

September 16, 2016

Company name:	Murata Manufacturing Co., Ltd.
Name of representative:	Tsuneo Murata President and Statutory Representative Director (Code: 6981, First section of the Tokyo Stock Exchange)
Contact:	Takumi Ikushima Public Relations Manager (Phone: 075-955-6786)
Company name:	Shizuki Electric Co., Inc.
Name of representative:	Kaoru Ito President & CEO (Code: 6994, Second section of the Tokyo Stock Exchange)
Contact:	Tetsuya Tomomatsu Vice President, Executive Director, Administration Division (Phone: 0798-74-5821)

Notice of Conclusion of Capital and Business Alliance, Disposal of Shizuki Electric's Treasury Stock via a Third-party Allocation of Shares, and Establishment of Joint Venture

Murata Manufacturing Co., Ltd. (hereinafter "Murata") and Shizuki Electric Co., Inc. (hereinafter "Shizuki") have determined to conclude a capital and business alliance, dispose of Shizuki's treasury stock (hereinafter the "Treasury Stock Disposal") via a third-party allocation of shares (hereinafter the "Third-party Allocation") with Murata as the allottee and establish a joint venture, and both companies have concluded a capital and business alliance as shown below. Additionally, Murata will become a major shareholder in Shizuki due to the Treasury Stock Disposal, and changes to major shareholders will be disclosed separately.

I. Overview of capital and business alliance

1. Purpose of capital and business alliance

Murata and Shizuki have cooperated with each other to consolidate their management resources while securing their respective uniqueness, in an effort to conduct joint marketing, product development, sales, and promote joint development of new materials that combines the ceramic capacitor technology held by Murata and film capacitor technology held by Shizuki. These new materials have excellent heat resistance capacity and can contribute to the simplification of cooling functions of systems embedded in electric automobiles, leading to increased competitiveness of both companies.

Since favorable results were obtained in the prototypes produced in 2015, and in light of certain targets being met in new product development, focus was placed on commercialization of these new materials from the beginning of 2016. Subsequently, upon deliberation by both companies on future business expansion, agreement was reached to establish a joint venture (hereinafter the "Joint Venture") via a joint investment to realize the provision of competitive high value-added products and

achieve high profitability by consolidating management resources held by both groups.

Furthermore, in addition to the establishment of the Joint Venture, with the intent of creating a stronger relationship of trust between both companies and powerfully promoting new products under the Joint Venture, the companies arrived at concluding a capital alliance as of today.

2. Details of capital and business alliance

(1) Details of capital alliance

Murata and Shizuki, in order to strengthen the relationship of trust between both companies and promote business of the Joint Venture, have agreed for Murata to acquire 3,900,000 shares of treasury stock of Shizuki via the Treasury Stock Disposal. Subsequent to the Treasury Stock Disposal, Murata's shareholding ratio of common stock in Shizuki will amount to 13.52% against the total number of issued shares.

(2) Details of business alliance

A joint venture will be established via a joint investment by Murata and Shizuki, and the companies will conduct development and manufacture of new products that combines the ceramic capacitor technology and film capacitor technology.

(3) Overview of the Joint Venture

1) Name	Undecided
2) Address	Ugo, Ogachi-gun, Akita Prefecture
3) Title and name of representative	Yoshihiro Yamada, President and Representative Director
4) Details of business	Development, manufacture, and sale of film capacitors
5) Capital	100 million yen
6) Date of establishment	October 3, 2016 (Scheduled)
7) Fiscal year-end	March 31
8) Net assets	Undecided
9) Total assets	Undecided
10) Investment ratio in the joint venture	Murata: 65% Shizuki: 35%

3. Schedule

- | | |
|---|-----------------------------|
| (1) Resolution of the Board of Directors' meeting | September 16, 2016 |
| (2) Conclusion of capital and business alliance and joint venture agreement | September 16, 2016 |
| (3) Treasury Stock Disposal payment date | October 3, 2016 |
| (4) Joint Venture establishment date | October 3, 2016 (Scheduled) |
| (5) Joint Venture business commencement date | October 2016 (Scheduled) |

4. Overview of companies concerned in capital and business alliance

(1) Overview of Murata Manufacturing Co., Ltd.

Please see “II. Disposal of Shizuki’s treasury stock via a third-party allocation of shares, 6. Basis for selecting the scheduled disposal target, etc., (1) Overview of the scheduled disposal target.”

(2) Overview of Shizuki Electric Co., Inc.

