

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

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

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

### **1. Basic Views**

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

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

\*Corporate Governance Guidelines:

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

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

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

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

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

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

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

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

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

**[Supplementary Principle 4-1-3 Succession Plan for the Chief Executive Officer (CEO) and Other top executives]**

Each year, the Board of Directors receives reports concerning the status of cultivating members of management, and ascertains information about succession candidates for the management team through such means as explanations of agenda items at the Board of Directors and the execution of routine operations.

In addition to determining candidates, the Nomination Advisory Committee deliberates on the plan and cultivation of succession candidates, reflecting this information in reports to the Board of Directors.

As no specific succession plans for the chief executive officer (CEO) are currently in place, the Board of Directors will engage in the formulation and implementation of the plans as appropriate.

**[Supplementary Principle 4-10-1 Use of Voluntary Frameworks]**

The Company has in place a Nomination Advisory Committee and a Remuneration Advisory Committee, as is indicated below in “(4) Voluntary Committees” under “1. Organizational Composition and Operation” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management.”

Although some differences exist with regard to standards for key members set forth in the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) for the Nomination Advisory Committee, both committees include several Independent Outside Directors, and receive appropriate involvement and advice from such Independent Outside Directors.

Based on such involvement and advice, to date the content of reports by both committees has been resolved unanimously, indicating that both committees are functioning as independent voluntary committees.

With respect to specific composition of committee members, etc., please see “(4) Voluntary Committees” under “1. Organizational Composition and Operation” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management.” below.

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

**[Principle 1.7 Related Party Transactions]**

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

**[Principle 2.6 Roles of Corporate Pension Funds as Asset Owner]**

The Murata Corporate Pension Fund handles the management of assets accumulated for the Company’s corporate pension.

Decisions related to the asset management are made by the Board of Representatives, following deliberation by the Asset Management Committee. Members of the Asset Management Committee and the Board of Representatives include general managers of the Company’s Human Resources, Accounting & Controller, and Finance departments, as well as other personnel with appropriate qualifications. Members also include leaders of the labor union, as representatives of the beneficiaries.

Furthermore, to ensure the appropriate monitoring of asset managers, the Company assigns and cultivates personnel having the necessary experience and credentials and takes advice from outside experts.

**[Principle 3.1 Full Disclosure]**

**(i)-a: Management philosophy**

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

\*Murata’s Philosophy:

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

**(i)-b: Management strategy, management plan**

The Mid-term Direction for the three years from fiscal 2019 to fiscal 2021 is available on the Company’s website.

\*The Mid-term Direction:

<https://www.murata.com/en-us/about/company/mid-term%20direction%202021>

**(ii) Basic views and policies on corporate governance**

As stated in “1. Basic Views” above.

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

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

**(iv) Policies and procedures in the appointment and dismissal of senior management, and the nomination of candidates for Members of the Board of Directors**

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

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

Reasons for the appointment of candidates for Members of the Board of Directors and the dismissal of Members of the Board of Directors are disclosed in the Convocation Notice for the Ordinary General Meeting of Shareholders and other disclosures.

\*Convocation Notice for the Ordinary General Meeting of Shareholders:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

\*Convocation Notice for the Ordinary General Meeting of Shareholders:

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

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

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

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

Through conducting the questionnaire and interviews, various confirmations were carried out regarding the composition of the Board of Directors, agenda items submitted to meetings, status of deliberation, personal participation of Director, and other matters regarding the operation of the Board of Directors. In fiscal 2018, the implementation, tallying, analysis, etc. of the questionnaire was carried out by a third party.

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

The major details are provided below.

- An atmosphere that enables free expression of opinion is being cultivated and broadminded and constructive discussions and exchanges of opinion are taking place.
- The composition of the Board of Directors, the selection of agenda items and the supervisory functions of Outside Directors are being carried out with adequate effectiveness.

Note, there was an opinion related to the enhancement of risk management and the strengthening of the monitoring of business execution in relation to management policy and business strategy.

