



*Innovator in Electronics*

Murata Group  
**CSR Report**  
2007

We aim for Murata's technologies  
 and products to enrich various aspects  
 of life in societies around the globe.  
 The Company is always considering what  
 further contributions it can make for  
 people and for the planet.

### Murata's 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



## About This Report

### Purpose of This Report and Editorial Policies

The *Murata Group CSR Report* is issued to deepen the understanding of and enhance communications with all stakeholders with regard to the Murata Group's corporate social responsibility (CSR) and its endeavors in this field. It provides economic, environmental and social perspectives on the activities of Murata Group companies inside and outside Japan. This edition reports on our basic policies, principal efforts and targets for fiscal 2006, progress toward these goals and future plans.

Insofar as possible, the information in this report avoids specialized jargon through easily understandable language in an accessible design format. The objective is to present a candid report that features the Murata employees who bear the Company's corporate social responsibility.

### Target Period

This document covers the Murata Group's activities and accomplishments for fiscal year 2006, spanning the period from April 1, 2006 to March 31, 2007. However, some portions of this document address initiatives outside this defined period.

### Scope of This Report

This report encompasses the activities of the Murata Group, which comprises Murata Manufacturing Co., Ltd., and its 56 subsidiaries and affiliates inside and outside Japan.

### Reference Guidelines

- *Environmental Reporting Guidelines*, 2003 Edition and 2007 Edition, of the Ministry of the Environment, Japan
- *Sustainability Reporting Guidelines 2002* (2nd Edition) and 3rd Edition of the Global Reporting Initiative (GRI)

### Publication History and Future Issue Plans

The Murata Group began publishing its CSR Report in 2005. The next CSR Report is slated for publication around July 2008.

### Scope of Reporting and Disclosure (Online Disclosure)

This report has been compressed and edited to present the Murata Group's CSR endeavors in an accessible manner. For more detailed information, case studies, environmental performance and other data, please refer to the Murata website.

Environmental data by business site and the initiatives unique to each site are available in the CSR Report by business site, as posted on the Murata website. For more detailed financial data, please refer to Investor Information section.



Click to access data on the Murata website.

### Future Forecasts, Plans and Targets

In addition to past and current performance, this report includes future forecasts, predictions, plans and other information. Such forecasts, plans and targets are made on assumptions and judgments based on information available at the time of publication. Accordingly, the results of future operating activities and future phenomena may differ from forecasts, predictions and plans in this report. The understanding of readers regarding such disparities is greatly appreciated.

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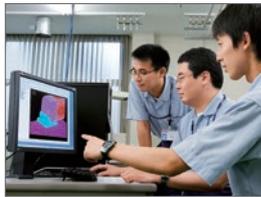
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## Fulfilling Our Corporate Responsibilities from Economic, Environmental and Social Perspectives

Murata's products—electronic components—are physically small and usually not seen. However, these minute individual components play a major accumulative role. For example, chip monolithic capacitors, for which Murata holds the top market share worldwide, are mounted with various electronic components, while one mobile phone contains more than 200 and a notebook computer more than 700 such parts. Our proprietary technologies have reduced to less than 1mm the size of components that store electricity, suppress electrical current noise and facilitate AC flow by interrupting DC in electronic equipment throughout the world. Through such technologies, we add functionality to electronic equipment and support people's lifestyles and the foundations of industry.

Murata's corporate slogan, "Innovator in Electronics," embodies its commitment to develop new components and technology that supports the infrastructure of our electronics-intensive society. To

attain this ambition, it is vital that we continue to supply valuable products while realizing a sustainable society by fulfilling our corporate responsibilities from economic, environmental and social perspectives.

## Contributing to Regional Economic Development while Ensuring Returns to Stakeholders

First, from an economic perspective we emphasize an appropriate return to all stakeholders of the profits generated by supplying customers with valuable products.

Based on this approach, we pass on profits to shareholders, employees, communities and countries through dividends, salaries and taxes, in addition to fulfilling our role in local societies by contributing to various funds and supporting cultural activities. Furthermore, as a global enterprise deriving 75% of sales overseas, we believe that we have an important responsibility to contribute to regional economic development in the countries where we operate. Accordingly, the Company conducts its business in

## Top Commitment

# Firmly Grasping the Growing Responsibilities that Accompany Business Expansion and Striving for Further Development

**Yasutaka Murata**

Chairman  
Statutory Representative Director

**Tsuneo Murata**

President  
Statutory Representative Director



Japan and overseas based on the maxim that "Murata Serves to Bring Joy to the Local Community." Through investment in research and development, we will cultivate new businesses that contribute to future societies, aiming as a corporation to build a sustainable cycle of universal benefits.

## Promoting Companywide Production Process Improvements to Reduce CO<sub>2</sub> Emissions

Global warming prevention, waste reduction and chemical substance countermeasures bear the brunt of the environmental aspects of our corporate responsibilities.

Global warming prevention is a particularly important current issue. We are reinforcing improvements to production processes and implementing other measures to speed up reductions in CO<sub>2</sub> emissions. Rationalizing production processes also helps cut lead times and costs. Accordingly, from fiscal 2007 members of operational divisions participate in the Murata Environmental Committee to implement policies that build stronger links between business activities and environmental consideration. In addition to promoting processes improvements, we believe that it is necessary to focus on measures for emissions trading and CDM.\*1

In fiscal 2003, in line with waste reduction measures the Murata Group in Japan achieved its zero emissions targets (defined as a 100% recycling rate). Currently, we are endeavoring to expand this record to our overseas factories.

We are promoting chemical substance countermeasures in preparation for more stringent regulations, particularly the introduction of REACH\*2 in the EU, and striving for swift realization of LCA\*3 data.

## Focusing on Customer Satisfaction, Employee Satisfaction and Exchange with Regional Societies

From a social perspective, Murata's first priority is providing a stable supply of products to fulfill its responsibilities to its customers and maintaining measures for stringent quality control.

Employee satisfaction ranks alongside customer satisfaction as a focus for the Company. We aim to conduct business in such a way that corporate growth is achieved by all employees carrying out their work with inspiration while applying their full potential. Furthermore, as we strive to accelerate the globalization of our operations, we are aware of the urgency in creating environments and systems in which local employees can excel.

To intensify exchange with regional societies, we are swiftly carrying out measures to enhance the environmental esthetics of our operational sites, aiming for factories rich with natural greenery, in harmony with regional communities. In fiscal 2005, we commenced environmental and natural science education programs targeting children local to the areas in which we operate.

## Gaining Societal Endorsement as an Innovator on All Fronts

In January 2007, Murata announced its long-term management plan, targeting net sales of ¥1 trillion by 2015. Strategies as an innovator are indispensable to achieving this objective. During fiscal 2006, we promoted research in the new areas of energy, bioelectronics and the environment. Specifically, these included lithium ion batteries and CO<sub>2</sub> absorption materials that contribute to reducing the environmental impact and devices for biosensors that contribute to the early detection of diseases in the medical field. Furthermore, in fiscal 2007 we established the Technology and Business Development Unit to support our policies to develop new products over the medium and long term that reflect market needs and aggressively carve out new business niches.

Expanding the scale of our business and supplying valuable products worldwide in turn brings greater corporate responsibilities. We believe that only a company that rises to these responsibilities can gain social recognition and survive into the future.

Murata aims to be an innovator, displaying originality on all fronts, from development through production, sales, marketing and delivery. Within this framework, we shall fulfill our responsibilities as a corporation and strive further to raise our status in the eyes of our various stakeholders.

We ask for your continued support in the future and welcome any candid opinions on the contents of this report.

July 2007



**Yasutaka Murata**  
Chairman  
Statutory Representative Director

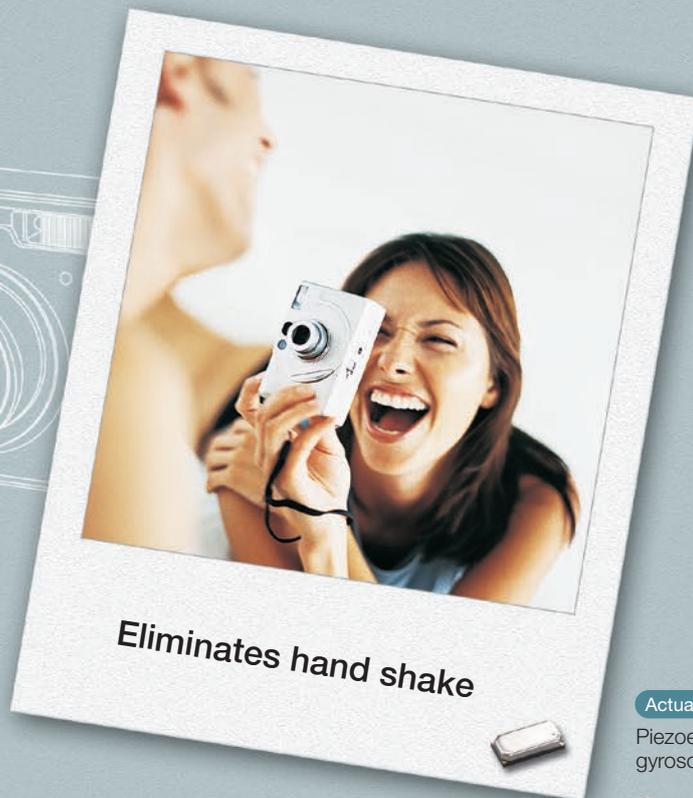


**Tsuneo Murata**  
President  
Statutory Representative Director

\*1 CDM: Clean Development Mechanism. An arrangement under the Kyoto Protocol allowing industrialized countries with a greenhouse gas reduction commitment to invest in projects that reduce emissions in developing countries.

\*2 REACH: Registration, Evaluation, Authorization and Restriction of Chemicals. A new regulatory system for safety assessments of 30,000 chemicals sold within the European Union that came into force in June 2007.

\*3 LCA: Life Cycle Assessment. Evaluation of the environmental impact of products over their entire lifecycles.

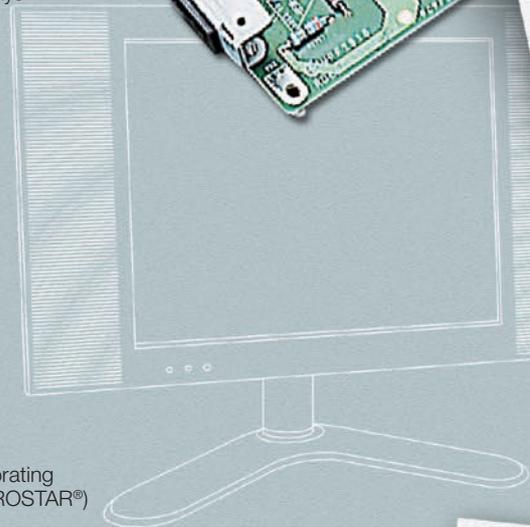
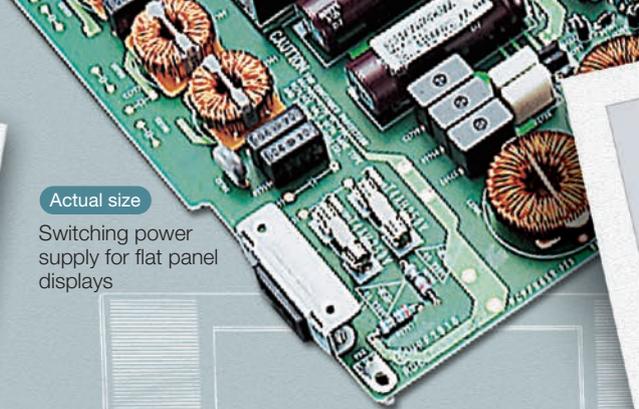


Eliminates hand shake



Actual size

Switching power supply for flat panel displays



Actual size

Piezoelectric vibrating gyroscope (GYROSTAR®)

## Recognizing Murata

# Creating Functions for Electronic Equipment— Here, There and Everywhere

Murata's electronic components are used in an array of electronics equipment in our immediate environs, supporting our lifestyles. These span mobile phones, home appliances, automobiles, personal computers and many more applications. Murata supplies manufacturers worldwide with electronic parts that realize its dream for more convenience, greater speed, enhanced amenity and more consideration for the global environment.

"When new features are in demand, we always go back to the very basics of searching for the most appropriate material." This philosophy has enabled Murata to develop numerous unique products. For example, mobile phones have evolved from telephones to Internet terminals, cameras, car navigation systems, on to multi-communication tools that can receive terrestrial digital broadcasts. Murata has provided the technologies and products that have fueled this advance.

Murata, as an "Innovator in Electronics," continues to evolve day by day to realize an affluent society through leading-edge technologies and products.

Actual size

Boundary acoustic wave filters, SAW filters, SAW duplexers



## Company Profile

Trade Name	Murata Manufacturing Co., Ltd.
Date of Incorporation	December 23, 1950 (established October 1944)
Paid-in Capital	¥69,376 million (as of March 31, 2007)
Stock Exchange Listings	In Japan: Tokyo, Osaka Overseas: Singapore
Location	Head Office: 10-1 Higashikotari 1-chome, Nagaokakyo City, Kyoto 617-8555, Japan Branch: Tokyo Branch (Shibuya-ku, Tokyo) Plants and Technical Center: Yokaichi Plant (Higashiomi City, Shiga) / Yasu Plant (Yasu City, Shiga) Yokohama Technical Center (Midori-ku, Yokohama City) / Nagaoka Plant (Nagaokakyo City, Kyoto)
Website	<a href="http://www.murata.com/">http://www.murata.com/</a>



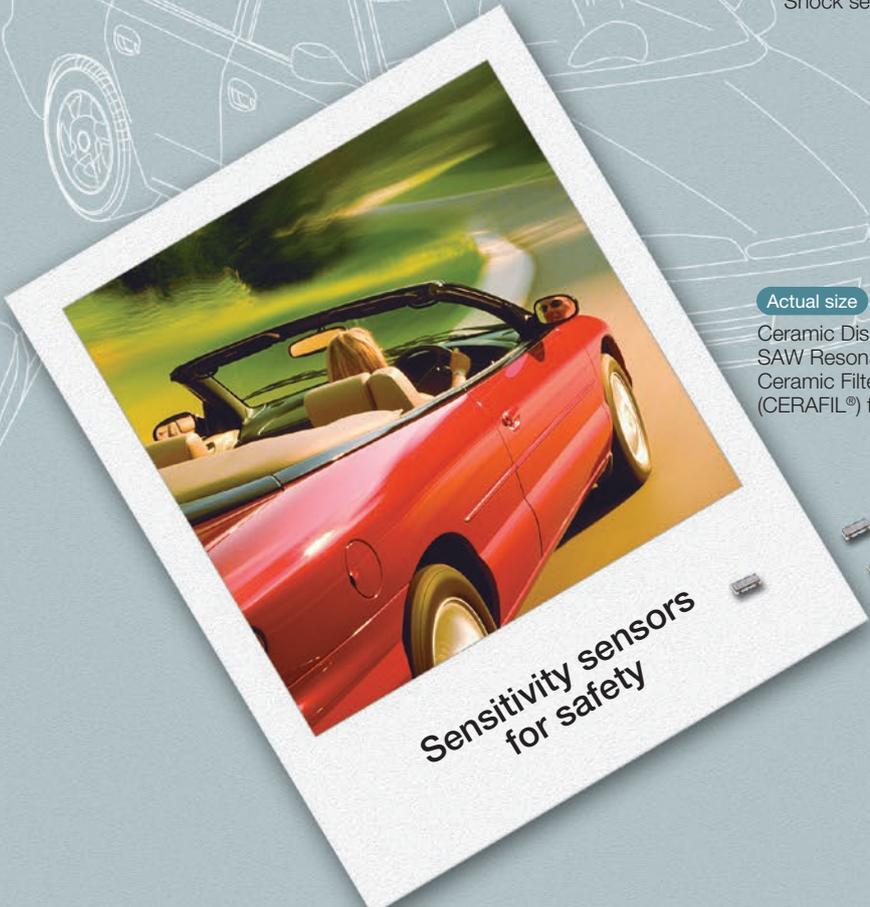
Contributing to the compactness of flat-panel TVs



Protects hard disk data from shocks



Miniaturization of filters enable smaller mobile phones



Sensitivity sensors for safety

Actual size

Shock sensors

Actual size

Ceramic Discriminators, SAW Resonators, Ceramic Filters (CERAFIL®) for TPMS

### Major Products by Application

- Mobile Communications** Chip dielectric antennas, boundary acoustic wave filters, SAW filters, SAW duplexers, SWITCHPLEXER®, Bluetooth® modules, GPS modules
- Computers** Chip ferrite beads, chip common mode choke coils, EMIFIL®, chip coils, chip monolithic ceramic capacitors, low-ESL capacitors, PHS communication cards, shock sensors
- Automotive Electronics** Ceramic capacitors for medium voltage, ultrasonic sensors, Ceramic discriminators, SAW resonators, ceramic filters (CERAFIL®) for TPMS, rechargeable lithium ion batteries, ceramic resonators (CERALOCK®) for CAN-BUS
- Digital Home Electronics** Piezoelectric vibrating gyroscope (GYROSTAR®), terrestrial digital tuners for mobile phones, Switching power supplies for flat panel displays, Wi-Fi modules



Years since establishment **63**

Ratio of R&D investment to net sales **7%**

Overseas contribution to consolidated net sales **75%**



Employees **29,000**



Subsidiaries **56**  
(23 in Japan; 33 overseas)



Murata estimates its leading share of the world chip monolithic ceramic capacitor market at **35%**

**Net sales**

(FY)	(Billions of yen)
2002	394.9
2003	414.2
2004	424.4
2005	490.7
2006	566.8

**Net income**

(FY)	(Billions of yen)
2002	39.4
2003	48.5
2004	46.5
2005	58.4
2006	71.3

**Total assets**

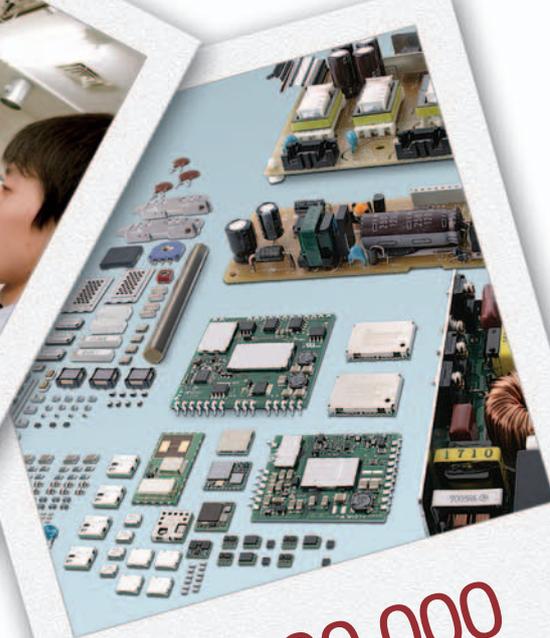
(FY)	(Billions of yen)
2002	834.3
2003	844.1
2004	850.7
2005	909.6
2006	1,014.9



Proportion of production in Japan **80%**



Contribution of new products to consolidated net sales **38%**



Total products **300,000**

## Murata by the Numbers

# How many? How much?

A Group of 56 Companies, with a Staff of 29,000 Worldwide

Murata is global enterprise with operations spanning more than a dozen countries through 56 subsidiaries. Our total workforce is approximately 29,000, all working to play a part in the development of the electronics industries of their respective countries.

