

In 2018, Murata established “Medium-term Direction 2021” as the policy for the next three years (from FY2019 to FY2021). With Medium-term Direction 2021, we aimed to provide value to customers by rebuilding strong business foundations to support our growing business and by capturing broadening business opportunities. We have also set three Group-wide issues in order to ensure healthy growth in an aim to be a company where each employee plays an important role, feel rewarded and grow through their work.



Group-wide targets

	Target	Fiscal 2019	Fiscal 2020	Fiscal 2021	vs Target
Net sales	2 trillion yen	1,530 billion yen	1,630 billion yen	1,810 billion yen	(187.5) billion yen
Ratio of operating income to net sales	17% or higher	16.5%	19.2%	23.4%	+6.4 points
ROIC (pre-tax basis)*	20% or higher	16.1%	18.5%	22.6%	+2.6 points

*ROIC (pre-tax basis): Operating income / Invested capital (Property, plant and equipment + Inventories + Trade accounts receivable - Trade accounts payable)

[Net sales] Although demand for components grew continuously along with the progress of electrification of automobiles and the spread of 5G, sales fell short of the target. This was mainly due to the impact of revisions to our business portfolio for lithium-ion secondary batteries and connectivity modules.

[Ratio of operating income to net sales] The operating income ratio greatly exceeded our target. This was due to improved profit margins for each product, a better product mix, and production increase from increased output against a backdrop of strong demand, as well as the impact of the yen's depreciation.

[ROIC (pre-tax basis)] ROIC exceeded our target. This was due to higher operating income despite greater invested capital with capital expenditures incurred to expand buildings and production capacity.

Group-wide issues

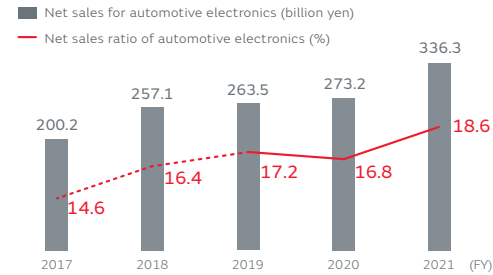
	Practicing portfolio management	Dramatically increasing productivity and building a stable supply system	Harmonization between people, organizations, and society
Basic policy	<ul style="list-style-type: none">Identify growth businesses, acquire the necessary management resources for those businesses, and optimally allocate those resources. From a market perspective, concentrate management resources on communications and automobiles.Take a long-term perspective on the creation of new businesses. In the energy and medical and healthcare markets, continue to take on challenges in targeted business and product domains.Gain and strengthen core competencies to enable sustainable growth.	<ul style="list-style-type: none">Enhance direct and indirect labor efficiency using all available methods, including AI and RPA.Proactively prepare development and production systems by evolving demand forecast to anticipate fluctuations in demand.Respond flexibly to demand fluctuations through timely understanding of information and the flow of goods across the entire value chain, across organizations and locations.	<ul style="list-style-type: none">Make the company attractive to employees in order to support growth and strengthen the organization to accommodate growth.Foster an organizational culture and carry out business process reforms to enable the engendering of “trust and respect.”Comply with laws and regulations, and operate business in harmony with society.
Results	<ul style="list-style-type: none">Promoted Group-wide cross-divisional projects, including introducing a feasibility assessment model (review product strategy and strengthen efforts in the automobile market)Carried out M&A and strategic alliances	<ul style="list-style-type: none">Improved indirect operations through the introduction of a supply chain planning (SCP) systemStrengthened efforts to create smart factories	<ul style="list-style-type: none">Conducted employee surveys and worked to improve the organizational culture based on the resultsIdentified Key issues (materialities) originating with social issues, set KPIs, and built a system to promote them
Challenges for the next Medium-term Direction	<ul style="list-style-type: none">Practice 3-layer portfolio management including new business creationReassess our business domains and promote business expansion in the four business domains of communications, mobility, environment, and wellness	<ul style="list-style-type: none">Increase productivity by expanding the scope of application of DX as monozukuri in a broad sense, rather than ECM or SCM aloneStrengthen the ability to respond, including geopolitical risks	<ul style="list-style-type: none">Develop a concrete personnel strategy using results of employee surveys and execute itCreate systems to link contributions to solving social issues to business growth

Practicing portfolio management

To pursue capital efficiency rather than scale, we have introduced a feasibility assessment model as a framework for conducting business assessments based on multifaceted indicators. As a result, we reviewed our business strategy for lithium-ion secondary batteries and connectivity modules.

Through this feasibility assessment model, we have worked to improve the asset efficiency of businesses with issues, and by focusing on products for the automobile market, which is one of our focus markets, we have been differentiating and expanding our technology and optimizing our manufacturing locations. As a result of these efforts, the percentage of automotive electronics in company-wide net sales grew to 18.6% as of fiscal 2021.

Meanwhile, we have carried out M&A and strategic alliances aimed providing great products by gaining



new technologies to combine with Murata's core technologies. We carried out a series of investments that culminated in the acquisition of Resonant Inc., a company that owns XBAR technology, a filter technology that can handle high-frequency bands such as 5G. We also completed the acquisition of Eta Wireless Inc., the developer of Digital Envelope Tracking Technology that can dramatically reduce the power consumption of RF circuits on mobile devices. Going forward, we will continue to promote M&A and other measures based on our technology strategy for the future.

We have also been working to accelerate the creation of new businesses through efforts such as development of a fabric that generates electrical energy and exhibits antimicrobial performance when a motion is applied created by PIECLEX, our joint venture with Teijin Frontier.

In the next Medium-term Direction, we will evolve our 3-layer portfolio management, including new business creation and will expand our business in four business fields, which include the core fields of communications, where we concentrated our management resources under Medium-term Direction 2021, and Mobility, which broadens the concept of the automobile from In-Car to Out-Car, as well as our challenge fields of environment and wellness.

Dramatically increasing productivity and building a stable supply system

We have introduced a supply chain planning system (SCP) to upgrade our demand forecasts and enhance production planning efficiency. We will continue to expand the application of this technology not only to domestic manufacturing sites but also to overseas plants. In terms of product logistics, we are also working to optimize logistics and improve labor productivity by undertaking fundamental reforms in our warehouse operations, including shipping products directly from overseas factories to customers.

In addition, as part of our efforts to create smart

factories, we have been optimizing our transportation operations using AGV*1 and AMR*2, and reducing quality costs through data mining.

In the next Medium-term Direction, we will expand the scope of application of DX beyond the manufacturing site to include ECM and SCM from the standpoint of monozukuri in a broad sense and we will also focus on strengthening our risk management to prepare for dramatic changes in the environment.

*1 Automatic Guided Vehicle, an unmanned transport vehicle
*2 Autonomous Mobile Robot, a self-driving transport robot

Harmonization between people, organizations, and society

We conducted a global survey to understand our employees' satisfaction levels and needs. Based on the results of the survey, each organization has begun to identify the issues facing them and to carry out specific measures for addressing these issues.

In addition, we have identified materiality to clarify the challenges that we must focus on, based on the issues facing society. To address each materiality, we have established a CSR Management Committee and its subordinate bodies, setting the framework

for deliberations at the Board of Directors. We are continuously discussing themes that require cross-organizational activities and carrying out initiatives to address these.

In the next Medium-term Direction, we will strengthen our efforts to further improve employee engagement, while also accelerating our efforts to address each materiality, establishing and operating a business management system to link contributions to solving social issues to business growth.