1)	Name	Shizuki Electric Co., Inc.
2)	Location of headquarter	10-45 Taisha-cho, Nishinomiya, Hyogo
3)	Title and name of representative	Kaoru Ito, President & CEO
4)	Details of business	Manufacture and sale of capacitors and related devices and equipment, power devices and equipment, and information devices and equipment
5)	Capital	5,001 million yen
6)	Date of incorporation	September 1, 1947
7)	Number of issued shares	33,061,003 shares
8)	Fiscal year-end	March 31
9)	Number of employees	(Consolidated) 1,295 persons (As of March 31, 2016)
10)	Major clients	A Japanese corporation engaged in the manufacture and sale of equipment related to consumer electronics, railway and other industries, automobile, and electric power equipment, etc.
11)	Major banking partners	Resona Bank, Limited The Bank of Tokyo-Mitsubishi UFJ, Ltd. The Minato Bank, Ltd. The Shoko Chukin Bank, Ltd.
12)	Major shareholders and shareholding ratios	Mitsubishi Electric Corporation 21.11%
		GOLDMAN SACHS INTERNATIONAL 13.13%
		DEUTSCHE BANK AG LONDON-PB NON-TREATY CLIENTS 613 4.60%
		Resona Bank, Limited 3.93%
		NOMURA PB NOMINEES TK1 LIMITED 2.81%
		The Minato Bank, Ltd. 2.80%
		Shizuki Stock Ownership Association 2.46%
		Murata Manufacturing Co., Ltd. 1.73%
		Noritz Corporation 1.69%
Shizuki Electric Employee’s Shareholding Association 1.58%		

13)	Relationship between the companies concerned	Capital relationship	Murata holds 571 thousand shares of common stock in Shizuki, and Shizuki holds 48 thousand shares of common stock in Murata.
		Human relationship	Not applicable
		Business relationship	Shizuki and Murata have cooperated with each other to consolidate their management resources while securing their respective uniqueness, in an effort to conduct joint marketing, product development and sales.
		Applicable conditions to the relevant parties	Not applicable

14) Business results and financial positions for the three most recent years

(Millions of yen)	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Consolidated net assets	16,693	18,990	19,574
Consolidated total assets	23,217	25,051	25,592
Consolidated net assets per share (Yen)	568.04	645.16	665.33
Consolidated net sales	21,998	23,461	21,728
Consolidated operating income	2,391	2,502	2,125
Consolidated ordinary income	2,704	2,814	2,239
Consolidated net income	1,681 (Note)	1,775 (Note)	1,254 (Note)
Consolidated net income per share (Yen)	57.71 (Note)	60.98 (Note)	43.12 (Note)
Dividends per share (Yen)	10	11	11

Note: The above figures represent figures for “net income attributable to shareholders of Shizuki Electric” and “net income attributable to shareholders of Shizuki Electric per share,” calculated based on Accounting Standard for Consolidated Financial Statements.

5. Future outlook

Please see “II. Disposal of Shizuki’s treasury stock via a third-party allocation of shares, 8. Future outlook” and “III. Establishment of the Joint Venture, 2. Future outlook.”

II. Disposal of Shizuki's treasury stock via a third-party allocation of shares

1. Overview of disposal

(1) Disposal date	October 3, 2016
(2) Number of shares to be disposed	3,900,000 shares of Shizuki's common stock
(3) Disposal price	563 yen per share
(4) Total amount of disposal	2,195,700,000 yen
(5) Disposal method	Disposal via a third-party allocation of shares
(6) Scheduled disposal target	Murata Manufacturing Co., Ltd.
(7) Other	Each of the above items is contingent upon the effectuation of submission made under the Financial Instruments and Exchange Act.

2. Purpose and reason for disposal

While Shizuki had been considering the usage of its treasury stock, it has decided to dispose of it via the Third-party Allocation with the primary objective of strengthening the relationship with Murata and advancing commercialization of business at the Joint Venture.

Furthermore, funds procured are scheduled to be applied toward realizing growth strategies such as investment and lending in the Joint Venture and capital investment related thereto.

3. Amount, usage, and scheduled timing of use of funds to be procured

(1) Amount of funds to be procured (Estimated net amount after deductions)

1) Total amount of disposal	2,195,700,000 yen
2) Estimated amount of issuance expenses	1,000,000 yen
3) Estimated net amount after deductions	2,194,700,000 yen

*A breakdown of issuance expenses is document preparation expenses, etc.