Based on the slogan "Murata Serves to Bring Joy to the Local Community," Murata aims, as a good corporate citizen, to contribute to all these countries and regions.

### Europe

Net sales ¥ **70.4** billion

Subsidiaries **9**

Employees **332**

### Asia

Net sales ¥ **305.6** billion

Subsidiaries **18**

Employees **9,315**

### Japan

Net sales ¥ **142.6** billion

Subsidiaries **23**

Employees **19,289**

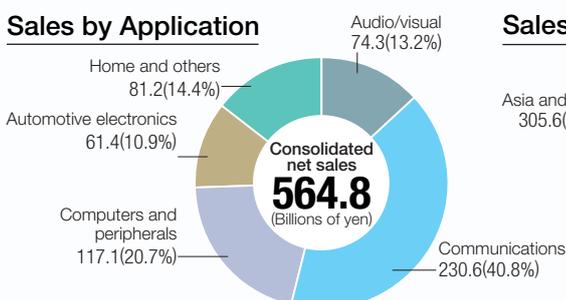
### America

Net sales ¥ **46.1** billion

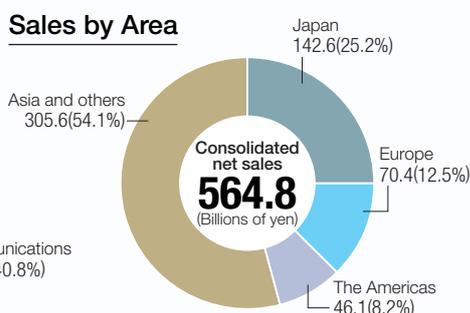
Subsidiaries **6**

Employees **456**

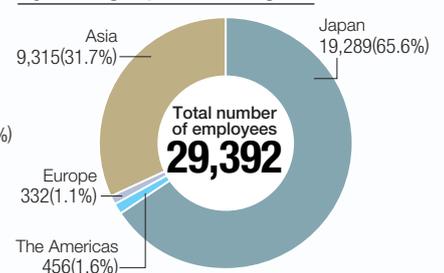
### Sales by Application



### Sales by Area



### Number of Employees by Geographical Region



\* Sales by application and area represent net sales of electronic components and related products.

# Murata's Product Mission and Responsibility

## Our Responsibility as an Electronic Component Manufacturer That Produces Tens of Billions of Parts Each Month

Murata's leading share of the chip monolithic capacitor market stands at 35%, with a production output of several billion parts per month. Many perform vital roles in such electronic equipment as personal computers and mobile phones. These include components of a fraction of a millimeter—smaller than a grain of sand. One flat-screen television includes more than 1,000 such components, and compact modern mobile phones in excess of 200, each fulfilling a role, such as suppression of malfunctions, poor reception or radiation noise.

A malfunction by one of Murata's



chip monolithic capacitors means problems for the manufacturers of the electronic equipment, who form our customer base, for electronic equipment users, and ultimately for a vast number of people worldwide.

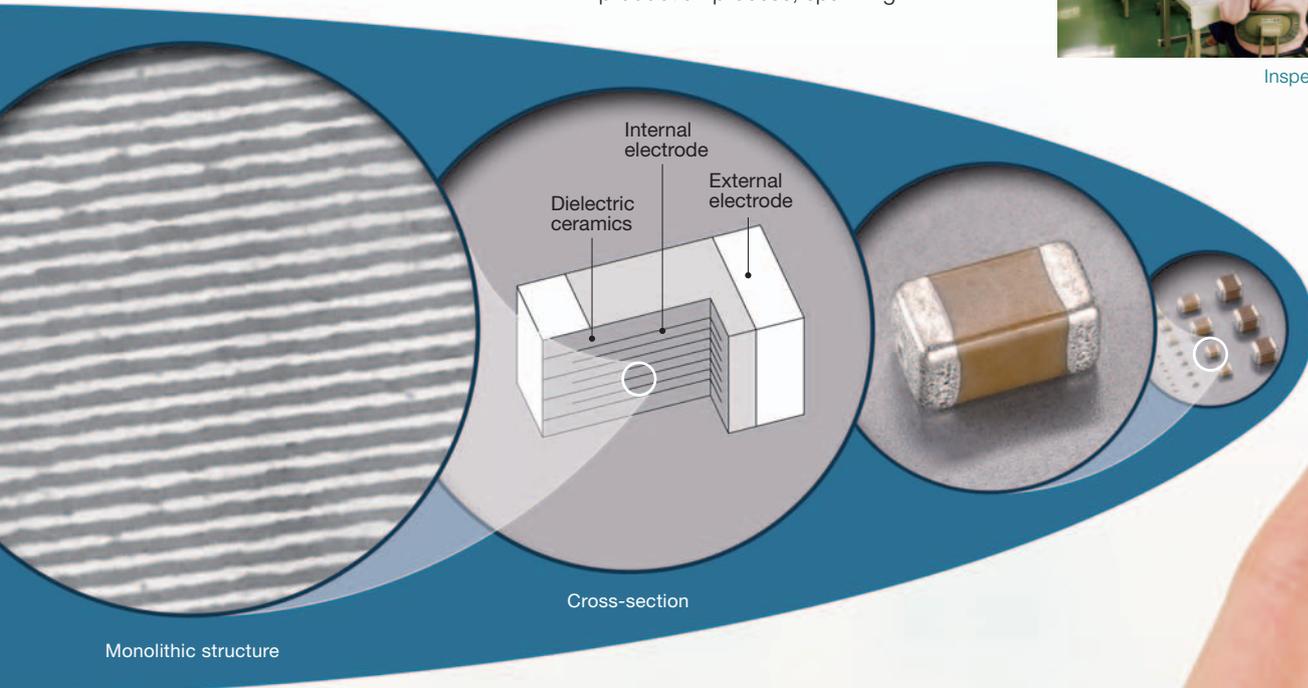
Accordingly, Murata has formulated processes with built-in quality and reliability through all stages of the production process, spanning

development, design and manufacturing. In addition to thoroughness, such built-in processes ensure inspection of all manufactured products. Detected faulty components are analyzed, the causes identified and countermeasures systematically implemented.

As the top manufacturer of chip monolithic capacitors, we are ever aware of our product responsibility, that is, the huge social responsibilities we have for these miniscule components, and endeavor on a daily basis to raise the level of our activities.



Inspection process line



## Chip Monolithic Capacitors—Indispensable for Digital Products

The role of capacitors is to store electricity and eliminate unnecessary noise. Capacitors with a stratified structure, called monolithic capacitors, are vital to a diverse range of electronic equipment. Murata's chip monolithic capacitors are created from raw materials in an integrated manufacturing systems.

In addition to our mother plant in Fukui, we conduct production activities in Shimane and Okayama in Japan, and overseas in Beijing and Wuxi in China and in Singapore. These multiple production bases ensure a stable supply system for our products.

## Quality and Safety

### We Develop Our Own Production Facilities and Maintain High-quality Products while Envisaging the End Use from the Development Stage

The basis for Murata's manufacturing is "absolute safety and quality first." In emphasizing this approach, we focus on establishing quality assurance systems for product and process design, that we deem key elements for safety and quality. Product design stresses determining materials and structures, which balances product functionality and safety, while process design focuses on determining production methods without disparities in quality.

In product design, we deploy quality assurance and other specialized staff to simulate the generation of malfunctions and formulate quality evaluation standards

by market. These processes are conducted from a variety of standpoints, including the production systems of customers and conditions of use by end users. The results are then used in daily design work. For example, we build in quality to the product design of components used in mobile phones by simulating such actual usage conditions as the intense heat of being shut in a car during summer and the humidity of being carried in a breast pocket.

Furthermore, in process design it is important to design and utilize production and inspection facilities equipped with functions that can realize to the greatest extent possible the quality targeted in product design. Accordingly, Murata does not outsource such production and inspection work; its product and manufacturing process expert technicians carry out almost all design on this front to facilitate built-in

product quality maintenance to production processes.

Information technology is pivotal in applying Murata's long years of accumulated expertise to its product and process design. For example, information on past raw materials and production lots, production facilities, operators, manufacturing conditions and other parameters is fed into a database, and this Murata "PRASS System" is used in the event of any malfunction as a reference for enquiries and swift detection and resolution for problems.

However, regardless of the systems that are in place and the IT technologies employed, final quality is determined by personnel. Therefore, in addition to establishing the systems, educating personnel is the crux of Murata's approach in focusing on educating the operating staff. Furthermore, we have cultivated a workforce of several hundred

## Feature ① Murata's Product Responsibility

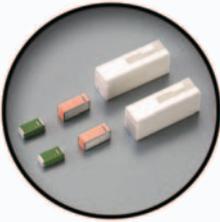
# Small Electronic Components, a Big Sense of Responsibility

Murata's electronic components are at work in various electronic equipment—mobile phones, personal computers, home appliances, automobiles and industrial robots. Without these components, which range in size from a few tenths of a millimeter to several millimeters, the electronic equipment functions, safety and environmental performance called for by hundreds of millions of people around the world could not be realized. To ensure peace of mind for users of various electronic equipment worldwide, we maintain reliable quality for and strive to reduce the environmental burden of all our products. Small products, but a big sense of responsibility—Murata has every intention of continuing to fulfill this responsibility in the future.



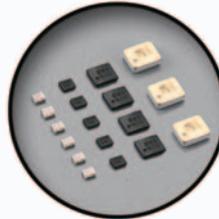
Feature 1 Murata's Product Responsibility

## Small Electronic Components, a Big Sense of Responsibility



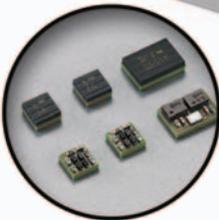
### Chip dielectric antenna

An internal antenna with optimal reception of various radio signals



### SAW filter

Screening to select required radio signals



### SWITCHPLEXER®

A multifunctional component, featuring radio signal noise suppression and transmission/reception switching

end-usage conditions and actively propose methods of use to promote safety and optimize functionality of our products.

Moreover, we continually utilize feedback data from customers to improve and upgrade products. In particular, we have established a Failure Analysis Center, independent of the Automobile Reliability Section that is responsible for long-term reliability assurance technologies, to focus on components supplied to the automobile industry, where product malfunction has life-threatening potential. This body analyzes malfunction data to determine risk of failure and improve products. Identifying the root causes of failure can then be directly linked to quality assurance during development and mass production.

## Environmental Consideration

specialists to maintain production facilities, who are deployed on our manufacturing lines.

Through such initiatives, Murata has assembled an army of specialized technicians to manage all processes from development through to mass production, from the standpoint of quality, and is pursuing continually the introduction of new lines and improving existing facilities.

### Proactively Providing Safety Information and Utilizing Malfunction Feedback for Quality Improvements

Murata's charge goes beyond supplying its customers with products that are all inspected to ensure they are free from faults. We consider the provision of various data to ensure safety during use as a part of its responsibilities as an electronic components manufacturer. To this end, we dispatch engineers from our Mounting Technologies Center to our customers to confirm intended

### Quadruple-Checked to Eliminate Environmentally Detrimental Chemical Substances

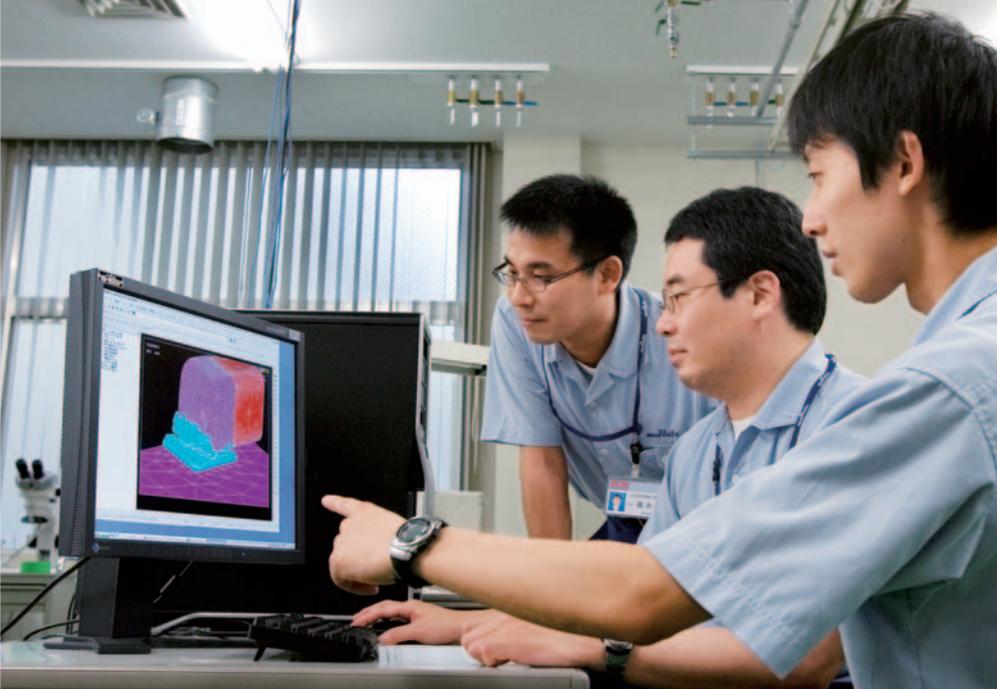
Chemical substances are necessary as raw materials for Murata's electronic components. Although the quantities included in each individual component are minute, end products may be mounted with hundreds or even thousands components. Inappropriately discarding the items along with the waste end product can significantly impact the global environment.



Production facilities are also developed in-house



Reliability testing



Accordingly, Murata aims to reduce its environmental impact throughout the product lifecycle, from procurement of raw materials for components through to disposal and recycling of end products, and is striving to reduce the content of hazardous chemical substances contained in its products.

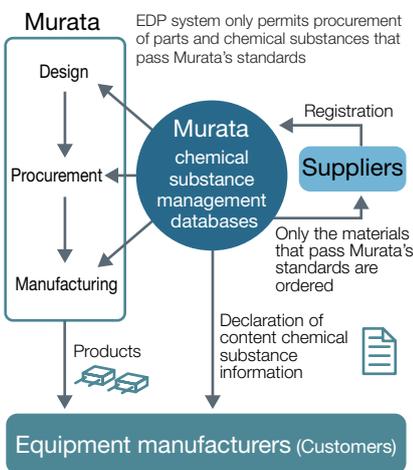
The EU Restriction of Hazardous Substances in Electrical and Electronic Equipment Directive (the "RoHS Directive") went into effect in July 2006. This restricts six substances used in electrical and electronic equipment. To ensure swift response to this and other global regulations, Murata formulated the "Regulation Program for Environmentally Hazardous Substances" to establish its own regulation in 1996, aiming for the reduction and abolition of hazardous chemical substances. Moreover, we

reviewed administrative processes throughout the Group's divisions to ensure compliance by relevant employees in their daily operations.

For example, production departments, as well as the Development Design Department, register in a Groupwide database all restricted substances and all chemical substances permitted for use in the Company, thus constructing a system to prevent the ordering of substances prohibited by legislation or in-house regulations. Furthermore, we implement a chemical substance management system for suppliers, with much care and cooperation to ensure its smooth application. At the production and shipment stages, we keep records of compliance with rules during manufacture, allowing confirmation that shipped products abide by the laws and regulations of their destinations.

Through such measures, Murata is eliminating regulated substances in the design development, materials procurement, production and shipment stages, ensuring consideration for the global environment throughout its overall production process.

### Murata chemical substance management



### Creating a Chemical Substance Management System in Cooperation with Industry Association

The EU Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulations, necessitating the registration of several tens of thousands of chemicals sold within the European Union, came into force in June 2007. To fully respond to

### Data communications in the supply chain



these new Regulations, every company must individually manage its own chemical substances. However, ultimately the best solution is the construction of a consistent industry-wide management system.

Accordingly, in September 2006 Murata and other like-minded corporations established the Japan Article Management Promotion-consortium (JAMP\*). This body aims to establish of a standards system to facilitate smooth conveyance of data on chemical substances in various parts and materials from upstream industries that produce chemical materials to downstream industries manufacturing end products. For electronic components makers, positioned between these two extremes, this represents a policy of providing know-how and information.

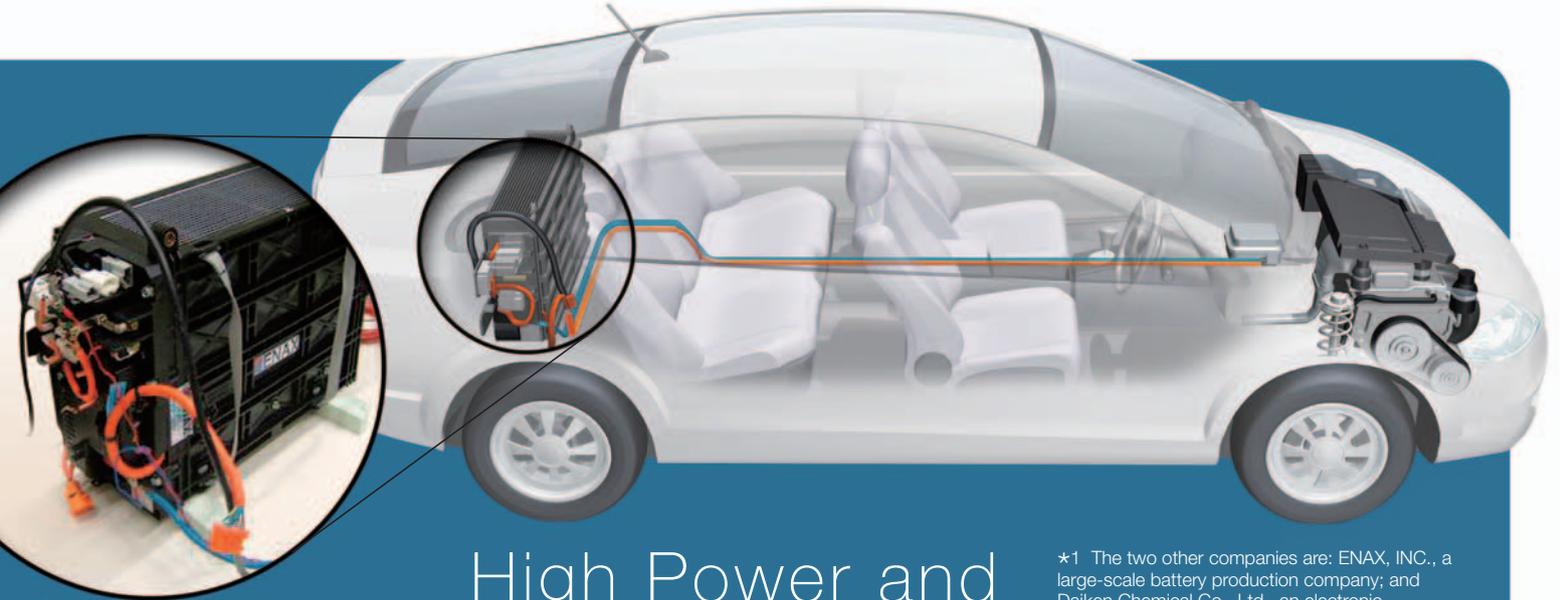
In terms of quality and environmental consideration, Murata will continue to strive to realize a society with peace of mind for all people using electronic and electrical products.

