

We will continue to lead innovation in the electronics industry with an eye on technological development over the medium to long term.

I will inherit the founder's spirit and strive to improve our corporate value.

I am Norio Nakajima. I was appointed President after the resolution adopted at the General Meeting of Shareholders and the Board of Directors meeting held in June of this year. First, I would like to express my sincere gratitude to all our shareholders for your continued understanding and support for the Group.

Last November, I was called by former President Tsuneo Murata after a meeting of the Nomination Advisory Committee. He told me that he wanted to pass the baton of management to me. To be honest, I was surprised to receive this offer at that time because Mr. Murata was still full of energy. However, now that I have become President, I am keenly aware of the gravity of my responsibility and I am also feeling an unparalleled sense of fulfillment in meeting the expectations of our stakeholders through the creation of new social value as the leader of the Group.

I am the first president to be selected from outside the founding Murata family. However, the noble philosophy established by our founder Akira Murata, "we contribute to the advancement of society by creating innovative products and solutions," will never change. The Murata Philosophy, which represents our founder's spirit, is what the Group should continue to inherit, and this will also become a guiding principle when I need direction. We will continue to take on the challenge of creating new value in a manner that is unique to Murata, and faithfully strive to improve our corporate value under the Murata Philosophy.

President

Norio Nakajima

Achieving growth by taking advantage of management that grasps the big picture of technological trends as our strength

Nowadays, the electronics market is undergoing major changes. We are entering a new growth stage against the backdrop of 5G (the 5th generation of mobile communication systems) in the telecommunications industry and electrification and automation in the automotive industry. By constantly creating new value, Murata will continue to fulfill its mission as an innovator in the electronics industry. Moreover, we are determined to firmly meet the expectations of our stakeholders through the development of competitive and unique products.

The origin of Murata's technology lies in ceramics, inorganic materials with various electrical properties, leading us to refer to them as "Wonder Stone." Based on this, we have created a wide range of electronic components including capacitors. In particular, we hold the world's top market share of multilayer ceramic capacitors (MLCCs) owing to our technology and quality.

If components such as capacitors and inductors comprise the first page of our business portfolio, the second page consists of modules. In the 1990s, Murata developed RF components for 2G (the 2nd generation of mobile communication systems), which led to the creation of a communication module business combining electronic components. At the time, we made an effort to develop technologies based on a development roadmap with our sights set on the next 10 to 20 years.

Moreover, our sales engineers conducted business meetings with our customers by taking advantage of our abundant technological expertise and strove to resolve customers' issues by leveraging our competitiveness in prompt decision-making. Diverse human resources engaged in monozukuri (manufacturing) at each factory, along with our sales engineers engaged in resolving customers' issues from the management perspective, have created a foundation for the timely and stable supply of products required by customers, eventually allowing Murata to expand globally.

In the face of the new trends of 5G and the electrification and automation of automobiles, Murata is looking ahead of the times to be fully prepared, while enhancing its confidence in timely provision of products needed in the future market.

I believe there is no limit to technology. For example, the MLCC is considered to have been

miniaturized to the maximum extent possible; however, I do not think it has reached its limit. Murata's true value lies in its constant effort to challenge the limit and create new technologies. Since its foundation, Murata has been focusing on creating inimitable products by utilizing "Wonder Stone" as a material. And currently, we are realizing high profitability while focusing on technological development with the aim of achieving the net sales of new products that comprise 40% of the total net sales.

Looking back on Murata's 75-year history, we have gone through rough seas numerous times and have faced challenging business results in the short term. However, our strength lies in our management's ability to grasp the big picture of technological trends rather than taking a short-sighted approach. Based on this, our unique management system, called "matrix management," is supporting our competitive advantage in monozukuri (manufacturing). In this fiscal year, the business environment is expected to be challenging due to the impact of the COVID-19 pandemic, causing concerns to our shareholders and investors. However, we have a clear picture of what we should do in the long term. In this regard, we promise to surely meet your expectations over the medium to long term.

We will be fully prepared to capture the demand for 5G.

As for the market environment in the current fiscal year, we expect a significant decline in the demand for products used in automobiles due to the impact of the COVID-19 pandemic and other factors. Meanwhile, there are also concerns about a decline in the demand for products used in consumer devices; however, we expect that the demand will pick up as the spread of the COVID-19 pandemic is brought under control.

In terms of business operations, a Business Continuity Plan (BCP) has been properly carried out in our entire supply chain, despite disruptions in operations at some production sites. By leveraging lessons learned from previous hardships such as the Great East Japan Earthquake and the Heavy Rain Event of July 2018 in western Japan, we have focused on maintaining and improving our supply chain. And I believe that such efforts have borne fruit. Moreover, in order to ensure the safety of our employees, we have implemented various measures



in a focused manner in terms of both tangible and intangible aspects (please see p.56).

In addition to these efforts, Murata is also working on BCP (Business Continuity Planning) at its production sites. Traditionally, it has been considered difficult to automate the manufacturing process for ceramic products because the process is extremely complicated. However, Murata has been steadily promoting the use of smart factories in its own way. In this process, we are actively working on the use of the latest technologies, such as artificial intelligence (AI). Through these efforts, we will surely fulfill our mission of maintaining a stable supply of products no matter what happens.

As for the latest business opportunities, we place importance on products compatible with 5G. We are in the stage where actual demand is rapidly increasing, mainly for smartphones and base stations. The current climate of the 2020 Tokyo Olympics, which was supposed to drive a new trend in the telecommunications industry, is uncertain. However, Murata strives to be fully prepared to meet the demand of the market.

