

Murata Group

CSR Report 2005



muRata
Innovator in Electronics

Corporate Profile

MURATA PHILOSOPHY WE PLEDGE...

To Contribute...

To the Continued Worldwide Development of Industry and Culture through Management Commitment

To Pursue...

Total Quality and Customer Satisfaction, while Continuously Introducing Innovative Products in Integrated and Interrelated Technologies which Will Allow Our Company, Our Employees, Customers and Other Partners, and Our Communities

To Grow and Prosper...

With an Appreciative Feeling of Mutual Pride and Trust.

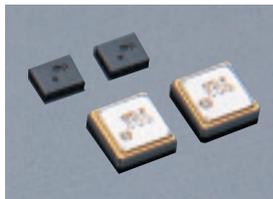
Trade Name	Murata Manufacturing Company, Ltd.
Location:Head Office	10-1 Higashikotari 1-chome, Nagaokakyo City, Kyoto 617-8555, Japan
Date of Incorporation	December 23, 1950 (established October 1944)
Paid-in Capital	¥69,376 million (as of March 31, 2005)
Sales Amount	(Consolidated Basis) ¥424,468 million (as of March 2005)
Number of Subsidiaries	(Consolidated Basis) 54 (23 in Japan; 31 overseas)
Number of Employees	Consolidated basis: 25,924 Parent Co. basis: 5,166
Stock Exchange Listings	In Japan: Tokyo, Osaka Overseas: Singapore
URL	http://www.murata.com/

Business Activities

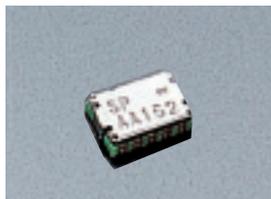
Murata develops, produces, and sells electronic components and modules, all of which play important roles in a variety of electronic equipment.

Mobile Communications

We have seen the rapid proliferation of mobile phones and global expansion of communications networks. Murata strives to stay on the cutting-edge of developments in communications technology.



(Top) SAW Filters
(Bottom) SAW Duplexers



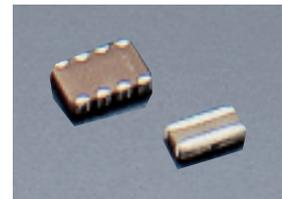
SWITCHPLEXER®

Computers

Computers have continued dramatically evolving, become ever faster and smaller with ever larger capacities and range of functions. This evolution has been made possible by electronic components. Murata's electronic components play an indispensable role as intrinsic elements in today's computers.



(Left) Chip Ferrite Beads
(Right) Chip Common Mode Choke Coils



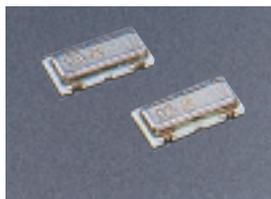
Chip Monolithic Capacitors (low-inductance type)

Automotive Electronics

Murata's electronic components play an active role in automobiles. Automotive electronics precisely control every movement of your car; driving, curving, stopping, and more. Murata's high-performance components support the automotive electronics so critical today.



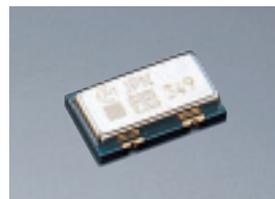
Antenna Coil for Smart Keyless Entry



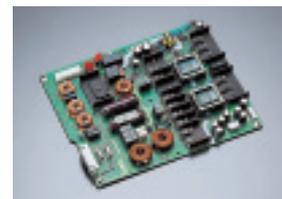
Ceramic Discriminators for TPMS

Digital Home Electronics

Today we use a wide variety of electronic devices, such as televisions and digital cameras, as natural parts of our daily lives. Without us ever noticing, Murata's electronic components support the many functions of these devices, thereby enhancing our lives every day.



Piezoelectric Vibrating Gyroscope (GYROSTAR®)



Switching Power Supply for Flat Panel Display

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Editorial Policy

【Intended Audience】

This report is intended for Murata customers, shareholders, investors, employees, suppliers, governments, local residents and other various stakeholders.

【Characteristics of the 2005 Environmental Report】

This report addresses the environmental activities of the member companies of the Murata Manufacturing Group located both inside and outside Japan. Specifically, this includes our basic objectives and main achievements for fiscal 2004 as well as our plans to be addressed in the future.

The report title has been changed from last year's "Environmental Sustainability Report" to "CSR Report." We have compiled this CSR Report by considering from wide-ranging perspectives the corporate social responsibility (CSR) that Murata aims to fulfill in all its business activities.

In preparing this report, we made reference to the Sustainability Reporting Guideline 2002 of the GRI (Global Reporting Initiative), Environmental Reporting Guidelines, 2003 Edition, of the Ministry of the Environment, and other resources.

This report includes only primary data. For more specific data, please refer to the separate volume, "CSR Report Performance Data," attached to this report. The items covered in the Performance Data addendum are shown on the relevant page of this report.



【Scope of this Report】

This report encompasses the activities of Murata Manufacturing Co., Ltd. and its subsidiaries and affiliates both within and outside Japan.

However, the various environmental data are primarily derived from Murata Manufacturing Co., Ltd., and its manufacturing plants inside and outside Japan as indicated with * in "Major Plants and Subsidiaries" on page 42, unless otherwise noted. In addition, environmental data of each plant and subsidiary are available on the Murata website.

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

【Target period】

This document covers the Murata Group's activities and accomplishments for fiscal year 2004, spanning the period April 1, 2004 to March 31, 2005; however, some portions of this document address initiatives and plans beginning before 2003 or extending beyond 2005.

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The next CSR Report is slated for publication around June 2006.

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Interview Responsibility for the Future

How Does Murata Look at Corporate Social Responsibility (CSR)?

Mr. Takashi Kiuchi: In recent years, there's been much discussion about CSR. What do you consider is the CSR for the Murata Group?

Yasutaka Murata: I believe that the role that our company should play in society is summarized in the phrase from the Murata philosophy, which was established on the 10th anniversary of our company: "To Contribute to the Worldwide Development of Industry and Culture while Continuously Introducing Innovative Products." This expresses our corporate philosophy, which aims to create excellent products and technologies so as to contribute toward the development of both the electronics industry and society. In this sense, it can be said that since its founding Murata has carried out its business activities based on this social mission.

Kiuchi: Do you think there's a difference between what's now required for your company to fulfill its CSR and what was required to do so when Murata was founded?

Murata: I believe that, for Murata, there is no major difference between now and at the time of our founding. However, one possible reason why CSR is becoming called into question today is that, as companies enlarge their operational scales and globalize their business activities, their presence is much more greatly felt,

thereby expanding their scope of responsibilities. In particular, issues concerning the global environment are our most urgent challenge. Given this situation, Murata believes we should conduct our business so we can sustainably make profits, while keeping two aspects always in mind: to conserve resources and to have a public nature in social development.

Key phrases... "Resources" and "Public Nature in Social Development."

Kiuchi: What do you mean by "resources"? Please explain specifically.

Murata: What I mean by "resources" here are natural resources that exist on and in the earth, and that we should effectively use these resources in a way that enables sustainable development of humankind while conserving the global environment. As a manufacturer, Murata conducts its business operations by giving priority to using the least possible resources, enhancing energy efficiency, producing products that contain no hazardous substances that will accumulate in ecosystems, and taking measures to achieve high levels of safety and pollution control that can meet universal standards. While promoting product downsizing and energy savings, our company has been quick to take actions to comply with the European RoHS Directive and other laws and regulations to control environmentally hazardous substances. In terms of production, we've also implemented many measures, including acquisition of ISO 14001 certification for all our plants.

Kiuchi: Here, let me ask if you've ever had any personal experiences where you felt the direct effects of changes in the environment?

Murata: I enjoy studying butterflies as a hobby. I think that the number of butterflies I can see now in my close environment has decreased to about two thirds or less compared to what I remember seeing when I was a junior high school student. Moreover, in recent years I've seen some southern species of butterflies that had not been found before in Japan. From this, I've become more aware of changes in the global environment from my own personal experience.

Kiuchi: In recent years, there has been an emerging concept of "biomimicry," a new science that studies



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

nature's models and patterns, including butterflies like you've just mentioned, and then imitates or takes inspiration from these designs and processes to solve human problems.

Murata: The capabilities of the natural world and life forms are so great that they are beyond human imagination and technologies. I believe that the natural world provides many insights for us to achieve "sustainability." For example, spiders have an excellent technique for producing a strong and completely recyclable thread. Another example is the glow of a firefly, which is a clean, self-luminous glow that does not depend on energy from outside.

Kiuchi: We humans must pay more respect to Nature's wisdom, and have the humility to learn more from it. Next, I'd like to ask you to explain more about what you mean by "public nature in social development"?

Murata: What I mean by "public nature in social development" is that we have to consider whether Murata's products and technologies can change people's living for the better, given the development of our electronics-oriented society. The development of electronics has made our lives dramatically more comfortable. For example, in the information and communication fields, the trends toward faster and higher-capacity information access continue to accelerate, bringing about a ubiquitous network society that allows us to communicate with anyone, anywhere, any time. On the other hand, though, it's a fact that the digital divide, namely, the disparity between who has information and who does not, is widening. In addition, there are new emerging problems such as the leakage of information. What our company can do to help resolve these problems is, I believe, to offer Murata's products featuring high quality and high performance to ensure that as many people as possible are able to optimally use electronic devices.

Gaining Trust from Our Stakeholders

Kiuchi: As a consumer myself, I expect that Murata will do so. Now, I'd like to ask you what kinds of stakeholders the Murata Group have?

Murata: Our company is an electronic component manufacturer, and our customers are electronics manufacturers who use Murata products. Murata has thus been involved in society through its products, which are used by our customers. Our company has a wide variety of stakeholders, including our own employees who provide their skills and labor to Murata, our shareholders and investors, governments, and local

residents. For example, Murata has approximately 26,000 employees on a consolidated basis, and if we include their family members, this number reaches about 100,000, which itself is a significant figure.

Kiuchi: If there is such a variety of stakeholders, it should be important to communicate with them properly. What measures has Murata taken for this?

Murata: Recently, we've received requests from customers to meet their procurement standards in view of CSR, as well as requests from investors to explain about Murata's visions for five to ten years into the future. I'm therefore well aware that we've become more frequently required to pursue wide-ranging and long-term communications in regard to CSR and global environmental issues. Although we can't always quickly meet these requests, I believe that it's most important for us to have many more opportunities for communication with our stakeholders and sincerely respond to their requests, so as to improve the trusting relationships we have with those stakeholders.

Kiuchi: Toward this end, transparency and information disclosure have become more crucial than ever before, in various aspects.

Murata: Just as you say. This fiscal year, we have been working to disclose information related to our stakeholders as much as possible, so that they can deepen their understanding of Murata's social responsibilities. I hope that as many people as possible will read this CSR Report, and give us their feedback. I would very much appreciate it if we could obtain frank opinions from our stakeholders after they've read this report.



Takashi Kiuchi

Chairman, The Future 500
Chairman, E-square Inc.
Former President and Chairman,
Mitsubishi Electric America

Developing Materials and Components with New Possibilities



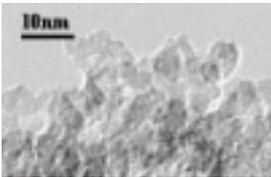
“ New quality electronics begin with new quality components, which begin with new quality materials. ” This means that to develop new functions or technologies we must consider materials anew. Murata takes this approach not only in product development, but in waste handling as well. Here we introduce CO₂ absorption ceramics developed through our research on waste as a “ material. ”

Research into Recycling

At our Materials Research & Development Center, research has been in progress to recycle ceramics waste as a material with high functionality.

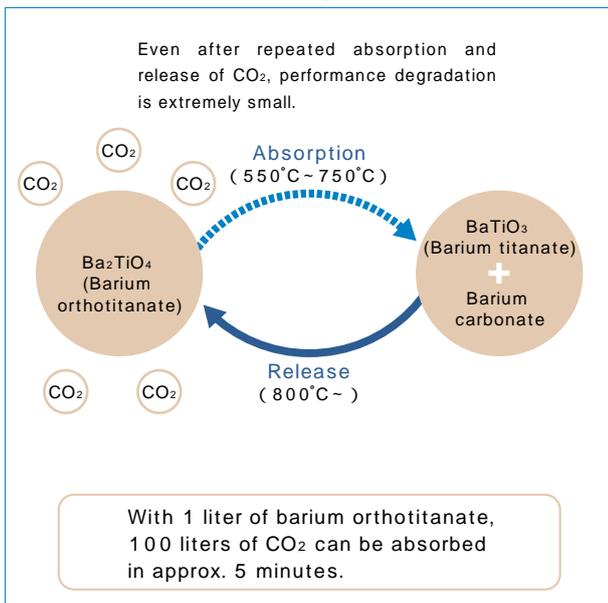
Conventionally, ceramics waste generated during manufacturing processes of various electronic components have been recycled via waste disposal companies into cements and roadbed materials. To make effective use of ceramics as a high-value added resource, ceramics should be recycled as a material with higher functionality. Based on the principle “new quality electronic equipment begins with new quality components, and new quality components begin with new quality materials,” we have implemented research and development of recycling methods focusing attention on the functions of the material itself.

Specifically, we have worked on the synthesis of titanium oxide fine particles for photocatalysts and the development of a CO₂ absorption ceramics using barium titanate (BaTiO₃), a material for producing ceramic capacitors, which are among Murata’s key products. While striving to put these technologies into practical use, in the future we will promote research and development to enable recycling of other types of ceramics waste besides barium titanate.



Barium titanate fine particles synthesized from ceramics waste (microgram taken by transmission electron microscope) (1 nm = 1 billionth of a meter)

Mechanism of CO₂ absorption



Discovery of a New CO₂ Absorption Ceramics

As a result of our research, we found that barium orthotitanate (Ba₂TiO₄), which is formulated from barium titanate, has a property that effectively absorbs and releases carbon dioxide (CO₂) at high temperatures. This CO₂ reaction is reversible and therefore can be used repeatedly.

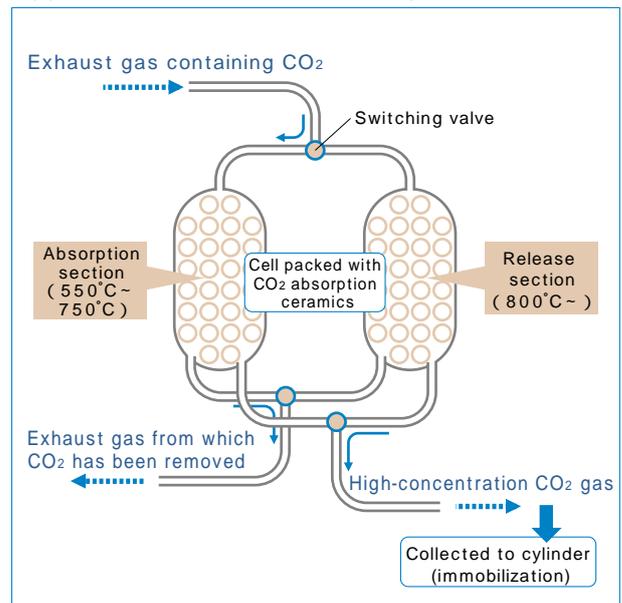
Barium orthotitanate is stable when used at high temperatures, and has a property of withstanding this condition over a long period of use. Moreover, we have begun to see that it has high desulfurization performance as well.

We believe that the discovery of this material is very innovative since it paves the way for the effective use of waste materials. The material can also help clean the atmosphere through CO₂ reduction, a task urgently needed in promoting global environmental protection.

Future Challenges

One characteristic of this CO₂ absorption ceramics is that it can absorb carbon dioxide in a higher temperature range than ever before. It should therefore not be incorporated into existing systems. Instead, we need to design a new CO₂ collection system for these. Meanwhile, it is likely that this CO₂ absorption ceramics will find various applications in more fields than previously thought. With these aspects in mind, we will seek ways to put this new material into practical use.

Application to CO₂ collection systems



Reducing Environmental Impacts in Product Life Cycles



Murata is a manufacturer of electronic components that also supplies its products to electronics manufacturers. This makes it our important mission to reduce the environmental impact of our products. Here are a few examples of our initiative in fulfilling that mission.

Environmentally Conscious Design

A series of processes from product design to disposal to recycling is called the “product life cycle.” At Murata, we have implemented initiatives to clarify the issues that should be addressed at every stage of a product’s life cycle in order to minimize the environmental impacts imparted by the product. These initiatives are carried out not only by Murata, but also in cooperation with its suppliers.

First, in the procurement stage, based on Murata’s own examination system and database, we carry out management of chemical substances to ensure that environmentally hazardous substances will not be used, and that environmentally conscious materials will be purchased. In the development and design stages, we perform analysis of life cycle assessment (LCA) data to quantitatively grasp the impacts arising during the production process. Based on the analysis results, we conduct initiatives to reduce environmental impacts during the production process. Moreover, in the production process, through energy audits, we work to enhance energy efficiency and to conserve energy based on the “3R” principle (reduce, reuse, recycle).

Murata products are compact and have high performance. These features have helped electronics manufacturers to whom we deliver our products to save resources and electricity. On the other hand, though, our products are difficult to collect and reuse, because of their small size. Murata therefore strives to replace and reduce environmentally hazardous substances contained in its products, regarding this as one of the company’s top-priority tasks.

With regard to PPS resins used as materials to create some of our products, surplus resin materials generated during the product formation process are returned to the resin pellet suppliers for reuse. Through efforts like this, we promote resource recycling.

Aiming to Collect Data after Delivery

One of our future challenges is to quantitatively identify how much Murata’s products have contributed to reducing environmental impacts at electronics manufacturers to whom our products have been delivered.

Such electronics manufacturers allow for the resource- and energy-saving effects of Murata’s products due to their compactness and high performance. However, we have not identified the data to support these effects yet. It is therefore necessary for us to promote data identification in cooperation with our customer electronics manufacturers. In addition, concerning usage by end-users, it is very difficult to grasp the data on a single component alone since our products include so-called “passive components,” which begin functioning only when they are operated in conjunction with other equipment.

Nevertheless, we believe that addressing such difficult challenges one by one helps fulfill our corporate social responsibilities, and helps realize sustainable development. With this recognition, in the future we will promote initiatives to resolve these challenges in a phased manner.

Environmental considerations and product impacts in the product life cycle

	Procurement	Production	Physical distribution	Assembly	Use	Disposal
Controlled chemical substances		○		○	○	○
Reduction of main raw materials		○				
Downsizing			○	○	○	○
Power conservation		○			○	
Green procurement	○					

Improving Employees 'Capabilities



Human resources are a corporation's most precious asset. Enhancing employee capability is therefore essential for company growth. With the globalization of business and the diversification of individual values, employees must make swift judgments from a broad perspective, using problem-solving skills and professional expertise. This section describes Murata's educational and training systems for effectively fostering such personnel.

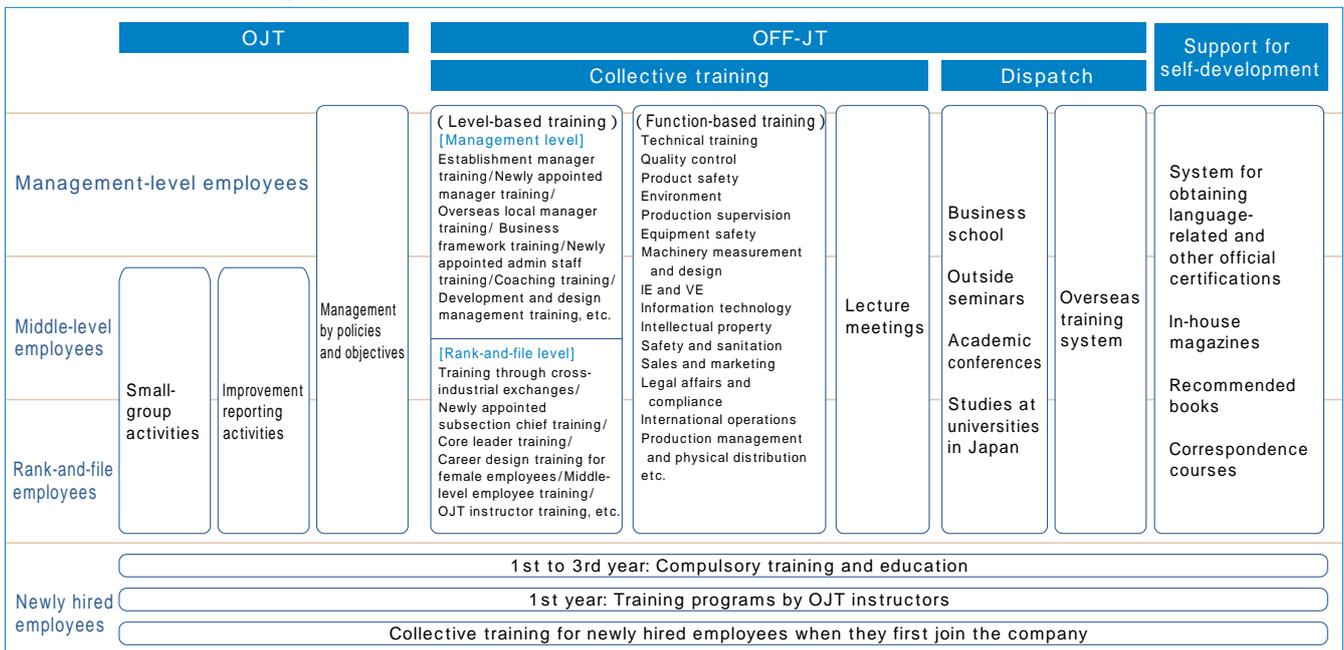
Human Resource Development to Maximize Employee's Abilities

Murata believes the key aspects of human resource development to be: self-directed personnel, personnel who display individuality with a challenging spirit, and personnel who value customer satisfaction and cooperation with others. To strongly and effectively support individual employees in developing their capabilities, Murata has operated its own education system that offers employees specialized training at each rank, from entry level to management level. In training programs for newly hired employees, for example, we identify the 3-year period after a person enters the company as the "freshman employee training period," when basic training is provided. During this period, newly hired employees receive an effective combination of various training programs, including several group trainings, on-the-job training (OJT) at each department in charge of their education, correspondence courses, and certification examinations. Through these programs, Murata helps new employees acquire the knowledge and skills required to become professional personnel who can play active roles in the business world. Even after this basic training period, various training programs are provided such as education according to each job step, and functional training by type of job. By combining these various training programs, Murata promotes the development of all its employees' expertise, skills, and management capabilities.