\* JAMP: An active cross-industrial organization to formulate and spread concrete measures to facilitate proper management and smooth disclosure and communications throughout the supply chain of data on chemical substances contained in articles (parts and molded components).

## Feature② Murata's New Businesses

# A Step Taken for the Future

Murata is exploring the possibilities of new technologies to cultivate the new businesses that will contribute to the society of the future. The themes the Company is pursuing are the environment, energy and biotechnologies. The challenges we face are controlling emissions of greenhouse gases that lead to global warming and early detection of adult diseases.



## High Power and Safety for Hybrid Vehicles

### Development of High-Power Lithium Ion Secondary Batteries Using Murata Specialist Monolithic Technologies

Hybrid vehicles run on gasoline engines and electric motors. Key to their widespread use is increased functionality of the secondary batteries (rechargeable batteries) that serve as a power source for their motors.

Nickel-Metal Hydride batteries are used in currently marketed hybrid vehicles. These batteries, put to practical use in 1990, provide twice the electrical power capacity of previously mainstream nickel cadmium secondary batteries, in addition to being free from noxious cadmium and offering other superior characteristics.

Murata is promoting high-power lithium ion secondary batteries for hybrid vehicles. Double the power of Nickel-Metal Hydride batteries provides superior acceleration, in addition to shorter recharge time, longer life and compact design. To realize these ideal power sources, we tied up with a large-scale battery production company and an electronic component materials manufacturer\*1. Murata, a leading

company of chip monolithic capacitors, merges its unique layering techniques, electrical double-layer capacitors\*2 once commercialized and battery material technologies, with the two companies' battery and materials technologies, and aims to bring high-power lithium ion secondary batteries to the market by fall 2008.

The car is intended to transport passengers. Therefore, ensuring of safety is of paramount importance. However, lithium ion secondary batteries use organic solvents, which has led to criticisms of uncertain safety at high temperatures. In response, Murata has employed a monolithic structure with excellent radiation performance. Furthermore, through the use of special materials, we have bolstered safety performance, with experimental results showing no ignition, even at several times overcharge of specified values. Murata is building safe and powerful ideal power sources to spread hybrid vehicles with low environmental load.

\*1 The two other companies are: ENAX, INC., a large-scale battery production company; and Daiken Chemical Co., Ltd., an electronic component materials manufacturer.

\*2 Electrical double-layer capacitor: A type of capacitor, which serves as a device that can temporarily store and discharge electrical energy. Compared with conventional batteries, these capacitors last longer and recharge more quickly.



### Ensuring Safety at Full Power in Hybrid Vehicles

#### Masanori Endo

Manager, Engineering section,  
Energy Device Business Development  
Department

We began partial sample shipments of Murata's high-power lithium ion secondary batteries in spring 2007. They are characterized by instantaneous high output and enhanced safety.

We are working on improving electrical characteristics and ensuring absolute safety with a view to supplying these batteries for hybrid vehicles. Currently, we are going through repetitions of trials and assessments.

# Contributing to the Field of Healthcare

## Development of Biosensor Using Microwave Components

Murata wants to contribute to healthcare by applying its accumulated technologies in the field of microwave components. This is the background why Murata started the biosensor development.

Those biosensors are used to detect proteins, DNA and other biomaterials in whole blood. Applications are anticipated in the clinical diagnostics for the purpose of discovering the hidden causes of diseases and quantifying the state of a patient's health.

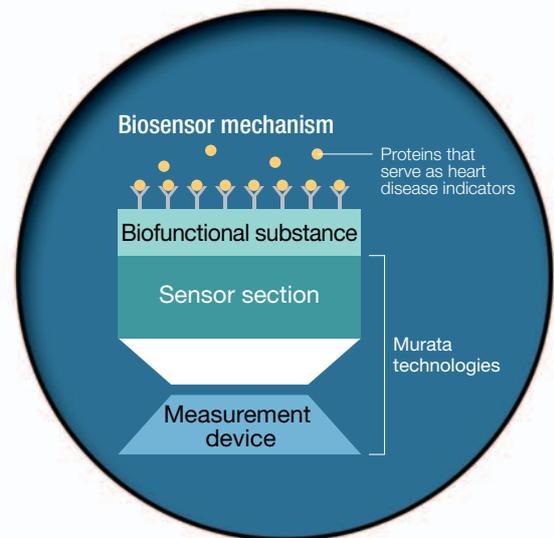
Murata has been carrying out this development jointly with a Danish venture enterprise.

Those biosensors that measure protein traces in blood apply the same technologies for the microwave components that suppress noise in mobile telephones. Of course, in the development of biosensors, the application and environment for microwave components differ from the mobile telephone applications. Murata is promoting research to find out and secure the best way to realize accurate,

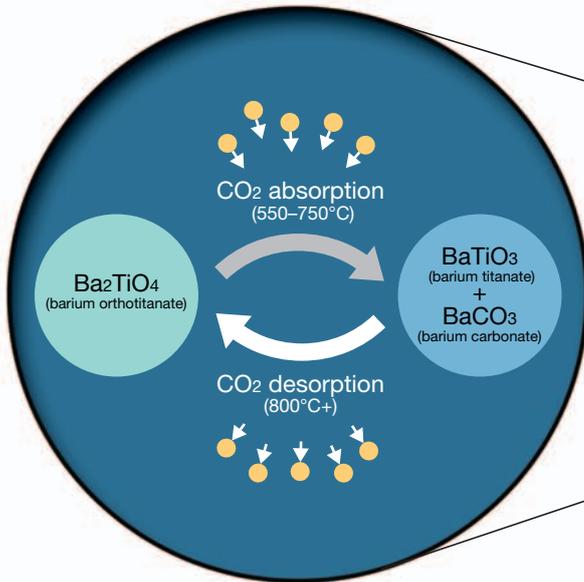
stable measurement with these new parameters.

The conventional detection equipment of this kind are very expensive and bulky, and, therefore, those are not well accepted, at this moment, in small-scale clinics and hospitals. However, developing compact and high-precision biosensors are believed to contribute much to more introduction even to small clinics, and also facilitate swift and accurate diagnosis results even by minute blood samples.

By promoting R&D of such biosensors, Murata believes that it will make major contributions to the field of medical diagnostics by providing solutions for the early detection of causes of cardiac diseases.



## A Step Taken for the Future



CO<sub>2</sub> absorbent material (barium orthotitanate)

# CO<sub>2</sub>-Capturing Ceramics

## Development of Ceramics that Absorb Carbon Dioxide

### New Materials with a Potential Role in Global Warming Prevention

Conventional CO<sub>2</sub> reduction strategies have focused on emissions control through energy reduction. However, in recent years CO<sub>2</sub> absorbent materials that recover gases after emission have also attracted attention. Murata is also currently involved in the development of such promising CO<sub>2</sub> reduction technologies, focusing on highly functional materials that can absorb approximately 100 times their own volume of carbon dioxide.

Murata has been researching effective uses for the ceramic waste materials generated by its existing capacitor production processes. In 2005, we invented efficient CO<sub>2</sub> absorption and desorption functions at high temperatures in barium orthotitanate (Ba<sub>2</sub>TiO<sub>4</sub>) synthesized using barium titanate, which is a raw material for one of the Company's major products, ceramic capacitors. Since 2006, we have been developing experimental prototypes in collaboration with a CO<sub>2</sub> recovery equipment manufacturer and are currently conducting evaluation tests.

Barium orthotitanate is

characterized by stable performance at high temperatures and durability against sustained usage. It can be used at temperatures exceeding 900°C, well outside the ranges allowed by conventional absorbent materials (100–200°C), which eliminates the need for cooling CO<sub>2</sub> prior to recovery. Accordingly, this substance has potential applications with such high-volume, high-temperature CO<sub>2</sub> producers as power generation plants and iron and steel works.

If applied to removing high-temperature CO<sub>2</sub> generated in the hydrogen gas fuel production process for fuel cells, it will facilitate generation of 98% concentration hydrogen.

Furthermore, as the CO<sub>2</sub> is recovered at a high temperature, it can easily be used as a material to synthesize other useful substances.

Barium orthotitanate, as a CO<sub>2</sub>-capturing ceramic, assists the recycling of waste materials from the capacitor production process, helping to prevent global warming. In addition, it can supply other production processes with CO<sub>2</sub>, rendering it a multipurpose, highly functional material.

### Potential Applications in Hydrogen Filling Stations

#### Yoshinori Sato

Materials Development Management Division, R&D Center

Fuel cells that can act as power sources without generating CO<sub>2</sub> are anticipated for next-generation automotive applications, although CO<sub>2</sub> is emitted as a byproduct when generating the hydrogen these cells uses as fuel.

Accordingly, applying barium orthotitanate to CO<sub>2</sub> absorption equipment at hydrogen filling stations could resolve this issue. This in turn could be a step toward the construction of the hydrogen society that is envisioned for the future.



# MURATA BOY Natural Science Classes and Environmental Learning

**For the Children of Today, Who Will Inherit the Earth of Tomorrow**

## Implementation of Environmental Learning to Communicate the Importance of Environmental Conservation

In addition to conducting its own environmental preservation measures, Murata believes that it has a corporate responsibility to communicate the importance of global environmental protection to society as a whole.

Since fiscal 2005, we have conducted programs at elementary and junior high schools in the neighborhoods of our factories and hosted presentations and other events for children to actively promote environmental education.

Environmental representatives from the Company's staff introduce current issues and Murata's activities on the themes of the 3Rs (Reduce, Reuse and Recycle) and global warming.

These highly popular events are delivered in the form of a quiz, to encourage children to enjoy themselves while deepening understanding of the importance of a recycling-based society and global warming prevention. In fiscal 2006, the second year of this program, we expanded the agenda four-fold in terms of numbers of events and participants.

## Natural Science Classes Held by Murata-Developed Robots

During fiscal 2006, we commenced natural science lessons with the objective of communicating the fun side of science to children.

These events feature the MURATA BOY robot, whose popularity with kids is spurred by appearances in television commercials. Children experience MURATA BOY close up, as he furiously peddles a bicycle, while exploring the mysteries and surprises of natural science. At the same time, the various uses in society of Murata's leading-edge technologies, such as the



"Children's Science" provides easily understandable explanations of MURATA BOY's advanced technologies in a series of books for children.

sensors and communications modules mounted in MURATA BOY, are introduced in an easily palatable fashion.

In the six months following their instigation in October 2006, such natural science classes were held 11 times in the neighborhoods of Murata's factories and subsidiaries. MURATA BOY has also been recruited to collaborate in environmental lessons. In the future, we plan to expand our range of electronics educational materials and programs.

Against the background of claims that today's youngsters are drifting away from natural sciences, Murata aims to continue to draw the attention of today's children, who carry the Earth's future, back to the environment and to science.

Children enjoy our Environmental Quiz, pitting class groups against each other. After the lessons, we are bombarded with enthusiastic resolutions to "start protecting the planet in any way we can!"



## Hopes for Children to Have Their Own Eco-Life

**Keiko Hosomi**

Environmental Management Section,  
Environmental Management Department

If even one of the children attending Murata's environmental learning programs takes environmental problems on board, he or she has a starting point for environmental conservation activities either at home or at school.

Moreover, this environmental learning provides opportunities for someone like myself, with almost no contact with children, to experience their flexible creativity and limitless energy and to find time, so rarely afforded in daily work, to enjoy being with kids.



## Feature ③ Murata's Activities for Tree Planting

# Aiming for Factories Rich with Greenery, in Harmony with Regional Communities

Since its foundation, Murata has striven to improve natural beauty, carrying out greening activities based on a clearly defined policy. We currently implement an array of measures at factory premises to harmonize with local communities.

## Ahead of its Time—Murata's Green Management

Against a background of heightened environmental awareness, in recent years the industrial sector has heralded the importance of greening activities. We have introduced a Green Basic Policy made up of 10 clauses all deriving from the legacy of our founder, Akira Murata, and his expressions of deep love of greenery and nature more than 30 years ago. This policy goes beyond compliance with the legislation specified under the Factory Location Law and stipulations by municipal authorities to aggressively promote greenery activities that create regional cultural atmosphere, and specify its preservation as our social responsibility as a corporation. Based on this policy, we encourage systematic greenery activities aiming for factories rich with natural greenery, in harmony with regional communities at our facilities across Japan.

## Harmony with Every Region's Culture and Nature

Data relating to the trees and greenery we have planted, including plant names, varieties, areas where they are planted and numbers, for each Murata factory in every country in which we operate, is compiled in a database and used to formulate planting plans. We specifically feature the flora indigenous to each urban, municipal or rural district, arranged to highlight a shifting array of seasonal flowers, blossoms, fruits and berries, fragrances, foliage and hues. In addition, we carefully maintain and manage our grounds to attract a diversity of wild birds and insects. We also throw our gardens open to the public during peak seasons for cherry, camellia, rhododendrons and other blossoms and flowers.

In recognition of long years conducting such activities, during fiscal 2006 Murata's Head Office became the first facility in the electronic components sector to obtain certification under the

Rhododendron appreciation ceremony, Yokaichi Plant

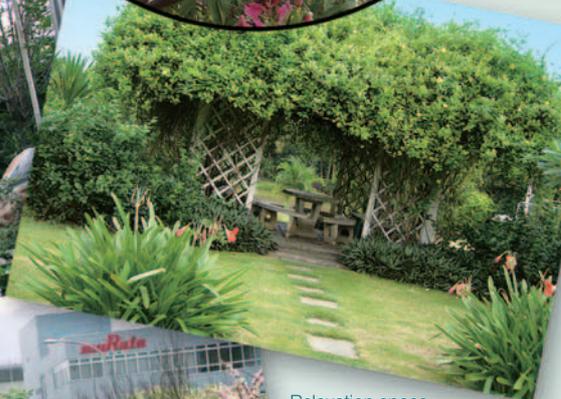


Japanese garden at Company headquarters

Open house during cherry blossom season, Izumo Murata Manufacturing Co., Ltd.



Relaxation space for employees of Murata Electronics (Thailand) Ltd.



Social and Environmental Green Evaluation System (SEGES<sup>\*</sup>). Our Yasu Plant, Yokaichi Plant and Yokohama Technical Center also underwent inspection and gained SEGES certification during fiscal 2007.

"We want our presence to be a source of joy and pride in the communities in which we operate." This slogan states Murata's commitment to contributing to regional economic development through its business activities, but it also embodies a desire

to contribute to regional environments through the creation of verdant and luxuriant spaces. In the future, Murata will continue to prioritize greenery as an expression of its regional contributions.

<sup>\*</sup> SEGES: A system facilitated by an urban greenery fund under which a third party evaluates and certifies favorable green spaces created by enterprises or other entities, and the activities conducted in those spaces. Assessment and inspection criteria span land use sustainability and management and functional optimization of green areas, in addition to the approach to and progressive measures enhance greenery in corporate premises.

# Corporate Governance

Corporate governance is one of the highest priorities of the management of the Murata Group. Taking into consideration the interests of all stakeholders, we have addressed this priority by building a sound corporate management structure and system. Concrete actions include improving management efficiency, strengthening management-monitoring functions and ensuring thorough compliance with all relevant laws and regulations.

## Reinforcing the Corporate Governance System

### Corporate Governance System

Murata has adopted the board of statutory auditors system. The Board of Directors comprised 10 directors (2 from outside the Company) as of June 28, 2007. In addition, the Company has 5 statutory auditors (3 from outside the Company).

To further reinforce supervisory and operational functions, Murata has introduced a system of vice presidents. The Board of Directors focuses on making decisions on management policies and critical business operations, as well as monitoring the performance of the Statutory Representative Directors. The Vice Presidents are responsible for management of day-to-day business operations.

Murata has also established the Executive Conference, composed of Statutory Representative Directors, and other directors who occupy Senior Vice President positions or above, as a deliberative body to assist the Board of Directors and Statutory Representative Directors in their decision-making.

### Monitoring System for Performance of Directors

Auditing policies and plans are set by the Board of Statutory Auditors. Based on these guidelines, Statutory Auditors attend Board of Directors' meetings and other important meetings. Statutory Auditors are further responsible for inspecting the operations and finances of the Company and auditing the performance of Directors from the standpoint of legal compliance and adequacy.

In addition, an organizationally independent internal auditing department (the Office of Internal Audit) controls audits by each Head office functional department, such as the General Administration, Personnel and Accounting departments). The statutory auditors and the Board of Statutory Auditors exchange viewpoints with the Office of Internal

Audit, present the board's auditing policies and plans to the office and receive reports on internal auditing plans, implementation and other matters concerning the internal auditing system. A close working relationship is maintained between all parties in an effort to ensure audit efficacy.

## Establishment of the Internal Control System

### Internal Control Committee to Evaluate the Development and Operational Status of the Internal Control System

The Internal Control Committee was established as an advisory body to the President for the purpose of the maintenance and continuous improvement of the system for assuring appropriateness of operations (Internal Control System).

This committee collaborates with related divisions regarding response to the Japan SOX Law (Financial Instruments and Exchange Law of 2006) to maintain and continuously improve the Group's Internal Control System to assure the reliability of financial reporting.

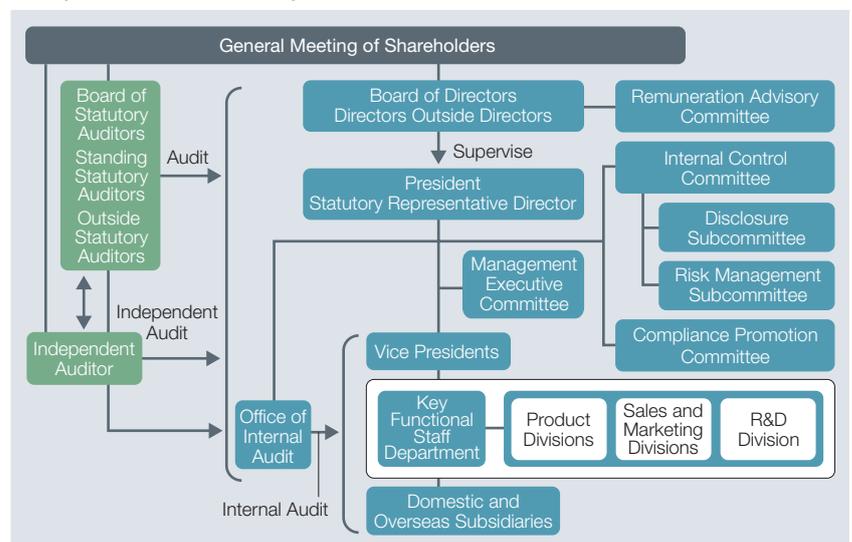
### About the Internal Control System

Internal control is a mechanism to determine, manage, supervise and guarantee specific standards for each aspect of business to ensure a sound organization that operates in an effective and efficient manner, free from illegal and improper conduct.

