutory rates as follows for the years ended March 31:

	2010	2009	2008
Normal Japanese statutory rates	40.4%	(40.4)%	40.4%
Increase (decrease) in taxes resulting from:			
Tax credits.....	(4.1)	(2.1)	(3.1)
Permanently non-deductible items	(1.4)	5.9	0.0
Impairment loss on goodwill	-	34.2	-
Foreign earnings taxed at different rates	(7.1)	2.7	-
Net change in valuation allowance for deferred tax assets	1.5	53.5	(0.2)
Effect of reversal of deferred tax liabilities by a change in tax laws	-	(191.3)	-
Other-net.....	(0.7)	2.7	(0.6)
Effective tax rates	28.6%	(134.8)%	36.5%

The approximate effects of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Intercompany profits	¥ 1,589	-	\$ 17,086
Termination and retirement benefits.....	17,552	¥21,099	188,731
Enterprise taxes	567	97	6,097
Compensated absences.....	2,113	1,788	22,721
Inventory valuation	2,109	6,996	22,677
Marketable securities and investments adjustments	-	1,530	-
Tangible and intangible assets.....	10,249	9,026	110,204
Accrued bonuses.....	5,089	4,373	54,721
Other temporary differences.....	10,322	9,377	110,989
Tax loss carryforwards	5,601	8,972	60,226
Total	55,191	63,258	593,452
Valuation allowance	(7,597)	(7,205)	(81,689)
Total.....	¥47,594	¥56,053	\$511,763
Deferred tax liabilities:			
Intercompany losses	¥ -	¥ 683	\$ -
Enterprise taxes	¥ 2	1,116	\$ 21
Undistributed earnings of foreign subsidiaries.....	7,598	7,517	81,699
Marketable securities and investments adjustments ...	1,089	-	11,710
Tangible and intangible assets.....	5,939	4,459	63,860
Other temporary differences.....	7,808	6,447	83,957
Total	¥22,436	¥20,222	\$241,247

The total valuation allowance increased ¥392 million (\$4,215 thousand) for the year ended March 31, 2010 and increased ¥5,535 million for the year ended March 31, 2009.

Based upon the level of historical taxable income and projections for future taxable income over the periods which the net deductible temporary differences are expected to reverse, management believes it is more likely than not that the Companies will realize the benefits of these deferred tax assets, net of existing valuation allowances at March 31, 2010 and 2009.

The Company and subsidiaries have tax loss carryforwards for each of the corporate and local taxes approximating ¥11,202 million (\$120,452 thousand) and ¥20,382 million (\$219,161 thousand), respectively, available to reduce future taxable income at March 31, 2010, which will expire substantially in the period from 2011 to 2027.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at March 31 are as follows:

	Millions of yen		Thousands of
	2010	2009	U.S. dollars
Balance at beginning of year.....	¥97	¥206	\$1,043
Additions based on tax positions related to the current year.....	-	4	-
Reductions for tax positions of prior years	(26)	(38)	(279)
Settlements	(0)	(73)	(0)
Other	(5)	(2)	(54)
Balance at end of year.....	¥66	¥ 97	\$ 710

Total amount of unrecognized tax benefits, if recognized, would reduce the effective tax rate.

The Japanese tax authority completed the audit of the consolidated income tax of the Company and the domestic subsidiaries which adopt the consolidated taxation system for the years before 2006. And the tax authorities completed the tax audit of the major foreign subsidiaries for the years before 2002. The Companies believe unrecognized tax benefits are reasonably estimated, but unrecognized tax benefits will change as a result of the tax examination. As of March 31, 2010, the Companies did not anticipate the material change of unrecognized tax benefits in the next 12 months.

The Companies classify interest and penalties related to unrecognized tax benefits in income taxes in the consolidated statement of income. Accrued interest and penalties in the consolidated balance sheet as of March 31, 2010, and interest and penalties in the consolidated statement of income for the year ended March 31, 2010 are not material.

