

Murata group Global Tax Policy

1. Background and objective of formulating this policy

Murata Manufacturing Co., Ltd. (hereinafter referred to as Murata) is engaged in business activities in the electronics industry under the philosophy, “contribute to the advancement of society by creating innovative products.” In line with this management philosophy, Murata aims to continue to be a company that is trusted by society by committing to compliance with laws and regulations on the basis of high corporate ethics. To these ends, Murata stipulated its CSR Charter and established the Corporate Ethics Policy and Code of Conduct to ensure that all corporate officers and employees comply with the laws and regulations and act in an ethical manner. Murata also clarifies its approach to tax-related matters by formulating this Global Tax Policy.

2. Basic policy

Murata understands the legislative intents of the tax laws enacted by countries in which Murata and its group companies operate, and commits to comply with such laws. Further, Murata supports OECD’s international tax rules and the Action Plan on Base Erosion and Profit Shifting (BEPS), through which Murata pays taxes in a timely and appropriate manner and fulfills social responsibilities.

3. Tax governance

Murata’s Board of Directors aims to make swifter business decisions and achieve flexible operations by delegating decisions for crucial operations to the directors of operations as well as enhance monitoring functions. The directors of each operation make decisions themselves within the range of their professional duties delegated by the Board of Directors and also established this Global Tax Policy.

Murata delegated the director of accounting and financing as the highest-ranking person related to tax operations and has established a specialized tax organization

within its Accounting and Financing department as well as a tax team within its domestic and overseas group companies. Our specialized tax organization has established a system that sufficiently links the head office with our domestic and overseas group companies. We strive to globally reduce taxation risks and tax costs through cooperations between our specialized tax organization and group company tax teams. Tax issues determined to be high in importance are reported to the Board of Directors and Audit Committee by our Accounting and Financing department which includes our specialized tax organization.

Furthermore, our basic policies related to the maintenance of our internal control system which includes tax operations are determined by the Board of Directors. In accordance with the policies, we strive to appropriately maintain and operate the system. The Internal Audit Department periodically confirms important matters related to tax operations with our specialized tax organization and its contents are also confirmed by the Audit Committee.

4.Tax risk management

Murata takes the following actions to minimize tax risks at all times:

- Our specialized tax organization works closely with the Business Operation department to discover tax risks at early stages.
- When a material tax risk is discovered, the Tax Team should investigate the facts and determine how to treat such risk in the context of the legislative intents.
- If any uncertainty as to the tax processing remains, the Tax Team should seek the advice of outside specialists, or make advance inquiries to the tax authorities as necessary in an effort to eliminate such uncertainty.
- In cross-border intra-group transactions, Murata analyzes the functions, risks, and important intangible assets of its overseas group companies, and determines the transaction prices in accordance with OECD's guidelines on transfer pricing and Murata's transfer pricing policy.

5.Tax planning

While paying taxes is important in fulfilling social responsibilities, a corporation must also give consideration on costs. Murata takes the following approach to maximize cash flows:

- If there are multiple options in tax accounting, Murata should select the most favorable method within the scope of its business objectives and legislative intents.
- Murata should aggressively utilize tax incentives under the tax laws of other countries based on applicability.
- We will not apply schemes with the intent to avoid taxation (use of tax structures with no commercial entity) nor migrate created values to countries with low tax rates (use of tax havens) with the intent to avoid taxation.

6.Organization and personnel training

As tax-related issues are complex and may have material impact on the cash flows, tax affairs require specialized knowledge and wide experience. Murata takes the following actions for the operation of tax-related organizations and training of personnel:

- Since we are required to have solutions for complex tax related issues and provide instructions for our domestic and overseas group companies, our specialized tax organization will continue to have a high level of specialized knowledge, secure experienced personnel, provide proper training, and perform stable organizational operations.
- The group companies inside and outside Japan should also secure personnel who can carry out the tax-related tasks efficiently, keep executing necessary trainings and ensure the stable operation.
- Murata should make efforts to spread necessary knowledge on tax among all employees.

7.Establishing relationship with tax authorities

Murata takes the following actions to cooperate sincerely with tax authorities in other countries, and to establish and maintain a sound relationship:

- Murata should implement measures to prevent recurrence of any findings by the tax authorities.

- In the event that a difference of opinion arises with a tax authority, Murata should conduct a constructive dialogue with the tax authority to seek resolution to the issue in accordance with the tax-related laws and regulations and international tax rules.