### About the Japan SOX Law

The Financial Instruments and Exchange Law of 2006 (Japan SOX Law) was enacted to ensure the adequacy of financial auditing systems and reinforce the internal control of listed companies and their consolidated subsidiaries. The Japan SOX Law is so called because it derives from the Sarbanes-Oxley Act of 2002 (SOX) in the United States.

## Corporate Governance System (as of March 31, 2007)



# Compliance

For our growth and development as a global corporation, it is vital to practice honest and fair business activities. We have formulated and enforce our Corporate Ethics Policy and Code of Conduct to ensure that employees comply with laws and regulations and act in an ethical manner.

From June 2007, the revised version of the Murata Corporate Ethics Policy and Code of Conduct is available on our website. We have also distributed to our overseas Group companies English and Chinese translations, which are also available on our website.

URL: <http://www.murata.com/csr/csr/02-02.html> (English)  
 URL: <http://www.murata.com/cn/csr/csr/02-02.html> (Chinese)

## Corporate Ethics Policy and Code of Conduct

### Linking Common Sense as Corporate Citizens to Voluntary and Autonomous Activities

The Corporate Ethics Policy and Code of Conduct was established in July 2002 and revised in April 2007 to ensure that both corporate officers and employees implement Murata's corporate philosophy and act on common sense as corporate citizens.

The revised edition of 2007 reflects newly enacted laws and legislative amendments subsequent to the original 2002 version. In addition, in the revised edition, we have declared that we will act proactively with emphasis on "empathy with others," responding to requests from society.

They take correspondence courses and participate in dedicated group training sessions and other activities after the example of Murata Manufacturing Co., Ltd.

## Compliance Promotion System



### About Compliance

Compliance is the abidance by laws and all other types of regulations and social rules in a company's business and activities.

## Compliance Promotion

### Appointing Compliance Promotion Leaders in Each Group Company in Japan

In 2002, we established the Compliance Promotion Committee as an advisory body directly reporting to the President. This body comprises five or more corporate officers and senior employees. It approves basic direction for planning and executing revisions and publicity activities for the Corporate Ethics Policy and Code of Conduct, deliberates on Companywide measures toward ethical and legal violations and improper conduct and makes remedial recommendations.

In addition, divisions select compliance promotion leaders, who take correspondence courses and participate in dedicated group training. They share the knowledge they have acquired through these training programs with other members in their divisions via study meetings and other means.

Compliance promotion leaders are also appointed at our group companies in Japan.

## Reporting System

### Establishment of the External Consultation Liaison Division

Murata has established a direct reporting system for consultation over concerns or problems relating to compliance with the Secretariat of the Compliance Promotion Committee or the External Consultation Liaison Division by telephone, email or other means. This service is anonymous and open to directors and employees, as well as their families, temporary staff, clients and their employees and other parties.

From April 2007, this reporting system is also available to our group companies in Japan.

# Risk Management

Business operations carry a variety of risks. Murata has established a system of risk prediction and flexible response to preempt or swiftly resolve these risks.

## Risk Management

### Establishing an Organization Responsible for Risk Management

Murata has established a Risk Control SubCommittee within the Internal Control Committee to respond to the various risks of business activity. In addition, we have set up an organization in charge of risk management, which handle risk identification, assessment and countermeasures. Each corporate staff department takes responsibility for managing risks in its everyday business and taking proactive steps for the prevention of escalation of risks to problematic levels.

## Major Risks and Responses

### Information Risks

#### —Protection of Personal Data

We believe that the protection of any information by which an individual can be identified (personal data) is an important corporate responsibility. In March 2005, Murata established its Privacy Policy, and has stipulated the handling of personal data in its Privacy Policy Basic Rules.

Specific strategies we have constructed to protect electronic data include the appointment of data security control officers, implementation of a firewall against external intrusion and data encryption for additional security of portable data. In addition, Murata has issued a “Data Security Guidebook” to foster understanding and promote appropriate actions among employees and is carrying out self-checks and education programs.

### Export Risks

#### —Strict Export Management System

Overseas sales account for approximately 75% of Murata’s consolidated net sales. In addition, our products may be used in a broad range of electronic equipment. Accordingly, export management is of paramount importance for us. In order to make contributions to the maintenance of the international peace and security, and to supply products to our valued customers continuously, Murata has established and implemented a fundamental policy to comply with not only legal requirements but also the intent of laws, regulations and the social requirements behind them. Murata has stipulated the “Export Control Compliance Program” and has strictly implemented transaction screenings before exporting our products, and furthermore, has conducted training for employees and audits on a periodic basis for the purpose of appropriate operations.

### Natural Disaster Risks

#### —Earthquake and Fire Simulation System

To minimize the effect of production line stoppages in the event of natural disasters, we have equipped our buildings and production facilities with anti-seismic and safety equipment and fire-prevention materials, secured backup power sources and taken various other measures. Furthermore, Murata has set up a Disaster Prevention Committee and formed self-protection fire-fighting teams and other units. To ensure appropriate response from employees in eventuality of disasters, we conduct periodic emergency drills that simulate the onset of earthquake or the outbreak of fire.

Fire drill at Murata’s Himi Murata Manufacturing Co., Ltd. These exercises are carried out three times a year at this facility.



#### Web Data

- Intellectual Property Management / Spillage Risk
- Response to the Noto Earthquake / Fire Risk Response

▶ <http://www.murata.com/csr/csr/03.html>

▶ <http://www.murata.com/csr/csr/03.html>

# Economic Relations with Stakeholders

Murata believes that the appropriate distribution of profits generated by its business activities, or its economic value, to its various stakeholders is essential to the ongoing development of society.

## Pursuing Appropriate Economic Value Distribution

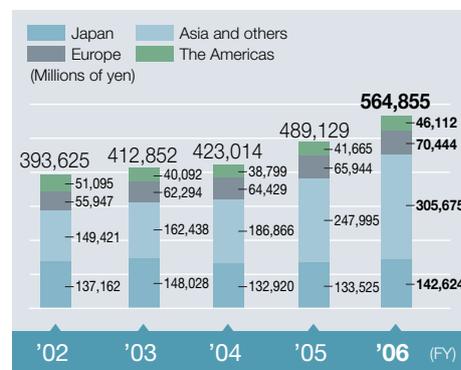
### Striving to Distribute Profits Properly with the Economic Impact on Society in Mind

A company's activities are simply the exchange of money and commodities between its various stakeholders, which is to say, economic activities. Such activities extend beyond the economic impact on the related parties of directly giving and receiving merchandise and cash to encompass the indirect effect on regional, national and global economic systems. Murata's business activities are no exception to these rules. We want the influence that our economic activities have on stakeholders and on society to be a positive one.

Accordingly, the Company takes stock of the economic impact of its activities on stakeholders and on society, and, while maintaining the necessary levels of internal reserves, strives to distribute appropriately the generated economic value to its stakeholders. However, at this point it is very difficult to assess all these influences. This section therefore mainly reports on identifiable direct influences.

aware of the scale of influence that our activities exert on the world's electronics industry, and we always endeavor to generate industry-leading new value and to secure a stable supply of products.

### Sales by Area



### Suppliers—Honoring Contracts and Appropriate Compensations

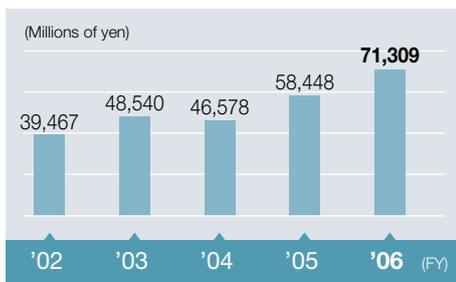
Murata procures equipment and materials and parts for its products from a broad range of electronics components, semiconductors and equipment manufacturers in Japan and overseas. Through sound procurement activities, we honor contracts with our suppliers and comply with all relevant laws, facilitating the formation of mutually prosperous relationships.

### Shareholders—Striving for Stable Dividend Increases

Murata's shareholders number 66,000. Of the total 225,263,000 shares of stock we have issued, 44.8% are held by financial institutions, 37.7% by overseas corporations, 3.8% by Japanese corporations and 13.7% by private and other minority investors.

Our policy on distributing earnings to shareholders is to prioritize performance-based allocation via cash dividends. We are committed to increasing the dividend in a stable manner by increasing earnings per share while giving consideration to raising long-term corporate value and strengthening the company's foundation. On the basis of this policy we distribute earnings to shareholders through cash dividends after

### Net Income

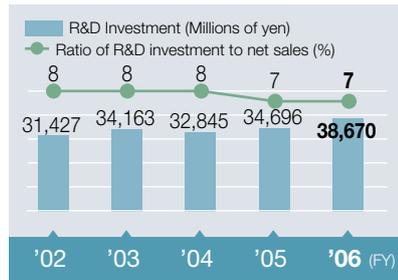


## Economic Consideration for Stakeholders

### Customers

As an electronic component manufacturer, Murata earns its profits by selling its electronic components and devices to the electronic equipment manufacturers that form its customer base. Our operations are characterized by providing quality products and services to customers worldwide, deriving some 75% of consolidated net sales overseas. In particular, we hold the leading world market share for chip monolithic ceramic capacitors. Accordingly, we are

## R&D Investment



## Capital Investment



comprehensively considering consolidated performance, the payout ratio, and the level of internal reserves necessary for reinvestment in the company's future. Murata repurchases its own stock as appropriate and endeavors to raise capital efficiency while accommodating changes in the operating environment.

The annual dividend for fiscal 2007 was ¥90 (interim dividend of ¥40 and year-end dividend of ¥50), an increase of ¥20 per share from the previous term.

We plan to raise the full-year dividend for fiscal 2008 by another ¥10, to ¥100 per share (interim dividend of ¥50 and year-end dividend of ¥50). This dividend is based on the current business environment and performance forecasts for fiscal 2008.

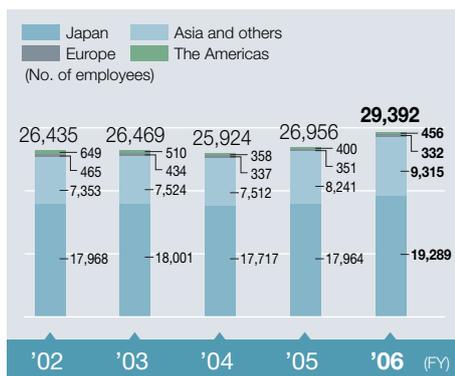
## Annual Dividend per Share



## Employees—Bolstering Employment in Japan and Overseas

Roughly speaking, Murata's workforce numbers approximately 29,000 people (19,000 in Japan and 10,000 overseas). These employees are spread over 23 locations in Japan and 33 abroad. Currently,

## Employees by Area



we are aggressively promoting local recruitment and employment. Our policy on remuneration is to disregard seniority factors, in favor of determining fair and objective compensation that emphasizes skills and performance.

## Local Communities—Regional Stimulation and Disaster Victim Relief

In addition to science and environmental education programs for children, Murata contributes to local societies by providing support for local sports and cultural activities, participating in and sponsoring community events, carrying out environmental improvement programs for welfare facilities and other activities.

During fiscal 2006, domestic Murata Group companies donated a total of ¥372 million in support and financial aid. Recipients included basic research projects via the Murata Science Foundation and disaster relief of ¥12 million for victims of the July 2006 Java earthquake and the March 2007 Noto earthquake.

## Governments and Public Administration—Paying Taxes in Each Region Where We Operate

One of Murata's policies is to maintain stable management and continuous tax payments. Income taxes for fiscal 2006 totaled ¥46,694 million.

## Corporate and Other Taxes



## About R&D and Capital Investment

As previously stated, the economic value that Murata generates is distributed to stakeholders and used as investment in research and development and capital investment for the Company's future.

## About Income Taxes

This is the amount of income taxes as stated in the Consolidated Statement of Income.

# Murata and the Environment

## Murata Group Environmental Policy

**Concept** In the desire to contribute toward the realization of a truly rich human society, we develop superior 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.

## Corporate Environmental Policy

- ① We do not confine ourselves to the mere observance of environmental laws and regulations; rather, we seek to establish voluntary management standards and to improve our management standards regarding environmental protection.
- ② We will strive to reduce the environmental impacts of our products.
  1. In our R&D and design activities, we will consider approaches that will minimize the environmental impact of our products.
  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.
  3. In an effort to minimize the amount of packaging materials used with our products, we will adopt a "reduce, reuse and recycle" policy.
  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.
  1. To help prevent global warming, we will implement energy conservation and reduce greenhouse gas emissions.
  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. 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.



# Environmental Management

Based on its management system to raise the efficiency of its environmental management, Murata is integrating Group ISO certification, conducting environmental audits and carrying out environmental education programs. Through such initiatives, we are united as a Group in promoting environmental management.

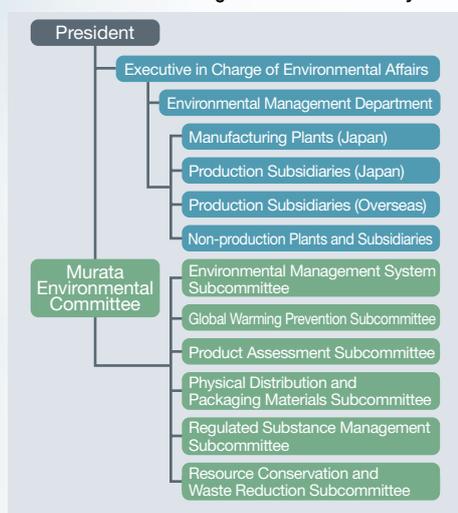
## Environmental Management Promotion System

### Promoting Environmental Management as a Group

Murata has appointed an executive in charge of environmental affairs who is responsible for environmental activities throughout the Group. The Environmental Management Department takes the role of promoting Murata's environmental activities. As a consultative body to the president, the Murata Environmental Committee examines and deliberates environmental issues facing each company of the Murata Group. Furthermore, as subordinate organizations of the Environmental Committee, subcommittees address specific themes. Each of these subcommittees identifies pertinent issues and proposes concrete measures to address related problems.

From fiscal 2007, the Environmental Committee has been supplemented by divisional staff to bolster investigations into and to determine measures for reducing the environmental burden from the planning and development stages.

### Environmental Management Promotion System



## Environmental Audits

### Three Internal Audit Channels to Address Problems

Murata has three types of internal audits at its manufacturing plants and production subsidiaries.

The results of our fiscal 2006 internal audit showed four cases of nonconformance and 298 cases in need of improvement for the Murata Group in Japan. Remedial action was completed for 290 cases by the end of fiscal 2006. The remaining eight cases were resolved by the end of July 2007.



Our in-house publication, *Journal Murata*, includes an annual environmental feature, facilitating sharing of information by showcasing the progress of and case studies for environmental measures throughout the Company.

### Murata's Three Types of Internal Audits

Audit Name	Agenda
<b>Plant Internal Self-Audit</b>	We have established a management standard for day-to-day business, which forms the basis for the monitoring of operations and identification and correction of noncompliance. In addition, an audit is conducted once a year by the Internal Environment Audit Team to investigate whether various prescribed rules can be followed correctly.
<b>Functional Staff Audit by the Environmental Management Department</b>	This audit is conducted regularly to complement inspections by the external auditing entity to compensate for specialist areas not covered by plants' internal self-audits.
<b>Audit by Auditors</b>	This annual audit spans inspecting and verifying from an auditor's standpoint whether environmental management system construction and operation are being appropriately implemented and checking for overall consistency. If necessary, the auditors provide their comments as feedback.

## Environmental Education and Promotion

### Raising the Environmental Awareness of Every Employee

Murata provides various educational opportunities to enhance understanding by all employees of environmental vision and policies set forth by corporate management and the initiatives implemented by the respective divisions.

Specifically, we organize dedicated environmental education programs for new, existing and managerial staff members and offer training courses to cultivate internal environmental auditors and individual education programs for employees in roles with potential high environmental impact.



Courses for staff to train as internal environmental auditors include intensive drills and training to foster practical expertise.



Web Data ● List of ISO 14001-Certificated Factories

▶ <http://www.murata.com/csr/environment/02.html>

# Environmental Action Plan and Performance

Murata has established an Environmental Action Plan to promote strategic reductions to its environmental burden. Results during fiscal 2006 against the context of the plan were as follows.

## Performance for Fiscal 2006

### Seventeen Targets Achieved

Of the 20 targets set for the year under the Environmental Action Plan, only three remain to be fulfilled. Specifically, despite strategies to cut volumes of volatile organic compound (VOC) emissions and atmospheric emissions of perfluorocarbons (PFCs), production growth rendered some goals unattainable.

Targets that have not yet been achieved and ongoing measures carried over to fiscal 2007.

### Establishment of the 4th Environmental Action Plan

Based on the results for fiscal 2006, we have reassessed the focus of our measures and reset those targets that have already been met to formulate the 4th Environmental Action Plan in March 2007. Our annual goals are established with a view to achieving targets for fiscal 2010, with individual objectives also fixed for each manufacturing plant.

In addition, the Company's new targets have been expanded from a former focus on domestic operations to include overseas factories.

Each manufacturing plant implements its own measures toward achieving the plan's targets, in addition to a heightened emphasis on intra-Group activities.

#### About Regenerative Thermal Oxidizers (RTOs)

RTOs combust VOCs at temperatures of 800°C or above to achieve 98% decomposition or detoxification.



Web Data

● Environmental Targets for fiscal 2010

▶ <http://www.murata.com/csr/environment/03.html>

## Third Environmental Action Plan: Targets and Results for Fiscal 2006 and Plans for Fiscal 2007

Item		Targets for Fiscal 2006
Environmental management	Enhancing environmental management system	Obtain ISO 14001 multi-site certification for the Murata Group in Japan
		Establish internal control procedures for environmental costs/results; extend environmental cost management systems to overseas subsidiaries
Supplying environmentally friendly products	Environmentally conscious designs	Compile a database to make LCA data computation more efficient
	Reducing use of environmentally hazardous substances in products	Complete elimination of all RoHS-designated substances
		Reduce use of halogenated flame retardants 20% compared with FY2003
	Managing information related to environmentally hazardous chemical substances	Compile and commence operation of a database for procured materials (MADB)
	Reducing use of packaging materials and conserving energy consumed in distribution	Reduce amount of packaging materials used per unit of net production in Japan by more than 20% compared with FY2000
		Reduce CO <sub>2</sub> emissions from physical distribution per unit of net production in Japan by more than 20% compared with FY2000
Green procurement	Extend domestic materials greenness survey mechanism to overseas sites; establish green activities at overseas sites	
	Achieve a green procurement ratio for office supplies approaching 100% for offices in Japan (disclosure of green procurement results)	
Eco-friendly business activities	Global warming prevention	Reduce CO <sub>2</sub> emissions per unit of net production in Japan by more than 23% compared with FY1990
	"Reduce, Reuse, Recycle" for resources and waste	Reduce total waste emissions per unit of net production in Japan by more than 35% compared with FY2000
		Attain a material recycling rate in Japan of 100%
	Managing and reducing environmentally hazardous chemical substances used in production processes	Reduce water consumption per unit of net production in Japan by more than 35% compared with FY2000
		Reduce atmospheric emissions of VOCs which contribute to generation of photochemical oxidants and suspended particulates by more than 3% compared with FY2000
Risk management	Reduce atmospheric emissions in Japan of PFCs which contribute to greenhouse gases by more than 50% compared with FY2002	
Social activities	Environmental communications	Introduce remediation improvement measures to reduce currently excessive remediation time at plants and subsidiaries where soil and groundwater pollution has been confirmed
		Continue to issue annual CSR report and release additional information two or more times per year via other media
	Community / social contribution activities	Issue CSR report
		At every plant and subsidiary, participate in environmental education programs and events for elementary and junior high school children, carry out cleanup activities in local areas, and support NPO/NGO, etc.