Training for Core Management Staff

The roles to be played by management staff have expanded and become more sophisticated, thereby assuming greater importance. As part of our level-

Education and training system



based training programs, we also provide training for management staff. We have introduced programs to train business leaders who are able to promote business globally from the same viewpoint as that of top executives. We have also adopted a coaching style that values interactive communication to help management staff improve their own capabilities while developing their subordinates' abilities. Through these education programs, Murata aims to enhance the ability level of its entire workforce.

Training for World-class Technicians and Engineers

One of the important elements that supports Murata is its advanced technologies utilized in various fields, from materials and finished products, to production equipment. Murata has made a strong effort to nurture personnel with knowledge of the world's top-level techniques. As part of our function-based training, we provide programs to train technicians and engineers to gain scientific and practical perspectives and expertise so that they can fully display their abilities in their specialized fields. Intended for all Murata engineers, they have taken advantage of these programs more than 900 times annually. These programs cover various topics, from general technological education to training for obtaining practical-level expertise in specialized areas. Moreover, to improve the level of Murata's essential technologies, we promote technical information sharing in coordination with our original set of offline activities* called "STEP (Strategic Technology Program)."

* Offline activities: Activities conducted in small groups that carry out R&D and hold discussions by technical field, among employees who gather regardless where they are in the organization chart.

Corporate Governance

Corporate governance is one of the highest priorities of our management. We have addressed this priority by ensuring speedy decision-making, improving management efficiency, and strengthening management-monitoring functions.

Corporate Governance System

Murata Manufacturing has adopted a statutory auditor system that comprises 9 directors (2 from outside the company) and 4 statutory auditors (2 from outside the company).

Board of Directors

Murata Manufacturing has separated its day-to-day business operations from its management policy and decision-making tasks for critical business operations. Moreover, under its current system of vice presidents, the company is further strengthening its management functions. The board of directors comprises 9 executives, 2 of whom are from outside the company. The board focuses on management policies, decision-making and supervision of critical business operations, while monitoring the performance of the statutory representative directors. Moreover, the Management Executive Committee was established as a deliberative body to assist the board of directors and president in their decision-making.

Audit System

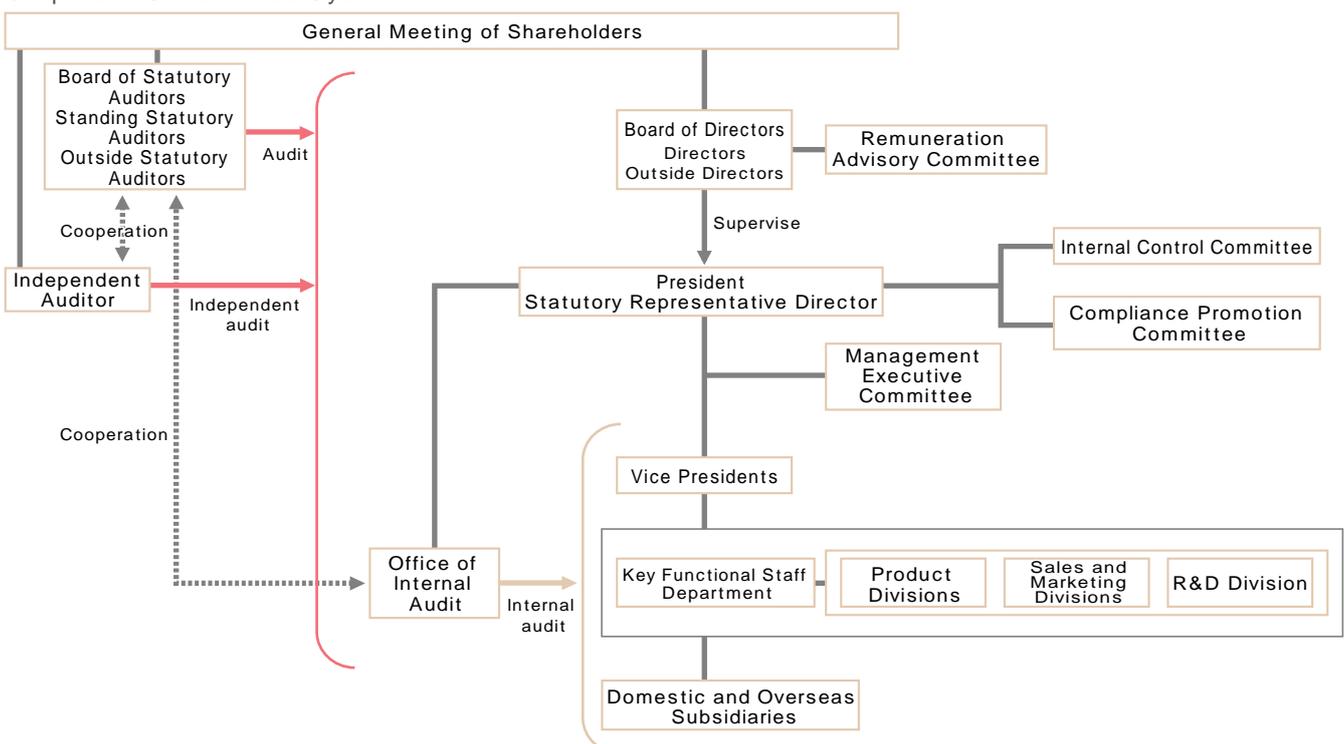
The company has 4 statutory auditors, 2 of whom are

external statutory auditors. In addition to attending the Board of Directors' meetings and other important meetings, statutory auditors also inspect whether the board of directors performs its tasks properly, and conducts detailed audits of legality and validity, which includes inspections of the operations and financial statements of Murata. Moreover, the Functional Staff Division regularly advises and monitors the day-to-day operations of the entire Murata Group. Meanwhile, the Office of Internal Audits, directly under the President, exercises control through audits over respective divisions, including the Functional Staff Division.

Internal Control Committee

Murata has established the Internal Control Committee to ensure the effectiveness of Murata's internal control, and provide comprehensive supervision and administration of internal control. This organization further strengthens the internal control system of the entire Murata Group, with the committee conducting internal controls in cooperation with relevant divisions and departments.

Corporate Governance System



Compliance

For a corporation to survive and develop, it must operate in compliance with laws and regulations, and act ethically. Murata ensures fair business activities by establishing the Compliance Promotion Committee and by introducing a reporting system.

Compliance Promotion Committee

To promote compliance, it is important that management take the lead in implementing compliance initiatives. The Murata Group established the Compliance Promotion Committee as an advisory body directly reporting to the president. This committee consists of at least 8 corporate officers and senior employees. The committee develops group-wide compliance policies and revises compliance programs.

A Compliance Promotion Leader is selected from each division. Compliance Promotion Leaders take corresponding courses as well as group training and other training programs that are tailored for them. They impart the knowledge they have acquired through these training programs to other members in their divisions, via study meetings and other means.

Compliance Promotion System



Corporate Ethics Policy and Code of Conduct

The Corporate Ethics Policy and Code of Conduct have been established to ensure that both corporate officers and employees implement Murata's corporate philosophy and act on common sense as corporate citizens. These policies and codes are distributed to all employees and used as reference materials in their training and study sessions.

Murata Corporate Ethics Policy

To act in good faith under the spirit of the company's corporate philosophy.

To comply not only with laws and regulations, but also with social rules, and to conduct corporate activities with the highest ethical standards.

To attach importance to improving the transparency of corporate activities and to actively disclose information.

To give due consideration to the global environments, and to win the trust of society.

To conduct business systematically and rationally, and to display collective strength through teamwork.

To entertain feelings of gratitude as a good corporate citizen, and thereby contribute to realizing a prosperous society.

To establish clear objectives by ourselves, and to work hard together to achieve these objectives, toward self-fulfillment.

Reporting System

Murata has established a reporting system that employees can use to directly consult with the Compliance Promotion Committee by e-mail or telephone if they have a compliance-related question or problem, especially when it is not appropriate or comfortable to consult their immediate supervisors. The committee secretariat accepts anonymous reports as well. If receiving a report regarding a behavior that deviates from the codes of conduct, the secretariat will investigate all the facts. It will then respond to the questions from the employees in an appropriate manner, in cooperation with the relevant divisions and external experts (corporate attorneys). If a radical solution at the company-wide level is required, the problem is discussed by the Compliance Promotion Committee to work out a solution and measures to prevent the problem from recurring, with a requirement that the results be reported back to the employee who first consulted on the matter.

Risk Management

Performing business operations carries a variety of risks. The challenge is figuring out how to best predict and minimize these risks. Murata has established a risk management system that assumes various situations, enabling flexible responses to nearly every conceivable risk.

Risk Related to Market and Demand Fluctuations

In the electronics products market, demands fluctuate widely, and Murata's business performance is greatly affected by these fluctuations. Based on medium- and long-term forecasts of the market, Murata copes with sharp demand fluctuations by devising and implementing various measures. For instance, we swiftly arrange the required personnel and production equipment to enhance production capacities according to the growth in demand, and adjust the number of operating days according to fluctuations in demand.

Information Risk

We believe that the protection of any information by which an individual can be identified ("personal data") is a significant duty that all corporations must fulfill. Murata established its Privacy Policy in March 2005, and has stipulated the handling of personal data in its Privacy Policy Basic Rules. In response to the law in Japan protecting personal information that went into effect in April 2005, Murata continues trying hard to keep every employee informed about the handling of personal data, and to strengthen the personal data management system.

Items covered in the Privacy Policy

1. Proper use of personal data
2. Non-disclosure of personal data to third-parties
3. Inquiries of personal data
4. Secure management of personal data
5. Education and instruction to Directors and employees
6. Compliance with laws and other regulations regarding personal data
7. Continual improvement of our practices for protecting personal data

Natural Disaster Risks

To prepare for large-scale earthquakes, Murata has dispersed its production plants of important products to various areas in Japan and overseas. We have also improved the earthquake-resistance and earthquake-proof safety of our buildings and production facilities, installed

disaster-prevention materials and equipment, secured backup power sources, and taken various other measures. Murata has also set up a Disaster Prevention Committee and formed self-protection fire-fighting teams and other units. Other disaster prevention initiatives that are being carried out include designing countermeasures against disasters such as fire accidents, promoting daily activities concerning fire control and disaster prevention, and implementing fire-fighting exercises and emergency evacuation drills.

Emergency Drills

Every year, emergency drills are regularly conducted to prepare for the occurrence of an earthquake or fire, so that employees will know appropriate actions to take in the event of a disaster. For processes that could be greatly affected by a disaster, besides ordinary drills, special emergency drills are also carried out in accordance with the emergency response manual. In February 2005, a special drill organized by the disaster countermeasures office was implemented among Murata's Head Office, Nagaoka Plant, Yasu Plant and Yokaichi Plant. This drill was conducted under the assumption that a Nankai and Tonankai Earthquake had just occurred. The top management and heads of the relevant divisions of the Head Office and each plant provided demonstrations of checking the damage, making judgments, and giving instructions based on the decisions made.

Disaster Prevention System



Drill by disaster countermeasures office



Emergency drill

Environmental Risk

Concerning environmental accidents, Murata continues to work diligently on risk forecasting and prevention, facility preparation, and emergency measures. (For details, please refer to pages 29 and 30.)

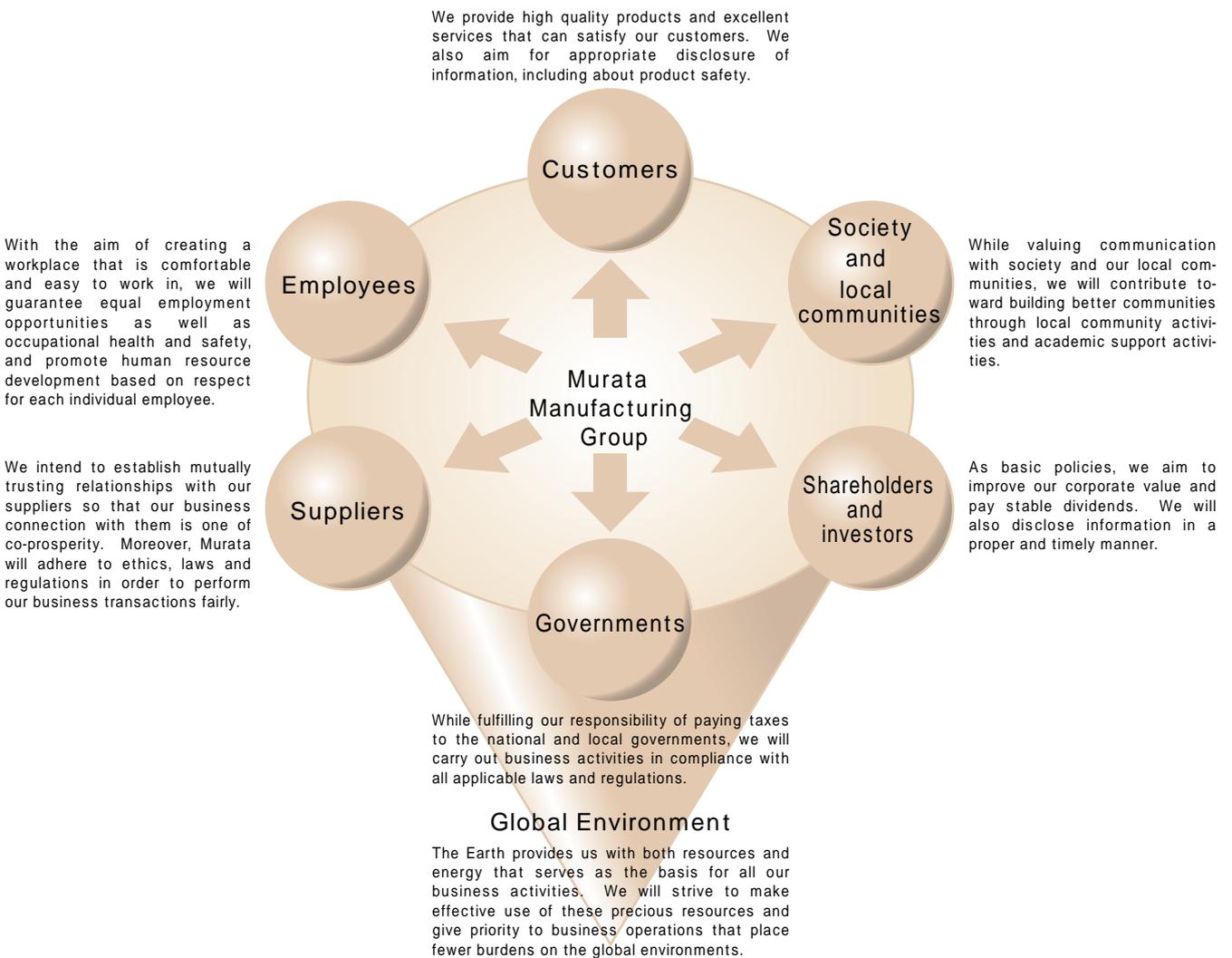
Relationship with Stakeholders

As a member of society, a corporation cannot operate their business activities without obtaining trust from society. Recognizing the extreme importance of communication with our stakeholders, Murata works to build better partnerships with its stakeholders.

Growing as a Reliable Company

Murata conducts its business activities keeping in mind its relationships with its various stakeholders. Murata's wide variety of stakeholders include customers, shareholders, investors, employees, suppliers, governments and local residents. Murata believes that a corporation should not only pursue profits, but also have a great influence on society. If it fails to gain society's trust, it will not be able to operate its business activities

effectively and productively. To enjoy the confidence of society, it is necessary for us to sincerely listen to our stakeholders, and meet their requests. Repeated communication with our stakeholders enables us to consider the roles we should play, the challenges we should address, and the goals we should set and achieve, among other things. Through such communication, we aim to become a more reliable company.



Economic Relationships with Our Stakeholders

When we develop, produce and sell our electronic components and modules, economic relationships arise between Murata and various stakeholders. The economic relationships between Murata and its various stakeholders are described below.

Murata's Concept regarding Its Economic Value Distribution

We believe that it is important to distribute the values generated through our business operations to our various stakeholders, and to appropriately return our profits to them. When Murata operates its business activities, it has direct or indirect economic influences on various stakeholders. However, at this point it is very difficult to identify all these influences. This section therefore mainly discloses our direct influences.

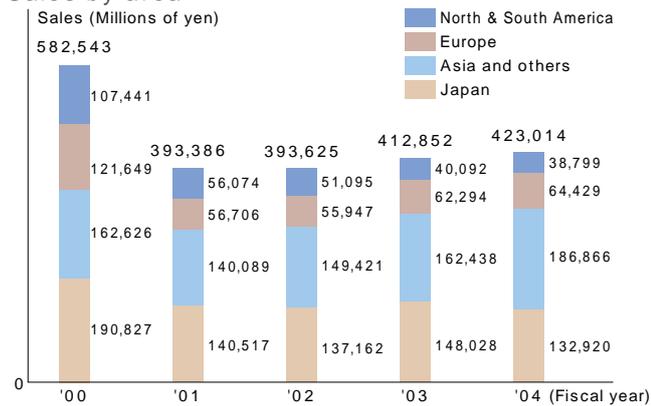
Economic Relationships with Our Stakeholders

Customers

As an electronic component manufacturer, Murata earns its profits mainly by selling its electronic components to electronic equipment manufacturers, who are our customers. Murata's net sales for fiscal 2004 totaled ¥424,468 million. Of this amount, sales of electronic components and related products was ¥423,014 million.

By area, domestic sales accounts for 31.4% and overseas sales accounts for 68.6%, indicating that Murata's products are widely used in the world's electronic equipment markets.

Sales by area



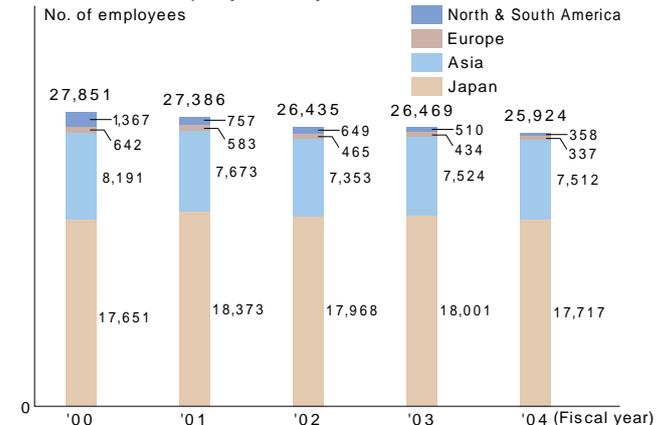
DATA Sales by application

Employees

Murata carries out global business activities, deploying its production plants and sales offices in 24 locations in Japan and 31 locations overseas. Murata's motto is to produce products wherever there is sufficient demand, and to provide good products and services equally to customers around the world. In line with this motto, we have deployed appropriate personnel worldwide.

In fiscal 2004 there were 25,924 Murata employees (17,717 in Japan and 8,207 overseas). If we include family members, this number reaches a truly significant figure. Murata's business activities thus support the livelihoods of many people.

