

## Message from the President

# Working with electronics to envision the future —Wishing the presence of Murata to be pride and a source of joy in local communities—

### Changes in the society surrounding us

#### Our mission is to contribute to the creation of a sustainable society

"We contribute to the advancement of society  
by creating innovative products and solutions."

We, Murata employees, repeat to ourselves almost every day, and have cherished these words ever since our foundation. At Murata, more than ever before, we must keep this phrase in mind as we undertake the daily operations of our business. Diverse changes in society in recent years have caused me to embrace this thought.

In order to realize a sustainable society, corporations must gain society's trust and contribute to solving various social issues such as the environment, health, and human rights. Our mission is to work toward solving these issues and contribute to the realization of a sustainable society through business activities.

Murata has a reliable track record of addressing social issues through business activities. The phrase "Innovator in Electronics" that we set forth as our corporate slogan not only expresses a literal interpretation of leading innovation in business, but also includes our approach toward the environment and society in a positive way and value creation through ingenious electronics development. Under the Murata Philosophy and our slogan, "Innovator in Electronics," we have contributed to energy conservation through the efficient use of resources as a result of monozukuri (manufacturing) of light and compact products and supply of highly efficient modules, and to the advancement of society by creating innovative products for the communications and automotive markets.

Opportunities for Murata to make contributions will continue to expand in the future. In the electronics field, an IoT society where all types of objects are connected via communications networks is just around the corner, and IT solution services are already a requirement in all sorts of fields including households, medical, factory automation (FA), and infrastructure. This trend is expected to be further boosted by next generation communication technologies represented by 5G and LPWA. The evolution of communications technologies in high-speed communications, low latency, larger capacities, wide area communications, and multiple simultaneous connections brought about thereby will be likely to further accelerate the advancement of IoT society.

We are also seeing changes in the automotive industry that will have a significant impact on the world of electronics. The potential of semiconductors and communication functions will increase through electrification and automated driving, and automobiles are expected to move closer to being considered electronic or communication devices just like smartphones. Markets are expanding not only for automobiles, but in surrounding areas such as related services and infrastructure, further deepening the relationship between Murata and society.

In addition to this, we feel strongly that there is a great desire for our businesses to be operated in harmony with society more than ever, due to changes in both public values regarding corporate social responsibility and Murata's influence on society resulting from the growth of our business. The Sustainable Development Goals (SDGs) set by the United Nations for the year 2030 are consistent with our activities and direction. In order for us to work together with society to achieve sustainable growth in the future, we must make conscious efforts to incorporate the resolution of social issues into our management strategies, which Murata can contribute to because of our adherence to perspective of the ESGs, as well as efforts to conduct business in harmony with our stakeholders. In light of these changes in society, we want to contribute to the advancement of society by operating our business from a perspective wider than ever before.



Chairman of the Board and President

A handwritten signature in black ink, appearing to read "Takao" followed by a stylized surname.

### Mid-term Direction 2021

#### Three-year initiative toward realization

To make these social contributions a reality, we have developed Mid-term Direction 2021. The three main pillars of this initiative are i) harmony among people, organization and society, ii) establishment of advanced supply system & exponential productivity enhancement, and iii) implementation of portfolio management. By implementing these measures one by one, we will make steady progress toward realization.

Among these three pillars, we must focus our efforts on "harmony among people, organization and society" in particular. This is the foundation for our efforts to solve social issues and achieve sustainable growth. In the current fiscal year, we have identified key issues (material issues) for Murata to address over the medium to long term originating from social issues. In identifying material issues, all executives gathered together to participate in a training camp and thoroughly discuss the relationship between business and the environment as well as Murata's commitment to society. Through these discussions, we

came to the realization that "sustainable monozukuri (manufacturing) is what brings sustainable growth to Murata."

First, from the perspective of the "environment," we must consider the impact of our business processes as we seek for opportunities for business expansion. As long as a company operates business as a member of society, lack of consideration for this point will not only make a negative impact directly on the environment and affect the surrounding area, but it will also destroy the trust that we have cultivated and threaten the foundations on which we operate. Murata has been conserving energy, reducing greenhouse gases, reducing waste, and recycling resources mainly at each of our factories. By further strengthening and integrating these activities throughout the Company as a whole, we will implement strategic initiatives that are integrated into our businesses and build a foundation for sustainable growth together with society.

From the perspective of "society," we will promote initiatives centered around the key concept of creating a safe and secure workplace through respect for human rights and diversity.