	Results for Fiscal 2006	Achievement	Plans for Fiscal 2007
	<ul style="list-style-type: none"> <li>Inspection completed in January; switch to multi-site certification at the end of March</li> </ul>	Yes	
	<ul style="list-style-type: none"> <li>Investigated, but were unable to establish, internal control procedures</li> <li>During the first half of 2007, Environmental Management Department will formulate proposals to submit to operational sites</li> <li>Extension to overseas subsidiaries delayed until after the establishment of internal control procedures</li> </ul>	—	<ul style="list-style-type: none"> <li>Complete EMS (Environmental Management System) integration in Japan</li> <li>Hold meetings of officers responsible for environmental management in Japan, China and ASEAN countries (to be held regularly thereafter)</li> <li>Commence operation of environmental cost management systems overseas</li> </ul>
	<ul style="list-style-type: none"> <li>Compiled a database of materials by unit CO<sub>2</sub> emissions to make LCA calculations easier</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Continue product assessments</li> <li>Conduct surveys to construct a mechanism for efficient LCA unit compilation from site environmental databases</li> </ul>
	<ul style="list-style-type: none"> <li>Eliminated stipulated substances for all RoHS-designated products</li> <li>Response completed by May 2006 for 99.9% of orders for all products on a numerical base; the remaining 0.01% are products eligible for RoHS special control (Our President determined at the request of customers)</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Revise list of RoHS exemptions→clarify reductions and eliminations and establish target values</li> <li>Polyvinyl chloride (PVC)→establish special interest group to investigate countermeasures (clarify targets, prioritize alternative assessments)</li> <li>Bromine flame retardants→establish special interest group to investigate countermeasures (clarify reduction targets, set numerical values)</li> </ul>
	<ul style="list-style-type: none"> <li>Use of halogenated flame retardants reduced 34% compared with FY2003</li> </ul>	Yes	
	<ul style="list-style-type: none"> <li>Determined MADB system requirements and completed system construction</li> <li>The system commenced operations in May 2007</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Develop product database (for ASC modules)</li> </ul>
	<ul style="list-style-type: none"> <li>Packaging materials used per unit of net production reduced 23.1% compared with FY2000</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Reduce amount of taped packaging used at domestic GR/BLM sites by 42% per unit of net production in Japan compared with FY2000</li> </ul>
	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions from physical distribution per unit of net production reduced 26% compared with FY2000</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions from physical distribution per unit of net production in Japan by more than 30% compared with FY2000</li> </ul>
	<ul style="list-style-type: none"> <li>Issued Greenness Survey Procedures (for overseas plants) in December 2006 and commenced surveys</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Continue to promote greenness surveys in response to legal stipulation in Japan and overseas and maintain a green procurement ratio for production materials of 100%</li> </ul>
	<ul style="list-style-type: none"> <li>Achieve a green procurement ratio for office supplies for FY2006 of 99.8%</li> </ul>	Yes	
	<ul style="list-style-type: none"> <li>CO<sub>2</sub> emissions per unit of net production reduced 38.8% compared with FY1990</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Reduce CO<sub>2</sub> emissions per unit of net production in Japan by more than 23.5% compared with FY1990</li> <li>Assess status of CO<sub>2</sub> emissions at overseas manufacturing plants</li> <li>Convert 56% of the domestic Company fleet to low-pollution vehicles</li> </ul>
	<ul style="list-style-type: none"> <li>Total waste emissions per unit of net production reduced 39.0% compared with FY2000</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Reduce total waste emissions per unit of net production in Japan by more than 40% compared with FY2000</li> <li>Assess status of waste generation at overseas manufacturing plants</li> <li>Clarify definition of "zero emissions" at overseas manufacturing plants and attain a waste recycling ratio calculated using this definition of 70% or more</li> <li>Reduce water consumption per unit of net production in Japan by more than 40% compared with FY2000</li> </ul>
	<ul style="list-style-type: none"> <li>Attained a material recycling rate in Japan of 100%</li> </ul>	Yes	
	<ul style="list-style-type: none"> <li>Water consumption per unit of net production reduced 40.0% compared with FY2000</li> </ul>	Yes	
	<ul style="list-style-type: none"> <li>VOC atmospheric emissions rose 10.1% compared with FY2000</li> <li>Target not yet achieved, despite introduction of RTOs at Yasu Plant and other reduction measures, as a result of overall production increases</li> </ul>	—	<ul style="list-style-type: none"> <li>Reduce atmospheric emissions of VOCs to FY2000 levels</li> <li>Reduce atmospheric emissions in Japan of PFCs by more than 38% compared with FY2002</li> <li>Establish reduction targets by 2010 for PRTR-designated substances</li> </ul>
	<ul style="list-style-type: none"> <li>Atmospheric emissions of PFCs reduced 33.9% from FY2002</li> <li>Target not yet achieved, despite promotion of alternative substances at Toyama Murata Manufacturing Co., Ltd., and other reduction measures, as a result of overall production increases</li> </ul>	—	
	<ul style="list-style-type: none"> <li>Measures implemented as scheduled at the relevant plants and subsidiaries</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Continue remediation of soil and groundwater pollution building on past experiences and maintain a system with minimal environmental risk</li> <li>Reduce soil pollution and other environmental risks when conducting work that involves landscaping</li> </ul>
	<ul style="list-style-type: none"> <li>CSR Report 2006 published</li> <li>Posted "What's New" bulletins four times on the Murata website</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Continue to issue annual CSR report and site reports</li> <li>Hold environmental roundtable discussions with local university students</li> </ul>
	<ul style="list-style-type: none"> <li>Posted CSR site reports by plants and subsidiaries on the Murata website</li> </ul>	Yes	
	<ul style="list-style-type: none"> <li>Environmental education programs: 24 schools, 1,300 participants</li> <li>Environmental events: 5 plants or subsidiaries, 7 events</li> <li>Cleaning activities: All facilities</li> </ul>	Yes	<ul style="list-style-type: none"> <li>Inaugurate a Murata Forest (tentative name) Preparation Committee, to include former employees, and commence related activities</li> <li>Continue environmental education programs and events for elementary and junior high school children and NPO/NGO support</li> <li>Continue developments under the Mid-Term Greening Plan</li> <li>Gain SEGES certification (Yasu and Yokaichi plants)</li> </ul>

# Overview of Environmental Impact

Murata identifies and analyzes the influence on the environment of its products throughout their lifecycles. We then endeavor to reduce the environmental impact of products and production activities.

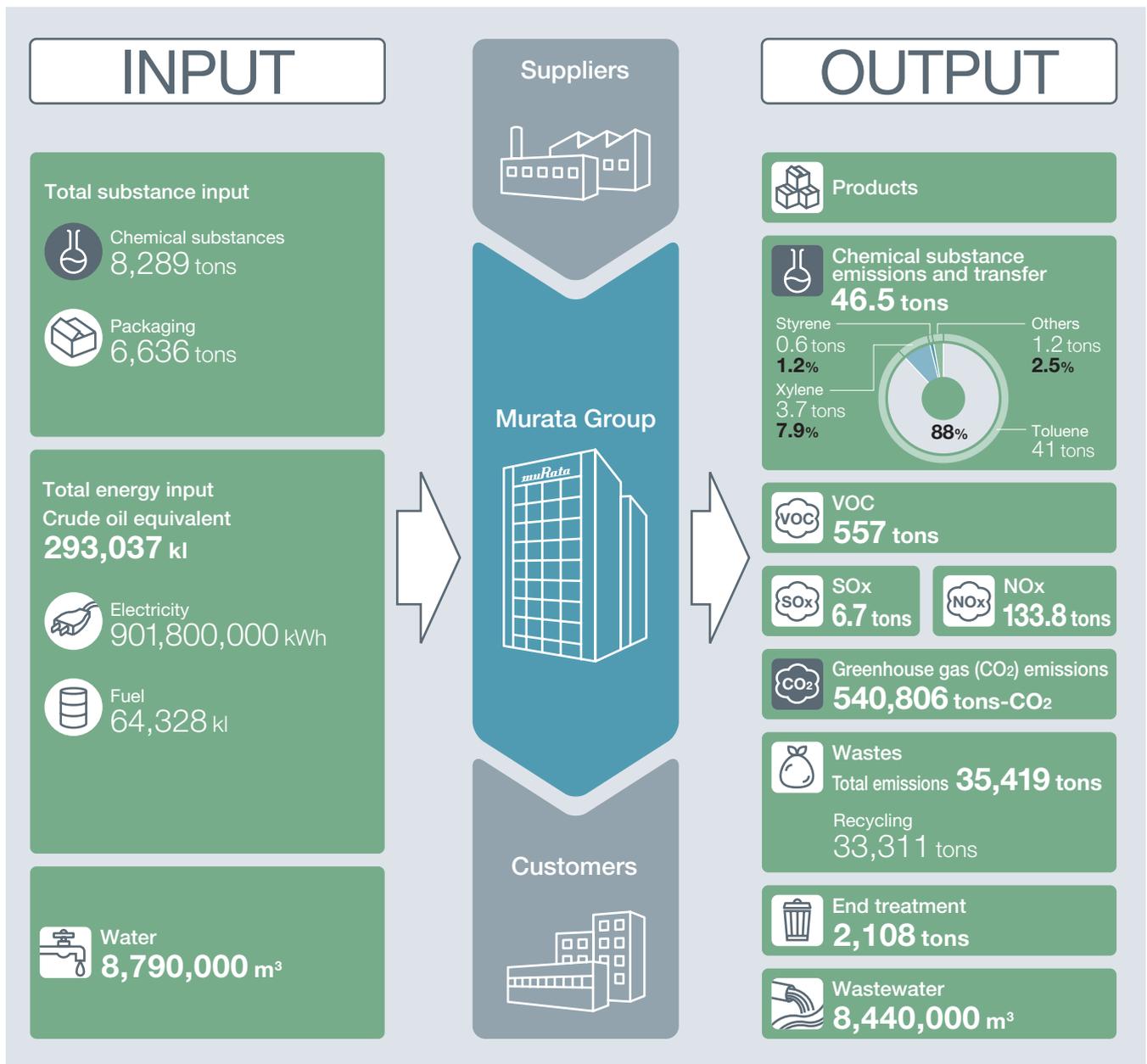
### Data Calculation Method

“Total substance input” and “Chemical substance emissions and transfer” represent totals for manufacturing plants and subsidiaries in Japan. Other figures represent totals for manufacturing plants and subsidiaries in Japan and overseas.

### Chemical Substance Input/ Emission Reduction Issues

The raw materials for Murata’s products contain numerous chemical substances. The Company manages these substances strictly and properly, while striving to reduce the quantities used.

In addition, we recognize the discharge of chemical substances (pollution) generated by manufacturing into the atmosphere and waterways and CO<sub>2</sub> emissions as issues of paramount importance. Consequently, we are continually striving to reduce such waste.



# Environment Accounting

Murata attains efficient environmental management by evaluating and analyzing the costs of environmental protection in its environmental activities and the results of these activities.

## Environmental Cost Management

### Plans to Extend Our Cost Management System Overseas

Murata established its cost management system in 2003. This initiative enables the Company to evaluate the costs of environmental activities in its domestic manufacturing plants and subsidiaries and the results of these endeavors. Through the system, this information is subsequently linked to ongoing activities to reduce our environmental impact.

Since fiscal 2006, we have been preparing to introduce this system in our overseas factories. After surmounting various difficulties, the system is due to start operation from fiscal 2008.

## Results and Analysis for Fiscal 2006

### Increase in Investment to Prevent Pollution

During fiscal 2006, the cost of Murata's environmental activities was ¥4 billion, and investment expenses totaled ¥1.7 billion.

Investment in such energy reduction technologies as cogeneration systems as part of our strategy to curb global warming dropped, leading to a decline in global environmental conservation investment. However, investment in pollution prevention increased, spurred by the installation of gas emission and wastewater treatment facilities accompanying new manufacturing plant construction.

Results of environmental activities included a reduction of 170,000 tons in greenhouse gas emissions arising from aggressive introduction of double-bundle refrigeration equipment.

## Environmental Accounting

Classification		Costs (Millions of yen)		Investment (Millions of yen)	
		Fiscal 2005	Fiscal 2006	Fiscal 2005	Fiscal 2006
Cost manufacturing plant premises	Pollution prevention	464	<b>470</b>	239	<b>893</b>
	Global environmental conservation	364	<b>319</b>	1,178	<b>512</b>
	Recycling	1,326	<b>1,511</b>	190	<b>109</b>
Cost for upstream/downstream environmental conservation		149	<b>120</b>	0	<b>0</b>
Cost of management activities		429	<b>472</b>	0	<b>97</b>
Cost of social activities		164	<b>200</b>	1	<b>1</b>
Cost of R&D		1,468	<b>930</b>	129	<b>96</b>
Cost of environmental damage		0	<b>0</b>	0	<b>0</b>
<b>Total</b>		<b>4,364</b>	<b>4,022</b>	<b>1,737</b>	<b>1,708</b>

1. The scope of accounting includes Murata Manufacturing's plants and 17 subsidiaries in Japan.
2. The accounting term is the 12-month period from April 1, 2006, to March 31, 2007.
3. Costs include labor and depreciation.
4. Proportional accounting is applied for compounded costs, in which the cost of environmental conservation is embedded in other costs.
5. Research and development costs are the total expenses for R&D intended primarily for environmental conservation.



Web Data

● Environmental Accounting  
(Economic Effects/Physical Effects)

▶ <http://www.murata.com/csr/environment/05.html>

# Eco-Friendly Design

Murata's products (electronic components) can be found in electronic equipment produced worldwide. We are fully aware of the degree to which products influence the environment, and make the reduction of environmental impact by products a priority issue.

## Manufacturing Environmentally Conscious Products

### Introduction of Product Assessment at the Mass-Production Stage

Murata is promoting eco-friendly design, with an emphasis on reducing regulated chemical substances contained in products, cutting electricity consumption and utilizing resources effectively through downsizing.

Since November 2004, we have implemented a product assessment system throughout the Group to evaluate the environmental impact of products. This system extends beyond the development stage, spanning preproduction prototyping and market introduction to confirm that Murata's products are environmentally considerate.

### Introduction of Lifecycle Assessment (LCA), through Product Use and Disposal

In addition to product assessments, Murata is focusing on lowering the environmental burden of its products throughout their lifecycles. In 1995, Murata established its LCA Subcommittee, and in 1999 introduced LCA into its R&D process. Through this evaluation method, CO<sub>2</sub> emissions, consumption of principal raw materials and other data are analyzed for representative products. LCA is being applied to Murata's own production

facilities, which are designed in-house, in addition to marketed products.

During fiscal 2006, we constructed a database of CO<sub>2</sub> emissions by materials, which will effectively simplify LCA data calculations.

### Product Assessment Items

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

#### About Lifecycle Assessment (LCA)

Lifecycle assessment is a method of quantitatively assessing all the environmental influences imparted by a product throughout its lifecycle, from resource extraction through manufacturing, sales, use and disposal.

#### Handling Products Not Covered by RoHS

For regions and applications not covered by the RoHS directive, we operate a framework of autonomous restraint whereby we do not endorse production of manufacture and sales of non-RoHS-compliant products without management-level clearance.

## Managing Environmentally Hazardous Chemical Substances

### Attaining Targets for Environmentally Hazardous Chemical Substance Reduction

Electrical components necessarily contain substances with the potential to damage the human body and the environment. Murata is striving to reduce or eliminate environmentally hazardous chemical substances, including substances not prohibited by laws and regulations.

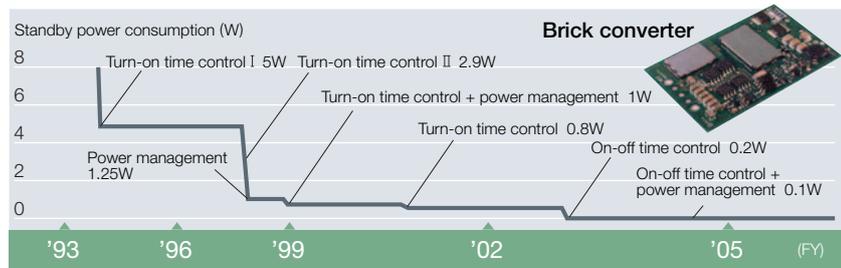
During fiscal 2006, we promoted conversion to alternative substances and developed alternative technologies:

1. To eliminate substances stipulated under the RoHS directive in Europe
2. To reduce usage of halogenated flame retardants by 20% from fiscal 2003 levels

As a result of these endeavors, in May 2006 Murata completed its responses to the RoHS directive in Europe for all products other than RoHS-specified exceptions.

In addition, we cut usage of halogenated flame retardants by more than 30%.

### Standby Power-Saving Circuit Technology (Example of the power savings achieved through the Company's technical development)



#### Web Data

- Standards for Environmentally Hazardous Chemical Substances
- Management of Information on Environmentally Hazardous Chemical Substances

▶ <http://www.murata.com/csr/environment/06.html>

▶ <http://www.murata.com/csr/environment/10.html>

# Green Procurement and Purchasing

In the acquisition of materials, Murata applies a green procurement policy to items used in production and green purchasing to parts and materials used for other applications. We also evaluate the environmental soundness (“greenness”) of suppliers, prioritizing suppliers that have been actively working on environmental conservation activities.

## Promotion of Green Procurement

### Evaluating a Supplier’s Greenness

Murata has compiled a Green Procurement Standards sheet that outlines its concept and requirements for suppliers regarding green procurement. We promote procurement on this basis with the understanding and cooperation of suppliers.

Before dealing with new suppliers, we investigate their environmental management systems (such as for ISO 14001 or KES certification) and guarantees for delivery of parts and materials not containing chemical substances prohibited by laws and regulations. An appropriate chemical substance management system is a decisive factor in our approval of a new supplier.

For current suppliers, we conduct “assessments of all suppliers” and “assessments of high-risk suppliers” on alternate years. We issue written notification of the need for improvement to suppliers that receive a low evaluation and provide guidance through audits.

If there are no improvements, our strict policy is to investigate the termination of our relationship with these suppliers.

### Criteria for the Greenness of Suppliers

- Environmental management system
- Management system for chemical substances
- Submission of certification concerning the six RoHS-designated substances

### Surveys on the Greenness of Materials

As standards for materials (chemical substances, products and packaging) used in products, Murata has established its own standards for prohibition or reduction of use in accordance with laws and regulations and in response to customer requests. Before adopting any materials, we conduct “green surveys” at all domestic manufacturing plants to confirm that they conform to these standards. Our expert staff stringently examines chemical substances cited as requiring cautious use and handling. Materials

## Employee Perspective

### Working with Suppliers to Respond to the RoHS Directive

We need to make components and materials mounted in Murata’s products free from regulated substances to ensure that this is also true of the products themselves. This is one of the most important responsibilities for the Materials Department. Recently, responses to the RoHS directive have unfolded with tremendous force. Since October 2004, evaluation methods for management conditions and confirmation methods for actual status at suppliers, which are of increasing importance, have been standardized, and we have been conducting audits along with the Quality Control Division. By suppliers recognizing the need for and importance of the management of regulated substances, we have been able to introduce a system for the prevention of fatal accidents.



