

Corporate governance

Our basic views and initiatives to date on corporate governance

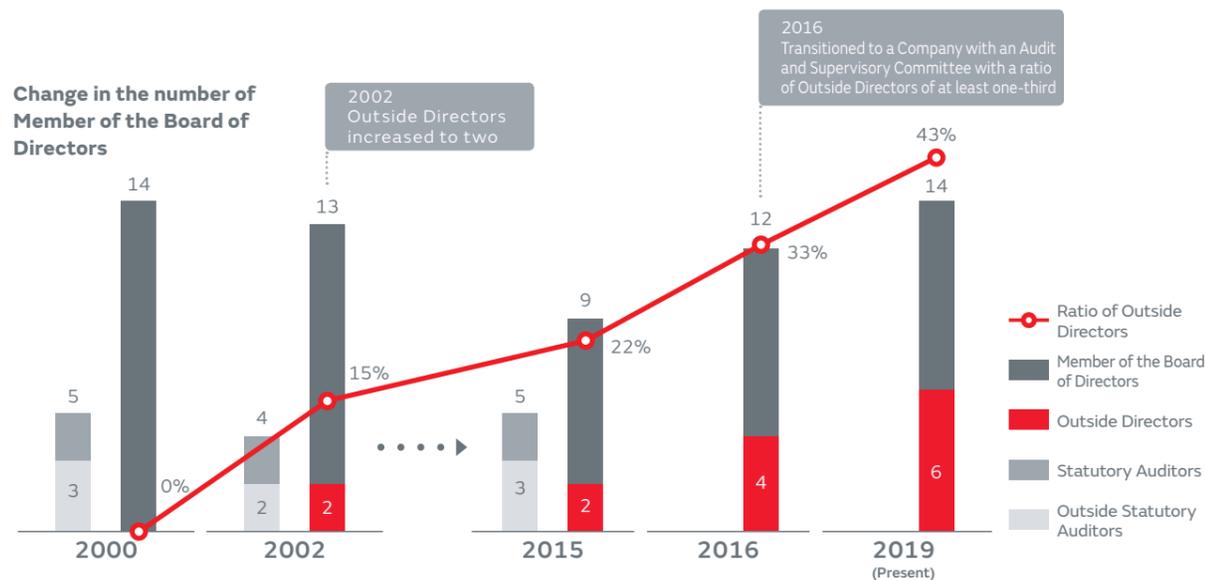
Murata considers corporate governance to be one of the highest priorities in management, and we work constantly to establish and operate optimal management systems that will realize sound corporate growth and development while taking into consideration every stakeholder.

Based on the idea that it is important to adopt “perspectives from outside the Company,” we first appointed Outside Statutory Auditors in 1971 and Outside Directors in 2001. In recent years, we have enhanced the diversity of Outside Directors and increased the ratio of Outside Directors. After transition to a Company with an Audit and Supervisory Committee in 2016, the ratio of Outside Directors is at least one-third. In addition to appointing outside executives, we are making efforts to strengthen our corporate governance by steadily taking measures as below, in order to strengthen executive and supervisory functions and increase the transparency of management.