10. Foreign Operations

Net sales and Shareholders' equity of foreign subsidiaries were as follows:

	Millions of yen			Thousands of
	2010	2009	2008	U.S. dollars
Net sales	¥359,814	¥339,815	¥388,696	\$3,868,968
Shareholders' equity	156,700	151,495	166,284	1,684,946

Notes to Consolidated Financial Statements

11. Amounts per Share

A reconciliation of the basic and diluted earnings per share computation was as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Net income.....	¥24,757	¥3,588	¥77,413	\$266,204
	Numbers of shares			
	2010	2009	2008	
Average common shares outstanding	214,631,432	217,761,262	221,754,208	
Dilutive effect of stock options	-	-	29,227	
Diluted common shares outstanding	214,631,432	217,761,262	221,783,435	
	Yen			U.S. dollars
	2010	2009	2008	2010
Earnings per share:				
Basic	¥115.35	¥16.48	¥349.09	\$1.24
Diluted	115.35	16.48	349.05	1.24

12. Comprehensive Income

The changes in the components of accumulated other comprehensive income (loss), including the before- and net-of-tax components of other comprehensive income (loss), were as follows:

	Millions of yen		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period.....	¥ 4,413	¥(1,625)	¥ 2,788
Reclassification adjustment for losses included in net income.....	0	(0)	0
	<u>4,413</u>	<u>(1,625)</u>	<u>2,788</u>
Pension liability adjustment:			
Pension liability adjustment arising during period	11,757	(4,752)	7,005
Reclassification adjustment for losses included in net income....	1,829	(739)	1,090
	<u>13,586</u>	<u>(5,491)</u>	<u>8,095</u>
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period...	3,119	(1,260)	1,859
Reclassification adjustment for gains included in net income	(2,637)	1,068	(1,569)
	<u>482</u>	<u>(192)</u>	<u>290</u>
Foreign currency translation adjustments	(1,057)	(101)	(1,158)
Other comprehensive income	<u>¥17,424</u>	<u>¥(7,409)</u>	<u>¥10,015</u>

	Millions of yen		
	2009		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period ...	¥ (6,878)	¥ 2,778	¥ (4,100)
Reclassification adjustment for losses included in net income	2,499	(1,009)	1,490
	<u>(4,379)</u>	<u>1,769</u>	<u>(2,610)</u>
Pension liability adjustment:			
Pension liability adjustment arising during period	(9,498)	3,838	(5,660)
Reclassification adjustment for losses included in net income	146	(59)	87
	<u>(9,352)</u>	<u>3,779</u>	<u>(5,573)</u>
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period ...	(300)	118	(182)
Reclassification adjustment for gains included in net income	(711)	287	(424)
	<u>(1,011)</u>	<u>405</u>	<u>(606)</u>
Foreign currency translation adjustments	<u>(16,715)</u>	<u>(1,056)</u>	<u>(17,771)</u>
Other comprehensive loss	<u>¥(31,457)</u>	<u>¥ 4,897</u>	<u>¥(26,560)</u>
	Millions of yen		
	2008		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period ...	¥ (4,075)	¥ 1,646	¥ (2,429)
Reclassification adjustment for losses included in net income	25	(10)	15
	<u>(4,050)</u>	<u>1,636</u>	<u>(2,414)</u>
Pension liability adjustment:			
Pension liability adjustment arising during period	(11,403)	4,615	(6,788)
Reclassification adjustment for gains included in net income	(1,733)	700	(1,033)
	<u>(13,136)</u>	<u>5,315</u>	<u>(7,821)</u>
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains arising during period	2,100	(848)	1,252
Reclassification adjustment for gains included in net income	(2,025)	818	(1,207)
	<u>75</u>	<u>(30)</u>	<u>45</u>
Foreign currency translation adjustments	<u>(10,842)</u>	<u>1,941</u>	<u>(8,901)</u>
Other comprehensive loss	<u>¥(27,953)</u>	<u>¥ 8,862</u>	<u>¥(19,091)</u>