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

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

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

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

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

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

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

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

## 2. Capital Structure

(1) **Foreign Shareholding Ratio:** More than 30%

### (2) Status of Major Shareholders

| Shareholder name                                     | Number of shares held | Ownership ratio (%) |
|--|-----------------------|---------------------|
| Japan Trustee Services Bank, Ltd. (Trust Account)    | 14,591,500            | 6.8                 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 11,970,300            | 5.6                 |
| JPMorgan Chase Bank 380055                           | 9,335,941             | 4.4                 |
| Nippon Life Insurance Company                        | 7,361,157             | 3.5                 |
| SSBTC CLIENT OMNIBUS ACCOUNT                         | 5,411,109             | 2.5                 |
| The Bank of Kyoto, Ltd.                              | 5,260,023             | 2.5                 |
| Meiji Yasuda Life Insurance Company                  | 5,240,900             | 2.5                 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5)  | 4,117,200             | 1.9                 |
| THE SHIGA BANK, LTD.                                 | 3,551,058             | 1.7                 |
| Mizuho Bank, Ltd.                                    | 3,000,458             | 1.4                 |

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

(4) **Parent Company:** None

### (5) Supplementary Explanation:

1. Although the Company holds 12,014 thousand shares of treasury stock, this stock does not have voting rights, and is excluded from the above Status of Major Shareholders.
2. Of the above number of shares held, the number of shares in trust operations are not stated as the Company cannot identify the details.
3. The Company implemented a three-for-one common stock split, effective April 1, 2019 and the above number of shares held is the number of shares held before the stock split.
4. In the change report pertaining to the report of possession of large volume announced to the public on March 25, 2019 by Capital Research and Management Company and its joint shareholders, it is stated as shown below regarding shareholdings as of March 15, 2019. However, as the Company cannot confirm the actual number of shares held by these companies as of March 31, 2019, these companies are not included in the above Status of Major Shareholders. The content of the report of possession of large volume is as follows.

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

Capital Research and Management Company (13,517 thousand shares, 6.0%)

Capital Guardian Trust Company (1,855 thousand shares, 0.8%)

Capital International, Inc. (1,540 thousand shares, 0.7%)

Capital International Sarl (237 thousand shares, 0.1%)

Total: 17,151 thousand shares, 7.6%

5. In the change report pertaining to the report of possession of large volume announced to the public on December 21, 2018 by Sumitomo Mitsui Trust Bank, Limited and its joint shareholders, it is stated as shown below regarding shareholdings as of December 14, 2018. However, as the Company cannot confirm the actual number of shares held by these companies as of March 31, 2019, these companies are not included in the above Status of Major Shareholders. The content of the report of possession of large volume is as follows.

[Shareholder name (Number of shares held, Ownership ratio (%))]  
Sumitomo Mitsui Trust Asset Management Co., Ltd. (8,577 thousand shares, 3.8%)  
Nikko Asset Management Co., Ltd. (3,090 thousand shares, 1.4%)  
Sumitomo Mitsui Trust Bank, Limited (642 thousand shares, 0.3%)  
Total: 12,310 thousand shares, 5.5%

### **3. Corporate Attributes**

- (1) Listed Stock Market and Market Section:** Tokyo Stock Exchange First Section  
**(2) Fiscal Year-End:** March  
**(3) Type of Business:** Electric Appliances  
**(4) Number of Employees (consolidated) as of the End of the Previous Fiscal Year:** More than 1000  
**(5) Sales (consolidated) as of the End of the Previous Fiscal Year:** More than ¥1 trillion  
**(6) Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year:**  
From 50 to less than 100

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

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

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

### 1. Organizational Composition and Operation

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

#### (2) Directors

- **Maximum Number of Directors Stipulated in Articles of Incorporation:** 20
- **Term of Office Stipulated in Articles of Incorporation:** 1 year
- **Chairperson of the Board of Directors:** President
- **Number of Directors:** 14
- **Appointment of Outside Directors:** Appointed
- **Number of Outside Directors:** 6
- **Number of Independent Directors Designated from among Outside Directors:** 6

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

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

\* Categories for "Relationship with the Company"

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

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

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

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

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

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

**Hiroaki Yoshihara** (Independent Director)

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

(No applicable items)

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

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

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

**Takashi Shigematsu** (Independent Director)

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

DENSO TEN Limited, of which Takashi Shigematsu has served as Chairman and Representative Director until June 2018, has business relations with the Company Group regarding sales and purchases of products. However, sales involving the relations accounted for only less than 1% of the Company's consolidated sales in fiscal 2018, indicating that there is no materiality that would affect his independence as Outside Director.

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

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

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

**Takatoshi Yamamoto** (Independent Director)

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

CASIO COMPUTER CO., LTD, of which Takatoshi Yamamoto served as Executive Managing Director until June 2011, has business relations with the Company Group regarding sales and purchases of products. However, sales involving the relations accounted for only less than 1% of the Company's consolidated sales in fiscal 2018, indicating that there is no materiality that would affect his independence as Outside Director.

