

Murata's management capital

Key values CS and ES (Customer Satisfaction and Employee Satisfaction)







Murata's mission is to "contribute to the advancement of society," and we believe that Murata exists for this purpose. In order to realize this mission through the efforts of all employees, the values of "CS and ES" are regarded as critical aspects in our management.

At Murata, CS means "to create and provide value that customers appreciate," and ES means "each and every employee feels rewarded and continues to grow through his or her work." We practice these values based on our desire to be a company that can realize them in our daily business.

Management capital Source of value creation nurtured through the implementation of the Murata Philosophy

"Management capital" that has been developed through the implementation of the Murata Philosophy will continue to be the source of value creation in the future. Driven by "CS and ES," Murata will demonstrate its "core competencies" by utilizing such capital.

Murata will continue to create value as an Innovator in Electronics by reinforcing the capital, cherishing the spirit of the Murata Philosophy and further developing the core competencies.

Murata's management capital		
 Human capital	<ul style="list-style-type: none">Global penetration of management philosophyEmployees who sympathize with the Murata Philosophy and sincerely practice itValues that emphasize CS and ESAn organizational culture that utilizes diverse individuals and helps their collaboration	<div>▶P.86</div> Respect for human rights and diversity
 Organizational capital	<ul style="list-style-type: none">Business management philosophy and management systems backed by scientific managementSolid corporate governance that is trusted by stakeholders and enables us to grow together	<div>▶P.69</div> Risk management <div>▶P.55</div> Corporate governance
 Monozukuri capital	<ul style="list-style-type: none">Production technology, management technology, and management systems that are highly integrated, from materials to final productsA strong "Kaizen" mindset and management technology to promote improvement activitiesQuality control technology and systems that extends back to the origin	<div>▶P.22</div> Monozukuri capital <div>▶P.23</div> Murata's core competencies
 Intellectual and technological capital	<ul style="list-style-type: none">Unique platform technology, core technology, and intellectual property that Murata has built and expanded as an Innovator in Electronics	<div>▶P.22</div> Intellectual capital <div>▶P.49</div> Technologies
 Customer and business partner capital	<ul style="list-style-type: none">Customer and sales networks we have built by providing global No. 1 productsNetworks and teamwork among sites around the globeGlobal partner network in the supply chainTrust and credibility we have earned through our solid networks	<div>▶P.23</div> Murata's core competencies <div>▶P.89</div> Coexistence with local communities <div>▶P.93</div> Supply chain management
 Financial capital	<ul style="list-style-type: none">Financial base to support sustained growth and prepare for changes in the environment and various risks and opportunitiesAn investment strategy that emphasizes ROIC (pre-tax basis) and aims to increase capital efficiency in the long termCredibility earned through dialogue with stakeholders and capital markets	<div>▶P.15</div> Message from the Executive in Charge of Accounting, Finance & Corporate Planning <div>▶P.38</div> Capital allocation policy

Intellectual capital Murata's intellectual property

As the electronic component market changes rapidly, timely acquisition and accumulation of intellectual property has a direct impact on the company's competitiveness. The importance of intellectual property is ever increasing for Murata in producing innovative products and solutions as a real Innovator in Electronics.

Murata actively invests in intellectual property for the business with high priority in the portfolio and other growing business.

In addition, Murata established "Basic Policy for Intellectual Property Activities" to encourage employees to engage in the intellectual property activities that would benefit the business beyond the organizational framework, and aims to raise awareness of intellectual property within the whole company through stratified/vocational training and an intellectual property forum.

Organizational structure that supports intellectual property activities

In July 2021, Murata established the Intellectual Property Group that consists of the corporate IP Department and the IP Planning Department with the aim to encourage autonomous and decentralized intellectual property activities and to reinforce governance. The corporate IP Department works closely with each business division and the development department to draw up an intellectual property strategy and to build a strong intellectual property portfolio inside and outside of Japan. The IP Planning Department uses intellectual property information for decision making with regard to the selection and concentration in portfolio management, manages risks with intellectual properties and tackles the corporate-wide issues of intellectual property. The corporate IP Department and the IP Planning Department work closely on a day-to-day basis and are engaged in intellectual property activities to contribute to the business.

Monozukuri capital Quality control at Murata

"Good devices come from good components, and good components come from good materials."
"If we practice scientific management, we can deliver quality, on time, with no mistakes."
Founder Akira Murata

Murata has created integrated manufacturing systems from materials to finished products, and since the company's founding we have uncompromisingly pursued quality that will gain the trust of every customer by utilizing science-based management oversight, starting from the origins of our processes and throughout the operation.