Notes to Consolidated Financial Statements

	Thousands of U.S. dollars		
	2010		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period ...	\$ 47,452	\$(17,473)	\$ 29,979
Reclassification adjustment for losses included in net income.....	0	(0)	0
	<u>47,452</u>	<u>(17,473)</u>	<u>29,979</u>
Pension liability adjustment:			
Pension liability adjustment arising during period.....	126,419	(51,097)	75,322
Reclassification adjustment for losses included in net income	19,666	(7,945)	11,721
	<u>146,085</u>	<u>(59,042)</u>	<u>87,043</u>
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period ...	33,538	(13,549)	19,989
Reclassification adjustment for gains included in net income.....	(28,355)	11,484	(16,871)
	<u>5,183</u>	<u>(2,065)</u>	<u>3,118</u>
Foreign currency translation adjustments	<u>(11,366)</u>	<u>(1,086)</u>	<u>(12,452)</u>
Other comprehensive loss	<u>\$187,354</u>	<u>\$(79,666)</u>	<u>\$107,688</u>

13. Commitments and Contingent Liabilities

Outstanding commitments at March 31, 2010 and 2009 for the purchase of property, plant and equipment approximated ¥3,670 million (\$39,462 thousand) and ¥6,648 million, respectively.

At March 31, 2010 and 2009, the Companies were contingently liable for trade accounts receivable discounted and transferred to banks of ¥338 million (\$3,634 thousand) and ¥159 million, respectively, which were accounted for as sales when discounted and transferred.

14. Fair value measurements

The Companies account for fair value measurements in accordance with ASC820, "Fair value measurements and disclosures" (the provisions which were previously included in SFAS No. 157, "Fair value measurements"). ASC820 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC820 prioritizes the inputs used to measure fair value into the three broad levels, and classifies the fair value hierarchy.

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

Effective April 1, 2009, the Companies adopts ASC820, "Fair value measurements and disclosures" (the provisions which were previously included in FSP157-4, "Determining fair value when the volume and level of activity for the asset or liability have significantly decreased and identifying transactions that are not orderly").

Assets and liabilities measured at fair value on a recurring basis at March 31, 2010 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities..				
Governmental debt securities ..	¥3,067	¥ 1,522	-	¥ 4,589
Private debt securities	-	223,709	¥1,870	225,579
Equity securities	8,849	-	-	8,849
Investment trusts.....	-	610	-	610
Derivatives.....	-	10	-	10
Liabilities				
Derivatives.....	-	860	-	860

	Thousands of U.S. dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
Governmental debt securities ..	\$32,978	\$ 16,366	–	\$ 49,344
Private debt securities	–	2,405,473	\$20,108	2,425,581
Equity securities	95,150	–	–	95,150
Investment trusts	–	6,559	–	6,559
Derivatives	–	108	–	108
Liabilities				
Derivatives	–	9,247	–	9,247

Assets measured at fair value of level 3 on a recurring basis for the year ended March 31, 2010 were as follows:

	Thousands of U.S. dollars	
	Available-for-sale securities	Available-for-sale securities
	Private debt securities	Private debt securities
Beginning balance	¥1,221	\$13,129
Total gains and losses (realized/unrealized)		
Included in consolidated statements of income as other income (expenses)	(1)	(10)
Included in other comprehensive income (loss), before tax	650	6,989
Purchases, sales, and settlements	–	–
Transfers in and/or out of Level 3	–	–
Ending balance	¥1,870	\$20,108
The amount of unrealized gains or losses relating to assets still held at the reporting date, included in consolidated statements of income as other income (expenses)	¥ (1)	\$ (10)

Assets and liabilities measured at fair value on a recurring basis at March 31, 2009 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments	–	¥ 19,565	–	¥ 19,565
Marketable Securities and Investments ..	¥11,482	159,827	¥1,221	172,520
Derivatives	–	129	–	129
Liabilities				
Derivatives	–	1,390	–	1,390

Notes to Consolidated Financial Statements

Assets measured at fair value of level 3 on a recurring basis for the year ended March 31, 2009 were as follows:

	Millions of yen
	Marketable Securities and Investments
Beginning balance	¥1,780
Total gains and losses (realized/unrealized)	
Included in consolidated statements of income as other income (expense)	(538)
Included in other comprehensive income (loss), before tax	(21)
Purchases, sales, and settlements	-
Transfers in and/or out of Level 3	-
Ending balance	¥1,221
The amount of unrealized gains or losses relating to assets still held at the reporting date, included in consolidated statements of income as other income (expenses)	¥ (538)

Short-term investments

Short-term investments contain commercial paper. Commercial paper is measured by the income approach using inputs other than quoted prices that are observable for the assets; it is classified within level 2.