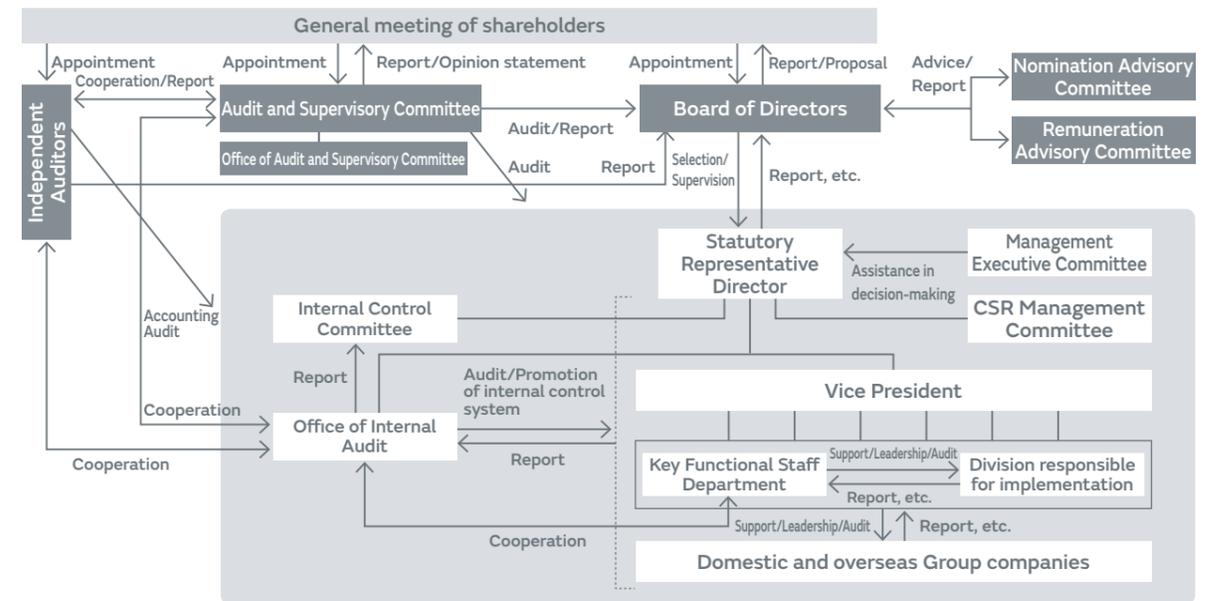
History of initiatives to strengthen corporate governance

2000	<ul style="list-style-type: none"> Established a Vice President system and declared the appointment of Outside Directors Established the Management Executive Committee
2001	<ul style="list-style-type: none"> First appointed Outside Directors *In 2002, the number of Outside Directors was increased to two. <p>*In 1971, we first appointed Outside Statutory Auditors. (We have had full-time Outside Statutory Auditors in the past.)</p>
2002	<ul style="list-style-type: none"> Established the Corporate Ethics Policy and Code of Conduct
2004	<ul style="list-style-type: none"> Abolished the Directors' retirement benefits system Established the Remuneration Advisory Committee Established the Internal Control Committee and the Audit Office (currently Office of Internal Audit)
2006	<ul style="list-style-type: none"> Established the basic policy on the internal control system
2007	<ul style="list-style-type: none"> Established the CSR Management Office
2008	<ul style="list-style-type: none"> Established the CSR Committee (currently the CSR Management Committee)
2015	<ul style="list-style-type: none"> Established the Corporate Governance Guidelines Established the Nomination Advisory Committee
2016	<ul style="list-style-type: none"> Transitioned to a Company with an Audit and Supervisory Committee *Outside Directors represent more than one-third of the Directors.
2017	<ul style="list-style-type: none"> Introduced a restricted share remuneration plan

Change in the number of Member of the Board of Directors



Structure of corporate governance system



- Board of Directors**
The Board of Directors decides on our basic management direction and particularly important matters for execution, and supervises duties implemented by Member of the Board of Directors.
- Audit and Supervisory Committee**
The Audit and Supervisory Committee audits duties implemented by Member of the Board of Directors and may state their opinions in relation to appointment and remuneration of Member of the Board of Directors at General Meetings of Shareholders.
Three of the Member of the Board of Directors who are Audit and Supervisory Committee Members possess a considerable degree of knowledge in the areas of finance and accounting. The Committee has one full-time member who shares information concerning the status of operations and corporate finances with part-time members.
- Nomination Advisory Committee/Remuneration Advisory Committee**
These Committees have been established as advisory bodies for the Board of Directors in order to enhance its independence, objectivity, and accountability in relation to the nomination and remuneration of executives.
The members of these committees are selected by the Board of Directors from among Members of the Board of Directors, and include multiple Independent Outside Directors.
- Management Executive Committee**
The Management Executive Committee has been established as a deliberative body to assist the Board of Directors and the Representative Director in making decisions. It is made up of executive Member of the Board of Directors and Member of the Board of Directors who concurrently serve as Vice Presidents, creating a system for deliberation on management issues specified by the Company regulations.
- CSR Management Committee**
The CSR Management Committee has been established to continuously and systematically promote CSR management and further enrich CSR within the Company and serves as a main office to handle issues outside the Company.
- Internal Control Committee**
The Internal Control Committee is responsible for the maintenance and continual improvement of the system to secure the appropriateness of company operations (the internal control system) and evaluates the status of maintenance and operation of the system.
- Vice President**
In order to realize more rapid management judgments and more flexible execution, a Vice President system has been introduced, and our Vice Presidents execute their duties with authority and responsibilities.