(2) Specific usage of funds to be procured

Specific use	Amount (Thousands of yen)	Scheduled timing of use
Investment and lending in the Joint Venture and capital investment related thereto	2,194,700	September 2016 to December 2023

Specific usages of funds procured are as follows.

- 1) Start-up capital of the Joint Venture 70,000 thousand yen (During September 2016)
- 2) Lending to the Joint Venture 980,000 thousand yen (Development facilities, plant construction, production facilities, etc., from the fiscal year ending March 31, 2017)
- 3) Lending to Akita Shizuki Co., Inc. (Subsidiary of Shizuki) 1,144,700 thousand yen (Assembly and inspection line facilities, etc. at Akita Shizuki in response to manufacturing consignment from the Joint Venture from the fiscal year ending March 31, 2019)

Furthermore, procured funds will be kept in bank accounts until the actual payment.

4. Views regarding rationality of the usage of funds to be procured

As the funds to be procured via the Treasury Stock Disposal are considered to facilitate business expansion of Shizuki, the usage is viewed as rational.

5. Rationality of disposal conditions, etc.

(1) Basis for calculation of payment amount and its details

Upon calculation of the disposal price, in order to set a price that is free of arbitrariness, it was set as 563 yen (rounded down to the nearest yen), the average of the closing prices of common stock in Shizuki on the Tokyo Stock Exchange for the most recent 3 months (from June 16, 2016 to September 15, 2016) immediately prior to the resolution of the Board of Directors concerning the Treasury Stock Disposal.

The reason for adopting the average of the closing prices of common stock in Shizuki for the most recent 3 months was because by using a figure that has been standardized as an average stock price over a certain period instead of a defined point in time allows for elimination of special factors such as the effects of temporary fluctuations in stock prices, and was judged to be highly objective and rational as a basis for calculation.

Additionally, this stock price is the product of 559 yen, the closing price on the Tokyo Stock Exchange on the day immediately prior to the resolution of the Board of Directors and 100.72% (premium percentage of 0.72%), the product of 560 yen (rounded down to the nearest yen), the average of the closing prices for the most recent 1 month (from August 16, 2016 to September 15, 2016) and 100.54% (premium percentage of 0.54%), or the product of 555 yen (rounded down to the nearest yen), the average of the closing prices for the most recent 6 months (from March 16, 2016 to September 15, 2016) and 101.44% (premium percentage of 1.44%), and it was judged that it will not result in a particularly advantageous disposal price.

Furthermore, the above disposal price was determined via the average of the closing prices of common stock in Shizuki on the Tokyo Stock Exchange for the most recent 3 months (from June 16, 2016 to September 15, 2016) immediately prior to the resolution of the Board of Directors, and in response to the resolution of the Board of Directors that the disposal price was not particularly advantageous to the allottee when compared with the stock price on the day immediately prior to the resolution of the Board of Directors, all Audit Committee Members (of the three, two are Outside Directors) in attendance at the Board of Directors' meeting have expressed their views that this does not fall under an advantageous issuance under the Companies Act and legal compliance has been achieved.

(2) Rationale for determining that the volume of disposal and the scale of stock dilution are rational

The number of shares to be allotted to Murata via the Treasury Stock Disposal is 3,900,000 shares, and compared to the total number of issued shares of Shizuki prior to the Treasury Stock Disposal of 33,061,003 shares, is equivalent to 11.80% (rounded to the second decimal place; a ratio of 13.51% versus the total number of voting rights of 28,860 units as of March 31, 2016), which will cause a certain level of dilution. However, Shizuki believes that further strengthening of the capital relationship with Murata will contribute to enrichment of business through strengthening the transaction foundation including the use of Murata's sales channel, and it has judged that the volume of disposal and scale of stock dilution of the Treasury Stock Disposal is rational.