Available-for-sale securities

Japanese government bonds and marketable equity securities are measured by the market approach using quoted prices in active markets; they are classified within level 1. Governmental debt securities other than Japanese government bonds, private debt securities, and investment trusts are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within level 2. Certain of private debt securities are measured by the income approach using inputs that are unobservable for the assets; they are classified within level 3.

Derivatives

Derivatives contain forward exchange contracts. Forward exchange contracts are measured by the market approach using marketable data of observable foreign exchange rates, swap rates and others; they are classified within level 2.

15. Financial Instruments and Concentration of Credit Risk

In the normal course of its business, the Companies invest in various financial assets and incur various financial liabilities. The Companies also enter into agreements for derivative financial instruments to manage their exposure to fluctuations in foreign currency exchange rates. The fair value estimates of financial instruments presented below are not necessarily indicative of the amounts the Companies might pay or receive from actual market transactions. The Companies had the following financial assets and liabilities at March 31, 2010 and 2009:

Financial Assets and Liabilities

(1) Cash, short-term investments, notes and accounts receivable, short-term borrowings, notes and accounts payable and long-term debt

Fair value approximates carrying amounts indicated in the balance sheets at March 31, 2010 and 2009.

(2) Marketable securities and Investments

Fair value is primarily based on quoted market prices or estimated using discounted cash flow analysis, based on the market interest rates currently available to the Companies for instruments with similar terms and maturities. The fair values of marketable securities and investments are presented in Note 3.

(3) Long-term receivables, advances and other assets

Fair value is primarily based on dealer quotes for the same or similar instruments. The fair values of applicable long-term receivables, advances and other assets at March 31, 2010 and 2009 were ¥37,786 million (\$406,301 thousand) and ¥29,734 million compared with carrying amounts of ¥37,772 million (\$406,151 thousand) and ¥29,704 million, respectively.

Forward exchange contracts

The Companies had forward exchange contracts in order to hedge the foreign currency risk of various sales and supply transactions, accounts receivable and accounts payable, which transactions are expected to occur within the next six months, and designated as cash flow hedges.

The Company mainly sold to foreign subsidiaries on a yen basis. Foreign subsidiaries had forward exchange contracts to purchase transactions on a yen basis. Changes in the fair value of forward exchange contracts are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings through other income (expenses) in the same period that the hedged items affect earnings. Substantially all unrealized gains or losses on derivatives included in accumulated other comprehensive income (loss) at the end of the year are expected to be recognized in earnings within the next six months.

The exposure to credit risk is minimal since the counterparties are major financial institutions. The Companies do not anticipate nonperformance by any of the counterparties. The gains or losses arising from these contracts are applied to offset gains or losses on related hedged assets, liabilities or future commitments.

Notional amounts of forward exchange contract at March 31, 2010 and 2009 consisted of the following. In addition, the Companies had no forward exchange contracts not designated as hedges.

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Notional amounts of forward exchange contracts	¥39,517	¥28,435	\$424,914

The fair value of forward exchange contracts designated as hedges for the year ended March 31, 2010 and 2009 was as follows. In addition, the Companies had no forward exchange contracts not designated as hedges.