Number of employees by area

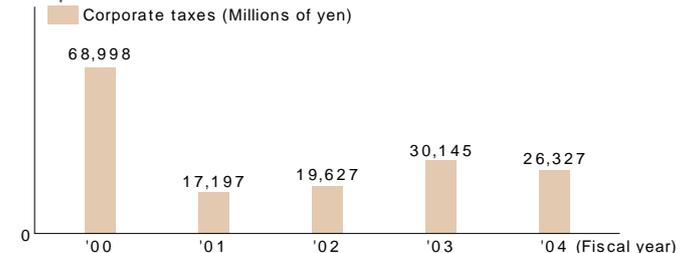


Governments

Corporate and other taxes* for fiscal 2004 totaled ¥26,327 million.

* Calculated from "Corporate and other taxes" in the statement of income.

Corporate taxes

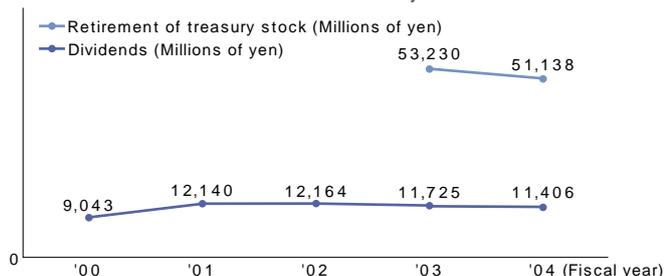


Shareholders

Murata Manufacturing considers profit distribution to shareholders to be one of its most important management measures. Our basic policy of profit distribution is to provide stable dividends, taking into consideration the dividend payment ratio. We also distribute our profits by comprehensively taking into account the enhancement of internal reserves to strengthen Murata's corporate structure and secure earning capacity, as well as the business performances of both the current and future fiscal years. We are also carrying out the acquisition and retirement of our own shares. The dividends paid to our shareholders in fiscal 2004 totaled ¥11,406 million, combining the year-end dividend (paid in June 2004) and interim dividend (paid in December 2004). Also, 9 million treasury stocks were retired totaling ¥51,138 million.

In fiscal 2004, of Murata Manufacturing's shareholders, approximately 38% were overseas shareholders. We actively carry out investor relations activities. As part of such efforts, we hold company information sessions for shareholders and investors on a regular basis, in New York, London and other major cities worldwide.

Dividends and retirement of treasury stock



Local Communities

To distribute Murata's economic value to local communities, we conduct activities to contribute to local communities, through participation in corporate citizen programs, donations to local organizations and other means. Murata's initiatives to contribute to local communities include offering support and financial aid for basic research projects via the Murata Science Foundation, environmental improvement of community welfare facilities, and sponsoring local sports events. In fiscal 2004, Murata Group companies in Japan made donations worth ¥240 million. From all its domestic and

foreign companies, Murata contributed ¥12.59 million as a donation to victims of the Sumatra earthquake and tsunami disaster.

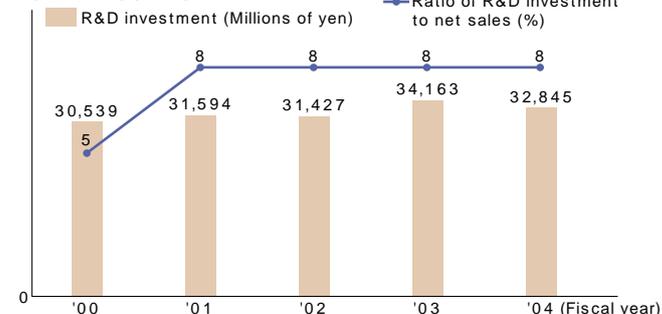
DATA Support for disaster victims

Investments

As described above, the economic values Murata continues to generate are distributed to its various stakeholders, and used as R&D and capital investments.

In line with the basic principle, "new quality electronic equipment begins with new quality components, and new quality components begin with new quality materials," Murata has established a total manufacturing system encompassing materials, production methods, design and production. By developing new technologies and products and then introducing them to the market, Murata obtains new economic values. Murata has always invested about 6 to 7% of its net sales on a consolidated basis. In fiscal 2004, we invested 32,845 million yen in R&D activities.

R&D investment



Furthermore, in view of demand fluctuations and decline in product prices in the electronic equipment markets, Murata has carried out capital investments based on medium- and long-term forecasts of the market. In fiscal 2004, capital investment totaled ¥48,033 million, and depreciation and amortization totaled ¥42,384 million.

Henceforth, we will continue capital investments to promote R&D for producing new materials, technologies and products, and to ensure stable supply based on market needs.

DATA Capital investment

Murata Environmental Charter

In 1995, Murata established its Environmental Charter, which spells out the basic environmental policy and action plan for the whole group. Murata is making a daily effort to put this commitment into practice.

Corporate Environmental Policy

[Concept]

In the desire to contribute toward a truly rich human society, we develop materials and products, devise and maintain production activities, and supply products worldwide. However, we cannot deny that our production activities as well as our products themselves are unintentionally affecting the global environment. We fully acknowledge this impact on the global environment and are taking actions to reduce our environmental impacts as one of the important initiatives being put into practice as part of our Murata Philosophy and establishment vision. We will unite the efforts of our management organization, repeatedly work toward reducing our environmental impacts, and through management efficiency determine the points at which business and environmental interests converge.

[Action Guidelines]

1. Not restricting ourselves merely to the observance of environmental laws and regulations, we will establish a voluntary management standard and strive to improve our management standards for environmental protection.
2. We will strive to reduce the environmental impacts of our products.
 - 2-1 In our R&D and design activities, we will consider approaches that will minimize the environmental impact of our products.
 - 2-2 In cases where a product contains an environmentally hazardous substance, we will seek ways to reduce the amount used or incorporate a more benign substitute.
 - 2-3 In an effort to minimize the amount of packaging materials used with our products, we will adopt a "reduce, reuse and recycle" policy.
 - 2-4 We will develop procurement activities through which we will select materials that have minimal direct or indirect environmental impacts.
3. We will strive to reduce the environmental impacts of our business operations.
 - 3-1 To help prevent global warming, we will implement energy conservation and reduce greenhouse gas emissions.
 - 3-2 Where production processes make use of environmentally hazardous substances, we will seek ways to reduce the amounts used or incorporate more benign substitutes.
 - 3-3 We will aggressively seek to reduce, reuse and recycle wastes, and seek to minimize the amount of waste produced and conserve resources.
4. Through aggressive social initiatives, we will adopt environmental preservation activities in close contact with the local community and promote afforestation of corporate land according to a systematic long-term plan while working to improve the local environment.
5. While making all employees aware of the environmental policy, we will strive to raise employee awareness of higher environmental ethics. Moreover, we will develop timely and appropriate educational as well as public relations activities.
6. We will strive to become a corporation focused on environmental management and active public disclosure of our achievements in this area.
7. To implement each of the above action guidelines, we will establish and adopt our environmental action plan while continuously striving to improve our environmental performance.

3rd Environmental Action Plan

Theme	Item	Targets for Fiscal 2010
Environmental management	Enhancement of the environmental management system	Establish the identity and concept of environmental management, and provide environmental management by extending cooperation inside and outside the company. Obtain ISO 14001 multi-site certification on a global basis.
Supply of environmentally conscious products	Environmentally conscious designs	Compile a life cycle assessment (LCA) database for each product. Establish the environmental impact of each product with actual numerical values and devise a system for setting out business policies with an environmental perspective.
	Reducing the use of environmentally hazardous substances contained in products	Actively promote the adoption of alternative materials or conversion to alternative technologies. Promote and strengthen the reduction and elimination of environmentally hazardous inorganic substances. Eliminate the use of polyvinyl chloride.
	Information management related to environmentally hazardous substances	Engage in e-disclosure of information on environmentally hazardous substances used in products and will strengthen tie-ups with e-businesses.
	Reducing the use of packaging materials and conserving energy consumed in distribution	Reduce the amount of packaging materials used per unit of net production in Japan by more than 30% compared to FY 2000 levels. Reduce CO ₂ emissions from physical distribution per unit of net production in Japan by more than 30% compared to FY 2000 levels.
	Green procurement	Continue investigating the green value of materials in order to accommodate changing demands from customers and industries in Japan and other countries after FY 2006, and maintain a 100% green procurement ratio for materials used in production.
Eco-friendly business operations	Prevention of global warming	Reduce CO ₂ emissions per unit of net production in Japan by more than 25% compared to FY 1990 levels.
	Practicing the axiom of "reduce, reuse, and recycle" for resource conservation & waste reduction	Reduce the waste generated per unit of net production in Japan by more than 55% compared to FY 2000 levels. Achieve a material recycling rate as close to 100% as possible. Reduce water consumption per unit of net production in Japan by more than 55% compared to FY 2000 levels.
	Management and reduction of environmentally hazardous substances used in processing	Reduce the atmospheric release of volatile organic compounds (VOCs) by more than 30% compared to FY 2000 levels.
	Risk management	Remain committed to limiting environmental risks to the greatest extent possible, learning from the past as continuing with the remediation of contaminated soil and groundwater.
Social activities	Environmental communication	Continue to promote information disclosure and undertake business management in close contact with the local communities and societies in which Murata Group companies are located.
	Community and social activities	Continue to contribute to the community and society, provide greenery around plants and offices, and undertake business management in close contact with the local communities and societies in which Murata Group companies are

Theme	Item	Targets for Fiscal 2006
Environmental management	Enhancement of the environmental management system	Obtain ISO 14001 multi-site certification at Murata Manufacturing. Establish internal management techniques for cost-effective environmental management and provide our subsidiaries outside Japan with an environmental cost management system.
Supply of environmentally conscious products	Environmentally conscious designs	Extend product assessments throughout the company. Devise an arrangement by which we will address environmental conservation when formulating research and development themes. Compile a database in order to increase the efficiency of LCA data calculations.
	Reducing the use of environmentally hazardous substances contained in products	Actively promote the adoption of alternative materials or conversion to alternative technologies. Complete the elimination of substances subject to the RoHS (European Union "Restriction of Hazardous Substances") Directive. Curtail the amount of halogenated flame retardants in use by 20% compared to FY 2003 levels.
	Information management related to environmentally hazardous substances	Compile and adopt a chemical substance management database. FY 2004: Compilation of a database for finished products FY 2005: Compilation and sharing of a database on materials for the purchasing department
	Reducing the use of packaging materials and conserving energy consumed in distribution	Reduce the amount of packaging materials used per unit of net production in Japan by more than 20% compared to FY 2000 levels. Reduce CO ₂ emissions from physical distribution per unit of net production in Japan by more than 20% compared to FY 2000 levels.
	Green procurement	Conduct surveys of the green value of materials in order to responsibly accommodate additions to or revisions of lists of controlled substances in response to changing demands from customers and industries. Achieve a 100% green procurement ratio for materials used in production at plants and subsidiaries in Japan and continue efforts to achieve this target at subsidiaries outside Japan, during FY 2004. Achieve a 100% green purchasing ratio for all products not used in production, and disclose our progress in achieving this green purchasing target.
Eco-friendly business operations	Prevention of global warming	Reduce CO ₂ emissions per unit of net production in Japan by more than 23% compared to FY 1990 levels.
	Practicing the axiom of "reduce, reuse, and recycle" for resource conservation & waste reduction	Reduce total waste emissions per unit of net production in Japan by more than 35% compared to FY 2000 levels. Achieve a material recycling rate in Japan of 90%. Reduce water consumption per unit of net production in Japan by more than 35% compared to FY 2000 levels. Achieve zero emissions in construction of new buildings in Japan. Promote zero emissions in construction of new buildings outside Japan.
	Management and reduction of environmentally hazardous substances used in processing	Reduce atmospheric emissions of VOCs, which contribute to the generation of photochemical oxidants, and suspended particulates by more than 3% compared to FY 2000 levels. Reduce atmospheric emissions in Japan of PFCs, which contribute to greenhouse gasses, by more than 80% compared to FY 2002 levels.
	Risk management	Undertake environmental remediation of contaminated soil and groundwater as a countermeasure to address the current method, which requires much time to achieve complete remediation at plants and subsidiaries where soil and groundwater contamination have been confirmed. This will reduce the remediation period by more than 50%.
Social activities	Environmental communication	Continue to issue an annual environmental report and will release additional information more than two times a year via other media. Issue environmental reports on each site.
	Community and social activities	Ensure that each plant and subsidiary undertakes activities more than once a year to contribute to the community and to society. Expand our offices' rooftop greenery areas to more than 10% of each rooftop area.

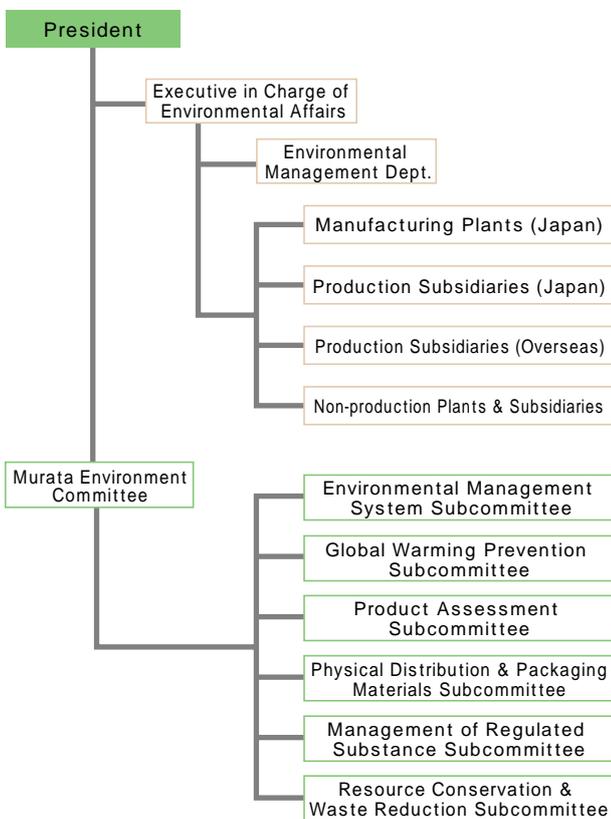
Environmental Management

For efficient environmental stewardship, it is important to establish both a proper environmental management system and promotion system. Murata has worked to increase the number of plants and offices with ISO 14001 certification, and to identify the costs and effects related to environmental preservation.

Environmental Management Promotion System

To embody the environmental management policy and plans, a proper promotion system is indispensable. Murata has appointed an executive in charge of environmental affairs, as the person responsible for harmonizing the environmental conservation activities of the entire group. With the Environmental Management Department as the functional staff, we are thus promoting comprehensive environmental preservation activities. As a consultative body to the President, we have established the Murata Environment Committee, to examine and deliberate group-wide environmental initiatives and themes. For the lower levels of the Environment Committee, we have set up subcommittees based on particular themes, and are using them to conduct specialized research and planning activities.

Environmental Management Promotion System



Acquisition of ISO 14001 Certification

All of Murata's production sites in Japan and in other countries have acquired ISO 14001 certification. In fiscal 2004, the Yokohama Technical Center of Murata Manufacturing Co., Ltd. obtained ISO 14001 certification, the first time a Murata non-production site has achieved this.

We plan to receive ISO 14001 certification for Murata's Head Office and the Tokyo Branch during fiscal 2005.

Moreover, during fiscal 2006, we intend to link together the environmental management systems of the Head Office, Tokyo Branch, Yokohama Technical Center, Yasu Plant and Yokaichi Plant, so as to convert all the individual certifications into a multi-site ISO 14001 certification.

DATA ISO 14001-registered sites

Environmental Audits

Environmental audits are carried out on a regular basis to make sure environmental management is being properly implemented. We have employed both internal and external audits at each of our production plants and production subsidiaries to ensure balanced, effective environmental management. During fiscal 2004, in addition to conventional audits, we conducted audits of waste management at seven overseas sites, and confirmed that wastes generated from operations at facilities in foreign countries were properly disposed of.

Internal Audits
<p>Plant Internal Self-audit</p> <p>We have established a management standard for day-to-day business at each production plant and subsidiary. Based on this standard, operations are monitored so that we can discover and correct noncompliance immediately. In addition, we conduct annual internal audits to check whether the various prescribed rules are being followed correctly.</p>
<p>Functional Staff Audit by the Environmental Management Department</p> <p>This audit is conducted on a regular basis in order to complement inspections by the external certification body, and compensate for specialized areas that cannot be covered by the plant's own internal inspection.</p>
<p>Audit by Auditors</p> <p>Auditors study and inspect whether the company's environmental management system has been established and implemented appropriately, and whether management is being conducted in an overall consistent manner. If necessary, the auditors will make comments.</p>

Environmental Training and Awareness Raising

Environmental Training

To sustain environmentally conscious business operations, it is vital that each employee considers and practices eco-friendly activities in a responsible manner. Toward this end, first, employees should understand the environmental vision and policies set forth by corporate management and the initiatives of the plants and divisions. Murata therefore provides its employees with various opportunities for environmental education.

Our environmental training efforts include organizing general environmental education programs for all employees, training courses to develop qualified personnel as internal environmental auditors, and individualized education programs for employees engaged in operations that may have high environmental impact.

DATA Environmental Training Menu



Seminar for training internal environmental auditors (Fukui Murata Manufacturing Co., Ltd.)

Environmental Awareness Raising

In Journal Murata, our company newsletter, we present an annual feature on our environmental activities, in order to enhance environmental awareness among our employees. Through this annual feature, we report on the progress the company has made in implementing themes for company-wide initiatives, and introduce examples of environmental measures we take.

Also, we have expanded our company award system with our Global Environmental Protection Promotion Award, an achievement award that recognizes employees who have made a significant contribution to environmental preservation. The Award for fiscal 2004 was presented to employees who engaged in an initiative that achieved zero emissions.

Environmental Cost Management

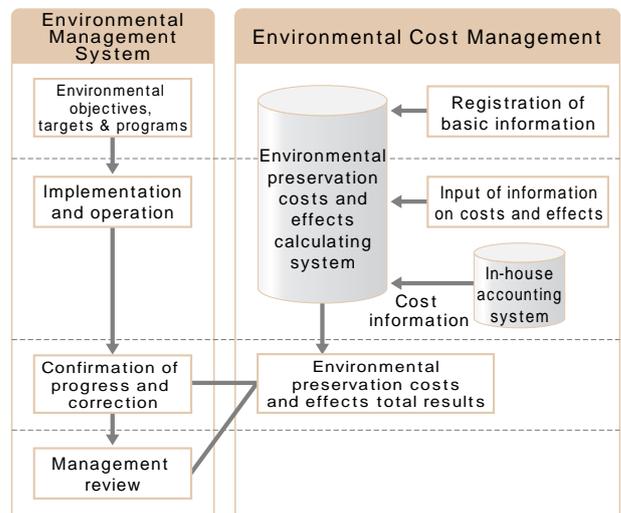
In the interests of ensuring more efficient environmental management, Murata identifies and analyzes the effects of its environmental preservation investments and costs. To underpin this approach, Murata has established a unique environmental cost management system. This system was introduced in the company's plants, offices, and subsidiaries in Japan in 2003.

This system has enabled Murata to pinpoint the costs and effects of individual programs of its ISO 14001-compliant environmental management system. The obtained information enables us to continually confirm our progress, modify our plans or review our management approach. We make use of this system to implement efficient measures, promote horizontal business development, and establish and review our environmental objectives and targets in view of greater efficiency.

During fiscal 2004, Murata invested approximately ¥930 million in environmental conservation, with an estimated economic benefit from the investment of about ¥850 million. The cost required for environmental conservation totaled approximately ¥3,390 million, with the resulting economic effect estimated to be about ¥1,250 million.

DATA Environmental Cost Management

Environmental Cost Management System



Overview of Environmental Impacts

In the course of business operations, Murata has had environmental impacts in various forms, such as through the use of resources and energy. Clarifying an overall picture of such impacts enables us to understand which parts of our business operations have a large impact on the environment.

Overview of Inputs

Our inputs consist largely of raw materials to produce our products and energy used in our production activities. Murata has promoted group-wide efforts to reduce CO₂ emissions, through implementation of energy audits and other measures. Also, chemical substances comprise a significant ratio of inputs due to the characteristics of our business operations. Murata has implemented stringent and proper management of environmentally hazardous substances, so as to reduce the amounts of their use.

Overview of Outputs

Our outputs include CO₂ emissions into the atmosphere, generation of wastes, and effluents discharged into rivers and seas. Murata has achieved zero emissions (defined as a 100% recycling rate and zero landfilling of targeted waste matter) at plants and subsidiaries in Japan in March 2004. Going forward, we are planning to reduce the waste generation itself and improve the level of recycling.

Even after delivery to customers, Murata's products can often help our customers save resources and energy when they create products by assembling our products. Therefore, identifying such data is one of our future tasks.

INPUT

[Calculation method]

- Chemical substances
Amount of PRTR*-listed substances handled at plants and subsidiaries in Japan
- Energy
Energy and fuel consumed in plants and subsidiaries in Japan and overseas
- Water
Water consumed in plants and subsidiaries in Japan and overseas

*PRTR: Japanese Pollutant Release and Transfer Register

Suppliers

We carry out our own surveys and evaluate the environmental soundness ("greenness") of our suppliers, and thereby determine those suppliers from whom Murata prefers to procure goods.