6. Basis for selecting the scheduled disposal target, etc.

(1) Overview of the scheduled disposal target

1)	Name	Murata Manufacturing Co., Ltd.	
2)	Headquarters address	10-1, Higashikotari 1-chome, Nagaokakyo-shi, Kyoto	
3)	Title and name of representative	Tsuneo Murata, President and Statutory Representative Director	
4)	Details of business	Research and development, production and sales of electronic devices made from functional ceramics	
5)	Capital	69,377 million yen	
6)	Date of establishment	December 23, 1950	
7)	Number of issued shares	225,263,592 shares	
8)	Fiscal year-end	March 31	
9)	Number of employees	(Consolidated) 54,674 persons (As of March 31, 2016)	
10)	Major clients	Domestic and foreign companies that manufacture computers, communication devices, AV devices, automobile devices, etc.	
11)	Major banking partners	Mizuho Bank, Ltd. Sumitomo Mitsui Banking Corporation The Bank of Kyoto, Ltd. THE SHIGA BANK, LTD.	
12)	Major shareholders and shareholding ratios	JP MORGAN CHASE BANK 380055	6.9%
		Japan Trustee Services Bank, Ltd. (Trust Account)	5.4%
		Nippon Life Insurance Company	3.3%
		The Master Trust Bank of Japan, Ltd. (Trust Account)	3.0%
		STATE STREET BANK AND TRUST COMPANY	3.0%
		The Bank of Kyoto, Ltd.	2.3%
		Meiji Yasuda Life Insurance Company	2.3%
		THE SHIGA BANK, LTD.	1.6%
		CBNY-GOVERNMENT OF NORWAY	1.5%
		STATE STREET BANK WEST CLIENT TREATY 505234	1.3%
13)	Relationship between the companies concerned	Capital relationship	Murata holds 571 thousand shares of common stock in Shizuki, and Shizuki holds 48 thousand shares of common stock in Murata.
		Human relationship	Not applicable
		Business relationship	Shizuki and Murata have cooperated with each other to concentrate their management resources while securing their respective uniqueness, in an effort to conduct joint marketing, product development and sales.
		Applicable conditions to the relevant parties	Not applicable

14) Business results and financial conditions for the three most recent years			
(Millions of yen)	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Consolidated net assets	971,632	1,138,931	1,243,979
Consolidated total assets	1,243,687	1,431,303	1,517,784
Consolidated net assets per share (Yen)	4,514.53 (Note 1)	5,304.98 (Note 1)	5,806.06 (Note 1)
Consolidated net sales	846,716	1,043,542	1,210,841
Consolidated operating income	125,891	214,535	275,406
Consolidated ordinary income	132,336 (Note 2)	238,400 (Note 2)	279,173 (Note 2)
Consolidated net income	93,191 (Note 3)	167,711 (Note 3)	203,776 (Note 3)
Consolidated net income per share (Yen)	440.63 (Note 3)	792.19 (Note 3)	962.55 (Note 3)
Dividends per share (Yen)	130	180	210

* Murata, the scheduled disposal target, is listed on the First Section of the Tokyo Stock Exchange, and its corporate history, executives, and major shareholders, etc., are disclosed in its securities report, etc. Additionally, within its Corporate Governance Report submitted to the Tokyo Stock Exchange, the scheduled disposal target has declared that it will not hold any relationships with anti-social forces. Due to the above, Shizuki has judged that neither the scheduled disposal target, executives of the scheduled disposal target, its subsidiaries, nor major shareholders of the scheduled disposal target have relationships with anti-social forces.

(Note 1) As Murata prepares its consolidated financial statements in compliance with generally accepted accounting principles in the United States (hereinafter “US GAAP”), these figures represent figures for “shareholders’ equity per share.”

(Note 2) These figures represent figures for “income before income taxes” as calculated based on US GAAP.

(Note 3) These figures represent figures for “net income attributable to Murata Corporation” and “basic earnings attributable to Murata Corporation per share.”

(2) Basis for selecting the scheduled disposal target

Murata, the scheduled disposal target, and Shizuki have promoted joint development between each other. The Joint Venture is scheduled to be operated by utilizing management resources held by both groups such as ceramic capacitor technology held by Murata and film capacitor technology held by Shizuki.

Furthermore, by Murata increasing its ratio of shareholdings in Shizuki, it is believed that the relationship of trust between both groups will be strengthened and contribute to the business promotion of the Joint Venture.

In light of the above circumstances, Murata was selected as the scheduled disposal target for the Treasury Stock Disposal.

(3) Holding policy of the scheduled disposal target

As the third-party allocation of shares via the Treasury Stock Disposal has been approved upon explanation to the scheduled disposal target of its intent to strengthen the relationship with a transaction partner, it has been judged that the stock to be allocated via the Treasury Stock Disposal will be held over the medium to long term.

(4) Content of confirmation regarding presence of assets for payment at the scheduled disposal target

Shizuki has confirmed that the scheduled disposal target has given its approval for the objective of the Treasury Stock Disposal and that based on the financial statements of the scheduled disposal target in the most recent quarterly securities report for the first quarter of the 81st term (submitted on June 29, 2016), it holds cash and deposits that is required and adequate for payment regarding the Treasury Stock Disposal.