	Millions of yen			
	2010			
	Account	Fair value	Account	Fair value
Forward exchange contracts	Prepaid expenses and other	¥10	Accrued expenses and other	¥860

	Millions of yen			
	2009			
	Account	Fair value	Account	Fair value
Forward exchange contracts	Prepaid expenses and other	¥129	Accrued expenses and other	¥1,390

	Thousands of U.S. dollars			
	2010			
	Account	Fair value	Account	Fair value
Forward exchange contracts	Prepaid expenses and other	\$108	Accrued expenses and other	\$9,247

Notes to Consolidated Financial Statements

Forward exchange contracts designated as hedges recognized in consolidated statements of income and other comprehensive income (loss) for the year ended March 31, 2010 and for the three months ended March 31, 2009 were as follows. In addition, the Companies had no forward exchange contracts not designated as hedges.

Millions of yen			
2010			
Cash flow hedges	Amounts recognized in other comprehensive income (loss), before tax (Effective Portion)	Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax (Effective Portion)	
	Before-Tax Amount	Account	Before-Tax Amount
Forward exchange contracts	¥3,119	Other income (expenses)	¥(2,637)

Millions of yen			
Three months ended March 31, 2009			
Cash flow hedges	Amounts recognized in other comprehensive income (loss), before tax (Effective Portion)	Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax (Effective Portion)	
	Before-Tax Amount	Account	Before-Tax Amount
Forward exchange contracts	¥(1,598)	Other income (expenses)	¥232

Thousands of U.S. dollars			
2010			
Cash flow hedges	Amounts recognized in other comprehensive income (loss), before tax (Effective Portion)	Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax (Effective Portion)	
	Before-Tax Amount	Account	Before-Tax Amount
Forward exchange contracts	\$33,538	Other income (expenses)	\$(28,355)

Concentration of Credit Risk

A significant portion of the Companies' sales is dependent upon and concentrated in the electronics industry, especially telecommunications equipment. The Companies generally extend credit to their customers, therefore, collection of receivables could be affected by developments in the electronics industry. However, the Companies closely monitor extensions of credit and have never experienced significant credit losses.

16. Goodwill and other intangible assets

Intangible assets other than goodwill, at March 31, 2010 and 2009 are as follows.

	Millions of yen		
	2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	¥22,412	¥ 5,860	¥16,552
Patents	4,353	1,767	2,586
Other.....	14,929	5,140	9,789
Total.....	<u>¥41,694</u>	<u>¥12,767</u>	<u>¥28,927</u>
Unamortized intangible assets			<u>¥ 243</u>
	Millions of yen		
	2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	¥20,944	¥4,524	¥16,420
Patents	3,145	1,335	1,810
Other.....	7,848	3,622	4,226
Total.....	<u>¥31,937</u>	<u>¥9,481</u>	<u>¥22,456</u>
Unamortized intangible assets			<u>¥ 241</u>
	Thousands of U.S. dollars		
	2010		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	\$240,989	\$ 63,011	\$177,978
Patents	46,807	19,000	27,807
Other.....	160,527	55,269	105,258
Total.....	<u>\$448,323</u>	<u>\$137,280</u>	<u>\$311,043</u>
Unamortized intangible assets			<u>\$ 2,613</u>

Intangible assets other than goodwill acquired during the year ended March 31, 2010 totaled ¥10,957 million (\$117,817 thousand) and primarily consist of customer relationships ¥6,004 million (\$64,559 thousand).

Software of amortized intangible assets includes software suspense account. Software suspense account at March 31, 2010 and 2009 were ¥509 million (\$5,473 thousand) and ¥8,131 million, respectively. The weighted average useful life for software is 9.63 years.

Total amortization expenses of intangible assets during the years ended March 31, 2010 and 2009 amounted to ¥4,394 million (\$47,247 thousand) and ¥3,293 million, respectively. The estimated amortization expenses for intangible assets for the next five years are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2011.....	¥2,898	\$31,161
2012.....	2,536	27,269
2013.....	1,973	21,215
2014.....	1,428	15,355
2015.....	1,062	11,419

Notes to Consolidated Financial Statements

The changes in the carrying amount of goodwill of each operating segment for the years ended March 31, 2010 and 2009 are as follows:

	Millions of yen		
	2010		
	Components	Modules	Total
Balance of beginning year			
Acquisition cost.....	¥760	¥10,942	¥11,702
Accumulated impairment losses....	(760)	(9,017)	(9,777)
Net carrying amounts.....	<u>–</u>	<u>1,925</u>	<u>1,925</u>
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	–	–	–
Impairment losses	–	–	–
Balance of ending year			
Acquisition cost.....	760	10,942	11,702
Accumulated impairment losses....	(760)	(9,017)	(9,777)
Net carrying amounts.....	<u>–</u>	<u>¥ 1,925</u>	<u>¥ 1,925</u>
	Millions of yen		
	2009		
	Components	Modules	Total
Balance of beginning year			
Acquisition cost.....	¥760	¥10,942	¥11,702
Accumulated impairment losses....	–	–	–
Net carrying amounts.....	<u>760</u>	<u>10,942</u>	<u>11,702</u>
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	–	–	–
Impairment losses	(760)	(9,017)	(9,777)
Balance of ending year			
Acquisition cost.....	760	10,942	11,702
Accumulated impairment losses....	(760)	(9,017)	(9,777)
Net carrying amounts.....	<u>–</u>	<u>¥ 1,925</u>	<u>¥ 1,925</u>
	Thousands of U.S. dollars		
	2010		
	Components	Modules	Total
Balance of beginning year			
Acquisition cost.....	\$ 8,172	\$117,656	\$125,828
Accumulated impairment losses....	(8,172)	(96,957)	(105,129)
Net carrying amounts.....	<u>–</u>	<u>20,699</u>	<u>20,699</u>
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	–	–	–
Impairment losses	–	–	–
Balance of ending year			
Acquisition cost.....	8,172	117,656	125,828
Accumulated impairment losses....	(8,172)	(96,957)	(105,129)
Net carrying amounts.....	<u>–</u>	<u>\$ 20,699</u>	<u>\$ 20,699</u>

For the year ended March 31, 2009, the Companies recognized impairment loss on goodwill mainly associated with modules business. As a result of the impairment test, the fair values declined due to sluggish demand for electronic components, and the goodwill was considered to be impaired. The recognized impairment was measured at the amount that the carrying amount exceeded the fair value of the goodwill. The fair value of the goodwill was determined by considering the estimated future cash flows.

17. Segment Information

On March 31, 2010, the Companies adopted ASC280, "Segment Reporting" (the provisions which were previously included in SFAS No.131, "Disclosures about Segments of an Enterprise and Related 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 nature of products and the Companies recognized Components segment, Modules segment and Others.

Operating Segment Information for the years ended March 31, 2010, 2009 and 2008 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Components				
Sales to:				
Unaffiliated customers...	¥359,369	¥360,201	¥461,038	\$3,864,183
Intersegment.....	10,636	8,542	9,299	114,365
Total revenue.....	370,005	368,743	470,337	3,978,548
Segment income.....	49,954	24,641	132,403	537,140
Assets.....	277,801	311,032	334,518	2,987,108
Depreciation and amortization ...	53,341	62,351	49,520	573,559
Expenditure for long-lived assets	24,545	54,389	104,008	263,925
Modules				
Sales to:				
Unaffiliated customers...	¥169,444	¥161,571	¥168,496	\$1,821,978
Intersegment.....	666	429	642	7,162
Total revenue.....	170,110	162,000	169,138	1,829,140
Segment income (loss).....	6,142	(10,350)	8,901	66,043
Assets.....	54,740	57,539	78,045	588,602
Depreciation and amortization ...	8,557	11,051	9,734	92,011
Expenditure for long-lived assets	4,580	8,030	15,349	49,247
Others				
Sales to:				
Unaffiliated customers...	¥ 2,006	¥ 2,174	¥ 2,121	\$ 21,570
Intersegment.....	9,903	25,971	42,375	106,484
Total revenue.....	11,909	28,145	44,496	128,054
Segment income.....	859	1,476	4,440	9,236
Assets.....	8,034	7,620	9,381	86,387
Depreciation and amortization ...	1,856	1,952	1,658	19,957
Expenditure for long-lived assets	1,418	2,739	4,096	15,247
Corporate and eliminations				
Sales to:				
Unaffiliated customers...	-	-	-	-
Intersegment.....	¥ (21,205)	¥ (34,942)	¥ (52,316)	\$ (228,011)
Total revenue.....	(21,205)	(34,942)	(52,316)	(228,011)
Corporate expenses.....	(30,225)	(32,054)	(29,992)	(325,000)
Assets.....	588,215	533,136	608,405	6,324,892
Depreciation and amortization ...	6,142	5,624	4,222	66,043
Expenditure for long-lived assets	1,183	4,358	7,150	12,721