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

Takatoshi Yamamoto has extensive experience of corporate analysis of companies in Japan and overseas as a securities analyst, particularly in regard to the electronics industry, and has specialized insight in finance and accounting, in addition to a wealth of experience related to global corporate management. He is newly appointed as an Outside Director because the Company expects that he will strengthen the decision-making and supervisory functions of the Board of Directors from an independent perspective.

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

**[Supplementary Explanation of the Relationship]**

(No applicable items)

**[Reasons for Appointment]**

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

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

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

**[Supplementary Explanation of the Relationship]**

(No applicable items)

**[Reasons for Appointment]**

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

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

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

**[Supplementary Explanation of the Relationship]**

(No applicable items)

**[Reasons for Appointment]**

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

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

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

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

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

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

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

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

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

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

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

#### (4) Voluntary Committees

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

**Nomination Committee or Remuneration Committee:** Established

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

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

##### ii) Supplementary Explanation

The Nomination Advisory Committee considers criteria for selection of candidates for Members of the Board of Directors, independence standards for Independent Outside Directors, nomination of Members of the Board of Directors, and nomination of Representative Directors and executive Members of the Board of Directors, and reports its findings to the Board of Directors.

The Remuneration Advisory Committee deliberates on the remuneration system and levels for Members of the Board of Directors and reports its findings to the Board of Directors.

The members of these committees are selected by the Board of Directors from among its Members and include several Independent Outside Directors.

The current composition of the committee members is as follows.

##### •Nomination Advisory Committee

Chairperson: Tsuneo Murata (Chairman of the Board, President and Representative Director)  
Yoshito Takemura (Member of the Board of Directors and Executive Vice President),  
Hiroaki Yoshihara (Outside Director),  
Takashi Shigematsu (Outside Director)

##### •Remuneration Advisory Committee

Chairperson: Hiroshi Ueno (Outside Director who is an Audit and Supervisory Committee Member)  
Tsuneo Murata (Chairman of the Board, President and Representative Director),  
Ryuji Miyamoto (Member of the Board of Directors and Senior Vice President),  
Yuko Yasuda (Outside Director who is an Audit and Supervisory Committee Member)

In fiscal 2018, the Nomination Advisory Committee met four times, and the Remuneration Advisory Committee met three times.

For details regarding remuneration amounts and calculation methods thereof, please see “(iv) Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof” of “(7) Director Remuneration” below. For details regarding procedure for determining remuneration and policies and procedures for nomination, please see “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)” of “II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” below.

## **(5) Independent Directors**

**i) Number of Independent Directors:** 6

**ii) Matters relating to Independent Directors**

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

## **(6) Incentives**

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

**ii) Supplementary Explanation**

Please see “iv) Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof” of “(7) Director Remuneration” below.

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

**iv) Supplementary Explanation:** —

## **(7) Director Remuneration**

**i) Disclosure (of individual directors’ remuneration):** Selected directors

**ii) Supplementary Explanation**

The total amount of remuneration, etc. paid to Members of Board of Directors in fiscal 2018 was 500 million yen. Of this, the amount paid to Members of the Board of Directors who are not Audit and Supervisory Committee members was 426 million yen and the amount paid to those who are Audit and Supervisory Committee members was 73 million yen. Included in the above is the amount of restricted share remuneration (72 million yen for six Members of the Board of Directors, excluding Members of the Board of Directors who are Audit and Supervisory Committee Members, and Outside Directors) for the fiscal year under review. Total remuneration, etc., provided to Outside Directors, was 70 million yen. The maximum amount of remuneration for Members of the Board of Directors who are not Audit and Supervisory Committee Members is 700 million yen, and the maximum amount of restricted share remuneration is 300 million yen. The maximum amount of remuneration for Members of the Board of Directors who are Audit and Supervisory Committee Members is 100 million yen.

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

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

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

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

With respect to remuneration for Member of the Board of Directors, the Company makes it a basic policy to provide a system and level of remuneration that is considered suitable for executive-level managers of a globally competitive electronic equipment and component manufacturer in order to ensure recruitment of human talent considered to be excellent based on a comparison with same-industry competitors, to raise the morale and motivation to improve financial results and to contribute to the maximization of corporate value.