Diversity in Murata's human resources and organizational structure has been increasing as a result of recent business expansion and M&As. The ideal workplace we are aiming for is an environment where we can raise our value as a team backed by the leeway to express our own personal opinions and respect for each other's views while exchanging ideas, even among a diverse selection of members. Diversity and inclusion are indispensable values in promoting this initiative. For this reason, we will develop programs that promote communication within and between organizations, as well as enhance career paths that enable diverse contributions that leverage expertise. By integrating these new initiatives and our continuous efforts to build a safe and secure working environment, we will realize the creation of an ideal workplace.

In the second pillar, "establishment of advanced supply system & exponential productivity enhancement," which serves as the driving force behind building the foundation we are aiming for in the first pillar, we aim to evolve and improve the efficiency of work structures. One of the reasons for tackling this issue is a decrease in the working age population. In Japan, it is said that the increase in the number of employed workers will reach a plateau in the first half of the 2020s, and the problem of securing human resources may present a bottleneck for future business operations. As such, we must drastically improve productivity by changing work structures. Another reason is to incorporate state-of-the-art technologies in the realization of "next-generation monozukuri (manufacturing)" and further refine one of Murata's definitive strengths, "monozukuri (manufacturing) capabilities."

The construction of smart factories is essential for the realization of productivity improvements that are not just extensions of previous concepts. We will focus on introducing next generation facilities, manufacturing methods, and management techniques based on state-of-the-art IT technologies primarily in domains where productivity is expected to be improved to a great extent, whereby realizing higher level of work quality by utilizing relevant data in each process, enhancement of facility productivity, visualization of issues faced by facilities, and operational automation with robots and AGVs.

Murata is also focused on enhancing direct/indirect labor efficiency, utilizing all appropriate methods, including AI and RPA. Starting with considerations for the introduction of AI and RPA, we have been taking an inventory of operations, asking ourselves whether these operations are a source of Murata's competitive advantage. After selecting certain operations to focus on, we will proceed with the standardization and automation of work processes that employ IT.

The last of the three pillars is "implementation of portfolio management." This is an initiative to optimally allocate management resources for expanding business opportunities. From the perspective of the markets in particular, we want to contribute to the creation of more prosperous and more convenient future by investing our main management resources in the two markets of communications and automotive, capturing new opportunities and contributing to the further development of these markets.

In the automotive market, there is a high level of demand from customers for QCD and we will be required to provide long-term and stable supply. Accordingly, we must make efforts to focus our expertise more strategically. In addition, we are attempting to capture the market not only through automobiles themselves (In-Car) but also in areas that provide coordination with other automobiles and transportation infrastructure through communication technologies (Out-Car), whereby broadening our perspective on discovering new areas where Murata's strengths can be leveraged.

Acquiring and strengthening core competencies is also important. Without business operations that leverage core competencies that are inimitable for competitors, it will be difficult to achieve sustainable growth and there will be less necessity for Murata to take on that business within the market. We must also push forward the optimal allocation of management resources in carrying out this effort.

#### New determination upon our 75th anniversary

##### An unchanging approach

This year, Murata Manufacturing Co., Ltd. celebrated its 75th anniversary of foundation. Although there are many long-established companies in Kyoto, and it is said that a company hasn't fully come of age until it reaches its 100th anniversary, all Murata employees are proud of our achievement in being able to reach our 75th anniversary in the rapidly changing field of electronics.

Since our foundation, Murata's products have been used in a wide range of electronic devices, and we have seized on various customer needs, gained trust by supplying large amounts of electronic components, and accumulated both experience and a solid record of achievement. Murata's competence with "a global network and deep customer base," "technological development capabilities," and "monozukuri (manufacturing) capabilities" has been cultivated through 75 years of experience, and the "organizational cooperation" of Murata employees is a union of these strengths. Through the organic fusion of our definite strengths and strong organization/member capabilities, we can contribute to the realization of a prosperous and sustainable society.

There is a valuable quote from our founder that engraves the social responsibility that we are obligated to bear into our minds. That is the philosophy of "Wishing the presence of Murata to be pride and a source of joy in local communities."

In order for those around us to sincerely agree that we are fulfilling this philosophy, we must strive to maintain an integrated approach that is simple and honest, and continue to be a company that will be accepted by our surroundings. We want to once more reaffirm the identity of taking the initiative in working toward a better society, and earnestly tackle value creation in harmony with our stakeholders. Murata will continue to move forward together with our many stakeholders in order to achieve mutual prosperity.