Notes to Consolidated Financial Statements

Consolidated

Sales to:

Unaffiliated customers...	¥530,819	¥523,946	¥ 631,655	\$5,707,731
Intersegment.....	—	—	—	—
Total revenue.....	530,819	523,946	631,655	5,707,731
Operating income (loss)....	26,730	(16,287)	115,752	287,419
Assets.....	928,790	909,327	1,030,349	9,986,989
Depreciation and amortization ...	69,896	80,978	65,134	751,570
Expenditure for long-lived assets	31,726	69,516	130,603	341,140

*1 Major products and businesses included in the operating segments.

(1) Components : Capacitors, Piezoelectric Components

(2) Modules : Communication Modules

(3) Others : Welfare services, personnel services, education and training services, lease and management of real estate, facility maintenance and cleaning, sales of software, machinery manufacturing

*2 Intersegment transactions are based on market prices.

*3 Segment income (loss) for each operating segments represents net sales, less related costs. Corporate expenses represent expenses of headquarters functions and fundamental researches.

*4 Assets for operating segments are composed of inventories and fixed assets used in business. The other assets are included in Corporate and eliminations.

*5 Expenditure for long-lived assets are composed of that for property, plant and equipment, and intangible assets.

*6 Segment loss of ¥10,350 million on modules segment for the year ended March 31, 2009 includes impairment loss on goodwill of ¥9,017 million.

2) Geographic Information

Net sales are attributed to countries or areas based on customer locations.

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

Net sales

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Japan.....	¥100,922	¥116,924	¥155,953	\$1,085,183
The Americas	38,758	43,918	53,688	416,753
Europe	56,981	58,013	72,860	612,699
Greater China.....	240,088	214,972	237,217	2,581,591
Asia and Others	94,070	90,119	111,937	1,011,505
Total.....	¥530,819	¥523,946	¥631,655	\$5,707,731

Notes : Major countries and areas included in the segments other than Japan:

*1 The Americas : USA, Mexico

*2 Europe : Germany, Hungary, United Kingdom, France, Sweden

*3 Greater China : China, Taiwan

*4 Asia and Others : South Korea, Singapore

Long-lived assets

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Japan.....	¥252,163	¥294,464	¥311,018	\$2,711,430
The Americas	1,518	1,664	1,828	16,323
Europe	776	828	1,125	8,344
Asia.....	30,808	31,326	32,178	331,269
Total.....	¥285,265	¥328,282	¥346,149	\$3,067,366

Notes : Major countries and areas included in the segments other than Japan:

*1 The Americas : USA

*2 Europe : Germany, United Kingdom, France, Italy, the Netherlands

*3 Asia : China, Singapore, Thailand

18. Subsequent Events

1. The Companies account for subsequent events in accordance with ASC855, "Subsequent events" (the provisions which were previously included in SFAS No. 165, "Subsequent events"). ASC855 defines to disclose the date through which subsequent events have been evaluated, the nature of the nonrecognized subsequent events and an estimate of its financial effect. The Companies evaluated subsequent events by June 29, 2010, which is this financial report presentation day.
2. The ordinary general meeting of shareholders on June 29, 2010 resolved to pay a cash dividend of ¥35 (\$0.38) per share to shareholders of record as of March 31, 2010, or a total of ¥7,512 million (\$80,774 thousand).