Yoshihiro Kirihata

Purchasing Quality Control Section,  
Production Engineering Unit,  
Purchasing Department

meeting the criteria of these examinations are registered in a database. We have introduced and implement measures to ensure that we do not procure any chemical substance not registered in this database.

Overseas, we have been conducting surveys on the greenness of procured materials. However, in December 2006, we issued “Greenness Survey Procedures” (for overseas plants) with the aim of establishing consistent groupwide rules. These guidelines were implemented during fiscal 2006.

## Expanding Green Purchasing

### Prioritizing Purchasing of Compliant Merchandise

We define “green products” as goods that comply with the Law on Promoting Green Purchasing and goods endorsed with recognized environmental labels.

As of March 2007, the green purchasing ratio in our domestic manufacturing plants exceeded 99% on an itemized basis. We are redoubling our efforts to achieve 100% green purchasing ratio.



### About KES

The Kyoto Environmental Management System comprises specifications for environmental management systems developed by the Miyako Agenda 21 Forum that are easily applicable by small and medium-sized enterprises.



### About the Law on Promoting Green Purchasing

In 2001, the Law on Promoting Green Purchasing was enacted. It promotes the procurement of eco-friendly products (goods and services that contribute to reducing environmental impact) by the state and other entities. This law promotes the selection of products with low environmental impact through such eco-labels as Eco Mark, the mark that indicates the use of recycled paper and the green mark.

# Prevention of Global Warming

In its business activities, Murata actively implements initiatives to curb greenhouse gases, particularly CO<sub>2</sub>, which directly cause global warming. Accordingly, we promote energy conservation and other measures for our production facilities.

### About Comparisons per Unit of Net Production

The JEITA common index, which is the value of CO<sub>2</sub> emissions against net production (monetary value), adjusted using the corporate goods price index announced by the Bank of Japan. A fall in this figure indicates that a given product quantity (monetary value) is produced using less energy.

### About Double-Bundle Turbo Refrigerators

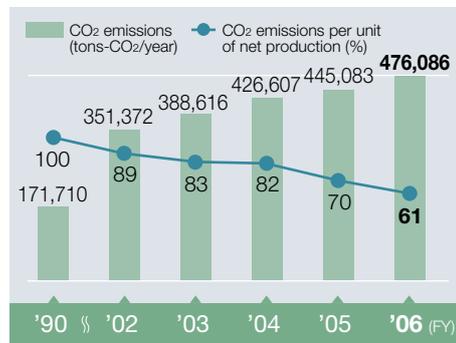
Equipment that enables simultaneous extraction of hot and cold water through recovery of surplus waste heat generated during cold-water manufacture. This equipment facilitates discontinuation of LPG-powered hot-water generators used in conventional systems, thus reducing CO<sub>2</sub> emissions to approximately one-quarter.

## Reduction of CO<sub>2</sub> Emissions

### Meeting Drastic Reduction Targets for Emissions per Unit of Net Production

Murata is striving to reduce CO<sub>2</sub> emissions by domestic manufacturing plants and subsidiaries by 28% per unit of net production compared with fiscal 1990 levels. By fiscal 2006, we had slashed this figure by 38.8%. However, we anticipate a rise in energy consumption from the expansion of plant facilities, so we will continue our endeavors to ensure we meet

### CO<sub>2</sub> Emissions



our unit targets for fiscal 2010.

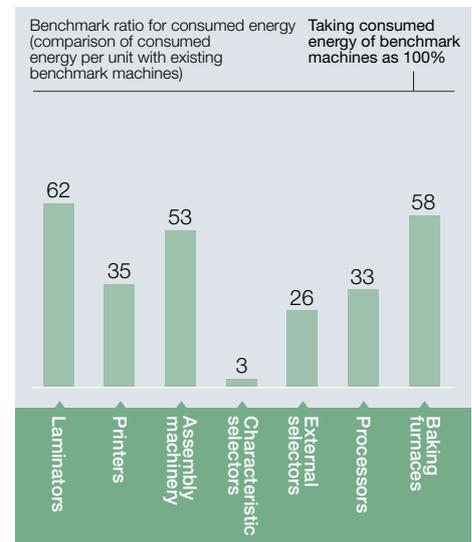
Murata's actual emissions were up 5.5% during fiscal 2006 as a result of production expansion. However, we are aggressively advancing with our energy reduction strategies through the introduction of such high-efficiency equipment as double-bundle turbo refrigerators and other measures. During fiscal 2007, we aim to extend our energy conservation initiatives from Japan to overseas operations.

### Production Equipment Development to Realize Energy Savings

Murata conducts its development with the ideal of realizing minimal energy consumption from a small production area. Comparing energy consumption per unit of net production for newly developed equipment with existing benchmark machines shows savings in both energy and space in equipment developed since 2004.

By introducing such newly developed equipment into our manufacturing plants, we achieved an annual reduction of approximately 17,400 tons-CO<sub>2</sub> during fiscal 2006. This is equivalent to 3.8% of total CO<sub>2</sub> emissions for all domestic manufacturing plants for the year.

### Energy Conservation Performance



### Employee Perspective

#### Hints on Saving Energy in Our Day-to-Day Business

We adopted double-bundle turbo refrigerators in response to plans to boost cooling and heating equipment required for office interior air conditioners. Changing from conventional LPG-powered to high-efficiency electrical equipment and recovery of hot-water discharge generated during cold-water production represent cuts of 4,600 tons of CO<sub>2</sub> emissions per year.

Global warming is a grave environmental issue facing mankind. To continue to develop in coexistence with the earth as a corporation and a citizen, we will persist in our global warming prevention measures in the future.



**Shuichi Yamamoto**  
Environmental Management Section,  
Administration Department,  
Fukui Murata Manufacturing Co., Ltd.

# Effective Utilization of Resources and Reduction of Waste

In fiscal 2003, Murata achieved its zero emissions target for a recycling ratio of 100% at its 21 plants and subsidiaries in Japan. Our next step is to strive for reduction in emissions of waste.

## “Reduce, Reuse, Recycle” Promotion

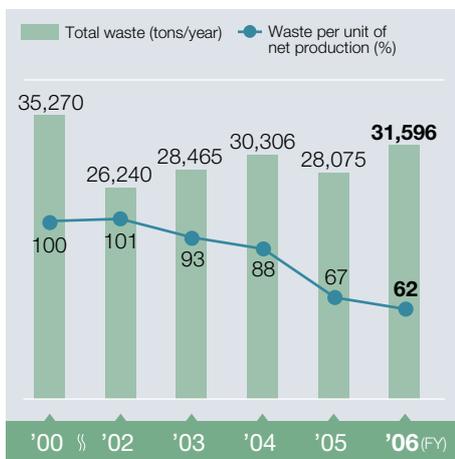
### Reducing Waste by Sharing Information between Plants

In fiscal 2006, the amount of waste generated in our offices, plants and subsidiaries in Japan totaled 31,596 tons, a decrease of approximately 3,674 tons from fiscal 2000. In terms of waste materials generated per unit of net production, this is a decrease of about 38%—in line with our targets.

Furthermore, when constructing new office buildings and plants, we maintain a 100% record for recycling of construction waste materials.

Collaboration between Group facilities is vital to reducing waste and raising recycling levels. Accordingly, we periodically hold meetings for the officers responsible for waste management in respective plants, offices and subsidiaries. At these events, participants exchange information and opinions, such as through the presentation of case studies.

### Amount of Waste Generation



### Employee Perspective

#### Murata's Responsibility to Establish Waste Separation Technologies

Murata discharges used polyethylene (PET) and polypropylene (PP) along with other plastics from its manufacturing sites. By separating this waste, we can facilitate recycling as textile products or agricultural materials, while reducing waste matter.

Using equipment developed by Murata, we are aggressively promoting separation of extraneous matter from PET. I strongly feel that it is the social responsibility of a manufacturer in a recycling-oriented society to establish waste separation technologies as a complement to product manufacturing technologies.



Katsumi Oka

Environmental Management Section, Administration Department, Izumo Murata Manufacturing Co., Ltd.

### Agenda of Meetings between Waste Management Officers

- Inspections of waste management sites at each plant, office and subsidiary
- Presentations and information sharing on waste-reduction case studies
- Exchange of views among participants
- Lectures presenting the latest waste-management information by external experts

### Achieving 100% Material Recycling

Murata is striving to reduce waste liquids and plastics, which account for approximately 70% of total waste. In fiscal 2006, we continued our efforts from the previous year to reduce effluent and bolster polyethylene (PET) film material recycling.

As a result of management of recycling and proper separation of wastes, the materials recycling ratio for fiscal 2006 stayed on target at 100%.

### Zero Emissions at Overseas Plants

Murata attained zero emissions of waste for its domestic plants during fiscal 2003. In fiscal 2006, we set a new target of zero emissions for our overseas operations by fiscal 2010, and are currently working toward this goal.

### About Murata's Definition of “Zero Emissions”

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



#### Web Data

• Electronic Manifesto

• Effective Use of Water Resources

▶ <http://www.murata.com/csr/environment/09.html>

▶ <http://www.murata.com/csr/environment/09.html>

# Managing Chemical Substances and Environmental Risk

The raw materials for Murata's products contain a vast number of chemical substances. Accordingly, we endeavor to control and reduce emissions of hazardous chemical substances during production. In addition, we consider pollution arising from chemical substances to be a serious risk, which we strive to avoid.

## Management and Emissions Reduction for Chemical Substances

### Management of 354 PRTR-Designated Substances

Among the various chemical substances used in Murata's production processes, 354 are included in the Pollutant Release and Transfer Register (PRTR). Of these, the Murata Group in Japan handled 24 substances, including toluene and xylene, in quantities exceeding one ton.

### Reducing VOC Atmospheric Emissions through the Introduction of Equipment

In fiscal 2006, Murata operated nine exhaust-gas treatment units, including regenerative thermal oxidizers (RTOs) at its Yasu and Yokaichi Plants. This enabled us to set a target of 3% or more reduction in VOC atmospheric emissions compared with fiscal 2000 levels. Although initially the introduction of this equipment allowed the Company to attain reductions as planned, increased production has led to an increase of 10% over fiscal 2000 (an 18 percentage point decrease from the previous fiscal year).

In fiscal 2007, we are aiming to bring annual VOC atmospheric emissions back to fiscal 2000 levels. We will achieve this by reinforcing process management and promoting strategies to restrain usage volumes and atmospheric emissions.

### Cutting Back Atmospheric Emissions of PFCs

Murata's production processes also emit PFCs, which are greenhouse gases. In fiscal 2006, in pursuit of a goal of a 50% or more reduction compared with fiscal 2002 levels, we attained a decrease of 30%, or 96 tons. We will continue our endeavors toward this target.

## Avoiding Environmental Risk

### Measures to Prevent Environmental Accidents and Pollution

Murata is aware that among the various potential environmental risks involved in its activities that chemical contamination is of particular concern. We endeavor to avoid such eventualities through preemptive preventive measures, training and other strategies. We also promote risk reduction countermeasures targeting such environmental risks as waste and related problems.

In Japan and overseas, Murata consigns industrial waste disposal to legally authorized specialist contractors for proper treatment. In addition, we conduct regular site visits to confirm the management status of disposal sites.

In fiscal 2006, Murata recorded neither environmental accidents nor violations of environmental standards.

### Voluntary Standards for Prevention of Environmental Accidents and Pollution

- 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 will be located above ground. If it is unavoidable that a tank be placed underground, it will be a double-walled tank.
- 2. Permeation Barrier Coating**  
Locations where such fluids as fuels, organic solvents, acids, and alkalis, as well as waste oil, are handled will be provided with a bed made of a permeation barrier coating or stainless steel.
- 3. Prohibition of Underground Piping**  
Pipes for transporting such fluids as fuels, organic solvents, acids and alkalis, as well as waste liquids, will be located above ground.
- 4. Emergency Containment Structure**  
Workplaces where liquids are received or where waste liquids are discharged to or from tank trucks or the like will have a structure for immediately containing any leakage if an accident occurs.

#### About VOCs

VOCs are chemical substances that cause atmospheric pollution through photochemical reactions generating oxidants or suspended particulate matter.



Regenerative thermal oxidizers (RTOs)

#### About PFCs

PFCs are greenhouse gasses. Murata does not use any PFCs targeted for reduction under the Kyoto Protocol, but is endeavoring to reduce those slated for management as chemical substances with detrimental environmental impact.



#### Web Data

- Reduction of Chemical Substances with Environmental Impact
- Progress with Soil and Groundwater Contamination Surveys and Remediation

▶ <http://www.murata.com/csr/environment/10.html>

▶ <http://www.murata.com/csr/environment/10.html>

# Promoting Eco-Friendly Physical Distribution and Packaging

To minimize environmental impact during distribution and delivery of Murata products to customers, we are promoting modal shifts and reduced packaging and packing.

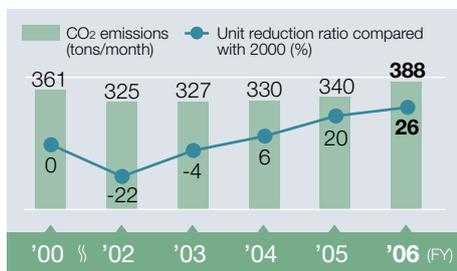
## Reduction of Environmental Impact Arising from Distribution

### Modal Shifts and Joint Deliveries

Collaboration with consigned distributors is indispensable to curtail CO<sub>2</sub> emissions during distribution. To foster such cooperation, Murata holds presentation meetings for contractors to encourage the routine application of energy-conscious driving. In addition, we are striving to make modal shifts from truck transportation to rail freight and shipping, which have relatively lower CO<sub>2</sub> emissions and have commenced joint deliveries for some transportation routes. As a result of these endeavors, in fiscal 2006 we exceeded targets by reducing CO<sub>2</sub> emissions per unit of net sales by 26% from fiscal 2000 levels.

Increasing load efficiency and expanding joint deliveries are important factors further to reduce emissions per truck. In fiscal 2006, we investigated reorganizing our domestic distribution network from scratch, culminating in the proposal of a definite concept. We will successively implement these measures in fiscal 2007.

### Reduction of CO<sub>2</sub> Emissions during Distribution



### Reducing Packaging by Downsizing Products

In recent years, we have downsized products through technological innovations, which in turn have reduced the use of packaging materials. For example, the miniaturization of chip monolithic ceramic capacitors, one of Murata's primary

## Employee Perspective

### Constructing the Optimal Distribution Network to Reduce CO<sub>2</sub> Emissions

Since starting to use Japan Rail (JR) freight in 2004, we have expanded the scope of goods transported by rail. However, last year we found that it would be difficult to expand further with JR's existing timetables, so we reconciled ourselves to the greater convenience of truck haulage.

This year, with the cooperation of its contractors, Murata is reconstructing its distribution network with a configuration optimized to the placement of its manufacturing plants. With many companies consolidating warehouses and transshipment centers, we boosted our number of transshipment sites as a measure to increase load efficiency. We aim further to reduce CO<sub>2</sub> emissions by cutting the number of truck runs.



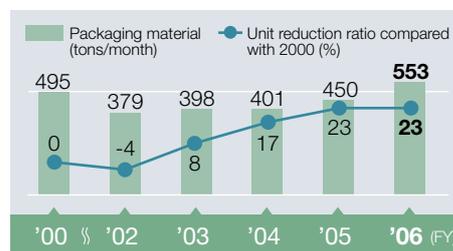
Yoshihide Toyama

Logistics Control System Design Section, Manufacturing System Design Department

products, has helped to reduce packaging materials by approximately 22% over the past five years. Our target for fiscal 2006 to reduce packaging material use per unit of net sales by 20% compared with fiscal 2000 levels was achieved in fiscal 2005. We nudged this figure up to 23% in fiscal 2006.

Murata also focuses on promoting the use of returnable cardboard boxes for packaging. In fiscal 2006, we completed the conversion of delivery for taping reels between all of the Company's sites to returnable boxes. With the understanding and cooperation of our customers, we will extend this initiative to commercial deliveries in fiscal 2007. We are also focusing on innovations in packaging technologies for bulk cassettes.

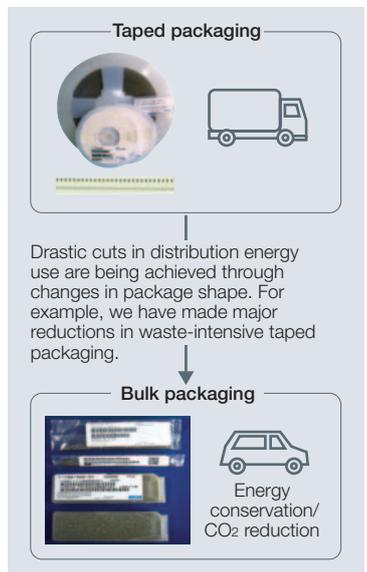
### Reduction in Packaging Material Weight



### About Modal Shifts

Modal shift is a switch from haulage of goods by truck to marine or rail transportation, which facilitates high-volume carrying, and thus reduces energy consumption during distribution.

### Changes in Packaging Materials



# Murata and People

## Responsibilities to Stakeholders



### Responsibilities and Conduct toward Customers

To meet customer needs with unflinching quality and support product development as an equipment manufacturer from the development stage ⇒ Page 36

### Responsibilities and Conduct toward Suppliers

To operate a fair and impartial purchasing system and build relationships based on trust, while expecting corporate social responsibility of our suppliers ⇒ Page 39

### Accountability and Conduct for Shareholders and Investors

To cultivate appropriate investor relations and establish measures to impart shareholder opinions to our management ⇒ Page 41

### Responsibilities and Conduct toward Employees

To respect every one of our 29,000 employees worldwide, providing comfortable working conditions and rewarding employment ⇒ Page 43

### Responsibilities and Conduct toward Society and Local Communities

To contribute to communities and society everywhere we operate through involvement in research, culture, the arts, sports and other facets of life ⇒ Page 46



# Responsibilities and Conduct toward Customers

Murata builds relationships of trust with customers and is continuously improving companywide operations to ensure it supplies products and services that attain customer satisfaction.

## Activities to Fulfill Product Responsibility

### Disseminating Our Quality Policy to All Employees

Murata has established a Quality Policy to provide high-quality products that gain the trust and satisfaction of its customers.

We display posters bearing this policy in our workplaces to cultivate the awareness of employees. The policy is also distributed on a card for employees to carry with them to ensure they are thoroughly cognizant of the policy's content.

### Adopting a Deming Circle Approach for Continuous Quality Management

Murata employs the Deming circle approach to ensure thorough quality management.

The Deming circle focuses on the sequence of processes in supplying products to customers by investigating and analyzing customers' needs and reflecting these results in product manufacture. Through this approach, we continuously augment the quality of our products by repeating a cycle of planning and design, manufacture, sales, and surveys and services.