OUTPUT

[Calculation method]

- Chemical substances
Calculated by multiplying the amount of PRTR-listed substances handled at plants and subsidiaries in Japan by the percentage of substances emitted to the atmosphere and waters.
- Atmospheric emissions
CO₂: Calculated by multiplying the consumptions of energy and fuel used in plants and subsidiaries in Japan and overseas by the CO₂ conversion factor.
NO_x, SO_x: Calculated based on measurement results of substance concentrations in emissions from exhaust points of plants and subsidiaries in Japan and overseas.
- Wastes (limited to wastes requiring disposal costs)
Amount of wastes produced at plants and subsidiaries in Japan and overseas
- Wastewater
Amount of wastewater discharged to sewage or rivers from plants and subsidiaries in Japan and overseas

Chemical substances	Energy	Water
4,591 t	1,137,513 kℓ (Crude oil equivalent) •Electricity 834,370,000 kWh •Fuel 925,583 kℓ	8,730,000 m ³



Murata Manufacturing Group

We strive to identify the environmental impacts of our products from the development and design stages, and to minimize the impacts in regard to product development.

Customers

We promote product development with the aim offering better products that can help our customers minimize environmental impacts, even after these products have been delivered. In the future, we will work to obtain and compile relevant data to enhance our activities even more.



Chemical substances	Atmospheric emissions	Wastes	Wastewater
29.8 t	•CO ₂ : 455,154 t-CO ₂ •NO _x : 84.0 t •SO _x : 16.2 t	34,679 t	8,140,000 m ³

* Murata does not emit greenhouse gases other than CO₂.
(Greenhouse gases are referred to as those stipulated in the Law Concerning the Promotion of Measures to Cope with Global Warming.)

Development and Design

We are aware that Murata is engaged in the manufacture of products that have a great impact on the environment. Therefore, we are conducting product assessments and LCA data analyses from the product development and design stages, to promote the development of products with a low environmental impact.

Developing and Designing Environmentally Conscious Products

Murata has recognized that its priority task is to minimize the environmental impact of its products, in view of the characteristics of Murata’s business operations. Based on such recognition, Murata has been actively implementing measures such as reducing the use of environmentally hazardous substances contained in its products, designing more compact products, and saving power.

Specifically, in 1995 Murata established its LCA Subcommittee, and in 1999 introduced life cycle assessment (LCA) into its R&D process. Moreover, since November 2004 we have adopted and implemented in earnest the product assessment system in every division.

Employment of LCA in Product Development and Design
The life cycle assessment (LCA) is a method of quantitatively assessing the various environmental impacts imparted by a product throughout its life cycle, which extends from resource extraction to manufacturing, sales, use, and disposal.

Using analyses results of LCA data on our typical products, Murata prepared its own LCA guidelines and introduced them into the R&D process. The items considered in an LCA assessment include carbon dioxide emissions, lead content, and the amount of principal raw materials consumed. The LCA assessment thus covers not only the product itself but also the equipment used to produce the product.

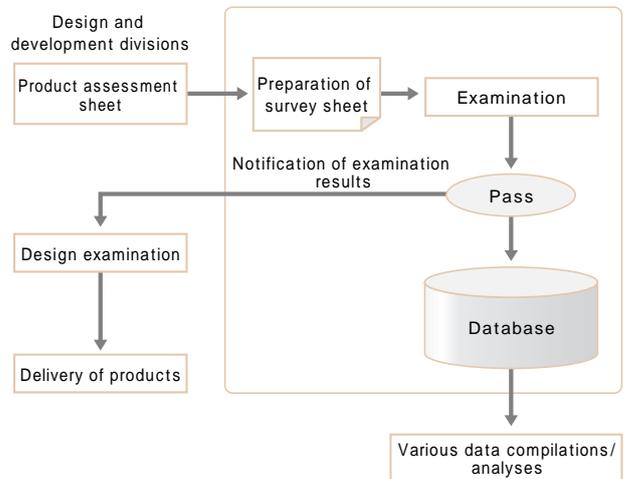
Introduction of a Product Assessment System
The product assessment is a method of assessing, at the design development stage, a product’s impact on the environment. Murata has introduced this system not only in the product development and design stages, but also prior to the experiment production and mass production stages.

In fiscal 2005, we will systematize these assessments so that their results can be more efficiently reflected in each product development and design stage. Moreover, we will accumulate and compile the information obtained through the assessments into a database, which will be utilized for analyses and recording for the management of substances subjected to control.

Product Assessment Items

Classification	Item
Product	Controlled substances
	Downsizing
	Reduction of main raw materials
	Power conservation
Production process	Controlled substances
	Reduction of energy consumption
	Resource and waste reduction
Packaging and packing	Controlled substances
	Resource and waste reduction

Product Assessment Examination System Structure



Toward Total Elimination of Environmentally Hazardous Substances in Products

Murata’s products contain various substances. Since some of these substances may adversely affect the human body and the environment, we are aware of the urgent necessity of reducing and eventually eliminating the use of these substances. We at Murata call them “environmentally hazardous substances.” Even concerning substances whose use is not prohibited by laws and regulations, we are also making voluntary efforts for their reduction and elimination.

Adoption of Standards regarding the Use of Environmentally Hazardous Substances in Products

The Murata Group has established a "Regulation Program for Environmentally Hazardous Substances in Products" (hereinafter called "product regulation program") intended to reduce the use of environmentally hazardous substances in all its products.

We have established three ranks for these substances in our product regulation program: substances prohibited in products, substances to be reduced, and substances in preparation for reduction. Through this product regulation program, we are able to control chemical substances.

Moreover, aside from groups of regulated substances, we are managing the content of substances that are likely to be regulated in the future or that can be recycled and reused. We have taken this approach by instituting a policy for chemical substances whose content is to be determined at the time of procurement.

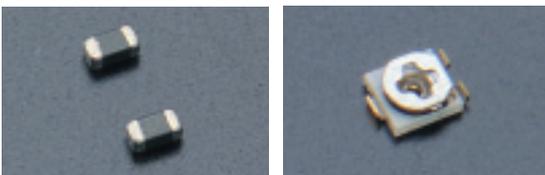
DATA Regulation program for environmentally hazardous substances in products

Progress in Reducing the Use of Environmentally Hazardous Substances

We are making progress in reducing the use of environmentally hazardous substances according to the product regulation program for existing products. In addition, we have established a system that can confirm compliance with the product regulation program during the design stage of products under development, so as to provide customers with products consisting of less environmentally hazardous substances.

Specifically, we are aggressively addressing the need for this reduction and elimination by launching a project targeting the reduction of lead, hexavalent chromium, mercury, cadmium, and specified brominated flame retardants subject to strengthened EU regulations.

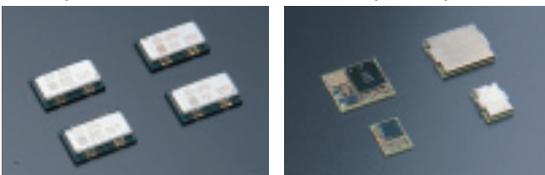
Examples of Murata lead-free products



Chip EMIFIL® Inductor Type

Trimmer Potentiometer (PVZ2A Series)

Examples of RoHS Directive-compliant products



Piezoelectric vibrating gyroscope (GYROSTAR®)

Bluetooth® modules

* The Bluetooth trademarks are owned by Bluetooth SIG, Inc., USA.

Accommodating the RoHS Directive*

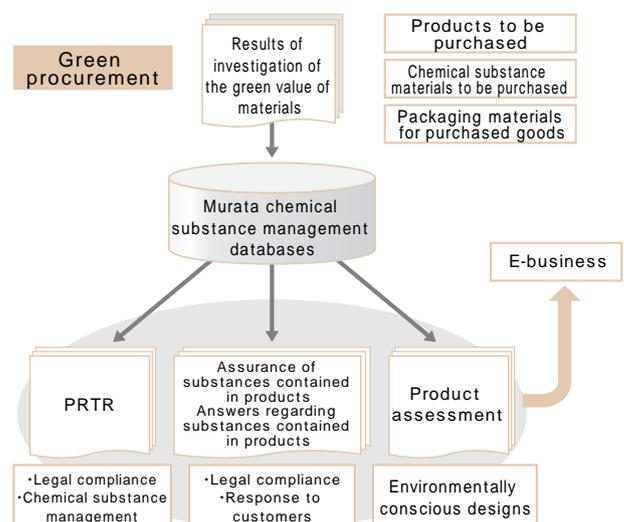
The RoHS Directive, which bans the use of six hazardous substances, including lead, in certain electronic and electrical products to be sold in Europe, will be enforced throughout the European Community from July 2006. At Murata, we are incorporating activities aimed at reducing the use of these substances, by launching the project to accommodate the RoHS Directive in August 2003. As of October 2004, we completed the development of technologies to comply with the RoHS Directive, accounting for 91% of all Murata products.

* RoHS compliance means that we judge from EU Directive 2002/95/EC the products do not contain lead, cadmium, mercury, hexavalent chromium, PBB or PBDE, except for exemptions stated in the EU Directive 2002/95/EC annex and for impurities existing in the natural world.

Compilation of an Information Database

Murata has worked on compilation of a database to establish a system to properly manage information on substances making up Murata products and their contents. This database is used (1) to ensure that specific environmentally hazardous substances restricted by laws and regulations are not contained in any Murata product, and (2) to provide customers and governments with relevant information in a timely manner.

System to manage information on chemical substances contained in products



Procurement

Murata has carried out its own independent surveys and evaluated the environmental soundness (‘greenness’) of its suppliers. Based on these results, we preferentially procure goods from suppliers that have been actively working on environmental conservation activities.

Green Procurement

At Murata, among goods to be procured, parts and materials used in production are procured through a green procurement system. Under this system, we evaluate the environmental soundness (‘greenness’) of suppliers of these parts and materials, and preferentially procure them from suppliers that have been actively working on environmental conservation activities.

Evaluating a Supplier’s ‘Greenness’

Before dealing with a new supplier, we carry out our own surveys to check, for instance, whether the supplier has properly established its own environmental management system (e.g., if it has acquired third-party certifications, such as ISO 14001) and whether the supplier can guarantee that it will not deliver parts and materials containing chemical substances prohibited by laws and regulations. We employ these criteria when considering whether to do business with a prospective supplier.

We also evaluate the greenness of current suppliers every year. For suppliers that have received a low evaluation, we will give instructions through audits to improve their environmental management. If there is no improvement even after we have provided such instructions, we consider ending our relationship with these suppliers. We have thus adopted a strict attitude concerning green procurement.

Evaluation Items of Suppliers’ ‘Greenness’

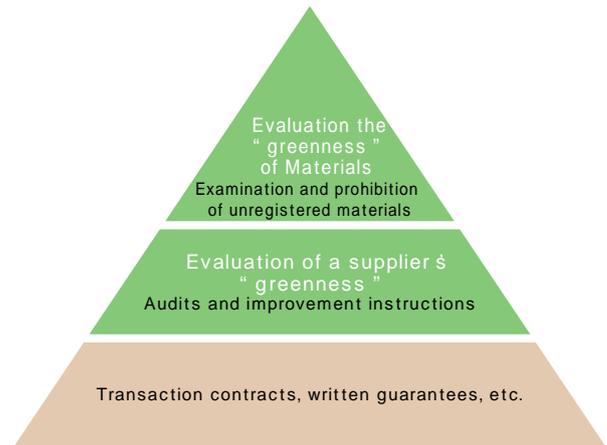
- Environmental management system
- Management system for chemical substances
- Submission of examination forms concerning the six substances subject to the RoHS Directive

Evaluating the ‘Greenness’ of Materials

As for materials (chemical substances, products and packaging) used in our products, Murata has established its own technological standards for prohibition or reduction of their use, according to laws and regulations as well as to customer requests. Before adopting these materials, we confirm that they do not include chemical substances prohibited by these technological standards.

Our expert staff conducts particularly stringent examinations of chemical substances. We have introduced and implemented a system by which we register in our database only those chemical substances that have passed our inspection. Thus, we do not procure any chemical substance that is not registered in this database.

Management and guarantee of green procurement



Green Purchasing

Murata has made group-wide efforts to promote green purchasing, which is applied to certain goods falling within the specified category of office supplies and equipment not related to the production of Murata products.

We define goods that comply with the Law on Promoting Green Purchasing as well as goods bearing environmental labels (e.g., Eco Mark; the mark which indicates the use of recycled paper; the green mark, etc.) as ‘green products.’ These products are given priority over others when we purchase applicable goods.

In the future, we will expand the scope of our green purchasing to include office automation equipment other than the above-mentioned office supplies. Moreover, we will make every effort to identify the green purchasing ratio, and to achieve a 100% ratio in terms of monetary amounts.

Production

Environmental impacts resulting from production processes vary widely, including CO₂ emissions due to the use of energy, generation of wastes, and chemical substances to be controlled. Murata has taken every possible measure to reduce environmental impacts from our production processes.

Prevention of Global Warming

Present Condition of CO₂ Emissions

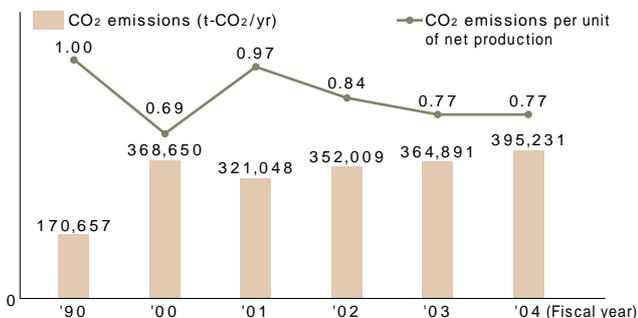
The chief culprit in global warming is the increase in greenhouse gas emissions. Murata has actively implemented initiatives to curb emissions of greenhouse gases, mainly CO₂^{*}, emitted as a result of its business activities. In fiscal 2004, we cut back CO₂ emissions by 28,775 metric tons-CO₂ in plants and subsidiaries in Japan, achieving reduction of CO₂ emissions per unit of net production to 77% of fiscal 1990 levels.

However, the absolute value of the emissions has increased as our business operations have expanded. We will therefore redouble our efforts to further reduce greenhouse gases.

* Murata does not emit the greenhouse gases other than CO₂.

DATA CO₂ emissions

CO₂ emissions per unit of net production (in Japan)



Breakdown of Energy Consumptions

Of the amount of energy consumed in our plants in Japan, the energy consumed by air conditioning systems accounts for approximately 50%. This is because the number of clean rooms and the like has increased as we make our products more compact and precise.

Implementation of Energy Audits

To improve energy consumption efficiency, Murata has implemented an energy audit by its in-house specialist group. As a result, we so far have saved 1,709 metric tons-CO₂ of energy.

Themes for Energy Conservation

- Switch to high-efficiency freezers
- Use steam generated from cogeneration systems to produce hot water
- Replace lighting fixtures with high-efficiency fixtures
- Reduce consumption of compressed air
- Improve operating conditions of heat treatment furnaces



Energy Audit (Yokaichi Plant)

Future Initiatives to Be Addressed

Murata has set a goal for fiscal 2010 of reducing CO₂ emissions per unit of net production in Japan by 25% compared to fiscal 1990 levels.

To achieve this goal, we are establishing a system to horizontally promote individual initiatives that are implemented at each office and plant, through the in-house intranet, and to share existing expertise throughout the entire company. Moreover, we are promoting the introduction of additional cogeneration systems and active replacement of current equipment to ones that are more energy-efficient, so as to attain our goals.

Production

Resource Conservation and Waste Reduction

Present Condition of Waste Generation

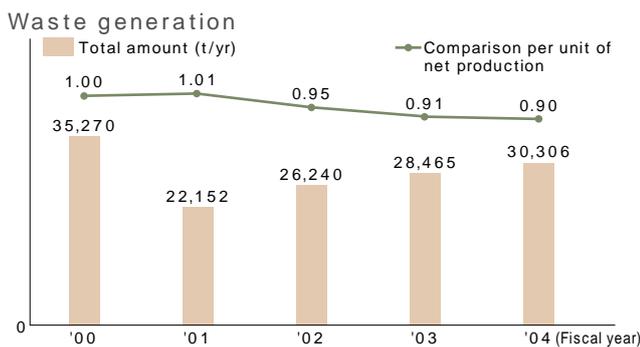
Murata has promoted initiatives for recycling wastes generated at its offices and plants. In fiscal 2003, we achieved zero emissions target* at our 21 plants and subsidiaries in Japan. In recognition that we would henceforth need to reduce waste generation itself, we organized the Resource Conservation & Waste Reduction Subcommittee in fiscal 2004 to begin such efforts.

In fiscal 2004, the amount of wastes generated in our offices, plants and subsidiaries in Japan totaled 30,306 metric tons, a decrease by approximately 5,000 metric tons from fiscal 2000, thereby achieving about 10% reduction in waste matter generated per unit of net production.

* Murata's definition of zero emissions:

Defined as zero direct landfilling of waste as well as zero landfilling of waste matter remaining after intermediate treatment (i.e., 100% recycling rate). However, Murata's zero emissions and recycling rate targets exclude waste matter that the company is unable to process on its own, such as excess sludge in remediation tanks.

DATA Amount of waste generation



Reducing Waste Generation

Of all the types of wastes generated at Murata, waste alkali, waste plastics and sludge are particularly large in quantity. Therefore, our efforts to reduce waste generation place particular focus on these three types of wastes.

In fiscal 2004, we were able to reduce the amount of waste alkali by 25 metric tons/month at our Yasu Plant. Previously, we entrusted the disposal of all the waste alkali to specialist waste treatment companies, since waste alkali has a great impact on rivers if directly discharged into waterways. However, in conjunction with its sewage improvement, the plant newly introduced a wastewater treatment facility, through which the waste alkali can be treated. As a result, the plant achieved the above-mentioned reduction.

Also, in October 2004 Okayama Murata Manufacturing introduced a concentrator of alkaline and acid waste solutions. This equipment is capable of reducing the volume of such solutions by concentrating them by a factor of 20. The use of this equipment has enabled Okayama Murata Manufacturing to decrease the amount of waste liquids to one twentieth of previous amounts, achieving reduction of 135 metric tons/month.

DATA Recycling rate

Reducing Water Consumption

In fiscal 2004, we commenced group-wide initiatives to reduce water consumption. Previously, water consumption saving efforts were made respectively by individual plants, offices, and subsidiaries. We focused our attentions to plants and processes that consume large amounts of water, and promoted cyclic use of groundwater for these facilities and processes. Consequently, in fiscal 2004 water consumption at our offices, plants and subsidiaries in Japan amounted to 8.1 million m³, a reduction of 1.02 million m³ from fiscal 2000.

DATA Water consumption

Management and Reduction of Environmentally Hazardous Substances in Production Processes

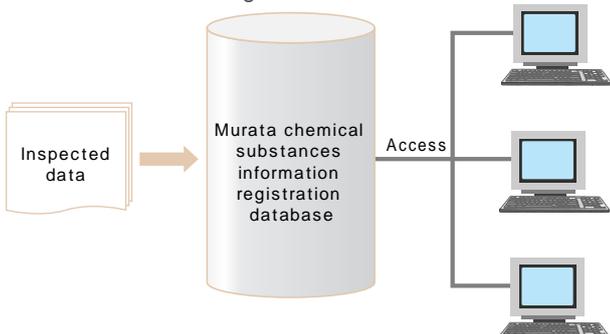
Among the various chemical substances used in Murata's production processes, those with hazardous properties are strictly managed from their procurement, use, and release. We are also actively working to reduce the use of these chemical substances to ensure that we can minimize their environmental impacts during our production activities.

Management of Environmentally Hazardous Substances
Murata has compiled a database that contains information on chemical substances used in its mass production, and has established a system that requires prior registration of chemical substances to be used. Murata's specialists inspect the substances, from the perspective of Murata's own voluntary regulations, and take account all laws and regulations or local ordinances concerning environmental preservation, industrial health and safety, and chemical substance production in Japan and other countries. Only chemical substances that pass these inspections can be registered in our database. Each of these substances is assigned a unique number. Thus, the registered information is linked to Murata's internal material procurement system and then monitored to prevent the purchase of unregistered chemical substances. We are making use of this registered information also to ensure the proper management of chemical substances and the reduction of environmentally hazardous substances.

The Japanese Pollutant Release and Transfer Register (PRTR) Law stipulates 354 substance groups subject to reporting. Of these substance groups, the Murata Group handled more than 1 metric ton of 24 different substance groups, including toluene and xylene, in Japan in fiscal 2004.