Independent Auditors' Report



Deloitte Touche Tohmatsu LLC
Shijokarasuma FT Square
20, Naginataboko-cho
Karasuma-higashiiru, Shijo-dori
Shimogyo-ku, Kyoto 600-8008
Japan

Tel: +81 (75) 222 0181
Fax: +81 (75) 231 2703
www.deloitte.com/jp

To the Board of Directors and Shareholders of
Murata Manufacturing Co., Ltd.
Nagaokakyo-shi
Kyoto, Japan

We have audited the accompanying consolidated balance sheets of Murata Manufacturing Co., Ltd. and subsidiaries (the "Company") as of March 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2010, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our report dated June 11, 2009, we expressed a qualified opinion, because certain information required by Accounting Standards Codification ("ASC") 280, "Segment Reporting" had not been presented in the 2009 and 2008 consolidated financial statements. As discussed in Note 17 to the consolidated financial statements, the Company has now presented segment information required by ASC 280 in the 2009 and 2008 consolidated financial statements. Accordingly, our present opinion on the 2009 and 2008 consolidated financial statements, as expressed herein, is different from that expressed in our prior report on the previously issued 2009 and 2008 consolidated financial statements.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for classification of debt securities in 2010 and, retrospectively adjusted the 2009 and 2008 consolidated financial statements for the change.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2010

Member of
Deloitte Touche Tohmatsu

Internal Control Section

NOTE TO READERS:

The Companies design and operate effective internal control over financial reporting, and prepare management's report on internal control over financial reporting under the Financial Instruments and Exchange Act of Japan.

The management's report on internal control over financial reporting of the Companies is audited in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, and an opinion on management's report on internal control over financial reporting is expressed by Deloitte Touche Tohmatsu LLC.

38 Management's Report on Internal Control

39 Independent Auditors' Report

(filed under the Financial Instruments and Exchange Act of Japan)

Management's Report on Internal Control

NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an assessment of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as "significant locations and/or business units."

(TRANSLATION)

MANAGEMENT'S REPORT ON INTERNAL CONTROL

1. Matters relating to the basic framework for internal control over financial reporting

Tsuneo Murata, President and Statutory Representative Director and Yoshitaka Fujita, Executive Deputy President and Statutory Representative Director are responsible for designing and operating effective internal control over financial reporting of our company (the "Company") and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

Tsuneo Murata, President and Statutory Representative Director and Yoshitaka Fujita, Executive Deputy President and Statutory Representative Director performed the assessment of internal control over financial reporting as of March 31, 2010, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, from the perspective of the materiality that may affect the reliability of their financial reporting. The procedures, methods and others to determine the scope are determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for all locations and business units except for insignificant ones, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as "significant locations and/or business units". We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable, inventories, and property, plant and equipment as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected individually for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management's judgment and/or (iii) a business dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

4. Additional matters

Not applicable.

5. Particular matters

Not applicable.

Tsuneo Murata
President
Statutory Representative Director
Murata Manufacturing Co., Ltd.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Independent Auditors' Report (filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (United States) ("ICFR under PCAOB");

- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, the Company selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as "significant locations and/or business units."

(TRANSLATION)

INDEPENDENT AUDITORS' REPORT (filed under the Financial Instruments and Exchange Act of Japan)

June 29, 2010

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Akira Ishida

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Kentaro Kurosawa

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows, and consolidated supplementary schedules of Murata Manufacturing Co., Ltd. and subsidiaries (the "Company") for the fiscal year from April 1, 2009 to March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Murata Manufacturing Co., Ltd. and consolidated subsidiaries as of March 31, 2010, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

1. As discussed in Note II to the consolidated financial statements, the Company changed classification of securities which are classified as between marketable securities and investments for the fiscal year from April 1, 2009 to March 31, 2010.
2. As discussed in Note XVI to the consolidated financial statements, the Company has presented segment information in conformity with Financial Accounting Standards Board (FASB) Accounting Standards Codification 280 (the former FASB Statement No.131) for the fiscal year from April 1, 2009 to March 31, 2010.

[Audit of Internal Control over Financial Reporting]

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2010. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2010 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

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

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "Supplemental Schedules" referred to in this report are not included in the attached financial documents.



**Murata
Manufacturing Co., Ltd.**