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

- (i) Monthly remuneration: The monthly remuneration is a fixed remuneration of an amount individually decided for each Member of the Board of Directors based on a fixed amount for service as Member of the Board of Directors, and an amount that is decided based on consideration of the level of importance of each Member of the Board of Directors' business execution allocation and responsibility and the previous fiscal year's financial performance.
- (ii) Bonus: The total amount of bonus is decided according to the Company's financial performance. The important indicator used as a standard for bonus calculation is consolidated operating income per person taking capital cost into account, which measures the growth and productivity increase of the corporation. The bonus calculation is not premised on a set target value, but is calculated by multiplying a reference amount for each position by a coefficient based on actual performance.
- (iii) Share-based remuneration: Restricted share remuneration. The share-based remuneration is set by position of each Member of the Board of Directors. It reflects their individual performance evaluations.

The remuneration paid to Outside Directors who are not Audit and Supervisory Committee Members and to Members of the Board of Directors who are Audit and Supervisory Committee Members is only monthly remuneration.

The remuneration for Members of the Board of Directors who are not Audit and Supervisory Board Members was deliberated and decided by the Board of Directors for the fiscal year under review. The amount paid to each Member of the Board of Directors who are Audit and Supervisory Committee Members is decided as a fixed individual remuneration through discussion by the Members of the Board of Directors who are Audit and Supervisory Committee Members.

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

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

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

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

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

- Name: —
- Position/Title: —
- Description of tasks: —
- Working format and conditions (full/part time; with/without remuneration, etc.): —
- Date of retirement from President or similar position: —
- Term of Office: —

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

##### **iii) Other items:**

Systems are in place, but currently there are no people subject to these systems.

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

The Company has long made efforts to strengthen its corporate governance. Initiatives include efforts to strengthen executive and supervisory functions and increase the transparency of management by establishing a Vice President system (in 2000), appointing Outside Officers (first Outside Statutory Auditors appointed in 1971 and Outside Directors in 2001), and establishing a Remuneration Advisory Committee (2004) and a Nomination Advisory Committee (2015). For its organizational design, the Company adopted “Company with an Audit and Supervisory Committee” structure in 2016 to reinforce the Board of Directors function and the supervisory function.

In a Company with an Audit and Supervisory Committee, a Board of Directors may delegate decisions on important matters for execution to Executive Directors. By delegating each decision on matters for execution to Executive Directors, more rapid management judgment and more flexible execution can be realized, while the Board of Directors can focus on discussion and monitoring relating to management policy and business strategy, leading to enhancement of the functions of the Board of Directors.

In addition, Member of the Board of Directors who are Audit and Supervisory Committee Members hold voting rights on agendas at the Board of Directors and rights to express their opinions as the Audit and Supervisory Committee concerning appointment and remuneration of Member of the Board of Directors at General Meetings of Shareholders. We believe that this ensures strong supervisory functions by Executive Directors.

The Board of Directors is made up of 14 Members (of whom 6 are Independent Outside Directors). Independent Outside Directors represent more than one-third of the Board of Directors.

The current composition of executives is posted on the Company’s website.

\*“Executives”:

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

The Board of Directors decides on the basic management direction and particularly important matters for execution. In addition to delegating decisions on important matters for execution to the Executive Directors, in order to realize more rapid management judgments and more flexible execution, the Company is also working to strengthen monitoring functions. The Board of Directors is chaired by Chairman of the Board, President and Representative Director Tsuneo Murata. As indicated above, the Company has introduced a Vice President system, and the Vice Presidents are engaged in the day-to-day implementation of executive tasks. In fiscal 2018, the Board of Directors met ten times and the average overall attendance for Members was 99.2%.

The Audit and Supervisory Committee is made up of 4 members (of whom 3 are Independent Outside Directors) and chaired by Yoshiro Ozawa. The Committee includes members who possess a considerable degree of knowledge in the areas of finance and accounting.

The Company also established a Management Executive Committee as a deliberative body chaired by Tsuneo Murata, Chairman of the Board, President and Representative Director and made up of executive Members of the Board of Directors and Members of the Board of Directors who concurrently serve as Vice Presidents, in order to assist the Board of Directors and the Representative Director in making decisions, creating a system for deliberation on management issues specified by the company regulations.

The CSR Management Committee, chaired by Tsuneo Murata, Chairman of the Board, President and Representative Director, has been established to continuously and systematically promote CSR management. In addition, the Internal Control Committee, chaired by Yoshito Takemura, a Member of the Board of Directors and Executive Vice President, has been established for the maintenance and continual improvement of the system to secure the appropriateness of company operations (the internal control system).