Quality Policy

We build long-lasting partnerships with customers who appreciate and share our philosophy for contribution to the advancement of society (CS). We are inspired by our company objectives and enjoy our personal growth and contribution to society (ES). We strive to exceed our customers' expectations by:

- solving every problem through careful verification of all the facts until the root causes are identified and eliminated;
- effective quality management and the optimization of our business processes, people, materials, methods, and technologies; and
- our strong commitment to the continuous improvement of quality.

Active patent application overseas and trends in the number of patents owned by Murata

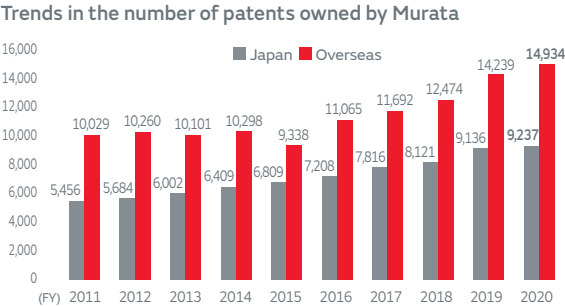
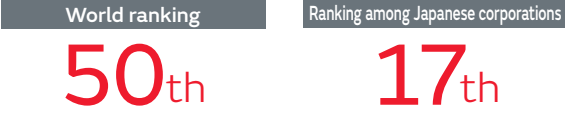
In accordance with the increase in the ratio of sales outside of Japan to net sales, Murata actively promotes patent application overseas as part of investment in intellectual property. Taking into consideration of the characteristics of the technology, market trends and competitors' activities, Murata actively seeks to acquire intellectual property in the U.S., China, etc. With consideration for optimizing cost effectiveness, Murata is strategically moving forward with international applications, actively utilizing a Patent Cooperation Treaty (PCT).

In regard to the know-how that would give the company a competitive advantage, Murata scrutinizes it before application and keeps it completely confidential.

Number of international patent applications in 2020 published by World Intellectual Property Organization (WIPO)



Number of U.S. patents in 2020 publicly disclosed by Intellectual Property Owners Association (IPO)



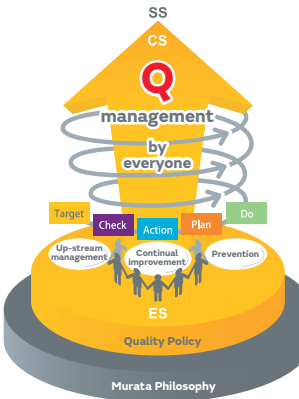
Initiatives for intellectual property
<https://corporate.murata.com/en-global/csr/governance/ip>

Our Quality Policy is the basis of our approach to providing superior quality that gains the trust and satisfaction of customers. In addition to addressing the quality of products and services, Murata continuously improves the quality of all processes and systems relating to design, procurement, production, human resources, goods, structures, and technologies, and strives to maintain optimal conditions in all facets of our operations.

Quality Management System (M-QMS)

M-QMS is the company system including all activities concerning making products and services based on the Murata Philosophy and Quality Policy to guarantee Murata quality for customer satisfaction and social satisfaction.

We positioned "Upstream management," "Prevention," and "Continual improvement" as three principles. Everyone manages the quality of each process with the concept "Quality of Everything" for customer satisfaction and social satisfaction.



Murata's core competencies

Core competencies 1 The power to read the future

Since most of our sales are generated from products with high shares in global markets, we have opportunities to communicate with customers in a wide range of industries, which allows us to stay ahead of and anticipate customer needs. Using “marketing by everyone” as our motto, we leverage our global network to anticipate customer needs ahead of any other company, and each employee maximizes value offered to customers.