Regarding the potential of 5G, I would like to make a point that it is not limited to an increase in the communication speed of smartphones. Particularly, we are focusing our attention on the merit of low latency. I expect that if communication latency is minimized to the maximum extent, the data can be called up from the cloud in real time, and accordingly, the form of smartphones and other communication devices will change dramatically in the future.

At the same time, all kinds of electronic devices in our lives and several industries will be connected through the network after the launch of 5G. In this regard, when it comes to Murata's business, we expect to see more commercial opportunities in the fields of modules and solutions, in addition to components. Moreover, we are also steadily preparing to enter the domain of software in the communication infrastructure field and we will meet the demand of the market by developing our business with an eye on 5G and even 6G.

This includes the multilayer resin substrate "MetroCirc™", which uses liquid crystal polymer that combines our unique multilayer technology with organic materials. As RF technology approaches the domain of optical communication technology, I expect that it will have an even stronger presence in the future. In addition to the above, Murata offers numerous other elemental technologies that are designed to differentiate us from our competitors, and, in this rapidly changing era, we are determined to respond promptly and accurately to our customers' issues by taking advantage of our abundant technologies as our strength.

We are steadily preparing for growth in the next ten years.

In order to achieve sustainable growth over the medium to long term, we are working to add the third page of our business portfolio called "solutions" to the two existing business portfolios, namely, components and modules. This aims to create a new business model that includes the domain of software.

Specifically, we are envisioning businesses related to various big data, including traffic information such as congestion of automobiles, operational information related to preventive maintenance at factories, and biological information related to health management. Murata has a variety of sensors in its lineup, capable of providing consistent services ranging from data sensing to data processing and analysis by combining such sensors with components, modules, and software. We are currently proceeding with the development of technologies to make this solution field a new pillar of our business.

However, a new business cannot be established overnight; it is a preparation with an eye on the future in the next ten years. To develop such a field, it is essential to train engineers who will sustain the future of Murata. I myself would like to utilize internal social networking sites and other means and refer to a variety of opinions through direct discussions with young engineers with an eye toward fostering engineers and further refine our vision for the future. Based on monozukuri (manufacturing), which is the foundation of Murata's business, we will also aim to generate revenue in the domains of system maintenance and services.

In addition to positive efforts to create the third business in our portfolio, I believe it is also important for me to closely examine a wide range of our businesses as a mission of the new president. For example, as for projects that are not contributing to earnings despite research and development activities over a long period of time, I am planning to develop an exit strategy after determining certain criteria and milestones. Some may feel this is a negative effort, however, this is an issue I cannot avoid as a corporate manager. Going forward, I will discuss the matter at the Board of Directors' meetings and the Management Executive Committee meetings to find the best course of action.

No one knows what society will be like in the next 10 or 20 years. However, in terms of technology, I am confident that we are going in the right direction. With an eye toward what the future of technology looks like, we will apply a backcasting approach and solemnly do what we should do now. By doing this, I am confident that we will achieve our goals in the future.

At Murata, the ratio of R&D expenses to sales has remained at around 7%. It may sound expensive when compared to other companies in the industry,

however, we believe it is a meaningful investment from the perspective of an advance investment to achieve our vision in the future. Meanwhile, Murata operates its business while placing importance on return on invested capital (ROIC) based on the belief that we are entrusted with the precious funds of our shareholders and investors (please see p. 17). We will continue to deliver inimitable and valuable products to the market through active research and development activities while maintaining a sound financial base from a long-term perspective.

We will move on to a new growth stage by strengthening the human resources base and ensuring the management transparency.

We understand that further promotion of the management based on the Environmental, Social and Governance (ESG) criteria is important to achieve sustainable growth in the long term. Among other things, the most important thing is to strengthen our human resources base. Since its foundation, the source of Murata's strength has been management that values and develops people. Our corporate culture is characterized by the fact that the development of subordinates is considered the main mission of their superiors.

Based on the above, in the process of building their careers, employees are able to acquire multiple skills, starting with six months of training at a factory after joining the company and then gaining various work experience at each group company. This is beneficial not only in terms of gaining business skills, but also in fostering diverse perspectives. We can say that such job rotation has led to the ongoing development of management personnel. In the future, as we carry on our corporate culture of cherishing and fostering human resources, I am planning to consider how to ensure that human resources development is compatible with changes in the times and the scale of our business.

At the same time, as our business becomes increasingly globalized, we consider that it is also important for us to promote diversity and inclusion. Our corporate culture, which respects the diversity and creativity of each and every employee, will become the foundation for growth in the next era. Going forward, we will accelerate internal discussions to create a work environment in which all employees can positively engage in their work, regardless of gender, nationality, or disability.

Moreover, as for corporate governance, Tsuneo Murata, who has been appointed Chairman of the Board, will take the lead in strengthening the system (please see p.39). In particular, we believe it is important to further increase the transparency of management, and we will enhance the monitoring function of management, including further revitalization of the Board of Directors. As a matter of course, we will focus on communicating information to our shareholders and investors and engaging in dialogue with them more than ever in an effort to build trusting relationships.

In its 75-year history, Murata Manufacturing Co., Ltd. has received tremendous support from various stakeholders and has been able to achieve prosperity that it enjoys today. Moreover, the three strengths that have been developed by former President Tsuneo Murata, namely, the ability to improve at work sites, our engineers' curiosity, and the ability to deliver solutions, have also become a driving force for our growth. I consider it is my job to further enhance these strengths. While demonstrating these strengths and pursuing a decentralized autonomous organization, we will aim to become a corporate group that can always engage in the resolution of issues faced by our customers and provide optimal solutions in a prompt and timely manner. We hope you will look forward to seeing Murata's continuous challenge to create new value.