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

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

The Board of Directors decides on the standards regarding remuneration for Members of the Board of Directors based on the report from the Remuneration Advisory Committee.

Specific remuneration amounts are calculated in accordance with the remuneration standards.

Individual remuneration of Members of the Board of Directors who are not Audit and Supervisory Committee Members is decided upon consultation with the Remuneration Advisory Committee and individual remuneration of Members of the Board of Directors who are Audit and Supervisory Committee Members is decided by discussion with the Audit and Supervisory Committee.

▪ **Policies and procedures in the appointment and dismissal of senior management, and the nomination of candidates for Members of the Board of Directors**

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

The Company appoints as senior management people who have the knowledge, experience, and qualities to contribute to business execution, taking into consideration the business content, scale, and management environment, etc., of the Company. Also, personnel with knowledge, experience, and qualities that can contribute to enabling the Board of Directors to function (determination of basic management principles and important business execution, as well as supervision of execution of duties of Members of the Board of Directors) are selected as candidates for Members of the Board of Directors taking into account the balance and diversity in the expertise, experience, and capabilities of the overall Board of Directors as a whole.

Members of senior management will be dismissed in the event that misconduct, significant legal violations, breaches of internal rules, or similar activities in his or her execution of operations are discovered or in the event that it is recognized that the individual is not adequately performing senior management functions.

Additionally, in appointing Outside Directors, the Company seeks personnel across a wide and diverse range, and works to secure candidates who satisfy the independence standards of the Tokyo Stock Exchange and the Company.

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

With the intent of improving the independence, objectivity, and accountability of the functions of the Board of Directors regarding the nomination of Members of the Board of Directors, the Company established a Nomination Advisory Committee as an advisory organ of the Board of Directors. The Committee members are selected by the Board of Directors from among its members and include multiple Independent Outside Directors. The committee considers criteria for selection of candidates for Members of the Board of Directors, independence standards for Independent Outside Directors, nomination of Members of the Board of Directors, and nomination of Representative Directors and executive Members of the Board of Directors, and reports its findings to the Board of Directors. Furthermore, the Board of Directors determines the nomination of Members of the Board of Directors based on the reported findings of the Nomination Advisory Committee. Nominations for candidates for Members of the Board of Directors who will be Audit and Supervisory Committee members are subject to approval by the Audit and Supervisory Committee.

▪ **Auditing system**

The Audit and Supervisory Committee establishes auditing guidelines and plans, and based on these, in addition to attending important meetings, audits the legitimacy and appropriateness of duties implemented by the Members of the Board of Directors by conducting surveys of the status of operations and corporate finances with the cooperation of departments involved in the company's internal control system.

The Company Group's internal audits are conducted by the Office of Internal Audit (14 members), which was established as an independent organization.

The Office of Internal Audit establishes auditing guidelines and plans, and based on these, the Office evaluates and monitors that the Company Group's operations are appropriately and efficiently conducted based on laws and regulations, internal regulations of the Company, etc. with the cooperation of departments involved in the company's internal control system. The results are reported to the Representative Director, the Internal Control Committee, etc.

For financial audits, the Company has entered an audit agreement with Deloitte Touche Tohmatsu LLC. The audits are conducted by Designated Unlimited Liability Partners, Engagement Partners, and Certified Public Accountants Koichiro Tsukuda and Yuya Minobe, assisted by 17 Certified Public Accountants, 6 Associate Members of the Japan Institute of Certified Public Accountants, and 31 others. The Company receives legal audits pursuant to the Financial Instruments and Exchange Act and the Companies Act and carries out constant checks for issues with accounting processes and audits.

The Audit and Supervisory Committee, the Office of Internal Audit, and the Independent Auditor maintain close coordination by holding regular meetings and reporting to one another on the audit plan and its implementation status.