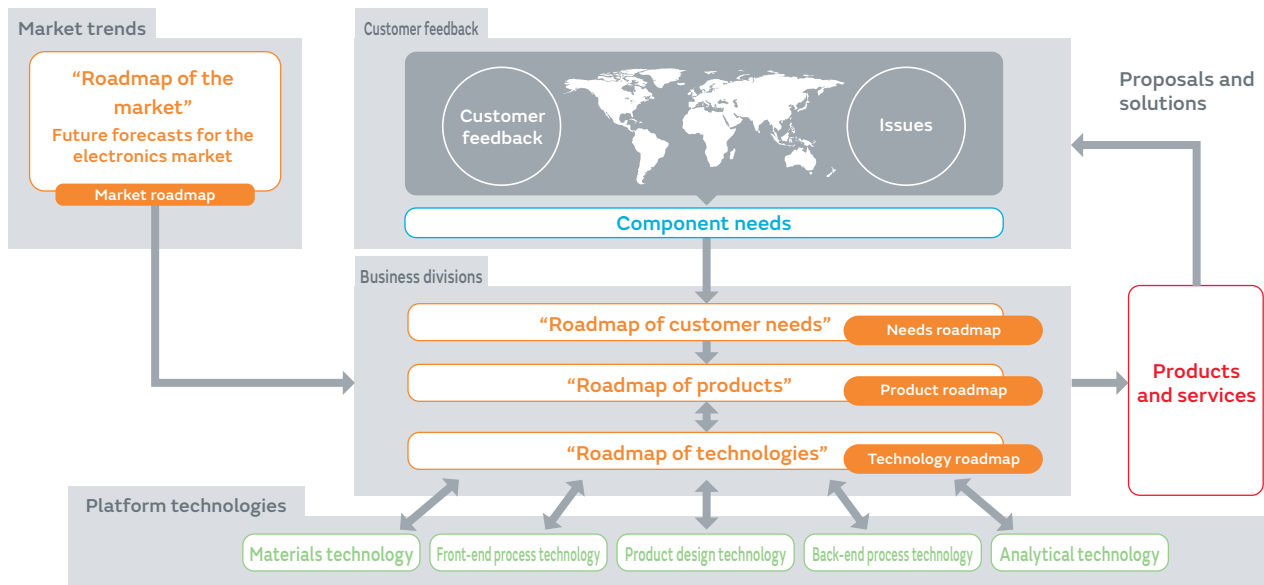
Formulation of roadmaps leveraging marketing capabilities

New technologies such as IoT, automated driving, and AI in the 5G era will change not only individual electronic devices, but also transportation systems, cities, and society as a whole. We have strengthened our efforts to look to the future and provide optimal solutions to our customers by boosting cooperation among sales, marketing, development, and production in order to continue to provide value to our customers in this vastly changing business environment.

As one of those activities, we have formulated four roadmaps. The Sales & Marketing Unit evaluated general trends in the market and produced the Market Roadmap, and the sales and marketing departments in each area and the sales promotion department of the business

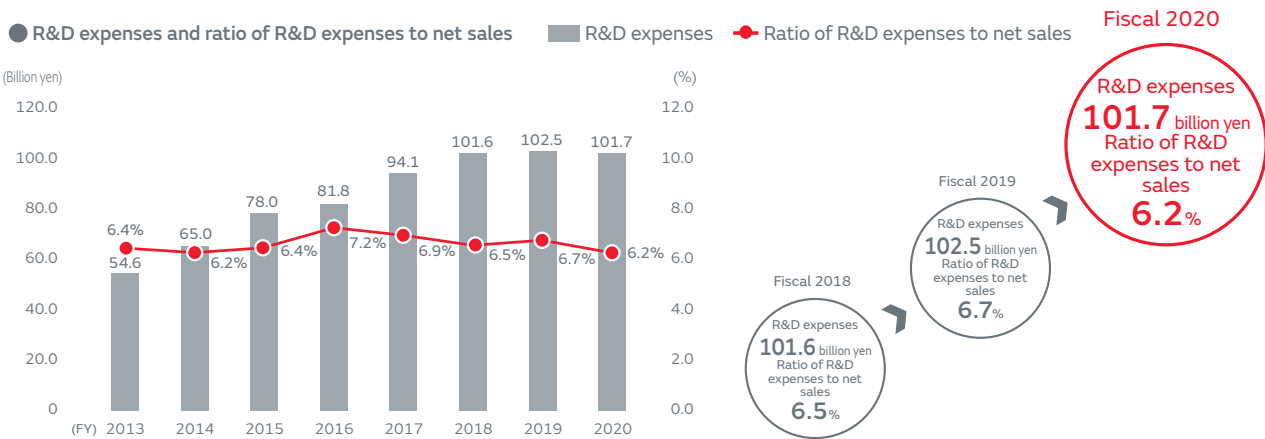
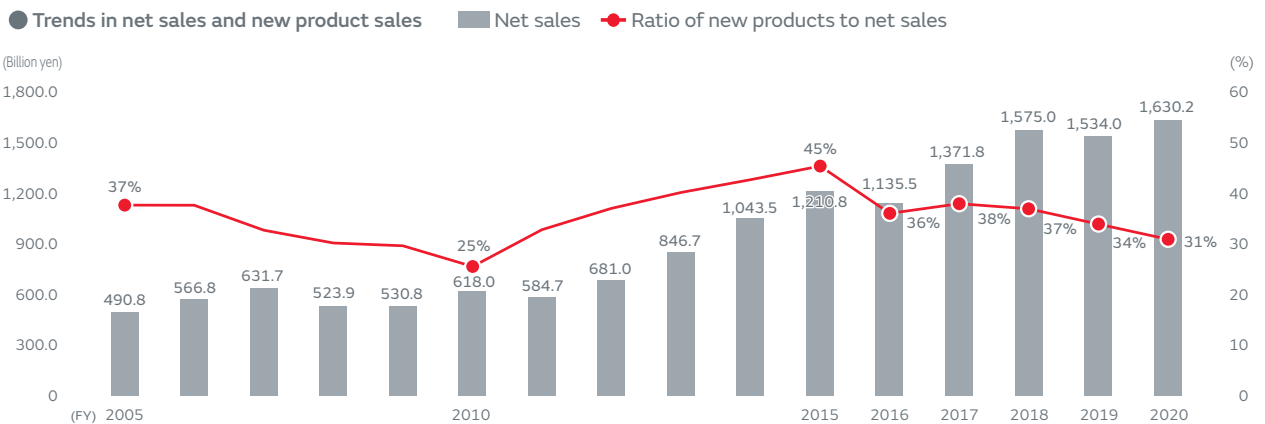
divisions integrated this Market Roadmap with customer needs over the medium to long term, thereby composing the Needs Roadmap. These are connected to the Product Roadmap and the Technology Roadmap by the development department.