DATA Pollutants released and transferred subject to the PRTR Law

Information sharing



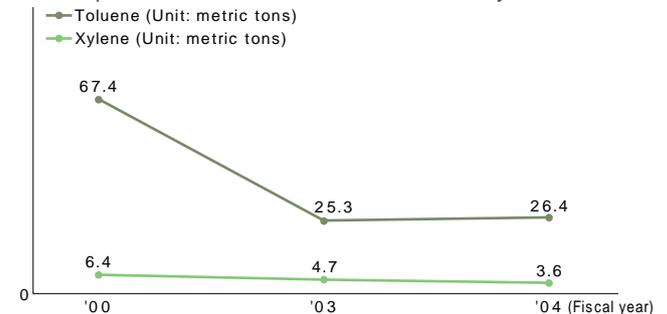
Reduction of Environmentally Hazardous Substances
Among the chemical substances used in our production processes, those with the potential to affect the environment are subjected to Murata's unique "voluntary regulation program," which was established in 1997. We continue to target the reduction and elimination of substances specified in our voluntary regulation program. Under the voluntary regulation program, chemical substances are categorized into four ranks, according to their degree of hazard. The program stipulates prohibition or reduction of 131 substance groups in total.

DATA Voluntary regulation program for environmentally hazardous substances to be used or released in production process

Since Murata uses toluene and xylene in relative abundance, in 2002 we established targets for reducing the release of these substances into the atmosphere. Moreover, we have promoted the introduction of regenerative thermal oxidizers (RTOs), and thereby achieved the target value at the end of fiscal 2003. In fiscal 2004, we introduced an RTO to Izumo Murata Manufacturing in order to continue achieving the target.

Going forward, we intend to promote our initiatives to further reduce the use and release of environmentally hazardous substances, by targeting not only toluene and xylene, but also other volatile organic compounds (VOCs) as well.

Atmospheric release of toluene and xylene



Production

Dealing with Environmental Risk

We are aware that among various potential environmental risks of Murata's business activities, contamination by chemical substances is of particular concern. To prevent such risk, the Murata Group has taken countermeasures, including preparation of facilities and training for employees. Moreover, we have promoted initiatives to reduce other environmental risks, such as waste problems.

Countermeasures to Prevent Contamination by Chemical Substances

We are preparing facilities intended to eliminate any impact on the surrounding environment in order to minimize potential environmental risks of Murata's business activities, particularly in the event of accidents. With special consideration for the scale and period of impact, we have established the following four voluntary standards for storing and transporting chemical substances within plant facilities.

1. Prohibition against Underground Storage Tanks

In principle, storage tanks for fuels, organic solvents, acids, alkalis and waste liquids; and wastewater tanks for treating wastewater shall be located above ground. If it is unavoidable that a tank be placed underground due to legal requirements, it shall be a double-walled tank.

2. Permeation Barrier Coating

Locations where fluids such as fuels, organic solvents, acids, and alkalis as well as waste oil are handled shall be provided with a bed made of a permeation barrier coating or stainless steel.

3. Prohibition against Underground Piping

Pipes for transporting fluids such as fuels, organic solvents, acids and alkalis as well as waste liquids shall be located overhead.

4. Emergency Containment Structure

Workplaces where liquids are received or where waste liquids are discharged to or from tank trucks or the like shall have a structure for immediately containing any leakage should an accident occur.

Monitoring the Condition of Long-term Industrial Waste Disposal

Murata's plants and subsidiaries entrust the disposal of industrial wastes to licensed specialist companies. We visit to inspect the disposal sites at fixed intervals to ensure that proper disposal is practiced. In fiscal 2004, we visited 46 disposal sites, and confirmed that disposal was carried out without problems.



Inspection at a waste disposal company in China

Training for Proper Emergency Measures in the Event of an Accident

To minimize environmental risks in the event of a natural disaster or serious accident, we regularly implement training for employees to deal with such emergencies.

Environmental Accidents and Complaints

Should a serious environmental accident or complaint arise, employees are mandated to immediately address it and report to the Head Office of Murata Manufacturing, so that we can share the reported information and implement horizontal countermeasures to prevent similar accidents from occurring at subsidiaries. In fiscal 2004, there were no significant accidents or complaints related to environmental issues.

Remediation of Soil and Groundwater Contamination

To clean up soil and groundwater contamination generated by Murata's past business activities, Murata has undertaken surveys and countermeasures ahead of other companies. We are actively implementing measures targeting early-stage completion of the remediation (decontamination), by taking steps toward eliminating the use of chlorinated organic solvents such as trichloroethylene. To be more specific, by the time groundwater permeation was prohibited according to the terms of the 1989 Water Pollution Prevention Law, 17 of Murata's 22 production plants and subsidiaries had already ceased using trichloroethylene. Furthermore, by 1998, use of the five specified types of chlorinated organic solvents including trichloroethylene had been eliminated throughout the company.

In 1991, Murata introduced up-to-date technology to voluntarily undertake detailed surveys of soil and groundwater contamination in all plants and subsidiaries. As a result of this effort, it was concluded that 14 of the Company's 36 plants and subsidiaries had to institute remediation measures to remove contamination by chlorinated organic solvents.

Our Efforts to Promote Remediation

Aiming to complete the remediation of soil and water contamination at the earliest possible date, our plants and subsidiaries with relatively high pollution densities have introduced new technologies, in addition to their existing remediation measures. They are also aggressively implementing new remediation measures. In fiscal 2004 we conducted measures to promote remediation at five sites. For each site, we employ one of three different remediation methods-On-site Bio Method, On-site Iron Powder Method, or On-site Oxidation and Decomposition Method-depending on the soil properties, and the density and source location of the contamination.

On-site Bio Method

This method decomposes chlorinated organic solvents by injecting nutrients into the groundwater, in order to cultivate microbes present in the soil under anaerobic conditions.

On-site Iron Powder Method

Soil and iron powder are mixed on-site. The reducing power of metallic iron deoxidizes, decomposes, and renders harmless chlorinated organic solvents in soil.

On-site Oxidation and Decomposition Method

This is an oxidation and decomposition method using potassium permanganate. This method entails the direct injection of hydrogen peroxide into the groundwater, which directly oxidizes, decomposes and renders harmless various chlorinated organic solvents.

State of Groundwater Remediation

At 14 polluted sites that were deemed in need of remediation as a result of Murata's own survey, we drilled wells along the borders of the sites so as to measure data on trichloroethylene and cis-1,2-dichloroethylene. By fiscal 2004, we completed cleanup on two plants, and stopped operation of the remediation equipment at one plant, which is now in the stage of confirming the cleanup completion. Although there are still fluctuations within the allowable range at some plants and subsidiaries, the pollution level has been on a downward trend in general, and our cleanup efforts are progressing.

DATA State of groundwater remediation

Allocating Reserves to Cover All Remediation Costs

Completion of all remediation (decontamination) measures entails very high countermeasure costs. For business accounting purposes, Murata has carried out a trial calculation of the full cost of remediation measures to ensure that all contamination has been removed. As a result, we have appropriated a reserve as a credit. The total cumulative amount for remediation until fiscal 2004 is calculated to be 7,113 million yen, and the costs required to complete all remediation measures are estimated at 11,409 million yen.

Cost of Soil and Groundwater Remediation (Unit: Millions of yen)

	Non-consolidated	Consolidated
Total for FY 1991 to FY 2004	982	7,113
Estimate for FY 2005 and after*	667	4,296
Total	1,648	11,409

* Note: The amount allocated as a reserve credit is the result of a trial calculation of the full cost of remediation measures, up to completion of the contamination cleanup.

Physical Distribution

To minimize the environmental impacts arising during distribution and delivery of Murata products to customers, we have implemented measures to promote modal shift (shifting to more environment-minded transportation) and reduced packaging.

Reduction of Environmental Impacts Arising from Distribution

We are aware that CO₂ emissions due to fuel consumption constitute the largest part of the environmental impacts arising from Murata's distribution activities. To reduce such environmental impacts, we have been implementing various measures, such as improved transportation efficiency, promoting a modal shift, and introducing natural gas vehicles. We are also working to reduce packaging materials used for product shipment.

Measures to Reduce Environmental Impacts During Transportation

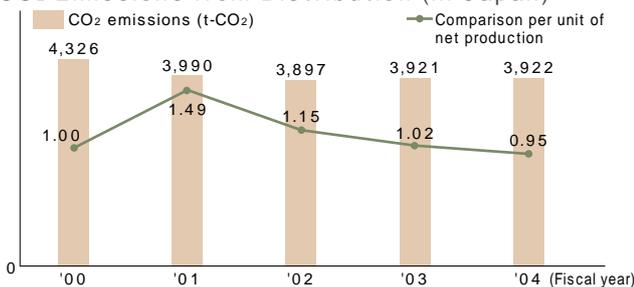
The amount of CO₂ emitted during transportation and delivery of Murata products in Japan during fiscal 2004 was 3,922 metric tons-CO₂, up 1 metric ton-CO₂ from fiscal 2003. Of all CO₂ emissions, 99% were from fuel consumption of trucks. We are therefore working on shifting from trucks to JR freight trains, as our priority task. In fiscal 2004, we added two more transportation routes by rail as well. Through these efforts, we were able to reduce CO₂ emissions by 14 metric tons-CO₂ from fiscal 2003.

Murata has entrusted its distribution completely to outside companies. Therefore, we provide instructions to these outsourced companies to implement energy-efficient driving habits, such as practicing no idling when stopped. We also request them to plan on introducing natural gas vehicles.

For now, we have not yet identified the state of distribution in overseas countries. In the future, however, we will begin by collecting data on overseas distribution, so as to further reduce CO₂ emissions during delivery of our products.

DATA CO₂ emissions from distribution

CO₂ Emissions from Distribution (in Japan)

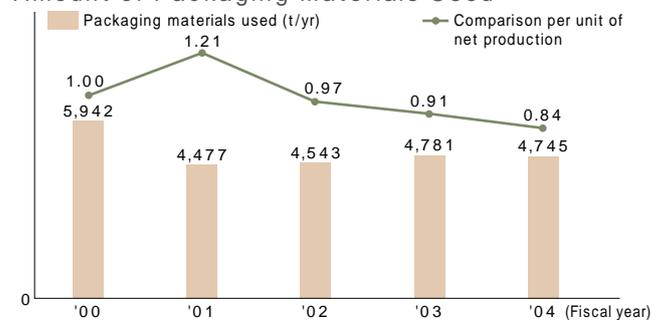


Measures to Reduce Packaging

The amount of packaging materials used in fiscal 2004 was 4,745 metric tons, down 36 metric tons from the previous year. In fiscal 2004, Murata focused its efforts primarily on two initiatives: promoting the use of returnable cardboard boxes for packaging, and increasing the reuse of taping reels. The former initiative is one to switch cardboard boxes used in deliveries between subsidiaries to returnable ones. This year, we have introduced this initiative on a trial basis at two plants. The latter initiative is one to extend the reuse of taping reels, which is a material used in packaging. Also in the past, we reused taping reels by taking back usable ones via reel manufacturers, after delivery of our products to customers. Now we are working to further increase the number of customers from whom we collect tape reels for reuse.

DATA Amount of packaging materials used

Amount of Packaging Materials Used



Introduction of Low-emission Vehicles

Murata has implemented measures to switch vehicles for business use to low-emission vehicles. In fiscal 2004, we introduced 14 hybrid vehicles. We will further promote the changeover to hybrid cars and other types of low-emission vehicles, and are planning to complete this conversion by the end of fiscal 2010.



Low-emission vehicle

Environmental Communication

As well as properly disclosing environmental information, we promote communications with local communities through active participation in regional activities and exchanges with local residents.

Publication of the Environmental Report (CSR Report)

To widely disseminate our environmental activities to the general public, since fiscal 2002 Murata has annually issued an environmental report. (Last year's edition was issued as the "Environmental Sustainability Report," while this year's edition has been renamed to the "CSR Report" which also includes information other than only on environmental aspects.) The information on our environmental activities is available on our website. Moreover, we disclose environmental data by each Murata plant and subsidiary.



Murata website (Environmental Activities)

Participation in the Kyoto Green Purchasing Network

Murata Manufacturing has participated in the Kyoto Green Purchasing Network ever since this network was first established in November 2004. The Network is an incorporated nonprofit organization established to widely promote green purchasing in Kyoto Prefecture, Japan. At the event to commemorate the establishment of the Kyoto Green Purchasing Network held in March 2005, we presented examples of our environmental preservation efforts under the title "Introduction of Environmental Activities and Green Purchasing/Procurement Conducted by Murata Manufacturing Co. Ltd."



Event to commemorate the establishment of the Kyoto Green Purchasing Network

Communication with Local Communities

Murata's plants and subsidiaries actively participate in regional activities, in an effort to fulfill their role effectively as members of their respective communities and to contribute to the local communities in which they are located. For example, many plants and subsidiaries participate in activities to clean up their local communities. Also, Fukui Murata Manufacturing and Sabae Murata Manufacturing participated in the Tannan Industry Fair, an event organized in the Tannan district, where they are located, to present Murata's environmental initiatives. The Murata Group thus continues to actively promote communication with local communities.



Tannan Industry Fair

Third-party Evaluation of Murata's Environmental Activities

The Head Office and Nagaoka Plant of Murata Manufacturing were awarded the "Echo Kyoto 21" certification (recognizing business establishments that protect and foster Kyoto and its environment) in the category of "creating a recycling-oriented society," for their initiatives to achieve zero emissions. (December 2004)
 Kanazawa Murata Manufacturing received the Chubu Bureau of Economy, Trade and Industry Director's Prize for its energy-saving efforts. (February 2005)
 Iwami Murata Manufacturing received the Chugoku Bureau of Economy, Trade and Industry Director's Prize for its energy-saving efforts. (February 2005)
 Okayama Murata Manufacturing was granted the "Okayama Eco Plant (zero-emission plant)" certification. (March 2005)

Relationship with Our Customers

Murata always pursues products and services that satisfy our customers. We have established systems that enable us to identify and quickly respond to diversified market needs, as well as to further improve the quality of our products and services.

The Concept of Customer Satisfaction

To evolve as a manufacturer of electronic components and modules, we have to grasp the trend in the electronics industry and provide products and services that satisfy our customers. To these ends, we need to meet various conditions, which include: being quick to grasp customers' needs and offer problem-solving measures, providing excellent products and services, setting proper product prices, and ensuring timely delivery. Recognizing that establishing a relationship of trust with our customers is one of our management priorities, we continuously reform our work-related and other systems company-wide, with the objective of increasing customer satisfaction.

Quality Management Policy

Murata has established a Quality Management Policy that aims to provide high-quality products that can obtain reliability and satisfaction for our customers. We have posted this policy in all workplaces so that each Murata employee can always be aware of this policy. In addition, Murata has its employees carry with them a card on which this policy is written, to keep every employee informed about it.

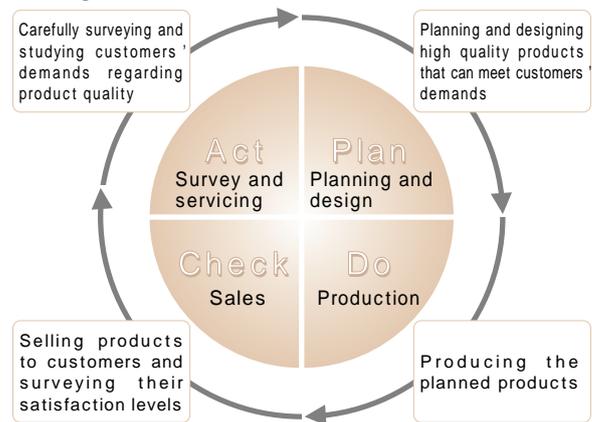
Quality Management Policy

We remain committed to the continuous development of unique products and the cultivation of new areas of expertise. Our underlying approach is our belief that "better equipment is made from better parts and better design, and better parts are made from better materials and better processes." With this belief, we consistently manage every stage, including design, material selection, procurement, production, sales, and servicing in cooperation with all members who comprise the Murata Group -from top management to individual employees- by employing the Deming circle. In this way, we can economically produce quality products that meet market needs with full consideration for the natural environment.

Deming Circle

At Murata we have adopted the Deming circle as a concept underlying our quality control. This is the Plan-Do-Check-Act concept that is applied at every stage, from design and production to sales and survey & servicing, to ensure that we can produce and deliver products that meet market needs at reasonable cost. Through such an approach, we will further improve the quality of products that satisfy our customers.

Deming Circle



Quality Assurance System

The Murata Group inside and outside Japan has received ISO 9001 certification, the international quality management standard. We are also making progress in acquiring ISO/TS16949 certification, an international standard specific to the automotive industry. As a global corporation, the Murata Group has been strengthening its systems to provide products of uniform quality so that customers around the world can use Murata products with complete peace of mind.

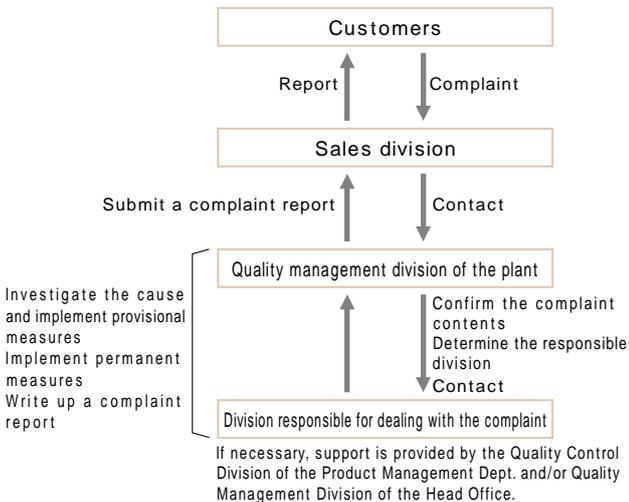
DATA List of ISO 9001-registered production sites

Response to Quality Issues

Our customers' proposals, requests for improvement and complaints regarding our products provide us with precious information. Making use of such information, we can further improve the quality of Murata products to further satisfy our customers, and make our products more competitive in the market. We therefore strive to address customer demands from the viewpoint of our customers, and to meet their demands in a prompt manner.

Murata has unified the management of complaints from our customers. We have established a system where, when a customer complaint is received, a salesperson in charge enters the information into the database so that the information can be simultaneously accessible by all Murata offices and plants worldwide. If there is a product returned to us due to a customer complaint, our production quality management division and other relevant sections investigate and clarify the cause of the problem and take measures to prevent its reoccurrence. Records of complaints that have been addressed are distributed to all divisions concerned, and then stored in the quality control division so that these records can be utilized for product quality improvement activities. Records describing the complaint situation and the countermeasures taken are compiled by the quality management division, and then reported to the management level.

Response to quality issues



Marketing System

Murata has established an original marketing system based on three roadmaps for market, products, and technology. We create roadmaps for mid-term market trends, products required by the market, and technologies necessary to develop such products. This roadmap strategy enables us to always provide the most advanced products and technologies to satisfy our customers.

Murata's Marketing System



Design-in Activities

Murata allies itself with electronic device manufacturers to develop technologies. Through these relationships we try to forecast what kinds of features will be required in the next generation. Electronic devices face all kinds of challenges in terms of enhanced and added features. To help our customers tackle these challenges, it is necessary for us to know customers' needs from the early stages of device development. Murata establishes mutually trusting relationships with its customers, sharing each other's information, and assists customers in coming up with solutions early in the game.

Relationship with Our Employees

Murata strives to provide a working environment in which all employees can work with pride. As part of such efforts, we have established a personnel system that demonstrates respect for each individual employee in order to ensure that all employees can fully express their abilities.

Respect for Human Rights

Murata has established a personnel system to provide a working environment free from discriminatory treatment on the basis of race, beliefs, gender, religion, nationality, language, disease, birthplace or other reason, so that the personality and individuality of each employee can be respected. Our company complies with laws and regulations concerning all our business operations in each country where Murata conducts its business activities. No overseas Murata plant or subsidiary employs child labor or forced labor. We also seek to establish a working environment based on mutual understanding and trusting relationships among employees.

Stable Labor-management Relations

While building up labor-management relations of mutual trust based on a labor agreement, we aim to foster both the development of the company and stabilization of the livelihood of Murata employees.

Equal Opportunity and Diversity in Employment

While complying with relevant laws and regulations, Murata has improved its employment environment to ensure that no disparity is generated in employment, treatment and education due to gender, race, physical disability or other similar factors. We thus provide a working environment where diverse employees can fully express their capabilities.

DATA Ratio of disabled persons 'employment

Employment of Female Workers

Murata employs persons who can play an active role on a global basis, regardless of gender. In recent years, Murata has had a policy of actively hiring female workers in particular. In fact, female workers account for half of all new employees who joined Murata Manufacturing in fiscal 2005 as general white-color staff.

Supporting Employees in Juggling both Work and Family

Murata also makes special efforts to support its employees in juggling both work and family. We have established systems to help motivated employees improve their careers, overcoming situations in which family responsibilities have increased because of childbearing, childcare, elderly care, etc.

