



## Working toward a more advanced governance system

Chairman of the Board  
Chairman of the Board of Directors  
Nomination Advisory Committee Member  
(Committee Chairperson)  
Remuneration Advisory Committee Member

Tsuneo Murata

### My mission as Chairman of the Board of Directors

As Chairman of the Board, I oversee governance throughout Murata. The subject is something I think about daily, and I try to engage in dialogue with officers and employees both internally and externally. At Board of Directors meetings, which I chair, I am charged with facilitating proceedings. Because of that, I prepare for meetings in advance to further improve their effectiveness and encourage lively and substantive discussions.

We have strengthened efforts to stimulate discussions at meetings since the previous fiscal year, with the most significant change being the introduction of the key meeting topics ahead of scheduled meetings to Outside Directors. Although we had created such opportunities as the need arose in the past, we decided to incorporate such briefings as part of the Board of Directors' meeting process. I feel that this approach has led to more substantive meetings held.

To enhance substantive discussions, we ask the relevant Members of the Board of Directors to provide broad overviews during question-and-answer sessions and discussions at Board of Directors meetings. In the past, Outside Directors spent a great deal of time asking questions to personnel in charge of departments. Now Members of the Board of Directors can directly engage in discussions between themselves that get to the heart of the matter. Naturally, there are times when Members of the Board of Directors' opinions differ.

However, I believe that Members of the Board of Directors can share their opinions based on their expertise and engage in meaningful discussions.

We also introduced new initiatives outside of Board of Directors meetings.

One such initiative is an executive session after each Board of Director meeting. These sessions are an opportunity for Outside Directors to share feedback on the proposals and discussions from that day, the format of the agenda, the timing, and so on. Outside Directors express a range of ideas and opinions, and I feel that this is a valuable opportunity for exchanging ideas not only in relation to the Board of Directors, but also about governance in general.

Additionally, we arranged other opportunities for Outside Directors to exchange opinions with our Representative Director Nakajima and myself. Outside Director-only meetings have been held on a regular basis, and include candid discussion on issues raised during those meetings and topics that are of current interest to Outside Directors. We will continue evaluating the format of these opinion exchanges and the way we determine topics to make them more meaningful.

We believe that there is a need for continual discussions and evaluation form of the Board of Directors to ensure best practices. Established in 2016, one of our objectives for transitioning our governance structure to one that includes an Audit and Supervisory Committee was to delegate authority for the execution of duties and

strengthening our oversight function. Meanwhile, we leveraged the diverse background of our Outside Directors to contribute on oversight activities and operational counsel. Moving forward, we need to clarify what role we expect Outside Directors to play and how to balance decision-making, supervision, and advice when conducting more strategic, bigger-picture discussions at Board meetings. Clarifying these issues will strengthen governance and enhance our corporate value.

### Enhancing the Nomination and Remuneration Advisory Committees

The company established a voluntary Nomination Advisory Committee and Remuneration Advisory Committee. Both entities have evolved so that now most of their members are Outside Directors, and the topics and issues they discuss have expanded over the past few years. We now receive activity reports from both Advisory Committees at meetings of the Board of Directors. These reports serve to provide an overview of issues and help frame discussions for Members of the Board of Directors who are not members of the Advisory Committees. This helps deepen their understanding of our nomination and remuneration systems, as well as improve the transparency of the Advisory Committees.

The Nomination Advisory Committee continues to discuss the skills that the Board of Directors should have considering our management strategy, the diversity of the Board of Directors as a whole, ideas concerning the appropriate size of the Board of Directors, and succession plans. When nominating candidates for Members of the Board of Directors, the Advisory Committee not only checks their qualifications against our skills matrix, but considers whether candidates embody Murata's corporate philosophy.

The Remuneration Advisory Committee reached a major milestone during the past two years, as we conducted a fundamental review of our executive remuneration system. The remuneration structure and decision-making processes have been reorganized to allow for increased transparency. Specifically, we introduced an index corresponding to capital efficiency for bonuses, which are short-term incentives, and ESG factors for share-based remuneration, which is a medium- to long-term incentive. We also added a repayment system for remuneration. The Advisory Committee held numerous discussions when designing the system, and we believe that this has enabled us to bring the system to a satisfactory level. (▶ P.93 Remuneration

for Members of the Board of Directors)

While their activities have been enhanced, issues remain regarding coordination between the two Advisory Committees. However, we are starting to take concrete steps toward collaborating on the evaluation process for Members of the Board of Directors. We also intend to discuss how information should be shared between the two Advisory Committees and the Audit and Supervisory Committee.

### How Murata can contribute to the realization of a sustainable society

As we indicated in Vision 2030 and Medium-term Direction 2024, Murata is aiming to contribute to the realization of a sustainable society.

Twice a year, the Board of Directors receives a report from the CSR Management Committee, which is tasked with promoting company-wide sustainability initiatives. The reports capture their findings based on extensive discussions. We also started discussions on the executive side to ensure that the committees' and subcommittees' structure and authority will be more effective as a framework for promoting sustainability initiatives. Most recently, the Board of Directors held several discussions on annual execution targets for "materiality," which was established as a key issue originating from social issues. We have been monitoring these targets since.

The continuous cycle of social value and economic value concept in Vision 2030, is well-established. This is the foundation of the Murata Philosophy: "We contribute to the advancement of society by" and "creating innovative products and solutions being trustworthy and, together with all our stakeholders." This expresses the philosophy that Murata has and will always continue to value. Although the external environment is changing rapidly, we constantly think about what makes Murata unique and pursue a form of governance appropriate for improving our corporate value to ensure sustainable growth.