

Corporate Governance Guidelines

With the purpose of contributing to sustainable growth and increase corporate value over the mid- to long-term, Murata Manufacturing Co., Ltd. (the “Company”) has established these Corporate Governance Guidelines as basic principles underlying corporate governance of the Company.

Chapter 1 General provisions

Article 1 (Management philosophy)

The Company’s mission is to carry out operations based on the following “Murata Philosophy” which is the most important management principles of the Company, and to contribute to the advancement of society and culture through the provision of products and services.

We contribute to the advancement of society by
enhancing technologies and skills
applying scientific approach
creating innovative products and solutions
being trustworthy and,
together with all our stakeholders,
thankful for the increase in prosperity.
(Established in 1954, revised in 1979)

Article 2 (Basic view on corporate governance)

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

Article 3 (Complying with the Japan’s Corporate Governance Code)

1. The Company respects each of the principles stipulated in the Japan’s Corporate Governance Code formulated by the Tokyo Stock Exchange and implements the way of corporate governance that we believe will contribute to the fulfillment of our mission.
2. The Company shall report at the Board of Directors meeting the implementation status of the Japan’s Corporate Governance Code at the Company each year, to enhance the effectiveness of corporate governance.

Chapter 2 Management strategies

Article 4 (Utilization of management capital)

The Company views the management capital we have developed through the implementation of the Murata Philosophy as the source of value creation. In giving highest value to CS, “creating and providing value,” and ES, “motivation and growth,” we will sustainably create value as an Innovator in Electronics by utilizing and reinforcing this management capital and further refining our core competencies.

1. The Company positions human capital as one of its important management capital and sets policies and indicators as we monitor our own activities in continuing to sustainably enhance human capital.
Also, the Company thinks that diverse human resources being able to work actively by leveraging their individual characteristics will become the source of our ability to flexibly respond to drastic changes and uncertainties and to continue to create innovations. Respecting differences among us, whether that be race, nationality, religion, belief, disability, gender, age, birthplace, or sexual orientation, and invisible diversity such as abilities, insights, and experience of employees, the company develops a corporate climate that attracts diverse talents and allows every employee to enhance their skills and abilities through various experiences and demonstrate their strengths while developing their career.
2. The Company generates a variety of intellectual property from R&D and business activities and protects each intellectual property by either filing patent applications or safeguarding it as know-how, thereby contributing to the sustainable creation of value. We aim to increase our corporate value through evaluating the above intellectual property activities, promoting the utilization of intellectual property, and making continued investment in intellectual property.
3. The Company belongs to the electronic component industry segment which experiences rapid fluctuation in technological innovation. To flexibly respond to changes in the market and achieve continuous profit growth in order to continue stabilization of management in the severe business environment, we will continue to examine our approach toward ensuring an appropriate capital policy.
The Company considers return on invested capital (ROIC) to be an important management indicator under strategic capital policy. In the formulation of medium to long-term management strategies, we will examine our capital allocation and manage funds while remaining conscious of capital costs.

Article 5 (Medium to long-term formulation of management strategies)

The Company formulates medium to long-term management strategies and management plans in order to sustainably increase corporate value and provide a detailed guidance on the long-term direction and necessary preparations. In the announcement of our management strategies, etc., we present our basic policies and targets and provide explanations on the direction and status of revisions of our business portfolio in addition to our allocation of management resources.

Article 6 (Initiatives toward realizing a sustainable society)

The Company's mission is to contribute to the advancement of society and culture, creating a continuous cycle of social value and economic value through our innovations toward the realization of a sustainable society and thereby contributing to the enrichment of society.

1. In keeping with the spirit of the Murata Philosophy, which is our management principle, we are committed to respect for human rights, health and safety, social contribution, environmental preservation, etc., based not only on compliance with laws but also highly transparent governance. Social demands also require that companies pursue not only economic value, but also integrated value in harmony with people and nature. Based on high corporate ethics, the Company will continue to develop together with stakeholders by contributing to the transformation of society and solving social issues through unique technologies and services.
2. We will focus on the following issues in addressing the commitments of the preceding paragraph.
 - (1) In order to tackle the various risks being caused by climate change that are becoming more serious around the world, the Company will contribute to the decarbonization of society by promoting climate change countermeasures in both our environmental initiatives and business activities.
 - (2) Through the use of sustainable resources in our own business activities, the Company will contribute to solving social issues such as depletion of resources and increased amount of waste that are becoming more serious around the world.