DATA Number of employees who took childcare/family care leaves

Support systems for balancing work and family

	Murata's systems
Maternity leave before and after childbirth	Up to 6 weeks before and 8 weeks after childbirth
Childcare leave	(1) Of the following periods, whichever is longer: - Until the end of the fiscal year when the employees' baby becomes one year old. It is possible to extend this period by one month (maximum period: 2 years and 1 month) - Until the end of the fiscal year when the employees' child becomes 18 months old. (2) Until the child becomes one year old, childcare leave can be taken even if the employee's spouse can take care of the child.
Decreased working hours for childcare	Until the employee's child enters an elementary school, the employee can shorten her/his working hours by up to 2 hours per day.
Sick or injured childcare leave	Up to five days off per year to take care of a preschool-aged child when he/she is sick or injured.
Family care leave	A total of up to 365 days off to take care of a family member. The number of care leaves is counted by each condition of the family member in need of nursing care.
Decreased working hours for family care	Employees can shorten their working hours by up to 2 hours per day, up to a maximum of 365 days, combined with their family care leave.

Active Local Employment and Human Resource Development
 Murata operates over 50 subsidiaries in Japan and in overseas countries. We carry out our business activities with the idea that we should play a role in the development of the electronics industry in countries where our subsidiaries are located, and therefore conduct organizational operations by employing various types of personnel. At overseas sites, we are also active in employing and recruiting local people, and implementing management training programs for locally hired managerial staff, ranging from newly appointed managers to senior managers, with the aim of sharing our ideas with them.



Overseas local manager training

Re-employment System for Retired Workers

In April 2003, as already existed for retired management-level employees, Murata introduced a re-employment system also for rank-and-file employees who resigned upon reaching the mandatory retirement age. This system was introduced in response to the phased postponement of the age at which public pensions can be received in Japan, and to make use of the know-how and skills possessed by older workers. Murata leads the industry by taking this approach, and the period of re-employment in Murata is longer than that stipulated by the relevant laws and regulations.

DATA Number of persons re-employed

Personnel Systems

Murata has introduced a fair personnel system based on the principles of merit (employees' abilities and performance) and human dignity. As an electronic component manufacturer, Murata has various types of workplaces and business staffs, such as R&D, production, sales, and functional staff. We provide opportunities for each employee to express his/her abilities to the fullest, in an environment that is suitable for individual employees.

Job Rotation

At Murata, after one year of service in departments to which new graduates have been assigned, our personnel division staff holds a meeting with them to review their aptitudes, intentions and the job contents at their currently assigned departments, in order to verify the appropriateness of their assignment. We have also adopted a career development program, under which most employees, three to five years after joining the company, are provided with opportunities to experience various tasks and working environments. The purposes of this program are to make these employees aware of their potential that even they themselves may not have recognized, and to make use of the know-how and perspectives they have developed through their previous work experience, for the job at their newly assigned departments.

Moreover, Murata has a unique human resource development system that specifies a key job category in which each employee will be mainly engaged, in the course of developing his/her career from a long-range perspective. We plan and carry out job rotation for individual employees in view of their key job category, so as to expand their job categories and increase their abilities.

Management by Business Objectives

Murata supports the individual initiatives of its employees. To provide a working environment where each employee can be motivated and fully express his/her abilities, since 1991 we have utilized a system of management by business objectives. Under this system, in line with company, department and section policies, employees set themes for themselves regarding their jobs, and draw up measures and plans to achieve their objectives, through discussions with their superiors. After six months have passed, employees conduct self-evaluations of how far they have implemented their measures and plans and the results they have obtained. Their superiors then evaluate the submitted results and the processes employees have gone through, and reflect the evaluation results in their bonus. The evaluation results are fed back to the employees so that they can utilize the results to plan their future tasks toward further developing their capabilities.

System for Highly Specialized Personnel

A conventional personnel system is based on the idea that if someone gets promoted to a certain level, he/she would eventually become a manager, so are thus focused on a managerial career track. However, while some employees are indeed suited as managers, some are suited as specialists, who will pursue specific professional technologies. We have therefore introduced this system, which allows employees to select their career track leading to either management or as a highly advanced specialist, at a certain stage of promotion. In the future, we will continue reviewing our personnel systems, and strengthening our efforts to create a work environment where employees can adequately express their abilities and play active roles.

Discretionary Work System

At Murata we take an approach of evaluating personnel not by the number of hours worked but by their job performance. Murata has therefore introduced a discretionary work system for engineers who are deemed eligible by the company. This system leaves the methods of doing the work and distribution of work hours, to the discretion of these eligible workers. This system allows the employees to work flextime as well as work at home. Above all, this system values their creativity.

Relationship with Our Employees

Education and Training Systems

To back up the growth of individual employees, it is essential to enhance the education and training systems. Murata Manufacturing has operated its own education system that offers employees specialized training at each rank, from entry level to management level. By combining functional training by type of job and level-based training according to each step, Murata supports its employees in developing abilities to respond to changes in their working environment. We have strengthened various training programs to help our employees enhance the expertise and skills needed for their jobs, management capabilities, and leadership required for each position. Murata also actively dispatches employees to outside organizations such as universities and business schools, as well as provides financial support for taking correspondence courses to improve specialized knowledge.

Training to Nurture Personnel with Global Capabilities
Murata has an overseas training system for young employees, who will play a leading role in the company in the future. By allowing them to live and experience business in foreign countries, this system aims to train young engineers and business persons to develop international-level capabilities. Not only do we dispatch young engineers to overseas universities and research institutes, but we also send young other staff overseas to enable them to study to obtain MBAs, languages and other skills. The period of their dispatch ranges from one to two years. In today's increasingly borderless business world, regardless of type of job, our employees should develop capabilities to engage in overseas business. Murata therefore encourages our employees to accumulate a variety of experiences to develop a global perspective and become internationally minded.

Level-based education

	Name of training	Days or sessions	Trainings per year	Trainees
Rank-and-file level	Collective training for new employees when they first join the company	6	1	145
	Introductory training for new employees (engineers)	1	1	105
	Basic education on electric/electronic components for new employees (clerical staff)	2	1	36
	Follow-up training for new general employees	1	1	26
	Training on fundamental knowledge regarding development management	1	2	133
	Management simulation training	2	5	163
	OJT instructor training	1	4	80
	Career design training for female employees	2	1	10
	Middle-level employee training	2	6	169
	Core leader training	2	9	240
	Training through cross-industrial exchanges	3	5	60
	Newly appointed subsection chief training	2	8	209
	Management level	Development and design management training	2	4
Development and design process training		2	2	36
Management review training		3	5	118
Newly appointed admin staff training		4	1	63
Training on management of workplaces and staff members		2	33	650
Coaching training		2	33	675
Follow-up training for newly appointed admin staff		2	2	69
Business framework training for managerial level		2	1	21
Newly appointed manager training		2	1	15
Establishment manager training		3	1	11
Outside dispatch	Overseas local manager training	5	2	24
	MOT graduate schools and business schools			18

Function-based training

Classification	Courses	Trainees
Technical training	67	1578
Quality control	41	2015
Product safety	6	1563
Environment	3	1846
Production supervision	11	1052
Equipment safety	53	885
Machinery measurement and design	17	322
IE and VE	7	73
Information technology	25	850
Intellectual property	7	440
Safety and sanitation	4	294
Sales and marketing	11	226
Legal affairs and compliance	2	215
International operations	10	186
Production management and physical distribution	1	30
Others	10	240

Other training

Classification	Trainees	Sessions per year
Lectures by internal staff (awareness raising program for engineers, et al.)	4777	81
Lectures by outside lecturers (on technical trends, marketing, etc.)	2270	32
Training on sexual harassment	191	1
Training on mental health	726	18

Occupational Health and Safety

Murata established its Basic Rules for Occupational Health and Safety in 1987. We carry out activities to realize a workplace free from work-related injuries and deaths, as well as to create a pleasant working environment for all.

Addressing Work-related Risk Reduction

It is said that the fundamentals of manufacturing lie in the "4Ms" (men, machines, materials, and methods). Focusing attention on the 4Ms, Murata takes measures to assess potential work-related risks in advance and prevent work-related accidents from occurring.

Regarding work that humans are involved in (men and methods), we have compiled a list of work entailing potential risks of accidents. We have estimated the levels of damage that may be suffered should an accident occur, and have expressed these damage levels numerically.

For task whose potential damage level is deemed not permissible, we have taken measures to reduce the risk by improving relevant equipment, revising the work, wearing protective gear, and other means.

Concerning equipment (machines), we have established a check system for inspecting equipment health and safety. Before introducing new equipment, we examine if it complies with Murata's safety rules as well as relevant laws and regulations. Therefore, only equipment whose safety has been confirmed can be installed.

As for materials, we use our safety review system to inspect all materials to be used in producing Murata products. Under this system, we check the safety of all materials that Murata uses based on Murata's own rules as well as relevant laws and regulations.

Eliminating Work-related Injuries and Deaths

At Murata, fiscal 2004 saw the occurrence of 17 work-related accidents. Murata's frequency rate for work-related injuries and deaths is lower than the average for the manufacturing industry in Japan. We will continue to further improve our work environment, with the aim of reducing work-related injuries and deaths to zero.

DATA Frequency rate for work-related injuries and deaths

Employee Health Management

Promoting the health management and fitness of every employee will make our company healthy. In other words, a healthy company is created by having healthy employees. Murata therefore endeavors to create a work environment where each employee can cheerfully work with hopes and dreams, while giving consideration to fostering positive mental health and preventing overwork.



Medical room
(Head office)

Mental Health Initiatives

Promoting mental health is important so that employees have a sense of self-fulfillment and are able to conduct creative activities. It can also contribute toward enhancing the productivity and vitality of the workplace. For these reasons, Murata continues to strengthen its mental health consultation system. Additionally, we have commenced a mental health counseling service by using an external organization to support employees' positive mental health.

Relationship with Our Suppliers

At Murata, we take the approach that good electronics begin with good components, and good components begin with good materials. In this spirit, we strengthen partnerships with suppliers who adhere to ethics, laws and regulations, who emphasize product quality and timely delivery, and promote environmental protection.

Fair and Just Purchasing Activities

Murata believes that it is important to establish such business relations with suppliers that enable mutual prosperity. To build trusting relations with suppliers and promote close communication, we have prepared a business transaction guidebook that presents Murata's basic purchasing attitudes and mechanisms. In January 2004, we opened a website dedicated to our suppliers, to show our basic business transaction rules, requests and PR. Now that such information is available on the Web, we no longer need to send a written document describing such information to suppliers by postal mail. We will continue closely exchanging information with our suppliers in order to strengthen our partnerships with them.

Murata's Purchasing Policies (excerpt)

(1) Purchasing attitudes

- Murata's buyers will be polite to our suppliers, and conduct their dealings with suppliers in a fair, just, and sincere manner.
- Murata's buyers will responsibly carry out purchasing activities, practicing good manners and following the dictates of common sense.
- Murata's buyers will maintain friendly relationships with suppliers, but have no personal interest with them.
- Murata's buyers accomplish dealings in compliance with relevant laws, rules, and in-house regulations.

(2) Dealings with suppliers

- Based on rational standards, we will evaluate and select suppliers fairly and justly.
- We will not receive gifts of money or other valuable articles from suppliers, and will make no personal requests of them.
- We will not receive treatment or entertainment from suppliers that defies social common sense.
- We will not force suppliers to purchase Murata products.
- If suppliers provide us with information that is confidential, we will strictly manage the information and maintain its confidentiality.
- We will promote green procurement, always taking environmental protection into account.

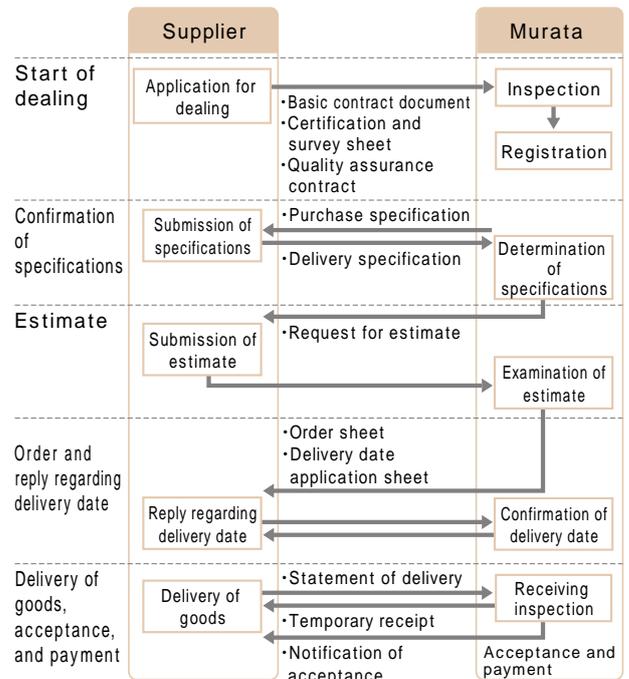
Basic Attitudes That Murata Requires Suppliers to Take

Murata respects ethics, laws and regulations and emphasizes conducting our business transactions based on the spirit these imply. We therefore strive to deal with suppliers who also attach importance to ethics, laws and regulations as their basic management philosophy. The attitudes that Murata requires suppliers to take are as follows:

- Emphasizing quality and timely delivery
- Emphasizing initiatives targeting reduced environmental impact (green procurement)
- Emphasizing Value Engineering*
- Emphasizing the provision of information (on new technologies and products)
- Emphasizing efforts to accelerate material procurement
- Strictly safeguarding highly confidential information
- Emphasizing the application of IT

*The Society of Japanese Value Engineering defines value engineering as "a systematic team approach to conducting function-oriented research on products and services in order to achieve the required function at the lowest life cycle cost."

Flow of business transaction procedures



Relationship with Society and Local Communities

We want our presence to be a source of joy and pride in the communities in which we operate. We continually conduct corporate citizen activities, with the aim of contributing toward better community building.

Local Community Activities

Tree plantings

For more than 30 years, Murata has actively promoted tree plantings with the aim of helping preserve an environment with abundant greenery. We have planted trees and greenery on the roof and premises of Murata's head office. Under the slogan "Rich Greenery Ensures Harmony with the Community," Murata promotes the cultivation of flowering trees and arbors for prefectures and municipalities, and indigenous trees growing in virgin forests. During attractive seasons, we open the grounds to the local community every year so that many people can enjoy viewing cherry blossoms and other flowers and plants.

Study Meeting on Electronic Components for Local Elementary Schoolchildren

In August 2004, we organized a study meeting on electronic components at Murata Manufacturing's head office (now the Nagaoka Plant), inviting local elementary schoolchildren. This was an initiative to encourage children to develop their interest in science. Murata's former engineers explained all about how capacitors, which are our key products, and other electronic components are used in our daily life.



Rooftop garden at the head office



Study meeting on electronic components

Academic Support Activities

Murata Science Foundation

The Murata Science Foundation was established in February 1985, with the objective of promoting science for the public, by making use of the expertise accumulated in the course of Murata's business activities. Every year, the foundation offers support and financial aid for research in the natural sciences, humanities and social sciences. In fiscal 2004, the foundation provided financial aid for 48 research projects, 11 study groups, and 3 overseas dispatch programs.

Contributions and Donations

Donations for Natural Disaster Victims

Fiscal 2004 saw many natural disasters. To support the reconstruction of disaster-stricken areas, Murata made donations via the Japanese Red Cross Society and governments.

DATA List of donations for disaster victims

Sponsoring the "Wakaba Cup"

Murata has sponsored the Wakaba Cup (National Elementary School Student Badminton Championship) every year since the 7th Championship was held in 1992 in Nagaokakyo City, Kyoto, home of Murata's head office and main plant.

MYU-town Activities

Through MYU-town activities (Murata Yasu United-town activities), Murata's Yasu Plant pursues various activities to bring Murata and the Yasu area closer together. In fiscal 2004, we donated seven wheelchairs to homes for the aged, purchased with proceeds from charity bazaars.

Cooperation in Blood Donation Activities

Murata actively cooperates in blood donation activities annually implemented by the Japanese Red Cross Society at Murata's plants and offices. In fiscal 2004, 2,088 employees donated blood at our major offices and plants in Japan.



Murata Electronics Thailand made monetary contributions to the headquarters of the Thai Red Cross Association, to support victims of the Sumatra earthquake and tsunami disaster.
(Right) Her Royal Highness Princess Maha Chakri Sirindhorn



The "Wakaba Cup," the National Elementary School Student Badminton Championship

Third-Party Comment

To improve the objectivity and reliability of the contents of this CSR Report 2005, we have obtained some comments from an expert.

*Third party comments are not intended to express an opinion as to the accuracy of the information expressed.



Hiroshi Enoki

Representative Director
President
Tohatsu Environmental Research
Institute Ltd.

What is necessary for Murata to implement CSR?

On what matters should the Murata Manufacturing Group focus in conducting business activities, to implements CSR? I believe that what Murata should do is to evaluate the importance of the challenges to be addressed, to consider if the company has been able to specify all the important challenges, and then to identify and properly respond to the concerns of its stakeholders. In other words, the company should consider whether it has implemented measures that lead to an improved level of stakeholder satisfaction. When reviewing the Murata Group's efforts to fulfill its CSR from such a perspective, it is clear that communication with Murata's stakeholders is very important. It is also vitally important to identify stakeholders' needs and to disclose information on how Murata responds to these needs, in order to increase the satisfaction level of stakeholders. This CSR Report clarifies the relationship between the Murata Group and its stakeholders, and also clarifies Murata's commitment to stakeholders. I believe that this is extremely significant.

What is the role played by Murata in society?

I think that what Murata can contribute most toward building a sustainable society is, as President Murata mentions in "Interview: Responsibility for the Future," to offer Murata's products featuring high

quality and high performance to ensure that as many people as possible are able to optimally use electronic devices, while giving consideration to the environment. However, I also expect that Murata will further contribute to the development of the regional economy in developing countries in Asia and other areas, as a company that has successfully implemented global business operations.

What points does Murata need to improve in the future?

Concerning the response to stakeholders, I believe that Murata has adequately coped with customers' needs by surveying customer satisfaction. However, I think that it may be necessary for Murata to conduct surveys also on employee satisfaction, so as to evaluate whether initiatives concerning Respect for Human Rights and Equal Opportunity and Diversity in Employment are functioning appropriately. I believe that Murata has made adequate contribution to local communities, in terms of economy and culture. Given recent extreme weather events and unpredicted accidents, contributions made by enterprises in times of disaster have attracted people's attention. I therefore expect that Murata will also establish a cooperative relationship with local communities to strengthen disaster preparedness.

As for Murata's sales by area, domestic sales accounts for 31.4% and overseas sales accounts for 68.6%. However, this CSR Report mainly discusses domestic information. I therefore recommend that the report contain more information on overseas initiatives, too. Particularly regarding social review, I think that stakeholders are highly interested in what considerations Murata has given to initiatives for recruiting employees and social contributions to local communities, in overseas countries where cultures, laws and regulations are different from those of Japan. In addition, I expect that Murata will reinforce management by quantified objectives concerning important challenges.

Major Plants and Subsidiaries

【Domestic Sites】

Nagaoka Plant* Yokaichi Plant*
 Yasu Plant* Yokohama Technical Center*
 Tokyo Branch*

【Domestic subsidiaries】

Fukui Murata Manufacturing Co., Ltd.*	Izumo Murata Manufacturing Co., Ltd.*
Toyama Murata Manufacturing Co., Ltd.*	Komatsu Murata Manufacturing Co., Ltd.*
Kanazawa Murata Manufacturing Co., Ltd.*	Okayama Murata Manufacturing Co., Ltd.*
Kanazu Murata Manufacturing Co., Ltd.*	Sabae Murata Manufacturing Co., Ltd.*
Iwami Murata Manufacturing Co., Ltd.*	Hakui Murata Manufacturing Co., Ltd.*
Himi Murata Manufacturing Co., Ltd.*	Azumi Murata Manufacturing Co., Ltd.*
Wakura Murata Manufacturing Co., Ltd.*	Tome Murata Manufacturing Co., Ltd.*
Anamizu Electronics Industries, Ltd.*	Asuwa Electronics Industries, Ltd.*
Ogaki Murata Manufacturing Co., Ltd.*	Murata Land & Building Co., Ltd.

and seven other companies

【Overseas Subsidiaries】

North & South America

Murata Electronics North America, Inc. (USA)*
 Murata Electronics Trading Mexico. S. A. de C. V (Mexico)
 Murata World Comercial Ltda. (Brazil)
 Murata Amazoniã Indústria E Comércio Ltda. (Brazil)* and one other company

Europe

Murata Europe Management B.V.(Netherlands)
 Murata Electronics (Netherlands) B.V.(Netherlands)
 Murata Elektronik GmbH(Germany)
 Murata Electronics (UK) Limited
 Murata Electronique S.A.(France)
 Murata Electronics Switzerland AG
 Murata Elettronica S.p.A(Italy) and three other companies

Asia

Beijing Murata Electronics Co., Ltd. (China)*
 Murata Electronics Trading (Tianjin) Co., Ltd. (China)
 Wuxi Murata Electronics Co., Ltd. (China)*
 Suzhou Murata Electronics Co., Ltd. (China)*
 Murata Electronics Trading (Shanghai) Co., Ltd. (China)
 Murata Electronics Trading (Shenzhen) Co., Ltd. (China)
 Murata Co., Ltd. (China)
 Hong Kong Murata Electronics Co., Ltd. (China)
 Korea Murata Electronics Co., Ltd.
 Taiwan Murata Electronics Co., Ltd.*
 Murata Electronics Singapore (Pte.) Ltd.*
 Murata Electronics Philippines Inc.
 Murata Electronics (Thailand), Ltd.*
 Thai Murata Electronics Trading, Ltd. (Thailand)
 Murata Electronics (Malaysia) Sdn. Bhd.*
 Murata Trading (Malaysia) Sdn. Bhd.

