Corporate Governance

Murata considers corporate governance one of the highest priorities in management, and its efforts include improved management transparency, more effective auditing and reinforced internal control systems.

Reinforcing the Corporate Governance System

Strengthening Supervisory and Operational Functions

Murata's Board of Directors comprises 10 directors, with two from outside the Company, and five statutory auditors (three from outside). Ensuring this outside viewpoint improves management transparency.

Murata has also introduced a system of vice presidents to separate making decisions on management policies and critical business operations and managing day-to-day business operations. This system has strengthened supervisory and operational functions since it allows the Board of Directors to concentrate on making decisions on management policies and critical business operations, and on the supervision of Board members' activities.

Murata has also established the Management Executive Committee, which is composed of statutory representative directors and other directors who occupy senior vice president positions or above. This is a deliberative body to assist the Board of Directors and statutory representative directors in their decision-making, and members discuss and receive reports regarding items specified by in-house regulations.

Ensuring a Close Relationship with the Internal Audit System

The internal auditing department is responsible for carrying out internal control audits throughout the Group. These include conducting evaluations and monitoring to make sure that within the Group business is carried out in an efficient, appropriate manner in accordance with laws, ordinances and internal regulations; and verifying the validity of functional staff audits by each head office department (such as General Administration, Personnel and Accounting Departments).

To ensure effective audits, statutory auditors and the Board of Statutory Auditors maintain a close relationship with the internal auditing department by periodically exchanging opinions with it and receiving reports from it regarding audit plans, its implementation status and matters relating to the internal auditing systems, and discussing the adequacy of these.

Establishment of the Internal Control System

Ensuring Suitable, Reasonable Business

Murata has established a number of committees, such as the Internal Control Committee, to advise the statutory representative directors. These committees promote the maintenance of, and ongoing improvements to, internal control systems aimed at assuring the appropriateness of operations throughout the Group. The committees promote the development of systems for the prevention of illegal conduct, and systems for appropriate responses, risk management and timely, pertinent, information disclosure in the event that such conduct occurs. They also specify frameworks, procedures and evaluation criteria for each business and offer appropriate guidance to affiliates as required.

In support for the Japan SOX Law regarding internal control reporting systems (referred to as J-SOX), which is based on the Financial Instruments and Exchange Law, we have started developing internal control improvements and operating projects; these are aimed at preventing fraudulent entry in financial statements and assuring the reliability of financial reporting. We are also continuing with documentation of regulations and manuals throughout the Group, and are striving for standardization, visibility and improvements to business. As of the first half of 2008, we have largely completed the development of internal controls concerning the reliability of financial reporting, and we consider that these have no significant deficiencies or material weaknesses.

> **About the Japan SOX Law (J-SOX)**
> This is an internal control reporting system based on the Financial Instruments and Exchange Law, and which came into effect as of the business year starting April 1, 2008. Its objective is the consolidation and appraisal of internal control systems concerning the reliability of financial reporting.

Employee Perspective

Construction and Reinforcement of Global Internal Control Systems

Hiroyuki Yokomi

Section Manager, Administration Sec., Purchasing Dept., Production Engineering Unit

Murata did not use outside consultants, opting instead to have all project members working together to create internal control systems. Using the trial-and-error method, we collected internal Company know-how and formulated policies that enable the steady implementation of requirements. As a result, our internal controls regarding the reliability of financial reporting have been assessed as having no material weaknesses or deficiencies.

In the future, our objective is to use the information we have collected to construct and reinforce globally based internal control systems.

▼ Corporate Governance System (as of March 31, 2008)