Composition of the Board of Directors and other main committees (as of June 27, 2019)

	Number of members	Inside Director	Outside Director	Chairman, Committee Chairperson
Board of Directors	14	8	6	Inside Director
Audit and Supervisory Committee	4	1	3	Inside Director
Nomination Advisory Committee	4	2	2	Inside Director
Remuneration Advisory Committee	4	2	2	Outside Director

Adoption of “Company with an Audit and Supervisory Committee” as a governance system

Murata Manufacturing Co., Ltd. adopted the Company with an Audit and Supervisory Committee structure as a corporate governance system.

In a Company with an Audit and Supervisory Committee, a Board of Directors may delegate decisions on important matters for execution to Executive Directors. By delegating each decision on matters for execution to Executive Directors, more rapid management judgment and more flexible execution can be realized, while the Board of Directors can focus on discussion and monitoring relating to management policy and business strategy, leading

to enhancement of the functions of the Board of Directors.

In addition, Members of the Board of Directors who are Audit and Supervisory Committee Members hold voting rights on agendas at the Board of Directors and rights to express their opinions as the Audit and Supervisory Committee concerning appointment and remuneration of Member of the Board of Directors at General Meetings of Shareholders. We believe that this ensures strong supervisory functions by Executive Directors.

Corporate governance

Analysis and evaluation of effectiveness of the Board of Directors

The Company endeavors to improve the effectiveness of the Board of Directors by conducting an analysis and evaluation of the effectiveness of the Board of Directors as a whole once a year and discloses an overview of the procedure and results.

Analysis and evaluation process

A questionnaire for all Member of the Board of Directors and interviews with Outside Directors were conducted and the analysis and evaluation were conducted through multiple discussions in the Board of Directors, making reference to the results of the questionnaire and interviews.

Through conducting the questionnaire and interviews, various confirmations were carried out regarding the composition of the Board of Directors, agenda items submitted to meetings, status of deliberation, personal participation of Director, and other matters regarding the operation of the Board of Directors. In fiscal 2018, the implementation, tallying, analysis, etc. of the questionnaire was carried out by a third party.

Results of analysis and evaluation

The Board of Directors of the Company has been assessed to be functioning with sufficient overall effectiveness in consideration of its duties and obligations. The major details are provided below.

- An atmosphere that enables free expression of opinion is being cultivated and broadminded and constructive discussions and exchanges of opinion are taking place.
- The composition of the Board of Directors, the selection of agenda items and the supervisory functions of Outside Directors are being carried out with adequate effectiveness.

Note, there was an opinion related to the enhancement of risk management and the strengthening of the monitoring of business execution in relation to management policy and business strategy.

Based on these evaluation results, the Company will continue working to further improve the effectiveness of the Board of Directors.

Nomination of candidates for Members of the Board of Directors

Nomination policies

In consideration of the business content, scale, and management environment, etc., of Murata, personnel with knowledge, experience, and qualities that can contribute to enabling the Board of Directors to function (determination of basic management principles and important business execution, as well as supervision of execution of duties of Member of the Board of Directors) are nominated as candidates for Member of the Board of Directors taking into account the balance and diversity in the expertise, experience, and capabilities of the overall Board of Directors as a whole.

Additionally, in nominating candidates for Outside Directors, the Company seeks personnel across a wide and diverse range and works to secure candidates who satisfy the independence standards of the Tokyo Stock Exchange and Murata Manufacturing Co., Ltd.

