



Suppliers

Murata observes all laws and ordinances in its purchasing, and expects the same compliance, along with due consideration for the community and environment, by its suppliers as they conduct their corporate activities. We believe that CSR procurement helps to build mutual trust and prosperity.

Basic Approach to Purchasing

A Purchasing Policy Based on Fairness, Impartiality and Sincerity

At Murata, we believe it is important to establish relations of mutual trust and prosperity with our suppliers. In our purchasing operations, we ensure a spirit of courtesy, fairness, impartiality and sincerity, respect for laws and ordinances, avoidance of private conflicts of interests, and conformity with social ethics. Throughout the supply chain, we try to ensure that our corporate activities take into account community and environmental needs.

Murata has compiled a business transaction guidebook summarizing basic approaches to purchasing and transaction methods, which we circulate among suppliers. We have also established a dedicated website for suppliers, and provide detailed information essential to supplier dealings such as a quality management manual, a Green Procurement Standards sheet and consultation services.

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.

Legal Compliance in Purchasing

Thorough Legal Compliance in Our Training, Auditing and Systems

As a company with a compliance-oriented management, Murata insists on observance of laws and ordinances relating to purchasing. In particular, we organize annual briefing sessions to give staff a full understanding of the terms of the Act against Delay

in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontract Law) to prevent violations due to lack of awareness.

In fiscal 2007, we held a total of 19 briefing sessions on the Subcontract Law, with 340 attendees from purchasing-related departments. We also held one session on legal and contract-related matters for persons in charge of purchasing, with 30 attendees. We aim to raise staff awareness of these issues through regular sessions in the future. We also aim to preempt legal violations by bringing all purchasing operations of the Company under a single, integrated management system. Internal audits are also carried out to check whether purchasing operations conform with in-house regulations and rules, based on the relevant laws and ordinances.



About the Subcontract Law

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

Audits into the Legality, Effectiveness and Propriety of Purchasing Operations, at Group Companies in Japan and Abroad

The Purchasing Department manages and audits materials purchasing based on the regulations of our Criterion for Purchasing Audit and Guideline for Audit Implementation. The Criterion specify auditing items in purchasing operations, and the Guideline covers procedures and methods for audit planning, implementation, reporting, improvement progress management and compilation of the final report. Based on these documents, we audit the legality, effectiveness and propriety of purchasing operations.

To ensure maximal rigor in procurement, we give regular training to employees in all kinds of legislation relating to purchasing transactions to keep up and deepen their understanding and awareness of the legal issues. This training is begun when employees take up their posts and continued on a regular annual basis thereafter. Group companies overseas are also included.

Employee Perspective

Working with Suppliers to Fulfill Our Responsibilities to the Community



Akiko Nakamura

Administration Sec.,
Purchasing Dept.,
Production Engineering Unit

Sustainable CSR procurement is a priority for Murata. In this endeavor, the cooperation of suppliers is indispensable. We have required suppliers to comply with all items in Basic Attitudes that Murata Requires of Suppliers, with particular attention given to observance of laws, ordinances and social norms. We aim to work together with suppliers in fulfilling social responsibilities, with suppliers fully observing laws and social norms in countries and regions where business activities are carried out.

Supplier Consultation Channels

Two Channels for Consultation on Improper Conduct

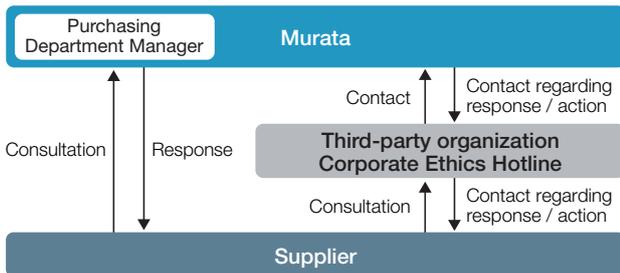
Suppliers can use two types of consultation service in the event of apparent legal violation or social impropriety arising in dealings with Murata.



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.

The first is an e-mail Company hotline, direct to the manager of the Purchasing Department. The second is a Corporate Ethics Hotline (page 19) operated by a third-party organization, which can be accessed via telephone, fax or email. We are bolstering our compliance stance by continually urging suppliers to make use of these services when appropriate. In addition, we plan to formulate ways of making the services available to overseas units.

▼ Two Consultation Services



CSR Procurement

Requiring CSR Procurement of Our Suppliers

As a company with global operations, we demand respect for CSR throughout the supply chain, including suppliers. In materials procurement, we require suppliers not only to give consideration to the environment through green purchasing, but, since 2005, have also considered human rights and occupational health/safety records at suppliers as part of CSR procurement. We require suppliers to take positive measures with regard to CSR.

In a selection of suppliers, decisions take account of candidates' CSR record, as provided in the business transaction guidebook, which sets conditions for selection of suppliers. In addition, we are also considering making selection conditional on results of surveys into progress in CSR at suppliers.

With regard to CSR procurement, we aim to extend unified standards to all our business bases including overseas units, only some of which are now covered.

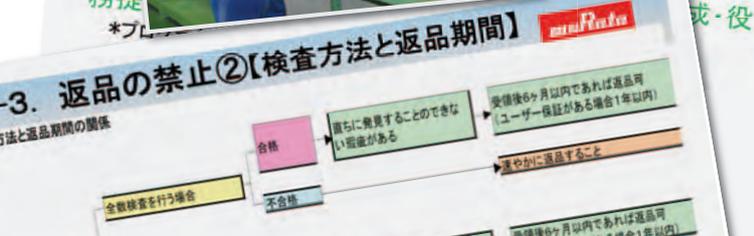
Working with Suppliers to Improve Product Quality

By providing guidance enabling suppliers to continuously improve quality themselves, Murata increases the quality of product procurement (raw materials and equipment), enabling it to keep up and improve its own product quality levels.

Checking purchased products, one by one.



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When the number of abnormalities discovered in products from a supplier reaches a certain level, Murata discusses the matter with the supplier and sets improvement topics and targets. Progress reports are compiled regularly. Murata also performs annual or more frequent analyses and appraisals of quality management competence, responsiveness to cost, lead time and technology requests, and financial position. We pinpoint overall points for improvement and develop topics.

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.