

Risk management

Basic view

In order to minimize losses by emergence of risks and improve sustainable corporate value of the entire Group by managing various internal and external risks related to business activities, Murata periodically carries out initiatives to classify and evaluate risks, take preventive measures for each risk, and reduce losses in case of emergency.

Promotion structure

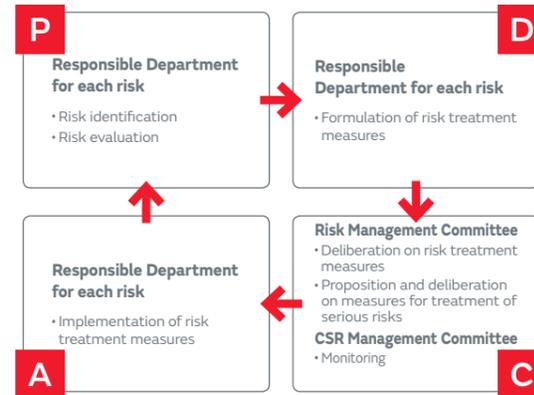
Murata has established a Risk Management Committee as a subordinate body of the CSR Management Committee chaired by the President. This committee is chaired by a Vice President and comprises Directors from departments including General Affairs, Personnel & Industrial Relations, Corporate Communications, Intellectual Property, Environmental Affairs, Quality Assurance, Sales, Information Systems, and Legal Affairs. Together, the committee members study ways to address risks company-wide. We have also established the Data Security Subcommittee and BCM* Subcommittee as subordinate organizations to study and take measures to address particular risks.

*BCM (Business Continuity Management) Management activities that are operated on an ongoing basis to formulate, maintain, and renew the BCP (Business Continuity Plan), to allocate budget and resources for business continuity, to take preventive measures, and to conduct, check, and continually improve education and training for permeating initiatives.



Understanding risks

The responsible department for each risk identifies and evaluates risks that Murata currently faces or may face in the near future and formulates treatment measures twice a year. The Risk Management Committee deliberates those contents, and, if necessary, instructs additional measures. Each risk is classified in accordance with its frequency and impact so that management understands more important and urgent risks to take appropriate risk treatment measures.



Risks associated with business, etc.

Factors that may potentially have significant influence on investor decisions (as of June 26, 2020, the date of submission of the Annual Securities Report) include the following:

- 1 Risks of fluctuation in demand for our products
- 2 Risks of product price competition
- 3 Risks related to stable procurement
- 4 Risks of reliance on certain suppliers or products
- 5 Risks associated with development of new technologies or products
- 6 Risks associated with business expansion in overseas markets
- 7 Risks related to M&A, business tie-ups or strategic investments
- 8 Customer credit risk
- 9 Foreign exchange risk
- 10 Risks related to funding
- 11 Risks related to public regulations and compliance
- 12 Risks related to quality issues
- 13 Risks regarding environmental regulations
- 14 Risks due to climate change
- 15 Risks related to Data Security
- 16 Risks related to intellectual property
- 17 Risks related to taxes
- 18 Risks related to hiring or retaining personnel
- 19 Risks of suspension of business activities due to natural disasters, infections, etc.

Our initiatives

● Data Security

For Murata to continue to grow, we believe it is essential to protect information that is a company asset, which includes technological expertise and other confidential corporate information.

For this, Murata conducts Data Security management by studying recent risk trends and introducing relevant domestic and international guidelines, using an international standard (ISO27001) as a guide. The company has established rules, including the Data Security Policy and the Data Security Management Regulations, and is working to develop Data Security measures and implement such measures across the company. We also review the measures on an ongoing basis and are working to enhance them by conducting internal and external audits and diagnosis.

Human aspect

In order to ensure all executives and employees understand Data Security and handle information appropriately, we distribute the Data Security Guidebook published in Japanese, English and Chinese, conduct training programs for all employees and those designed for each job level, and engage in educational activity, including issuance of an email newsletter.

Technological aspect

In order to prevent leaks of corporate and personal information from Murata and disruption to the company's business activity due to cyberattacks, we have stepped up measures, including countermeasures against malware, checks and access control on communication over the Internet, diagnosis of vulnerabilities and measures taken against them and monitoring of devices. We are also taking measures against cyberattacks that change from day to day by collecting data logs from operations globally to monitor them and introducing measures against potential incidents that may lead to material security accidents.

Physical aspect

Our business sites and affiliates constantly manage entry and exit of people and vehicles at the boundaries of their premises. Each of them has security zones in its premises and implements access control using ID cards, etc. in zones where highly confidential information is located, preventing unauthorized access from both inside and outside the Company in multilayered measures.



Japanese, English and Chinese versions of the Data Security Guidebook

● Business Continuity Plan (BCP)

Major natural disasters give rise to the risk of halting the company's operation for a long period. In order to fulfil its responsibility to stably provide products to customers, Murata has measures in place to ensure damage is minimized and its business remains in operation by designing a Business Continuity Plan (BCP), ensuring earthquake resistance and safety of buildings and production facilities, maintaining backups for communication and information systems, and maintaining extra inventory to prevent supply disruption.

In the procurement of materials, we operate databases on source locations of materials so that our procurement activity will not be disrupted when risks materialize from natural disasters and are working to develop ways to quickly implement responses by designing initial response frameworks based on risk scenarios and work-flows. For important materials, we have implemented measures such as maintaining levels of inventory that takes into account expected lengths of time required for recovery in the event of materialization of risks, in addition to diversifying suppliers and confirming the status of BCP measures taken by suppliers, to ensure stable procurement.

In addition, we are working to confirm that planned initial responses are effective, continuously enhance them, improve crisis-response capability and grasp what needs to be improved in our BCP by carrying out counter-disaster and business continuity drills on a regular basis.



BCP drills based on earthquake scenario

● Initiatives to combat COVID-19

Amid the global spread of COVID-19, Murata has set the top priorities of ensuring that employees and suppliers stay safe and healthy and local communities feel secure, and maintaining an uninterrupted supply of Murata products globally, which we believe is our responsibility as a company in global supply chains. At Murata, the Crisis Response Team set up at headquarters has decided and carried out various measures to prevent infection, control spread of infection and ensure business continuity. Specifically, we have introduced measures to prevent employees from being infected, including introduction of telecommuting and staggered working hours, restrictions on business trips, keeping logs of employee movement in company properties, partitions set up in canteens and workplaces, and requesting employees to use self-restraint in their private behavior, and designed BCPs to be prepared for potential infection of employees. We thus have worked to minimize potential impacts on employee health and our business activities from COVID-19 (please see p.56).