In particular, with regard to candidates for Members of the Board of Directors who will be Audit and Supervisory Committee Members, as noted above, the Company nominates personnel with a wealth of knowledge and experience regarding management administration and business operations who have qualities that can contribute to improvement in the soundness and transparency of management and audit the business execution of Member of the Board of Directors from a fair and objective standpoint. At least half of the candidates for Members of the Board of Directors who are Audit and Supervisory Committee Members nominated by the Company are Outside Directors.

Nomination procedures

The Nomination Advisory Committee considers criteria for the nomination of candidates for Members of the Board of Directors, independence standards for Independent Outside Directors, nomination of candidates for Members of the Board of Directors, and nomination of candidates for Representative Directors and executive Members of the Board of Directors, and reports its findings to the Board of Directors.

The Board of Directors determines the nomination of candidates for Members of the Board of Directors based on the reported findings of the Nomination Advisory Committee. Nominations for candidates for Members of the Board of Directors who will be Audit and Supervisory Committee members are subject to approval by the Audit and Supervisory Committee.

Remuneration for Member of the Board of Directors

Policies regarding remuneration

With respect to remuneration for Member of the Board of Directors, Murata Manufacturing Co., Ltd. makes it a basic policy to provide a system and level of remuneration that is considered suitable for executive-level managers of a globally competitive electronic equipment and component manufacturer in order to ensure recruitment of human talent considered to be excellent based on a comparison with same-industry competitors, to raise the morale and motivation to improve financial results, and to contribute to the maximization of corporate value.

Remuneration for Member of the Board of Directors who are not Audit and Supervisory Committee Members is made up of (i) monthly remuneration, (ii) bonus with the aim of giving a short-term incentive, and (iii) share-based remuneration with the aim of making them further share values with our shareholders by giving a medium- to long- term incentive.

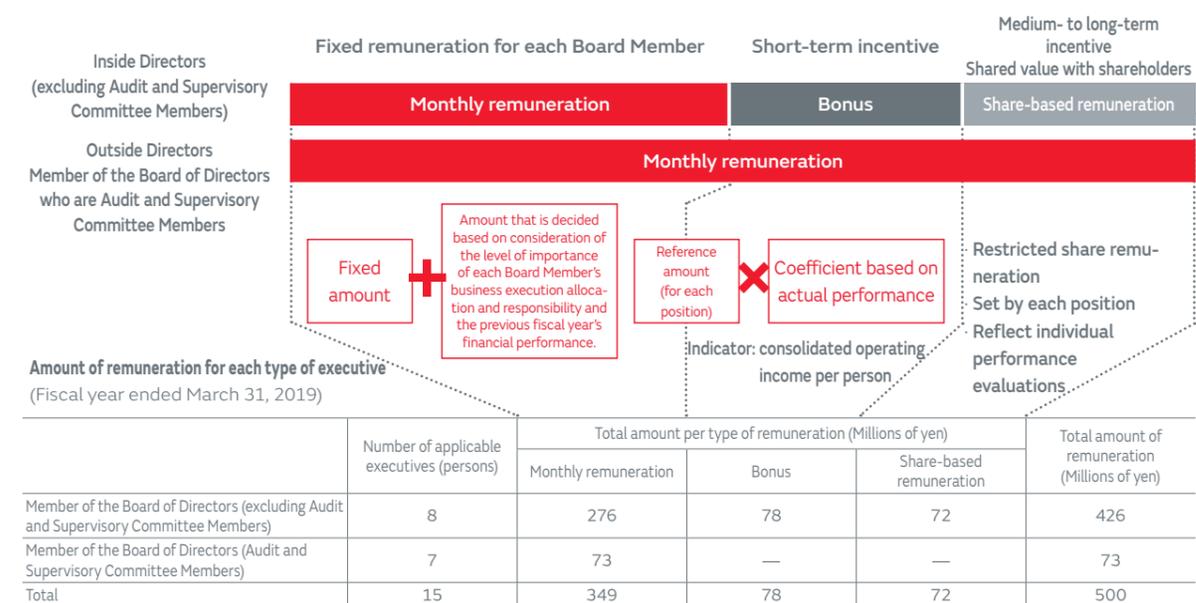
The remuneration paid to Outside Directors who are not Audit and Supervisory Committee Members and to Member of

the Board of Directors who are Audit and Supervisory Committee Members is only monthly remuneration. The amount paid to each Board Member who is an Audit and Supervisory Committee Member is decided as a fixed individual remuneration through discussion by the Members of the Board of Directors who are Audit and Supervisory Committee Members.