* Plants/subsidiaries where environmental data are collected.

Domestic and Overseas Production Bases



Yokaichi Plant



Yasu Plant



Fukui Murata Manufacturing Co., Ltd.



Izumo Murata Manufacturing Co., Ltd.



Toyama Murata Manufacturing Co., Ltd.



Komatsu Murata Manufacturing Co., Ltd.



Kanazawa Murata Manufacturing Co., Ltd.



Okayama Murata Manufacturing Co., Ltd.



Wuxi Murata Electronics Co., Ltd. (China)



Murata Electronics Singapore (Pte.) Ltd.



Murata Electronics (Thailand), Ltd.



Murata Electronics (Malaysia) Sdn. Bhd.

muRata **Murata Manufacturing Co., Ltd.**

CSR Report 2005
Performance Data

Murata Group



C o n t e n t s

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Environmental Management

Sites with ISO 14001 Certification

ISO 14001-registered Production Sites in Japan and Other Countries
(In registration order)

Production Site	Registration Date
Taiwan Murata Electronics Co., Ltd.	1997.09.30
Murata Electronics Singapore (Pte.) Ltd.	1997.12.05
Kanazawa Murata Manufacturing Co., Ltd.	1997.12.22
Murata Electronics (Thailand), Ltd.	1998.10.05
Yokaichi Plant	1998.11.25
Fukui Murata Manufacturing Co., Ltd.	1998.12.25
Izumo Murata Manufacturing Co., Ltd.	1998.12.25
Toyama Murata Manufacturing Co., Ltd.	1998.12.25
Komatsu Murata Manufacturing Co., Ltd.	1999.02.23
Murata Electronics (Malaysia) Sdn. Bhd.	1999.08.06
Beijing Murata Electronics Co., Ltd. (China)	1999.09.23
Okayama Murata Manufacturing Co., Ltd.	1999.10.27
Tome Murata Manufacturing Co., Ltd.	1999.11.20
Kanazu Murata Manufacturing Co., Ltd.	1999.11.27
Azumi Murata Manufacturing Co., Ltd.	1999.12.01
Himi Murata Manufacturing Co., Ltd.	1999.12.01
Hakui Murata Manufacturing Co., Ltd.	1999.12.02
Iwami Murata Manufacturing Co., Ltd.	1999.12.02
Sabae Murata Manufacturing Co., Ltd.	1999.12.05
Yasu Plant	1999.12.27
Wakura Murata Manufacturing Co., Ltd.	1999.12.27
Anamizu Electronics Industries, Ltd.	1999.12.28
Wuxi Murata Electronics Co., Ltd. (China)	2000.01.21
Suzhou Murata Electronics Co., Ltd. (China)	2004.06.07
Yokohama Technical Center	2005.03.24

Environmental Training

Environmental Education and Training

Type		Content
Level-based training	Training for newly hired employees	Lectures for newly hired employees on general knowledge regarding environmental issues and environmental protection
	Training for rank-and-file employees	Lectures on matters regarding the plant environmental management system, which should be widely known to employees
	Training for management-level employees	Lectures on items that management-level employees should understand, in addition to the above matters
Function-based training	Training for internal environmental auditors	Specialized training course to develop qualified personnel as internal environmental auditors in our plants
	Specialized training	Training conducted by each plant to keep everyone informed about in-house systems concerning management of environmentally hazardous substances, such as chemical substance-related training and training on wastes
	Emergency simulation drills	Practical training conducted as if an emergency has just occurred in a plant

Persons with Environmental Qualifications

Qualification name	Persons qualified	Persons obtaining qualification in FY2004
Pollution Control Manager (Air)	56	2
Pollution Control Manager (Water quality)	119	3
Pollution Control Manager (Noise)	21	0
Pollution Control Manager (Vibration)	12	0
Pollution Control Manager (Dust)	5	0
Pollution Control Manager (Dioxins)	3	0
Senior Pollution Control Manager	5	0
Energy Manager (Heat)	34	2
Energy Manager (Electricity)	37	0
Qualified Person for Energy Management (Heat)	3	1
Qualified Person for Energy Management (Electricity)	12	1
Manager of Industrial Waste Subject to Special Controls	109	8
Environmental Management System Provisional Auditor	14	0
Internal Environmental Auditor (in-house qualification)	699	122

Environmental Management

Environmental Cost Management

Environmental Preservation Costs (Investment vs. Effects)

- During fiscal 2004, Murata invested a total of approximately ¥930 million in environmental conservation, with an estimated economic benefit from the investment of about ¥850 million.
- For global environmental conservation, we aggressively invested in replacing freezers and lighting fixtures with high-efficiency ones. As a result, the estimated reduction of greenhouse gas emissions is about 26,000 metric tons-CO₂.
- For recycling, we made aggressive investments related to the introduction of concentrators for alkaline and acid waste solutions, and of cooling water systems for heat treatment furnaces. As a result, waste reduction and water conservation are estimated to be about 6,810 metric tons and 275,392 m³, respectively.

Environmental Preservation Costs (Investment vs. Effects)

Classification		Investment (Millions of yen)	Economic effects (Millions of yen)	Physical effects	
Costs for plant and office areas	Pollution control	190			
	Global environmental conservation	430	508	Reduction of greenhouse gas emissions (CO ₂ equivalent)	26,466 [t-CO ₂]
	Recycling	78	346	Resource conservation	7 [t]
				Water conservation	275,392 [m ³]
				Waste reduction	6,810 [t]
	-		-		
Subtotal		698	854		
Cost of upstream/downstream environmental conservation		0	0	-	-
Cost of management		0	0	-	-
Cost of social activities		6	0	-	-
Cost of R&D		221	-	-	-
Cost of environmental damage		0	0	-	-
Total		925	854		

(1) The scope of accounting includes plants and offices of Murata Manufacturing and 17 subsidiaries in Japan.

(2) The accounting term is the 12-month period from April 1, 2004 to March 31, 2005.

(3) Effects include the materials and costs that are reduced over the five-year period as a result of the investments.

(4) Proportional accounting is carried out for compounded costs in which the cost of environmental conservation is embedded in other costs.

(5) Presumptive effects, such as the avoidance of potential risk, are not calculated.

(6) For the fuel and electric power conversion coefficients for CO₂ emissions, we used the figures in the Report on the Survey of Carbon Dioxide Emissions (1992), Environment Agency.

(7) The amount of reduction is calculated as the effective difference between application and non-application of the investment.

(8) R&D cost is the total of expenses entailed in research and development intended primarily for environmental considerations.

Environmental Preservation Costs (Costs vs. Effects)

- During fiscal 2004, the costs required for environmental conservation totaled approximately ¥3,390 million, with the resulting economic effects estimated to be about ¥1,250 million.
- For global environmental conservation, we actively promoted the improvement of operating conditions of heat treatment furnaces and reduction in consumption of compressed air. As a result, the estimated reduction of greenhouse gas emissions is about 23,482 metric tons-CO₂.
- For recycling, we achieved waste reduction of 6,545 metric tons and water conservation of 80,469 m³, as a result of our initiatives to improve the recycling level, to promote cyclic use of water, and review of the cooling water temperature.
- As for the cost of environmental damage, we reversed ¥35 million of the amounts reported as liabilities, since remediation has been completed at some of our plants.

Environmental Preservation Costs (Investment vs. Effects)

Classification		Amount invested (Millions of yen)	Economic effects (Millions of yen)	Physical effects	
Costs for plant and office areas	Pollution control	478	-	Number of cases where regulated values are not satisfied	0 [None]
				Reduction in chemical substances emitted	148 [t]
	Global environmental conservation	203	318	Reduction in greenhouse gas emissions (CO ₂ equivalent)	23,482 [t-CO ₂]
	Recycling	1,420	916	Resource conservation	227 [t]
				Water conservation	80,469 [m ³]
				Waste reduction	6,545 [t]
				Increased recycling	59 [t]
Subtotal	2,101	1,234			
Cost of upstream/downstream environmental conservation	175	12	Reduction of packaging materials	13 [t]	
Cost of management	432	-	-	-	
Cost of social activities	156	-	-	-	
Cost of R&D	559	-	-	-	
Cost of environmental damage	-35	-	-	-	
Total	3,388	1,246			

(1) The scope of accounting includes plants and offices of Murata Manufacturing and 17 subsidiaries in Japan.

(2) The accounting term is the 12-month period from April 1, 2004 to March 31, 2005.

(3) Costs include labor but not depreciation.

(4) Proportional accounting is carried out for compounded costs in which the cost of environmental conservation is embedded in other costs.

(5) Presumptive effects, such as the avoidance of potential risk, are not calculated.

(6) For the fuel and electric power conversion coefficients for CO₂ emissions, we used the figures in the Report on the Survey of Carbon Dioxide Emissions (1992), Environment Agency.

(7) Physical effects are calculated as the effective difference between implementation and non-implementation of the countermeasures.

(8) R&D cost is the total of expenses entailed in research and development intended primarily for environmental considerations.

Preventing Global Warming

Reduction of CO₂ emissions

Reduction of CO₂ Emissions in Japan

Total emissions

Value in FY2004: 395,231 t-CO₂

8.3% increase compared to the previous fiscal year;

131.5% increase compared to fiscal 1990 levels

CO₂ emissions per unit of net production (base year: FY1990)

Value in FY2004: 0.77

±0% compared to the previous fiscal year; 23% decrease compared to fiscal 1990 levels

Reduction of CO₂ Emissions from Distribution

Total emissions

Value in FY2004: 3,922 t-CO₂

0.02% increase compared to the previous fiscal year;

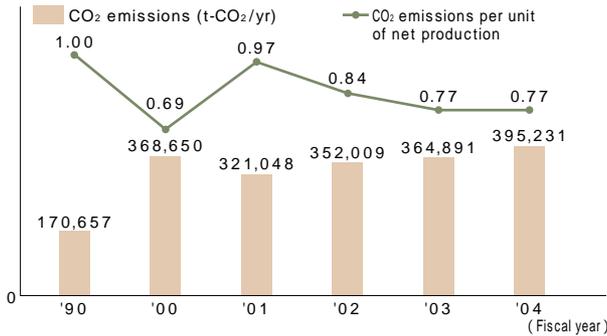
9.3% decrease compared to fiscal 2000 levels

CO₂ emissions per unit of net production (base year: FY2000)

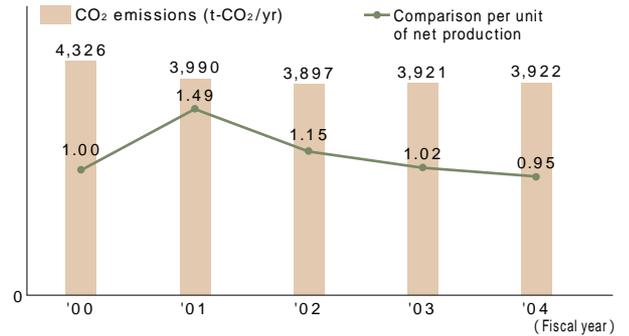
FY2004 value: 0.95

7% decrease compared to the previous fiscal year; 5% decrease compared to fiscal 2000 levels

CO₂ emissions per unit of net production (in Japan)



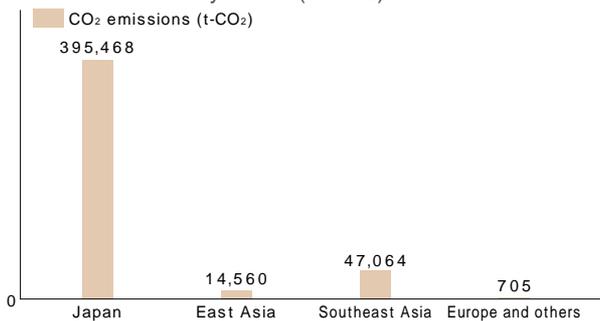
CO₂ Emissions from Distribution



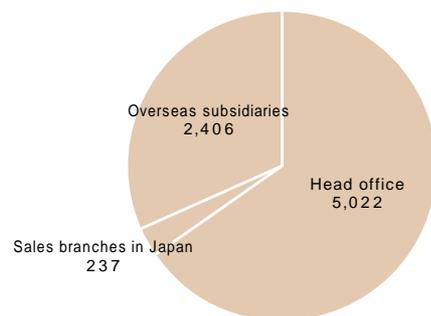
Present Condition of CO₂ Emissions Overseas
Murata operates production sites overseas as well. Currently, however, our CO₂ emissions are mainly released from production sites in Japan, accounting for 86% of total emissions. We are implementing initiatives to reduce CO₂ emissions also in our overseas plants, but focusing on production plants in Japan.

Reduction of CO₂ Emissions in Offices
If our offices are classified into the head office, sales branches, and overseas subsidiaries, the head office accounts for approximately 65% of all emissions, holding the largest percentage. Henceforth, we will further strengthen initiatives for energy conservation at offices, also focusing on the CO₂ reduction efforts at overseas subsidiaries.

CO₂ emissions by area (t-CO₂)



CO₂ Emissions in Offices (t-CO₂)



Waste Reduction and Resource Conservation

Waste Reduction Measures

Reduction of Waste Generation

Total generation

Value in FY2004: 30,306 t

6.5% increase compared to the previous fiscal year;

14.1% decrease compared to fiscal 2000 levels

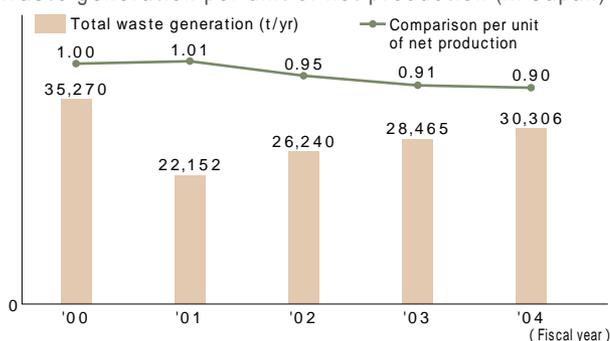
Waste generation per unit of net production (base year: FY2000)

Value in FY2004: 0.90

1% decrease compared to the previous fiscal year;

10% decrease compared to fiscal 2000 levels

Waste generation per unit of net production (in Japan)



Resource Conservation Measures

Reducing Packaging Materials

Total amount of packaging materials used

Value in FY2004: 4,745 t

0.8% decrease compared to the previous fiscal year;

20.1% decrease compared to fiscal 2000 levels

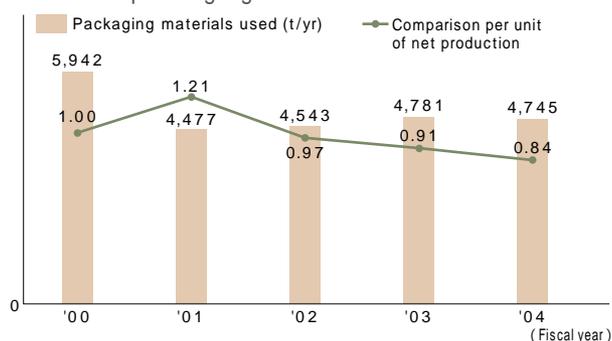
Packaging materials used per unit of net production (base year: FY2000)

Value in FY2004: 0.84

7% decrease compared to the previous fiscal year;

16% decrease compared to fiscal 2000 levels

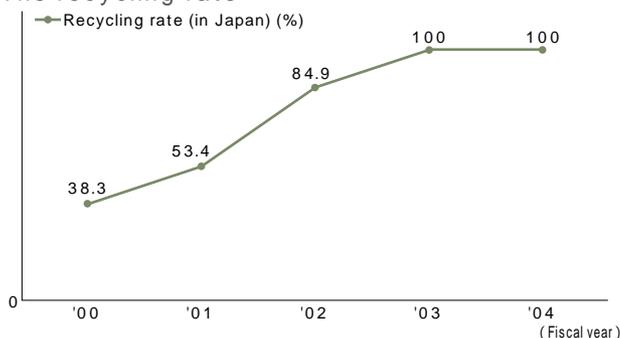
Amount of packaging materials used



Promoting Recycling

To reduce the environmental impact of waste disposal to almost zero, Murata is promoting reuse and recycling and has adopted a zero-emissions target (defined as a 100% recycling rate and zero landfilling). As a result, Murata has succeeded in achieving zero emissions at 21 targeted plants and subsidiaries in Japan as of the end of March 2004.

The recycling rate



Water Consumption

Total amount of water consumed

Value in FY2004: 8.103 million m³

2.7% increase compared to the previous fiscal year;

11.2% decrease compared to fiscal 2000 levels

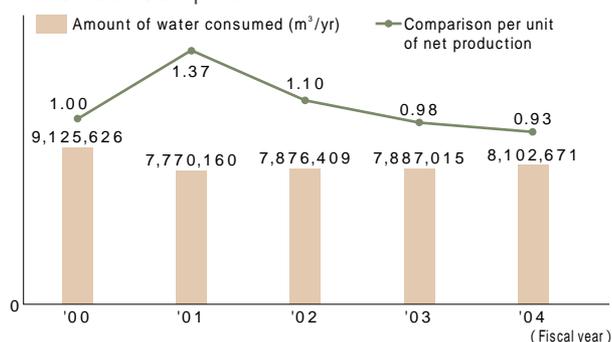
Water consumption per unit of net production (base year: FY2000)

Value in FY2004: 0.93

5% decrease compared to the previous fiscal year; 7%

decrease compared to fiscal 2000 levels

Water consumption



Environmentally Hazardous Substances

Voluntary Regulation of Chemical Substances

Voluntary Regulation Program for Environmentally Hazardous Substances in Products

Ranking		Target Substances	
Substances prohibited in products	Inclusion of these substances in products prohibited.	Asbestos Short-chained chlorinated paraffin Metal carbonyl Inorganic cyanogen compounds Mercury and its compounds Thallium and its compounds Nickel and its compounds (Nickel carbonyl) PBB Chlorine-based flame retardants Beryllium and its compounds (used for ceramics) Benzene Polychlorinated terphenyls (PCTs) Polychlorinated biphenyls (PCBs) Organotin compounds Heavy metals in packaging materials (Cd, Cr ⁶⁺ , Hg, Pb)	Azo compounds Cadmium and its compounds Hexavalent chromium compounds Acrylonitrile Dioxins and dibenzofuranes Lead and its compounds PBDEs Arsenic and its compounds (excl. semiconductors) Pentachlorophenol (PCP) Polychlorinated naphthalene (with 3 or more chlorine atoms) Formaldehyde Organophosphorus compounds
Substances to be reduced	Reduced content of these substances in products planned	Lead and its compounds (used in some ceramics, solders, etc.) Polyvinyl chloride (PVC) and its blends	Cobalt chloride in packaging materials
Substances in preparation for reduction	Content of these substances in products controlled, and voluntarily prepared for reduction	Chlorinated paraffin Ethylene glycol ethers and its acetates Xylene Bromine-based flame retardants Tellurium and its compounds Lead and its compounds (for some applications) Organic cyanogen compounds	Antimony trioxide Cobalt and its compounds Selenium and its compounds Toluene Arsenic and its compounds (semiconductor products) Foam polystyrene for packaging materials

Voluntary Regulation Program for Environmentally Hazardous Substances Used or Emitted in Production Processes

Ranking		Target Substances	
Prohibited	Any application prohibited	Asbestos Dioxins Trichloroethylene Benzene HCFCs Cadmium and its compounds (excl. resins) Mercury and its compounds Organic lead	Cadmium and its compounds (limited to resins) White lead Halon CFCs Acrylonitrile Arsenic and its compounds (excl. semiconductors) Hexavalent chromium compounds
Reduce emissions	Reduced emissions planned	Acetaldehyde Cyanide compounds Nickel sulfate Lead and its compounds (used in some ceramics, solders, etc.) Toluene PFCs	Chloroform Formaldehyde Xylene
Prepare to reduce emissions	Emissions controlled and voluntarily prepared for reduction	Zinc and its compounds Copper and its compounds Methyl ethyl ketone Lead and its compounds (used in some ceramics, glass, alloys, etc.) Arsenic and its compounds (application limited to semiconductors)	Chrome and its compounds Nickel powder

Management of Substances to Be Subjected to PRTR

Pollutants Released and Transferred Subject to the PRTR Law (Total for Japan)

(Unit: t/year)

Gov't No.	Substance	Amount handled	Released				Transferred		
			To atmosphere	To public bodies of water	To soil	Landfilled	Released to sewerage	Transferred to waste	Transferred to recycling
16	Monoethanolamine	9.9	0.0	0.0	0.0	0.0	0.0	0.0	9.6
25	Antimony and its compounds	2.2	0.0	0.0	0.0	0.0	0.0	0.0	0.6
30	Bisphenol A liquid epoxy resin	38.0	0.0	0.0	0.0	0.0	0.0	0.0	3.3
40	Ethyl benzene	5.8	3.1	0.0	0.0	0.0	0.0	0.0	1.0
45	Ethylene glycol monomethyl ether	13.2	0.0	0.0	0.0	0.0	0.0	0.0	9.3
58	1-octanol	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.1
63	Xylene	65.4	3.6	0.0	0.0	0.0	0.0	0.0	39.6
64	Silver and its water-soluble compounds	106.5	0.0	0.0	0.0	0.0	0.0	0.0	6.2
68	Chromium and trivalent chromium compounds	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4
100	Cobalt and its compounds	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.3
177	Styrene	1.1	0.7	0.0	0.0	0.0	0.0	0.0	0.2
202	Tetrahydroxymethyl anhydrous phthalic acid	8.9	0.1	0.0	0.0	0.0	0.0	0.0	0.5
207	Water-soluble copper salts (excl. complex salts)	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
227	Toluene	2,347.5	26.4	0.0	0.0	0.0	0.0	0.0	294.4
230	Lead and its compounds	672.0	0.0	0.0	0.0	0.0	0.0	0.0	110.3
231	Nickel	526.5	0.0	0.0	0.0	0.0	0.0	0.0	79.7
232	Nickel compounds	187.5	0.0	0.0	0.0	0.0	0.0	0.0	31.6
242	Nonyl phenol	2.7	0.0	0.0	0.0	0.0	0.0	0.0	2.7
253	Hydrazine	486.6	0.0	0.0	0.0	0.0	0.0	0.0	182.5
270	Di-n-butyl phthalane	12.5	0.1	0.0	0.0	0.0	0.0	0.0	4.6
272	Bis-2-ethylhexyl phthalate	56.3	0.0	0.0	0.0	0.0	0.0	0.0	22.7
304	Boron and its compounds	25.3	0.0	0.0	0.0	0.0	0.0	0.0	22.1
310	Formaldehyde	9.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
311	Manganese and its compounds	18.3	0.0	0.0	0.0	0.0	0.0	0.0	4.4

* The above data covers the period April 1, 2004 to March 31, 2005.