## 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.

## Gaining International Standards Certification for Quality Management

All Murata Group plants inside and outside Japan have received quality management system ISO 9001 certification. Our quality management systems have also acquired ISO/TS16949 certification, a stricter international standard specific to the automotive industry.

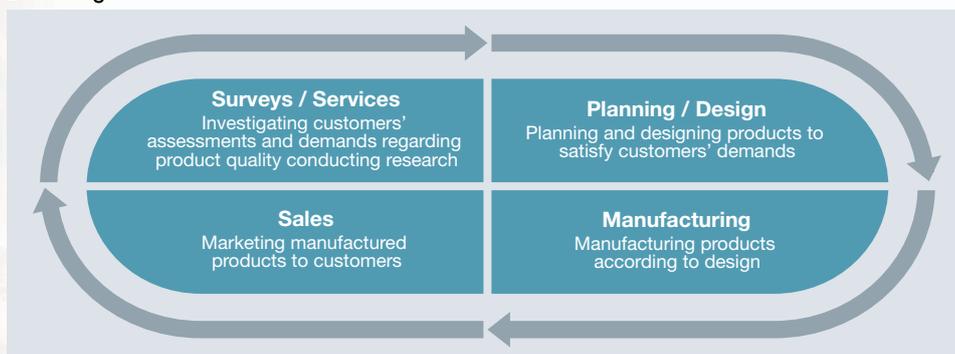
Furthermore, the Quality Assurance Department at our Yasu Plant has been awarded ISO/IEC17025 certification for testing and calibration (inspecting the accuracy of measuring instruments) and gained Japan Calibration Service System (JCSS) accreditation. The department is also bolstering the level of its quality evaluation technologies.

As a globally developing corporation, the Murata Group is improving its quality systems on an ongoing basis to ensure uniform quality standards worldwide.

### About the Deming Circle

The circle is an approach advocated by the so-called father of quality control, Dr. Edward Deming of the United States. It forms the basis for the Plan-Do-Check-Action concept for continuous quality improvement activities.

## Deming Circle



# Responsibilities and Conduct toward Customers



Overseas, the Murata Group's marketing staff participates in Global Business Strategy Meetings, which provide a forum for development themes on next-generation products, taking into account customers' needs in each region.

### About "Design-In"

This concept is development based on collaboration from the design and development stages between technical staff representing the manufacturer and users to incorporate the necessary functions into products.

## Responding to Customer Needs

### A Marketing System to Supply Leading-Edge Products Attuned to Market Needs

Amid the radical changes in the electronics sector, it is necessary to grasp market trends swiftly and apply this information to product and technology development in order to provide products and services that perpetually attain customer satisfaction. Accordingly, Murata has established an original marketing system to create future concepts from the viewpoints of market, technologies and products.

We reflect information on industry trends and customer demands gleaned by sales staff worldwide to create roadmaps for midterm market trends. These direct us in formulating development concepts for

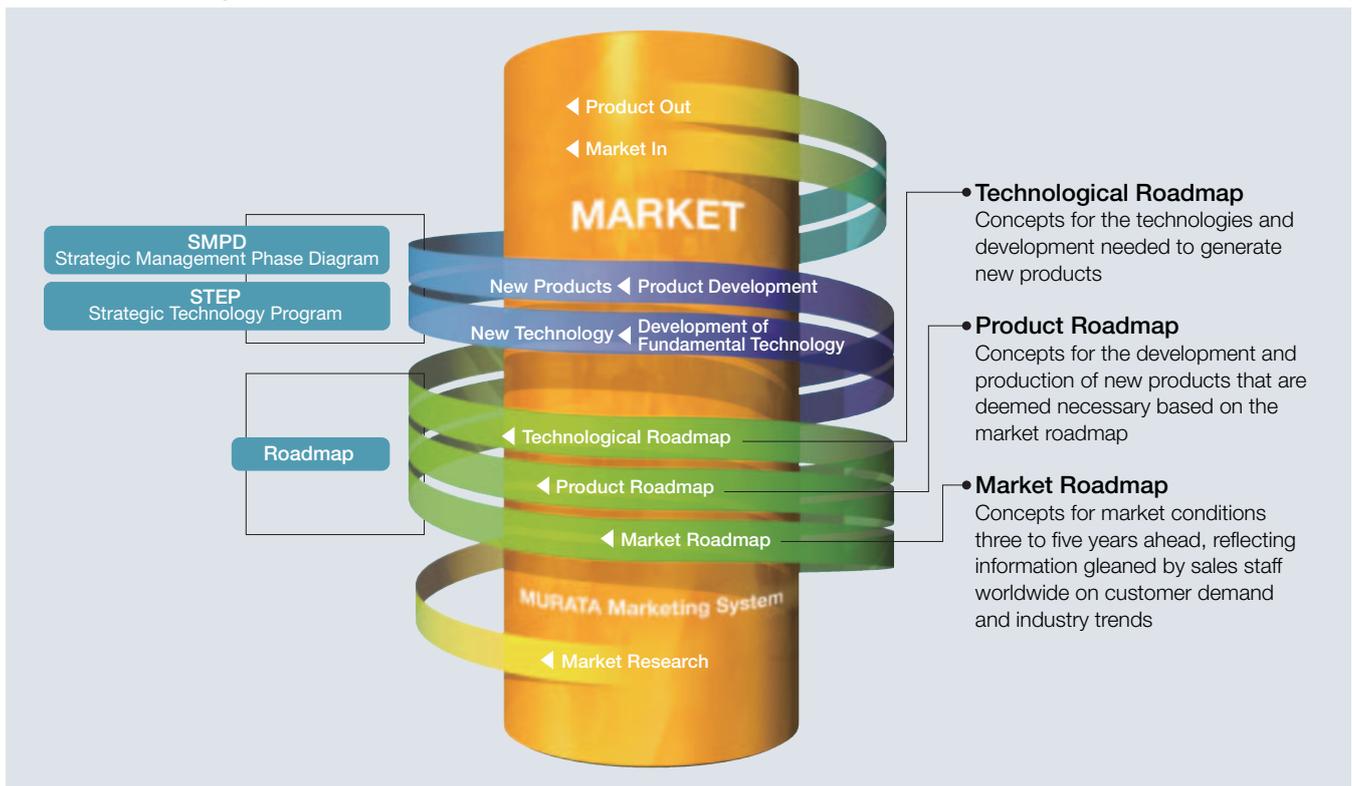
the products required by markets and the technologies necessary to spawn these products. Thus by pursuing technology and product development, we are able to respond to customers' needs by providing leading-edge products and technologies.

### Supporting Problem-Solving through Technological Exchange from Our Customers' Product Design and Planning Stages

Murata anticipates the kinds of features required for its customers' the next-generation models and the electronic components these will necessitate. For an early resolution to the issues facing our clients, we are amenable to customers' needs from the early stages of electronic equipment development, promoting technological exchange and aggressively promoting design-in activities.

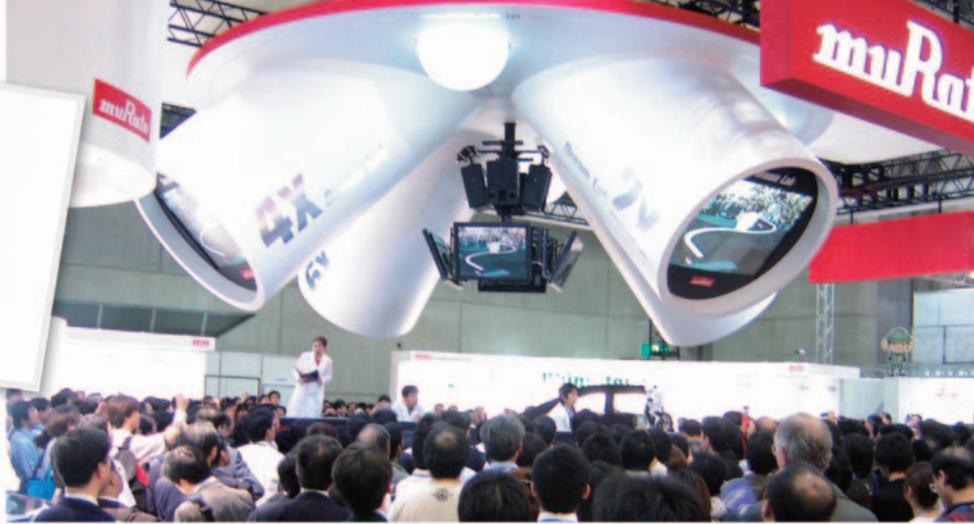
In these activities, we gain access to various data, including confidential

## Murata's Marketing System





CEATEC, a gathering of electronic equipment and component manufacturers, provides a platform to explain new products and leading-edge technologies to customers. This is an excellent opportunity for Murata to gain understanding for its technological prowess.



information. To secure the relationships of trust that this requires, we exercise careful consideration for the protection and management of all confidential client information.

### System of Response in the Event of Quality Problems

#### Consolidated Control System of Complaints for the Development and Improvement of Products

Proposals, requests for improvement and complaints from customers provide us with precious information that we use to make products more trustworthy and more competitive in the marketplace. We therefore strive to be amenable to customer voices and demands, which we consider from their viewpoint, before swiftly implementing improvements.

Murata has built a system for consolidated control of customers' complaints. After receiving a complaint, the responsible salesperson enters the information in a database so it can be simultaneously accessed by all Murata offices and plants worldwide. Product returns are handled primarily by the Production Quality Control Section, which investigates and analyzes the cause of a problem and formulates corrective action to prevent reoccurrence.

Information on complaints is also circulated to all divisions concerned. A troubleshooting checklist is subsequently compiled and stored by the development and design departments for use in future product development. We have also established a system for the Quality Assurance Department to report to top management on complaints and corrective actions.

#### Employee Perspective

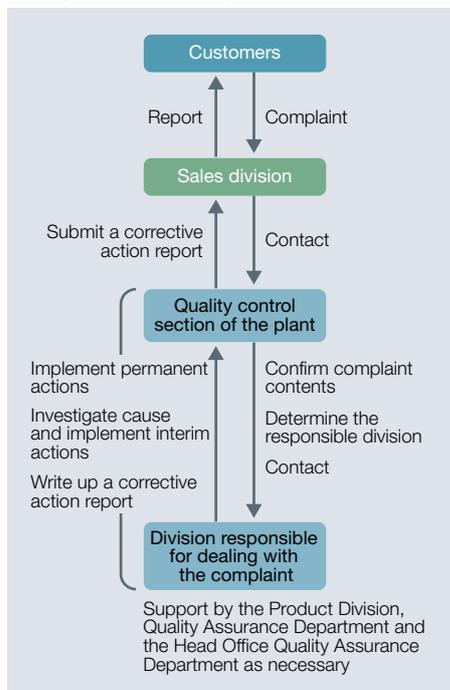
### Exhibitions Helping Customers Assess Murata's Technological Expertise

Of course, exhibitions serve as a PR tool for a corporation, as an important opportunity to showcase technological prowess and vision. In terms of planning and production, participants from marketing, staff, product, development and a host of other divisions unite to transcend the boundaries of the organization. Despite differing stances and opinions, which make it difficult to find a unified view, we strive to help customers by facilitating greater understanding of the Company and its technologies and encouraging technological exchange.



**Keiichi Shinooka**  
Corporate Communications  
Department,  
Technologies & Products Section

### Response to Quality Problems



#### Web Data

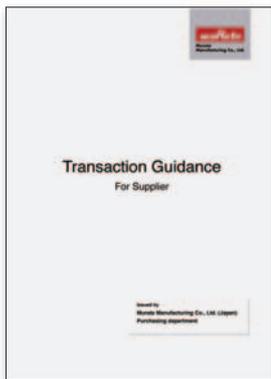
- Status of Quality Management System Certification
- Three-Stage DR System (design quality inspection)

▶ <http://www.murata.com/csr/social/02.html>

▶ <http://www.murata.com/csr/social/02.html>

# Responsibilities and Conduct toward Suppliers

At Murata, we believe that good electronics begin with good components, and good components begin with good materials. Cooperation with suppliers is vital to this approach, which is underpinned by striving for fair and impartial purchasing activities and reinforcing relationships based on trust.



The business transaction guidebook outlines Murata's attitudes to purchasing and dealings with suppliers, in addition to the basic attitudes that Murata requires of suppliers.



## About the Subcontract Law

The Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Law) prohibits the parent business operator (outsourcer) from using its advantageous standpoint to the detriment of the legitimate interests of the subcontracted business operator.

## Basic Approach to Purchasing

### A Purchasing Policy Based on Fairness, Impartiality and Honesty

Murata believes that it is important to establish relations of trust with suppliers that foster mutual prosperity. Accordingly, in our purchasing operations we respect good

manners, stress fair, impartial and sincere responses, abide by laws and regulations, keep dealings free from personal interests and act according to societal norms.

The Company has prepared a business transaction guidebook that presents and explains to suppliers Murata's attitudes to purchasing and dealings with suppliers. To further strengthen good relations, we have also established a section dedicated to suppliers on our website.

## Murata's Purchasing Policies

### 1. Purchasing attitudes

- Murata's buyers will be polite to 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, in-house regulations and societal norms.

### 2. Dealings with suppliers

- During the selection of suppliers, we will consider quality, price, lead times, continuity of supply, environmental preservation, finances, human rights, occupational health and safety, the introduction of IT and other factors. We will make fair and impartial evaluations and selections based on rational standards.
- 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.
- We will not acquire private equity in supplier corporations nor purchase shares based on information not disclosed to the general public.
- In the eventuality of accidents or complaints, we will always respond swiftly and take thorough measures to prevent recurrence.

## Employee Perspective

### Continued Legitimate Materials Procurement to Boost Improvements

All Murata employees involved in materials procurement should aim to continue to conduct business in accordance with laws and ordinances, societal norms, and in-house and external rules and regulations. Toward this goal, actual cases that occur in the execution of business should be reflected in rules, alongside positive reinforcement to boost improvements on a daily basis through repeated executions of (1) education to keep employees thoroughly informed, (2) formulation of measures for actual enforcement and (3) auditing and correction to confirm correct enforcement.



**Akiko Nakamura**  
Production Engineering unit,  
Purchasing Department,  
Administration Section

## Legal Compliance in Purchasing

### Thorough Compliance with Laws in Education, in Auditing and in Our Systems

Murata carries out education programs and in-house audits and constructs systems to ensure strict abidance by the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Anti-Monopoly Law), the Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontract Law) and other legislation relating to purchasing. We also hold regular briefing sessions for purchasing staff and related departments within the Murata

Group to publicize legal compliance issues.

In-house audits are in place to confirm that business is conducted in accordance with in-house rules and regulations, which are based on laws and ordinances. Any requisite improvements are implemented under guidance and subject to monitoring and confirmation.

In addition, we have formed a system to preempt legal violations by preventing delayed payment and other misdemeanors and are reinforcing our legal compliance system.

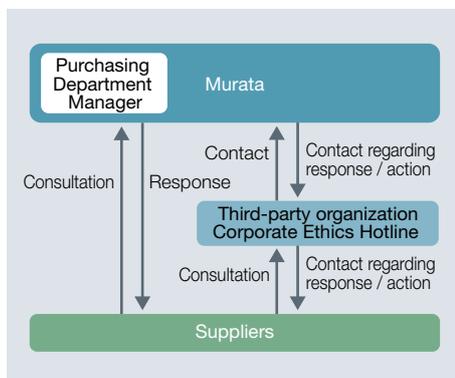
## Consultation Services for Suppliers

### Establishment of Two Consultation Channels for Improper Conduct

In the event of any sort of apparent legal or social impropriety in Murata's dealings, suppliers now have two types of consultation service available.

The first is an e-mail Company hotline option, direct to the manager of the Purchasing Department. The second is a Corporate Ethics Hotline, which is operated by a third-party organization, and can be accessed via telephone or fax or online. We are bolstering our compliance stance by continually publicizing these two services to suppliers.

### Two Consultation Services



## Promoting CSR Procurement

### Requiring CSR Procurement of Our Suppliers

As a company with globally developed operations, we demand corporate social responsibility not only of ourselves, but throughout the entire supply chain.

Accordingly, legal compliance, quality control and environmental conservation activities are also a prerequisite for our suppliers.

In the selection of suppliers, we make fair and impartial assessments, with consideration for human rights, occupational health and safety and other factors, in addition to quality, price and lead times.



### About CSR Procurement

Emphasis on a supplier's CSR activities, spanning legal compliance, human rights, environmental conservation and other aspects, in addition to price, as criteria in the procurement of goods.

Basic attitudes that Murata requires of suppliers (outline)

### Basic Attitudes that Murata Requires of Suppliers (Outline)

- 1. Comply with laws and regulations as well as social norms**  
Suppliers should abide by national and regional laws and social norms. We emphasize legal compliance in its entirety, particularly regarding prohibition of child and forced labor, respect for human rights, maintenance of safe working environments and elimination of corruption.
- 2. Promote sound business management**  
Suppliers should carry out healthy, fair business activities and appropriate disclosure of management policy and financial status.
- 3. Emphasize quality, lead times and stable supply**  
Suppliers should observe prescribed quality and delivery standards and maintain stable supply of materials.
- 4. Emphasize initiatives targeting reduced environmental impact (green procurement)**  
Suppliers should establish an environmental management system and supply eco-friendly products.
- 5. Emphasize Value Engineering activities**  
Suppliers should improve new materials supply and costs through value engineering, to realize new product development and prices that meet customer needs through ongoing response.
- 6. Emphasize information disclosure**  
Suppliers should provide information on new technologies and products (materials) relating to technological innovations and global environmental preservation.
- 7. Emphasize measures to accelerate material procurement:**  
Suppliers should be able to cut materials procurement times through swift and flexible response to market changes.
- 8. Observe confidentiality**  
Suppliers should strictly observe confidentiality of information necessary for transactions that relates to Murata's corporate security.
- 9. Emphasize IT application**  
Suppliers should promote installation and utilization of IT environments that facilitate accelerated business procedures and reinforced relationships.



# Accountability and Conduct for Shareholders and Investors

Murata strives for accurate disclosure of information to investors and shareholders in a timely and fair manner. Furthermore, we respect the rights of our shareholders, creating an environment that facilitates easy exercise of voting rights.

## About Disclosure

Disclosure is the public presentation by a corporation of information on its business operations and other matters. In recent years, such problems as fraudulent accounting and concealed information have made corporate disclosure of vital importance.

## About Shareholder Voting Rights

Shareholders have the right to participate in corporate management by voting for or against the motions presented at a company's General Meeting of Shareholders. The voting rights that can be exercised are proportional to the number of shares owned.

Murata's 71st General Meeting of Shareholders was held at the Head Office in June 2007, with various pertinent questions and significant opinions contributed by shareholders.

## Basic Disclosure Policy

### Accurate, Impartial and Timely Disclosure

The Company's basic information disclosure policy is to disclose accurate information to stakeholders, including shareholders and investors, in a timely and fair manner.

In accordance with the timely disclosure regulations of the exchanges on which it is listed, the Company discloses information applicable to these regulations via timely disclosure systems. The Company posts such publicly disclosed information on its website promptly to provide fair notice of this information fairly to general investors. The Company also discloses information other than that required by timely disclosure regulations through news media and the Company's website, when deemed effective for understanding the Company.