▪ **Summary of liability limitation agreements**

The Company has entered into liability limitation agreement with Members of the Board of Directors (excluding those who are the executive officers) to restrict liabilities for damages as stipulated by Article 423, Paragraph 1 of the Companies Act based on the provisions of Article 427, Paragraph 1 of the Companies Act. The liability limit under these agreements is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

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

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

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

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

|   | Supplementary Explanation  |
|---|--|
| Early Notification of General Meeting of Shareholders   | Basically dispatched no later than three weeks prior to the date of the General Meeting of Shareholders. The notification is announced electronically early during the interval until dispatch, and Japanese and English versions are basically posted on the Company's website and so forth at least four weeks before the date of the General Meeting of Shareholders. |
| Allowing Electronic or Magnetic Exercise of Voting Rights   | Voting rights may be exercised by accessing the Internet from a personal computer, smartphone, mobile phone, or other device.  |
| Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors | The Company participates in the electronic voting platform (ICJ) for institutional investors.<br>Both Japanese and English versions of the Convocation Notice are posted on ICJ.   |
| Providing Convocation Notice in English (Translated Fully or Partially)   | An English Convocation Notice is prepared, and alongside the Japanese Convocation Notice, is posted on the Tokyo Stock Exchange, ICJ, and the Company's website.   |

#### 2. IR Activities

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

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

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

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

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

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

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

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

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

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

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

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

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

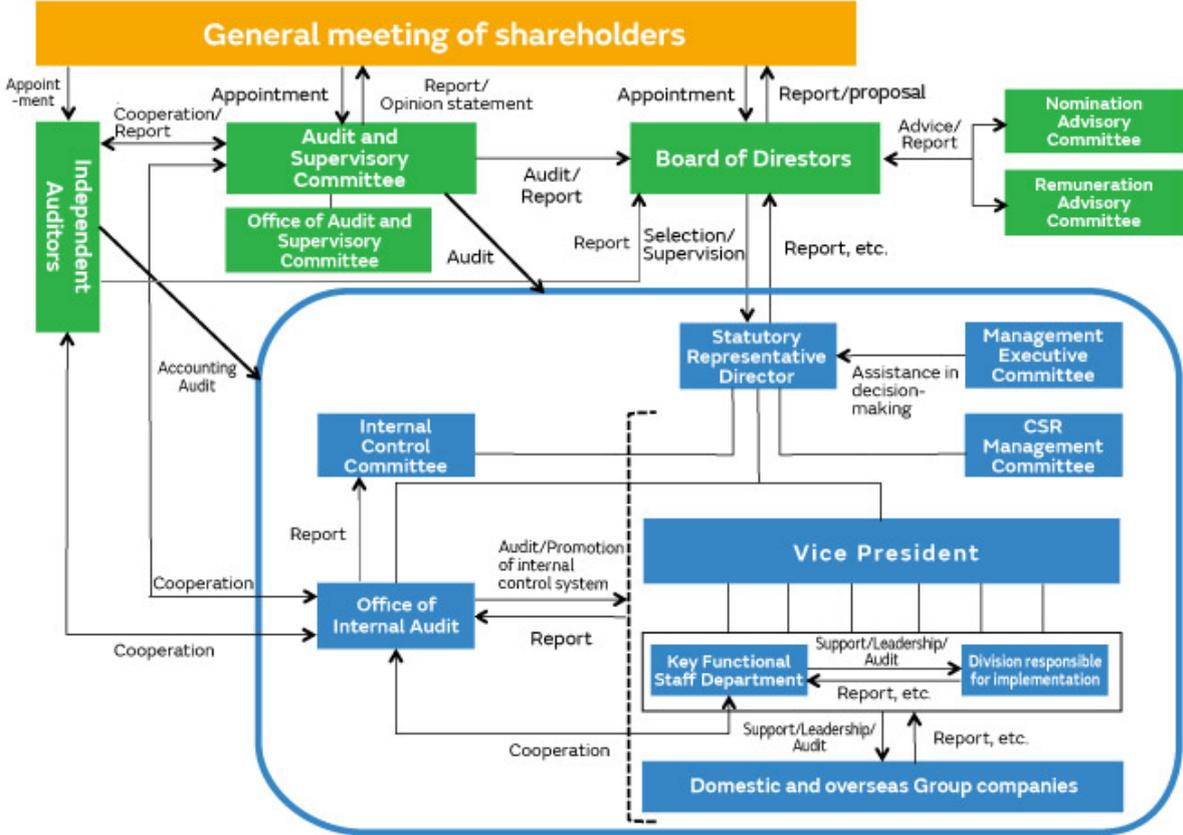
The Company has made a commitment within its “Corporate Ethics Policy and Code of Conduct” to “firmly refuse correspondence and contact with anti-social activities and organizations and to not resolve unreasonable requests received from anti-social forces via the use of cash, etc.” In the “business transaction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

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

**V. Other**

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

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



Summary of structure for timely disclosure