* Amounts less than 100 kilograms are rounded up.

Environmentally Hazardous Substances

State of Groundwater Remediation

(Unit: mg/ℓ)

Substance (Environment Standard Value)	Trichloroethylene (0.03 max.)		Cis-1,2-dichloroethylene (0.04 max.)		Remarks
	FY2003	FY2004	FY2003	FY2004	
Plants and Subsidiaries					
Murata Manufacturing Co., Ltd., Nagaoka Plant	0.047	0.027	N.D.	N.D.	
Fukui Murata Manufacturing Co., Ltd., Takefu Plant	0.013	0.010	-	-	
Fukui Murata Manufacturing Co., Ltd., Shirayama Plant	0.373	1.241	0.230	0.390	
Fukui Murata Manufacturing Co., Ltd., Miyazaki Plant	1.375	0.810	0.273	0.151	
Asuwa Electronics Industries, Ltd.	0.098	0.130	1.139	1.298	
Iwami Murata Manufacturing Co., Ltd.	0.194	0.223	1.108	1.194	
Wakura Murata Manufacturing Co., Ltd.	N.D.	N.D.	-	-	In preparation for completion of remediation
Himi Murata Manufacturing Co., Ltd.	N.D.	N.D.	N.D.	N.D.	
Kanazu Murata Manufacturing Co., Ltd., Kanazu Plant	N.D.	N.D.	-	-	Cleanup completed
Kanazu Murata Manufacturing Co., Ltd., Natsume Plant	0.117	0.112	0.123	0.162	
Hakui Murata Manufacturing Co., Ltd.	0.027	N.D.	0.111	0.105	
Hakui Murata Manufacturing Co., Ltd., Togi Plant	0.178	0.146	0.251	0.253	
Toyama Murata Manufacturing Co., Ltd.	N.D.	N.D.	-	-	Cleanup completed
Murata Electronics North America State College Operation	Trichloroethylene (0.05 max.)		Cis-1,2-dichloroethylene (0.07 max.)		
	0.017	0.014	0.030	0.037	

(1) Data are average values from April 2003 to March 2004 and from April 2004 to March 2005.

(2) Data show the average values for downstream groundwater in all wells drilled along the border of a site.

(3) We established the apprehended area in order to prevent migration of pollutants beyond the site, and are undertaking remediation efforts.

(4) "N.D. (Not detectable)" means the measured quantity is below the lower limit of detection.

(5) "-" indicates that the site is deemed free from contamination.

History of Environmental Preservation Activities

Month/Year	Event(s)
1989	Voluntary policy is adopted to eliminate ozone-depleting substances (designated CFCs and 1,1,1-trichloroethane).
	Project to eliminate ozone-depleting substances is initiated.
1991	Survey of soil and groundwater contamination is initiated.
1993	Elimination of ozone-depleting substances (1,1,1-trichloroethane and designated CFCs) is achieved.
	Voluntary policy is adopted to eliminate chlorine-based organic solvents (trichloroethylene, tetrachloroethylene, and dichloromethane).
1994	Murata Environment Committee is established.
1995	The Murata Environmental Charter is adopted (First Environmental Action Plan).
	The Environmental Management Department is established in the Head Office.
	The Lead-free Solder Project is launched.
	Elimination of chlorine-based organic solvents (trichloroethylene and tetrachloroethylene) and hydrochlorofluorocarbons (HCFCs) is achieved.
1996	Voluntary regulation program is adopted to reduce environmentally hazardous substances contained in products.
1997	Taiwan Murata Electronics Co., Ltd. becomes the first member of the Murata Group to acquire ISO 14001 certification.
	Voluntary regulation program is adopted to reduce emissions of environmentally hazardous chemical substances from manufacturing processes.
	In-house courses are introduced for training of internal environmental auditors.
1998	Use of chlorine-based organic solvent (trichloroethylene) is discontinued, representing achievement of the objective of the voluntary policy adopted in 1993.
	All discarded paper in Japan is recycled, enabling the use of waste incinerators to be discontinued.
	A special feature on Environment Month is published in the company journal.
1999	Life cycle assessment (LCA) guidelines are adopted.
	A cogeneration system begins operation at the Yasu Plant.
	Soil pollution control standards are established. Upgrading of existing equipment is initiated.
	A chemical substance inspection and registration system is introduced.
2000	Production bases inside and outside Japan achieve ISO 14001 certification.
2001	A composting system is introduced for raw food wastes from company dining facilities in Japan.
	The Murata Environmental Charter is revised (Second Environmental Action Plan).
	The Green Procurement Guide is issued and the green procurement policy implemented.
2002	Existing equipment in Japan is upgraded to meet soil pollution control standards.
	Inaugural Environmental Report is issued.
2003 April July October	Construction begins on new head office designed on the concept of an eco-friendly office building. Efforts are made to ensure that a zero-emissions policy is applied to construction waste from the new construction.
	Product assessment system is introduced.
	Environmental cost management (environmental accounting) system is introduced.
2004 March April September	Zero-emissions objective is achieved in Japan.
	The Murata Environmental Charter is revised (Third Environmental Action Plan).
	The new head office designed with the concept of an eco-friendly office building is completed.
	Zero emissions are achieved in construction of the new head office building.

Customers

Sites with ISO 9001, QS 9000 or ISO/TS 16949 Certification

Major Accredited Production Plants inside and outside Japan (as of March 2005)

Plant	Target Standard	Date Accredited
Asuwa Electronics Industries, Ltd.	ISO9001	1992.11.25
Komatsu Murata Manufacturing Co., Ltd.	ISO9001	1993.02.03
Wakura Murata Manufacturing Co., Ltd.	ISO9001	1993.04.28
Ogaki Murata Manufacturing Co., Ltd.	ISO9001	1993.12.01
	QS9000	2000.12.15
Murata Manufacturing Co., Ltd., Yasu Plant, Chemical Material Production Dept.	ISO9001	1995.06.19
Anamizu Electronics Industries, Ltd.	ISO9001	1995.07.28
Toyama Murata Manufacturing Co., Ltd.	ISO9001	1996.12.16
	TS16949	2003.08.12
Fukui Murata Manufacturing Co., Ltd. (incl. Miyazaki Plant)	ISO9001	1997.04.02
Izumo Murata Manufacturing Co., Ltd.	ISO9001	1997.07.25
	QS9000	
Sabae Murata Manufacturing Co., Ltd.	ISO9001	1997.08.14
	TS16949	2004.08.02
Murata Manufacturing Co., Ltd., Yasu Plant, Components Division 3, Semiconductor Product Dept.	ISO9001	1997.10.21
Azumi Murata Manufacturing Co., Ltd.	ISO9001	1997.11.06
	QS9000	
Himi Murata Manufacturing Co., Ltd.	ISO9001	1997.12.01
	TS16949	2004.11.12
Murata Manufacturing Co., Ltd., Yokaichi Plant	ISO9001	1998.03.31
	TS16949	2005.02.16
Kanazawa Murata Manufacturing Co., Ltd. (incl. Nishikanazawa Plant)	ISO9001	1998.04.16
	TS16949	2005.02.17
Okayama Murata Manufacturing Co., Ltd.	ISO9001	1998.07.01
Kanazu Murata Manufacturing Co., Ltd. (incl. Natsume Plant)	ISO9001	1998.07.01
Hakui Murata Manufacturing Co., Ltd.	ISO9001	1999.02.11
	TS16949	2005.02.14
Iwami Murata Electronics Co., Ltd.	QS9000	1999.03.29
Tome Murata Electronics Co., Ltd.	ISO9001	2002.06.10
Fukui Murata Manufacturing Co., Ltd., Takefu Plant	TS16949	2003.09.25
Fukui Murata Manufacturing Co., Ltd., Miyazaki Plant	TS16949	2003.09.25
Murata Electronics (UK) Limited	ISO9001	1992.10.27
Murata Electronics B.V. (Netherlands)	QS9000/ISO9001	1992.12.01
Murata Elektronik Handels GmbH (Germany)	ISO9001	1993.04.15
Murata Electronique S.A. (France)	ISO9001	1993.04.15
Murata Elettronica S.p.A. (Italy)	ISO9001	1993.04.23
Murata Electronics Switzerland AG	ISO9001	1993.06.15
Murata Amazônia Indústria E Comércio Ltda. (Brazil)	ISO9001	1998.07.28
Taiwan Murata Electronics Co., Ltd.	ISO9001	1993.11.26
Murata Electronics (Malaysia) Sdn. Bhd.	ISO9001	1997.02.28
Murata Electronics (Thailand), Ltd.	ISO9001	1998.03.17
	TS16949	2005.02.17
Murata Electronics North America, Inc. (Smyrna, GA)	ISO9001	1998.09.11
Beijing Murata Electronics Co., Ltd. (China)	ISO9001	1998.12.10
Wuxi Murata Electronics Co., Ltd. (China)	ISO9001	1999.05.12
	TS16949	2004.12.10
Murata Electronics Singapore (Pte.) Ltd.	ISO9001	1999.11.03
	ISO/TS16949	2003.09.30
Suzhou Murata Electronics Co., Ltd. (China)	ISO9001	2003.08.02

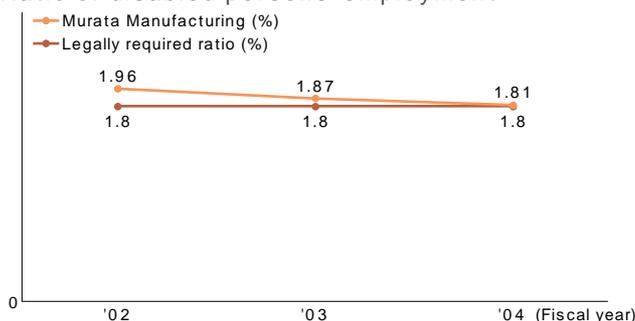
Employees / Society and Local Communities

Employment of Disabled Persons

The ratio of disabled persons' employment at Murata is more than 1.8%, the legally prescribed employment rate of the disabled*. Murata has thus been providing the disabled with opportunities for social participation.

* The employment ratio of disabled persons to the total number of employees

Ratio of disabled persons' employment

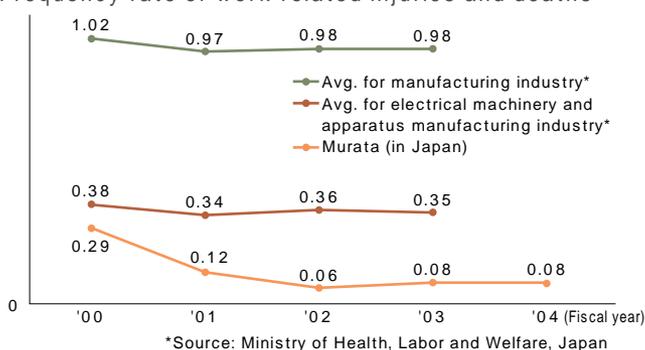


Occupational Health and Safety

Murata's frequency rate* for work-related injuries and deaths is lower than the average for the manufacturing industry in Japan. Also, Murata's severity rate, which is a measure of the seriousness of work-related accidents, is significantly low, showing our company's high safety level.

* The frequency of accidents expressed as the number of work-related injuries and deaths per million working hours.

Frequency rate of work-related injuries and deaths



Supporting Employees in Juggling both Work and Family

There are an increasing number of employees who use maternity and childcare leaves in order to juggle both work and family and still advance their careers.

Employees who took childcare/family care leaves (Murata in Japan)
(Unit: Persons, %)

System name	FY2002	FY2003	FY2004
Family care leave	4	11	13
Leave after childbirth	197	203	171
Childcare leave (Figure in parentheses indicates the rate of leave-taking*)	191 (97%)	189 (93%)	162 (95%)
Employees who left the company due to childbirth	7	19	12

* During fiscal 2004, of 183 female employees who delivered babies, 12 left the company because of childbirth. Of the remaining 171 employees, 162 (95%) used the childcare leave system.

Re-employment System

Murata provides the employees who resigned upon reaching the mandatory retirement age with a place to work again, and makes use of their know-how and skills.

Employees who were re-employed (Unit: Persons)

System name	FY2002	FY2003	FY2004
Re-employment system	7	17	13

Support for Reconstruction of Disaster-stricken Areas

During fiscal 2004, many natural disasters occurred in various parts of the world, and many people suffered damage. Murata, which has its operation sites in Fukui and Kyoto Prefectures in Japan, and overseas subsidiaries in Thailand, Malaysia and Singapore, made donations and sent monetary gifts as tokens of sympathy to support the local victims of the disasters, including the Sumatra earthquake and tsunami, in hopes for the earliest possible reconstruction of the afflicted areas.

As well, Murata made monetary donations to victims of the Niigata Chuetsu Earthquake, which caused severe damage.

Donations for disaster victims

Month/Year	Description	Amount
July 2004	Monetary gift to northern part of Fukui Prefecture, Japan, hit by torrential rainstorm	¥10 million
November 2004	Monetary donations to aid victims of Typhoon #23 that hit the northern part of Kyoto Prefecture, Japan	¥1 million
November 2004	Monetary donations to aid victims of Niigata Chuetsu Earthquake, Japan	¥1 million
January 2005	Monetary relief for victims of the Sumatra Earthquake and Indian Ocean tsunami disaster*	¥12.59 million

*Breakdown of monetary relief for victims of the Sumatra Earthquake and tsunami
Murata Electronics (Malaysia) Sdn. Bhd. ¥480,000
Murata Electronics Singapore (Pte.) Ltd. ¥770,000
Murata Electronics (Thailand) Ltd. ¥1,340,000
Murata Manufacturing Co., Ltd. ¥10,000,000

Financial Indicators

Performances

Sales by Area

By area, our sales have substantially increased in Asia and other regions, particularly in China and South Korea. Murata has taken measures to respond to the shift of production bases by electronic equipment manufacturers, who are Murata's customers, to the Asian region.

Sales by Application

By application, in response to the widespread use of mobile phones and short-range radio communications equipment, "communications" accounts for approximately 40% of sales. In the fields of computers, which are characterized by increasingly sophisticated functions, and automotive electronics, which have been increasingly enhanced, the demands for electronic components have been increasing, thereby causing our sales to steadily grow.

Investments

R&D Investments and Ratio of R&D Investments to Net Sales

Murata continues to invest generously in R&D. We have invested 6 to 7% of our net sales in R&D, maintaining our ratio of R&D expenses at a high level as an electronic components manufacturer. To meet the needs of customers and the market, we continue to develop state-of-the-art technologies and products.

Capital Investments

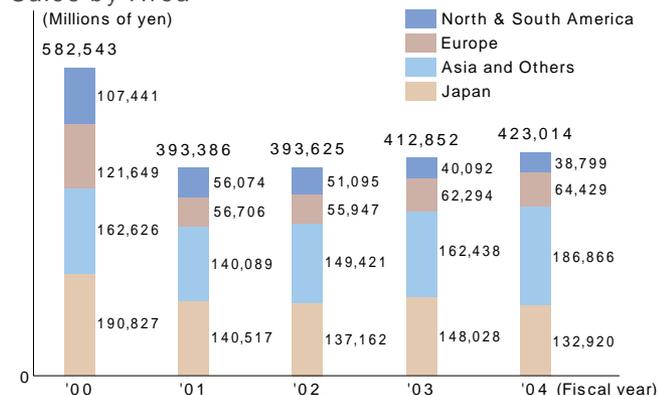
In fiscal 2004, we made capital investments of ¥48,033 million. In the future, we will continue capital investments with the aim of reducing product costs and expanding demand for new products, in both medium- and long-term perspectives.

Other Financial Data

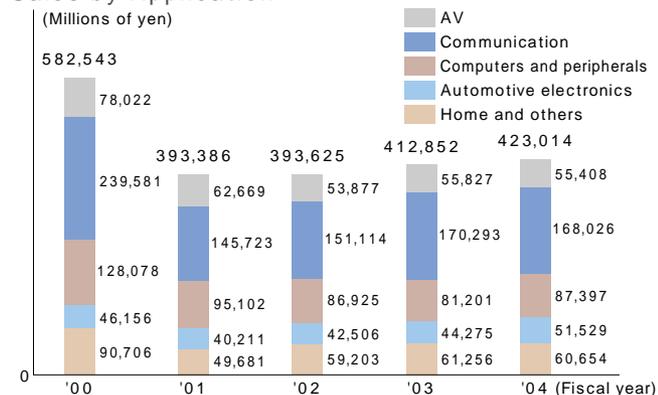
	FY2000	FY2001	FY2002	FY2003	FY2004
Net Sales (Millions of yen)	584,011	394,775	394,955	414,247	424,468
Operating Income (Millions of yen)	174,248	51,001	59,187	74,210	69,515
Income before Income Taxes (Millions of yen)	173,925	52,408	59,094	78,685	72,905
Net Income (Millions of yen)	104,927	34,999	39,467	48,540	46,578
Total Assets (Millions of yen)	876,836	839,372	834,313	844,115	850,748
Shareholders' Equity (Millions of yen)	696,403	726,236	692,090	700,937	712,309
Shareholders' Equity Ratio (%)	79.4	86.5	83.0	83.0	83.7
Return on Equity (ROE) (%)	16.4	4.9	5.6	7.0	6.6
Shareholders' Equity per Share (Yen)	2,870.51	2,973.22	2,939.41	3,052.25	3,169.82

*Amounts presented on the consolidated statement are rounded off to the nearest million yen.

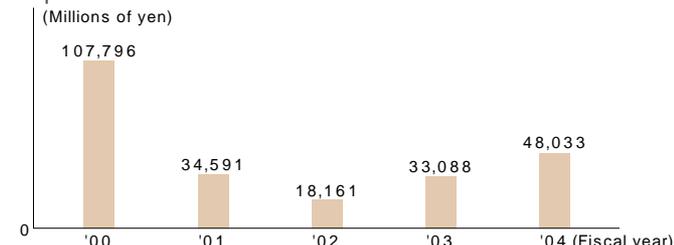
Sales by Area



Sales by Application



Capital Investments



Comparison with GRI Guidelines

The Global Reporting Initiative (GRI) was launched in 1997 as a joint initiative of the U.S. non-governmental organization Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP), with the goal of enhancing the quality, rigor, and utility of sustainability reporting.

The GRI guidelines are a framework for reporting on an organization's sustainability performance, which can be applied worldwide, and created by opinions from a variety of stakeholders, including businesses, non-profit advocacy groups, accounting bodies, investor organizations, trade unions, and many more.

Sustainability Reporting Guidelines 2002 ► <http://www.globalreporting.org/guidelines/2002.asp>

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*PD: Performance Data



Murata Manufacturing Co., Ltd.