Chapter 3 Relationships with stakeholders

Article 7 (Co-creating value with stakeholders)

Based on the fact that trust from society is essential in the performance of business activities, the Company will maintain ongoing communication with stakeholders and work together with stakeholders to create new value, connecting these efforts to the implementation of the Murata Philosophy and the realization of sustainable growth.

1. The Company takes appropriate measures to ensure that shareholder rights are substantively upheld, develop an environment in which shareholders can exercise their rights, and take measures to ensure the substantive equality of shareholders. Also, the Company engages in constructive dialogs with shareholders and investors to enable contributions to sustainable growth and increase of mid- to long-term corporate value of the Company.
2. The Company fully recognizes that sustainable growth and creation of mid- to long-term corporate value is the result of the provision of resources and contribution by all stakeholders, including customers, business partners, other partners, employees and local communities, and is committed to appropriately cooperating with them.

The Board of Directors and the management will provide leadership in fostering a corporate culture where the rights and positions of stakeholders are respected and sound business ethics are ensured, as well as provide leadership in fulfilling corporate social responsibility.

Article 8 (Ensuring appropriate information disclosure and transparency)

As a basis for constructive dialog with stakeholders, the Company is proactively committed to make the disclosure of company information that the Company considers to be effective for understanding the Company accurate, easily understood and highly useful. To this end, the Company shall establish a separate disclosure policy.

Chapter 4 Corporate governance system

Article 9 (Guideline regarding corporate governance system)

1. The Company adopts an organizational structure of a company with Board of Statutory Auditors.
2. The Company introduces a system of vice presidents. The Board of Directors carries out its functions including decision-making regarding management policy and execution of important operations as well as supervising the execution of duties by Members of the Board of Directors, Vice Presidents assume the duty of daily operational executions whereby the Company aims to further enhance supervising function and operational execution functions.
3. The Company appoints independent Outside Members of the Board of Directors so that they comprise more than one-third of the Board of Directors to supervise management from the standpoint of the stakeholders, and thereby ensure the transparency of management and enhance the supervising function of the Board of Directors.
4. To enhance the functional independence, objectivity and accountability of the Board of Directors with regard to nomination and remuneration of Members of the Board of Directors and Statutory Auditors, the Company will establish a Nomination Advisory Committee and Remuneration Advisory Committee as advisory organs of the Board of Directors. The members of these committees are selected by the Board of Directors from among the Board of Directors and Statutory Auditors and independent Outside Member of the Board of Directors comprise the majority of the committee members in order to ensure the independence of the committees.

Article 10 (Roles, responsibilities and composition of the Board of Directors)

1. Based on their fiduciary responsibility and accountability to shareholders, the Board of Directors works to ensure sustainable growth and increase of mid- to long-term corporate value of the Company.
2. To ensure management practice based on the management philosophy, and foster sustainable growth and increase of mid- to long-term corporate value, the Board of Directors duly undertakes decision-making and assumes the role and responsibility of supervising the execution of duties by the Members of the Board of Directors.
3. To ensure substantive and lively discussion, the Board of Directors shall comprise a number of suitable members necessary and sufficient for this purpose, and shall ensure an appropriate balance and diversity in the expertise, experience and capabilities of the Board of Directors as a whole.

4. Based on the reported findings of the Nomination Advisory Committee, the Board of Directors shall make amendments to and disclose the criteria for independence relating to independent Outside Members of the Board of Directors and Statutory Auditors.

Article 11 (Evaluation of the effectiveness of the Board of Directors)

Every year, the Board of Directors endeavors to improve the effectiveness of the Board of Directors by conducting an analysis and evaluation of the effectiveness of the Board of Directors as a whole, based upon evaluations by individual Members of the Board of Directors and Statutory Auditors, and discloses the results thereof in summary form.