Murata's Disclosure Policy can also be found on the website.

## Promoting Exercise of Voting Rights by Shareholders

### Making Exercise of Voting Rights Easier

Murata has devised various means to enable shareholders to exercise of voting rights in a speedy and efficient manner and ensure their opinions are reflected by Company management.

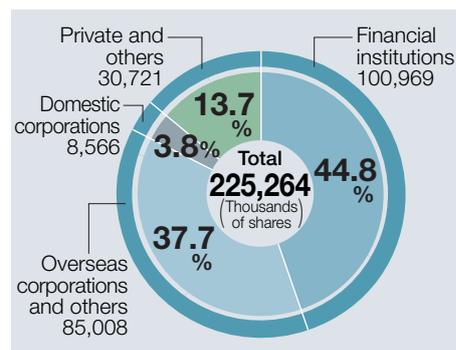
Since 1999, we have issued convocation notices well in advance of our General Meeting of Shareholders (more than three weeks ahead). This initiative, which allows shareholders, particularly from overseas, ample time to investigate the exercise of voting rights, has boosted voting turnout 10 percentage points. Convocation notices are prepared in English, as well as Japanese, and are posted on the Company's website.

We have also introduced Internet voting, via PC or mobile telephone, to make exercising voting rights more convenient. The Company also participates in a voting platform for institutional investors.

At the General Meeting of Shareholders, we employ various measures to make information more palatable for shareholders, such as easily comprehensible explanations using charts and photographs and demonstrations using our MURATA BOY robot.



## Shareholder Breakdown





Company explanatory meeting in Europe

## Communications with Shareholders and Investors

### Holding Regular Briefing Sessions for Shareholders and Investors

Murata holds regular briefing sessions so that analysts and institutional investors understand the Company's financial status and business strategies.

Once a year, the chairman or president conducts presentation meetings in Tokyo, and the release of quarterly results is supported by a briefing session by corporate senior executive vice president.

The chairman or president also holds briefing sessions in Europe and the United States for overseas investors.

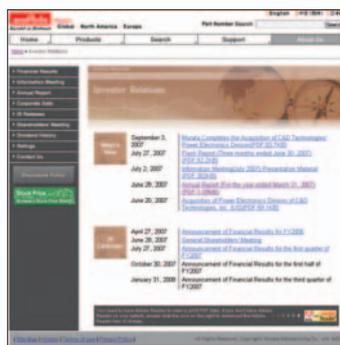
Murata's website offers an Investor Relations section to ensure impartial, timely disclosure of information to shareholders and investors. Flash reports, materials from briefing sessions, annual reports, IR releases and other disclosure information are posted on this website.



Annual report



Financial report



Investor information  
<http://www.murata.com/cp-data/index.html>

### Employee Perspective

## Working to Enhance Understanding of the Company through the General Meeting of Shareholders

The electrical components that Murata manufactures are work, hidden from the eye, inside electrical equipment. This makes the Company's products and business activities somewhat obscure in general. The General Meeting of Shareholders is an opportunity to enhance understanding of our Company. With this in mind, we have included a glossary of product names and other terminology with reports to shareholders and convocation notices. In addition, we have revised the structure of and narration accompanying the explanatory materials at the General Meeting of Shareholders. Through practical demonstrations of products on-site at the meeting, we are making issues easier to understand from the shareholders' standpoint.



**Jun Arai**  
 General Affairs Department,  
 First General Affairs Group



Web Data • Disclosure Policy

▶ <http://www.murata.com/csr/social/06.html>

# Responsibilities and Conduct toward Employees

Murata places great emphasis on employee satisfaction, through comfortable working conditions and rewarding employment. We have established workplace environments where employees can fulfill their potential in their work based on appropriate treatment and deployment of personnel and commitment to safety.

## Respect for Human Rights

### Creating a Workplace Environment and Personnel System Free from Discrimination

Murata has established a working environment and personnel system free from discriminatory treatment on the basis of race, beliefs, gender, religion, nationality, language, disease, birthplace or other reason, in which the personality and individuality of each employee is respected. Moreover, to raise employee awareness of these issues, our graded training programs include human rights education content.

Throughout the Murata Group's offices and plants, both in Japan and overseas, child and enforced labor are strictly prohibited.

management-level staff at overseas facilities, we conduct management training to ensure solidarity with Murata's principles from those taking on new responsibilities through to senior management.

## Building an Employee-Friendly Workplace

### Establishing a Support System to Facilitate Work and Family Commitments

Murata makes special efforts to support employees juggling work and family. We have established various support systems for motivated employees with maternity, child-raising or nursing commitments at home to fulfill their responsibilities and advance their careers.

In response to the Law for Measures to Support the Development of the Next Generation, we formulated an action plan from April 2005 that includes improving maternity leave and short-time employment systems, introducing special leave for infertility treatment and providing support to encourage paternity leave. Through such initiatives, Murata is striving to promote a balance between work and family life.

## Equal Opportunities and Diversity in Employment

### Fulfillment of the Potential of a Diversified Workforce as a Basis for Employment

Murata's original approach to business development is underpinned by preserving the diversity of opinions and backgrounds of its highly capable workforce. Accordingly, 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 such factors. We thus provide a working environment where diverse employees can fully demonstrate their capabilities.

### At Our Overseas Sites, We are Aggressively Conducting Local Recruitment and Employment

We believe that we play a role in the development of the electronics industries in each of the 16 countries worldwide in which our offices and subsidiaries are located. Based on this principle, a management structure comprising diversified personnel aggressively promotes locally based recruitment. With regard to employment of

## Employees who Took Childcare / Family Care Leave

	FY2005	FY2006
Family care leave	14	<b>9</b>
Leave after childbirth	197	<b>183</b>
Childcare leave (Figure in parentheses indicates the rate of leave taken.)	182 (92%)	<b>176 (96%)</b>

## Personnel Systems

### Recruitment Based on Abilities and Performance; Employment with Personal Targets and Self-Assessment

Under a working ethos of valuing the

#### About the Law for Measures to Support the Development of the Next Generation

A law formed in July 2003 and enacted in April 2005 to promote healthy bearing and rearing of children to support future societies. It requires action plans to create environments and working conditions that enable employees to keep a balance between work and family life.

Overseas local manager training held by offshore facility management confirm after returning from Japan.



independence and allowing for expression of the abilities of each employee, since 1991 we have incorporated a business target management system for our human resources, based on the principles of abilities and performance.

Under this system, employees set their own targets and plans, according to Company policy, in consultation with their line managers. They then carry out midterm self evaluations of progress and results.

Supervisors evaluate the results and processes involved and reflect the evaluation results in staff bonuses. Employee evaluation results, the basis of evaluations, issues arising in the course of duties, and future directions are discussed three times a year at meetings between employees and their supervisors.

Standards for promotion and demotion and employee evaluation regulations are issued in a *Personnel System Guidebook*, which is distributed to all staff with supervisory responsibilities.

## Appropriate Staff Deployment

### Self-Selected Career Paths According to Aptitude

Murata, with its emphasis on abilities and performance, provides employees with opportunities that enable them to maximize their potential in accordance with their personal aptitude.

For younger employees, we offer a career path featuring deployment in diverse roles at various locations. Furthermore, for those opting out of managerial channels, we have established a system to facilitate progression as a highly specialized professional, in addition to an in-house staff recruitment system whereby employees select their own career track.

## Employee Education and Human Resource Development

### Supporting Skills Advancement at Every Career Step

Murata aims to foster self-directed personnel, personnel who display individuality with a venturesome spirit and personnel who value customer satisfaction and cooperation.

Accordingly, we are constructing education systems that offer employees specialized training at each rank, from entry level to management level, to provide powerful, effective support to individual employees in developing their capabilities.

The first three years after joining the Company are designated as a basic training period. This involves numerous intensive and on-the-job training courses, combined with correspondence courses aimed at gaining qualifications, to develop the knowledge and skills needed to play an active role as professionals in the business community. 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 facilitates the development of all its employees' expertise, skills and management capabilities.



A booklet, published separately from *Personnel System Guidebook*, to facilitate easy understanding of the employee evaluation system is distributed to all Murata staff.

### Employee Perspective

#### Using In-House Staff Recruitment to Step from the Production Technology Department to Fulfilling Children's Dreams through MURATA BOY

Prior to my transfer, I was responsible for facilities control software development in the Production Technologies Department. The work, which involved realizing product functions, was highly satisfying.

My big recruitment chance came with the advent of MURATA BOY. This was something for which I was responsible inspiring and fulfilling the dreams of children and becoming a tool to stimulate their interest in science. I felt the challenge to do something with different results to what I was used to, something useful to society, so I applied.

I would like to see greater value placed on the in-house staff recruitment system, which enables career advancement through your own will, with stronger links to invigoration of our corporate organization.



**Kouichi Yoshikawa**  
Corporate Communications Department, Corporate Section

## Responsibilities and Conduct toward Employees

### About ES

ES refers to employee satisfaction, which is a complementary benefit to CS, or customer satisfaction. If employees are satisfied, they feel challenged and rewarded by their work, which is linked to providing customers with satisfying products and services. Accordingly, ES is an issue of paramount importance for Murata.

First aid training in cardiopulmonary resuscitation at Komatsu Murata Manufacturing Co., Ltd.



### Surveys on the Challenges and Rewards of Work

#### Carrying Out Employee Satisfaction Improvement Strategies and Managerial Reform Based on Survey Results

Murata considers employee satisfaction (ES) to be of equal importance to customer satisfaction (CS) as a vital factor underpinning corporate growth. Accordingly, since fiscal 2005 we have conducted a survey every two years on Organizational Vitality and Individual Vitality.

The 2005 survey targeted 14,385 employees, with an exceptionally high return rate of more than 95%. From the results, various revelations emerged, such as that employees feel differently toward the Company depending on their post and that feeling exhausted and busy are sources of stress. In the future, we will invigorate communications as an ES improvement strategy, and along with accepting and respecting each and every employee, carry out managerial awareness reform.

### Improving Occupational Health and Safety

#### Realizing a Workplace Free from Injury

Murata established its Occupational Health and Safety Rules in 1987 with the aim of realizing a workplace free from injury and illness, as well as to create a pleasant working environment for all.

During fiscal 2006, the rate of time lost for work-related injuries in the domestic Murata Group was 0.50, or 0.35 on a nonconsolidated basis. This was a considerable rise from the 0.33 of the previous fiscal year (although the nonconsolidated figure declined from 0.39).

This trend has led us to review our safety policy, and to commence preparation of our health and safety management system based on OHSAS18001-1999.

#### Working on Mental Healthcare and Prevention of Overwork

Promoting the health management and fitness of employees equates to a creating a healthy Company.

Our mental health strategies include educational activities and publicity through in-house bulletins and publications. In addition, we are improving our consultation system using occupational physicians and employee support via an external organization (Employee Assistant Program).

To prevent overwork, we keep thorough records of work hours and refer employees clocking up more than a specified number of hours to an occupational physician for consultation and a physical health assessment.



#### Web Data

● Maintaining Equal Opportunities and Diversity of Employment (Employment of the elderly and physically challenged, expansion of opportunities for women) ● Consideration for Working Hours and Conditions

● Intellectual Property Rights of Employees ● Appropriate Staff Deployment (Job rotation, highly specialized professional and in-house staff recruitment systems) ● Human Resource Cultivation/Education and Training (Managerial education, engineer development, global human resource education)

● Industrial Relations ● Reducing Risk of Occupational Accidents

▶ <http://www.murata.com/csr/social/07.html>

▶ <http://www.murata.com/csr/social/08.html>

▶ <http://www.murata.com/csr/social/09.html>

# Responsibilities and Conduct toward Society and Local Communities

We are promoting an array of activities that contribute to society and local communities at our sites worldwide, under the maxim that we want our presence to be a source of joy and pride in the communities in which we operate.

## Local Community Activities

### Cooperating with Local Cultural and Sports Promotions

Murata supports the promotion of culture and sports, particularly in the Kyoto area, where the Head Office is located.

During fiscal 2006, as part of our cultural promotion support activities we held the Murata Innovator Cup Elementary School 9 x 9 Go Championship for pupils in Kyoto and Shiga prefectures. Approximately 60 participants gathered to battle over Go, a strategic board game. A second event is planned for fiscal 2007.

As part of its sports promotion support, Murata has sponsored the Wakaba Cup (National Elementary School Student Badminton Championship) every year since 1992 in Nagaokakyo City, Kyoto, and the Lake Biwa University Ekiden relay race on the shores of the lake. We also support sports for the disabled, including the All Japan Wheelchair Ekiden relay in Kyoto City.

## Academic Support Activities

### Promoting Natural Sciences, Humanities and Social Sciences through the Murata Science Foundation

The Murata Science Foundation was established in February 1985, with the objective of contributing to society through science promotion. Basing its activities around the electronics industry, the Foundation strives for the improvement, development and globalization of science and technology and aids research that contributes to the resolution of problems in the fields of humanities and the social sciences. In fiscal 2006, the Murata Science Foundation provided financial aid totaling ¥70 million for 66 research projects, 12 study groups and 7 overseas dispatch programs.

## Contributions and Donations

### Contributing to Various Causes in Japan and Overseas

Murata's policy toward its various contributions is underpinned by the desire for "our presence to be a source of joy and pride in the communities in which we operate."

During fiscal 2006, we contributed disaster relief for victims of the Java earthquake in Indonesia through the Japanese Red Cross Society. In Japan, through Ishikawa Prefecture authorities we contributed relief support for Noto Peninsula Earthquake victims, who also sought refuge in Murata's facilities in the region.

The Company cooperates every year in HIV/AIDS prevention activities in Thailand, donating funds through People's Hope Japan, an authorized NPO that provides international medical support.

As part of our drive to foster economic growth in the Asia-Pacific Region, we contributed to the 40th Asian Development Bank Annual Meeting of the Board of Governors in Kyoto in May 2007.



Employees of Azumi Murata Manufacturing Co., Ltd. Murata and family members participated in the All Japan Water Quality Survey in cooperation with an NPO.



Tree planting activities by employees of Murata Electronics Trading (Shenzhen) Co., Ltd. (China)

## Responsibilities and Conduct toward Society and Local Communities



Environmental education for residents in the neighborhood of Wuxi Murata Electronics Co., Ltd. (China)

### Enhancing Tree Planting

#### Promoting Greening Programs for Each Factory

Murata has established a groupwide greening policy and has set greening programs for each factory, so as to actively promote measures to enhance the natural greenery of factory grounds. (For further details, see “Feature 3: Murata’s Activities for Nature” on page 17.)

Izumo Murata Manufacturing Co., Ltd., opens its grounds to the public while the cherry and camellia are in blossom. Furthermore, our Yokaichi and Yasu plants organize group viewings for their resplendent rhododendrons. In addition to these annual events, Komatsu Murata Manufacturing Co., Ltd., Iwami Murata Manufacturing Co., Ltd., and the Miyazaki Plant of Fukui Murata Manufacturing Co., Ltd., and other factories carry out activities to enhance greenery inside and outside their grounds, such as establishing flower beds around local stations and alongside train lines.

### Environmental Communication

#### Environmental Education in China

Murata communicates with residents around its various facilities as a means to contributing to regional societies. In fiscal 2006, we targeted residents of the Nanxingyu housing estate in the neighborhood of Wuxi Murata Electronics Co., Ltd. (China), in an environmental education initiative.

With the primary goal of enhancing understanding of policies promoted by the Chinese government, the agenda spanned separation of waste and energy conservation and other environmental themes, and included explanations of environmental problems, corporate responsibilities and Wuxi Murata Electronics’ environmental policies. In the future, we will continue to conduct such environmental education programs as part of our contribution to society.

#### Communications with Local Communities

In fiscal 2006, we conducted factory tours for local elementary school students and residents at eight of our manufacturing facilities.

Moreover, Fukui Murata Manufacturing Co., Ltd., Komatsu Murata Manufacturing Co., Ltd., Sabae Murata Manufacturing Co., Ltd., Okayama Murata Manufacturing Co., Ltd., and other sites made presentations at local environmental events to introduce Murata’s environmental initiatives and to impress the importance of environmental preservation on visitors.

We aim to continue and expand such types of activities.

#### Employee Perspective

#### Resolved to Continue Raising Environmental Awareness among Local Residents in China

I still sense the difficulties in raising awareness of environmental consideration in China through environmental education for local residents. Standards of living in Chinese society are rising, but at the cost of a deteriorating environment. Very few people at a grass-roots level view the environment as a problem that they themselves have to tackle.

Monitoring of corporations by governmental departments has become increasingly strict, but the gist of this scrutiny is pollution control, with very little said about reducing environmental burden or CO<sub>2</sub> emissions. Issues of this scale cannot be addressed by Murata’s measures alone, but only through educating local society, too.



**Chu Guei Li**  
Administration Department,  
Environmental Management  
Section,  
Wuxi Murata Electronics  
Co., Ltd. (China)



Children on a guided factory tour at Himi Murata Manufacturing Co., Ltd.

## Third-Party Comments

# After Reading the CSR Report 2007 of the Murata Group



**Professor**  
Katsuhiko Kokubu  
Graduate School of Business  
Administration,  
Kobe University

### **1. Editorial policy that emphasizes ease of reading and employee participation**

This year's report emphasizes readability, aiding readers with many photographs and headlines. This displays Murata's motivation to communicate with a diversity of stakeholders using the CSR report, an aim I expect to see achieved. The inclusion of many "Employee Perspective" sections is a further characteristic of this year's publication. It is most important for a CSR report to display the faces of the employees who actually carry out activities—with additional benefits in terms of in-house motivation. In the future, including similar perspectives from customers, clients and local society members would enhance the report's functionality as communications tool.

### **2. Environmental Action Plan addressing changes in production capacity**

Murata's fiscal 2006 environmental performance largely achieves the targets of its Third Environmental Action Plan. Coverage regarding production facilities development to realize energy savings is worthy of note (see page 31). However, targets for total VOC emissions, which relate to production capacity increases, were not attained. In this regard, Murata should investigate its combination of targets for total emissions and for unit emissions to devise an achievable scenario when setting of targets for corporate activities and reduction figures on a total basis. Furthermore, development of such environmental management indices embracing overall environmental protection activities could be investigated.

### **3. Setting CSR targets**

With regard to the environment, Murata sets clear targets, as evidenced above, and follows through with PDCA activities. However, I suggest setting similar targets for social endeavors, albeit qualitative goals. If this is done, the CSR Report could present results of assessment and promotion of CSR activities when reviewing the year. In this case, it becomes necessary to investigate thoroughly what are important issues for society and important issues for Murata, and this process itself will boost Murata's CSR capacity.

### **4. Environmental and Social Problems**

A single corporation cannot resolve environmental and social problems; this requires the combined understanding and support of society as a whole. It is important to communicate that this is the reason why Murata puts such emphasis on environmental study and communications. Explaining Murata's advanced environmental awareness and activities broadly to society forms the social infrastructure that in turn supports Murata. I expect the CSR Report to be fully utilized as an important medium to this end.



**Murata  
Manufacturing Co., Ltd.**

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