Procedures for determining remuneration

Remuneration Advisory Committee deliberates on the remuneration system and levels for Member of the Board of Directors and reports its findings to the Board of Directors. The Board of Directors decides on the standards regarding remuneration for Member of the Board of Directors based on the report from the Remuneration Advisory Committee.

Specific remuneration amounts are calculated in accordance with the remuneration standards. Individual remuneration of Members of the Board of Directors who are not Audit and Supervisory Committee Members is decided upon consultation with the Remuneration Advisory Committee.



(Notes) 1. The above number includes three Members of the Board of Directors who are Audit and Supervisory Committee Members who retired during the fiscal year ended March 31, 2019.
 2. The total number of persons receiving compensation is cumulative. The actual number of persons eligible for compensation is 14.
 3. The cumulative total number of Outside Directors is seven, and the actual number of persons eligible for compensation is six.
 4. Out of the total shown above, total compensation, etc., provided to six Outside Directors, is 70 million yen.

Internal control system

The Board of Directors of Murata Manufacturing Co., Ltd. has defined a basic policy regarding the maintenance of a system to secure the appropriateness of company operations (internal control system). Based on this, the Company works to appropriately maintain and operate the internal control system.

The Murata Manufacturing Group shares Murata Philosophy that acts as a fundamental management policy, and in order to embody it, we have defined a fundamental policy and code of conduct, which have been distributed across the Group. In addition, we have established regulations and procedures regarding decision making. Based on these, deliberations are made regarding the business operations of subsidiaries, in addition to sharing various

information regarding business operations of the Murata Manufacturing Group. Divisions that supervise the various business functions (general administration, personnel, accounting, etc.) of the Murata Manufacturing Group define frameworks, processing procedures, and judgment standards for duties to ensure that duties within the Murata Manufacturing Group are performed appropriately and efficiently, in addition to providing appropriate direction to subsidiaries as required. As an independent body, the Internal Audit Department (Office of Internal Audit) evaluates and monitors whether or not duties within the Murata Manufacturing Group are conducted appropriately and efficiently, adhering to laws and regulations and the internal regulations, etc. of the Company.

Summary of the Criteria for Independence

- (1) The person is not an executive of the Company or its current subsidiary or a company that was a subsidiary within the past three years.
- (2) The person is not currently a major shareholder or an executive of a major shareholder.
- (3) The person is not an executive of a company, etc., that is currently a significant client or supplier or was a significant client or supplier within the past three years with the Company or its current subsidiary.
* "Significant client or supplier" refers to one with which the Company has transactions of 2% or more of consolidated net sales of the Company or of the client or supplier.
- (4) The person is not an executive of an organization that has received within the past three years a donation or grant of over 10.00 million yen per annum from the Company or its current subsidiary.
- (5) The person is not an executive of a company or a subsidiary of that company, that employs or has employed within the past three years a Board Member, Statutory Auditor, or Vice President of the Company or its current subsidiary.
- (6) The person does not have any significant transaction relationship with the Company, such as a consulting or advisory agreement, and has not had a significant transaction relationship in the past.
- (7) The person is not an executive of the Independent Auditor of the Company.
- (8) The person is not the spouse or a relative within the second degree of kinship, etc., of a Board Member, Statutory Auditor, or Vice President of the Company or its current subsidiary.
- (9) The person does not carry the risk of creating a constant substantial conflict of interest between the Company's general shareholders as a whole for reasons other than those considered in (1) through (8) above.