Roadmaps are revised every year and reconnected to R&D and product development. Based on the roadmaps, product technologies that offer the highest level of technical services to customers play the role of finalizing the services as a product as they respond to customers on the frontline during the new product development phase and provide feedback on detailed needs to the development department.



Core competencies 2 The power to give shape to needs

Murata has built an integrated system of manufacturing, from raw materials to finished products, and we have independently developed technologies in the application of materials and other such core areas of our operation, obtaining a level of expertise that many other companies have not been able to reach. Through continuous investment in innovation, we have sought to differentiate our products, and this has become one of major factors in Murata's strengths.



Fiscal 2020

R&D expenses
101.7 billion yen
Ratio of R&D
expenses to net
sales
6.2%

Fiscal 2019

R&D expenses
102.5 billion yen
Ratio of R&D
expenses to net
sales
6.7%

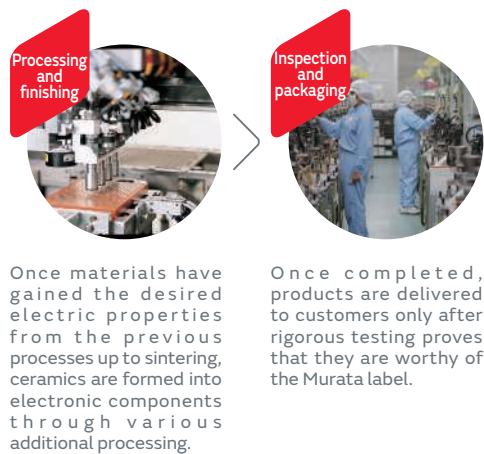
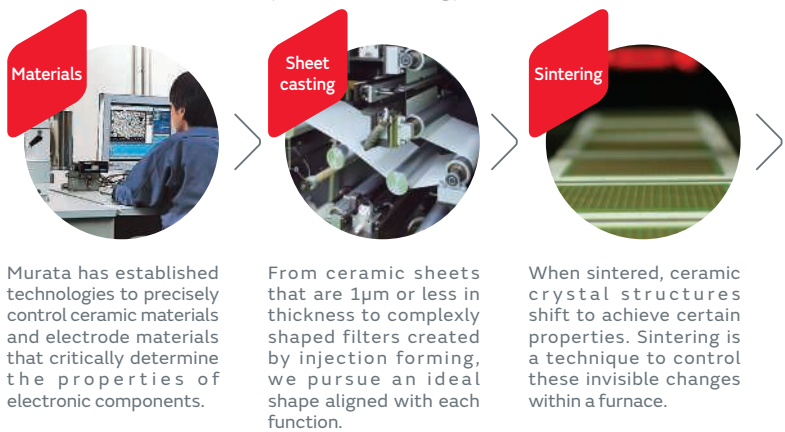
Fiscal 2018

R&D expenses
101.6 billion yen
Ratio of R&D
expenses to net
sales
6.5%

Core competencies 3 The power to deliver value

Murata's technologies are directly aligned with our strategic markets and customers. Murata internally develops materials, processes, products and production technology. By vertically integrating our manufacturing operation and conducting global and decentralized production, we have optimized the value we can deliver to customers in a swift and timely manner, while leveraging the largest production capacity in the industry.

Murata's monozukuri (manufacturing)



TOPICS

The annual production of capacitors is about 1 trillion

Murata produces about 1 trillion capacitors per year as its main product. The total length of 1 trillion capacitors would be equivalent to about 15 laps of the Earth if each capacitor was 0.6mm in length.

Murata provides reliable and quality products and services utilizing the platform technologies including material, processing, designing, and production technologies that it has established as well as the global supply system.