Article 12 (Training for Members of the Board of Directors and Statutory Auditors)

1. The Company's Members of the Board of Directors and Statutory Auditors ensure that they acquire, verify and update the knowledge deemed necessary for carrying out their roles and responsibilities.
2. The Company provides opportunities for training in corporate governance, compliance and internal controls, etc. to Members of the Board of Directors and Statutory Auditors.
3. The Company provides opportunities other than the Board of Directors meeting for the acquisition of knowledge relating to status of business and management issues, etc. to Outside Members of the Board of Directors.

Article 13 (Roles, responsibilities and composition of the Board of Statutory Auditors)

1. Based on their fiduciary responsibility to shareholders, the Board of Statutory Auditors makes appropriate decisions from an independent and objective standpoint in carrying out its roles and responsibilities, including auditing the duties implemented by Members of the Board of Directors, appointing and dismissing Statutory Auditors and the Independent Auditor, and exercising authority involved in auditor remuneration.
2. The Board of Statutory Auditors shall actively and assertively exercise its authority without limiting its scope of activities to an excessively narrow extent, and shall state its opinions at the Board of Directors meeting or to executives as appropriate.
3. The Board of Statutory Auditors shall comprise a majority of Outside Statutory Auditors in accordance with the stipulations of the Companies Act, and shall include a Full-time Statutory Auditor. From the viewpoint of ensuring its effectiveness, the Board of Statutory Auditors shall carry out its roles and responsibilities by coordinating the independence of the Independent Outside Statutory Auditors and the information collection capabilities of the Full-time Statutory Auditor.

4. The Board of Statutory Auditors shall formulate criteria for appropriately selecting candidates for Independent Auditor and evaluating the Independent Auditor. The Board of Statutory Auditors shall also confirm whether or not the Independent Auditor maintains the required level of independence and expertise. In addition, the Board of Statutory Auditors shall ensure that there is sufficient collaboration between the Independent Auditor and the divisions involved in the internal controls of the Company.
5. The Board of Statutory Auditors shall, in accordance with the stipulations of the Companies Act, formulate opinions on the appointment and remunerations of Members of the Board of Directors who are not Statutory Auditors after hearing reports from the Nomination Advisory Committee and the Remuneration Advisory Committee, and express their opinions at the General Meeting of Shareholders.

Article 14 (Roles of the Nomination Advisory Committee)

The roles of the Nomination Advisory Committee are as follows.

1. Report its findings regarding criteria for selection of candidates for the Board of Directors and Statutory Auditors.
2. Report its findings regarding the criteria for independence relating to independent Outside Members of the Board of Directors and Statutory Auditors.
3. Report its findings regarding proposals for election of Members of the Board of Directors and Statutory Auditors at the General Meeting of Shareholders.
4. Deliberation, supervision and report to the Board of Directors regarding the succession plans for the President and Representative Director.
5. Report its findings regarding proposals for election of Statutory Representative Directors and Directors with Special Titles at the Board of Directors.
6. Report its findings regarding proposals for dismissal of Statutory Representative Directors and Directors with Special Titles at the Board of Directors.
7. Supervise the appointment of Vice Presidents.
8. Consider other key issues from the perspective of human resources so that the Board of Directors can continue to perform its functions.

Article 15 (Role of the Remuneration Advisory Committee)

The role of the Remuneration Advisory Committee is as follows.

1. Report its findings regarding system and level of remuneration for Members of the Board of Directors, Statutory Auditors and Vice Presidents.
2. Decide on the amounts of individual remuneration for Members of the Board of Directors, Statutory Auditors and Vice Presidents.

Article 16 (Internal Control Committee and other discretionary committees)

To ensure appropriate corporate governance, the Board of Directors may establish the Internal Control Committee as advisory organs of the Statutory Representative Director and, also, discretionary committee as necessary. Members of the discretionary committees are appointed from among Members of the Board of Directors, Vice Presidents and related division heads.

Chapter 5 Other matters

Article 17 (Amendments)

1. These guidelines shall be considered for amendment as necessary in the event of environmental changes, social demands, changes in the Company's management strategies, etc.
2. These guidelines shall be amended by resolution of the Board of Directors.

Supplementary provisions

Article 1 (Entry into effect)

These guidelines are in effect as of October 30, 2015.

Revised June 29th, 2016

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