7. Major shareholders and voting rights ratios of Shizuki after the disposal

Before disposal (As of March 31, 2016)	After disposal
Mitsubishi Electric Corporation 24.19%	Mitsubishi Electric Corporation 21.31%
GOLDMAN SACHS INTERNATIONAL 15.04%	Murata Manufacturing Co., Ltd. 13.65%
DEUTSCHE BANK AG LONDON-PB NON-TREATY CLIENTS 613 5.27%	GOLDMAN SACHS INTERNATIONAL 13.25%
Resona Bank, Limited 4.50%	DEUTSCHE BANK AG LONDON-PB NON-TREATY CLIENTS 613 4.65%
NOMURA PB NOMINEES TK1 LIMITED 3.22%	Resona Bank, Limited 3.97%
The Minato Bank, Ltd. 3.21%	NOMURA PB NOMINEES TK1 LIMITED 2.84%
Shizuki Stock Ownership Association 2.81%	The Minato Bank, Ltd. 2.82%
Murata Manufacturing Co., Ltd. 1.98%	Shizuki Stock Ownership Association 2.48%
Noritz Corporation 1.94%	Noritz Corporation 1.71%
Shizuki Electric Employee's Shareholding Association 1.81%	Shizuki Electric Employee's Shareholding Association 1.60%

(Notes) 1. Major shareholders and voting rights ratios before and after the disposal are based on the shareholder registry as of March 31, 2016.

2. The above chart does not include treasury stock of Shizuki. Additionally, the 3,958,344 shares of treasury stock of Shizuki will become 58,344 shares after this disposal of 3,900,000 shares of treasury stock.

3. Voting rights ratios are calculated upon exclusion of treasury stock of Shizuki.

4. "Notice of Change in Major Shareholders" will be disclosed separately.

8. Future outlook

The Treasury Stock Disposal will have no impact on the business results forecasts of neither Murata nor Shizuki for the fiscal year ending March 31, 2017.

9. Procedures under corporate code of conducts

As the Third-party Allocation has 1) a dilution percentage of less than 25% and 2) does not involve a change in the controlling shareholder, it is not required to obtain an opinion from an independent third party and undergo procedures to confirm the intent of shareholders as stipulated in Article 432 of the Securities Listing Regulations as defined by the Tokyo Stock Exchange.

10. Business results and status of equity finance of Shizuki for the three most recent years

(1) Consolidated business results for the three most recent years

(Millions of yen)	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Consolidated net sales	21,998	23,461	21,728
Consolidated operating income	2,391	2,502	2,125
Consolidated ordinary income	2,704	2,814	2,239
Consolidated net income	1,681	1,775	1,254
Net income per share (Yen)	57.71	60.98	43.12
Dividends per share (Yen)	10	11	11
Net assets per share (Yen)	568.04	645.16	665.33

(2) Current status of number of issued shares and number of latent shares (As of March 31, 2016)

	Number of shares	Ratio against the number of issued shares
Number of issued shares	33,061,003 shares	100%
Number of latent shares based on the current conversion price (exercise price)	—	—
Number of latent shares based on the lower limit of the conversion price (exercise price)	—	—
Number of latent shares based on the upper limit of the conversion price (exercise price)	—	—

(3) Status of recent stock prices

1) Status for the three most recent years

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Opening price	336 yen	392 yen	735 yen
High price	495 yen	755 yen	945 yen
Low price	317 yen	390 yen	490 yen
Closing price	395 yen	730 yen	542 yen

2) Status for the six most recent months

	March	April	May	June	July	August
Opening price	542 yen	542 yen	542 yen	560 yen	562 yen	562 yen
High price	561 yen	560 yen	560 yen	587 yen	579 yen	572 yen
Low price	529 yen	520 yen	523 yen	538 yen	550 yen	555 yen
Closing price	542 yen	548 yen	560 yen	562 yen	562 yen	562 yen

3) Stock price as of the business day prior to resolution for the disposal

	September 15, 2016
Opening price	561 yen
High price	563 yen
Low price	559 yen
Closing price	559 yen

(4) Status of equity finance for the three most recent years

Not applicable.

III. Establishment of the Joint Venture

1. Overview of the Joint Venture

Please see “I. Overview of capital and business alliance, 2. Details of capital and business alliance, (3) Overview of the Joint Venture.”

2. Future outlook

It is believed that the impact of the establishment of the Joint Venture on the business results forecasts of Murata and Shizuki for the fiscal year ending March 31, 2017 is minimal. Additionally, if future requirement arises for disclosure, such contents will be disclosed promptly.