

Progress with Medium-term Direction 2024

We have positioned Medium-term Direction 2024 as the first phase toward getting to what Murata wants to be, as declared in Vision 2030. In addition to economic value targets, Mid-term Direction 2024 also sets social value targets, and we will be accelerating initiatives to create a continuous cycle of social value and economic value and contribute to the enrichment of society.

Besides the resolution of pre-existing management issues, Medium-term Direction 2024 also cites as a medium-term

management task the gradual translation of the four tasks of "management transformation," "higher level portfolio management," "formation of a lean management base," and "preparation for 2030" into tangible results over the three-year period of the plan, with the aim of identifying changes in our environment from a long-term perspective, and starting right now, to steadily move forward with the necessary preparations identified through backcasting.

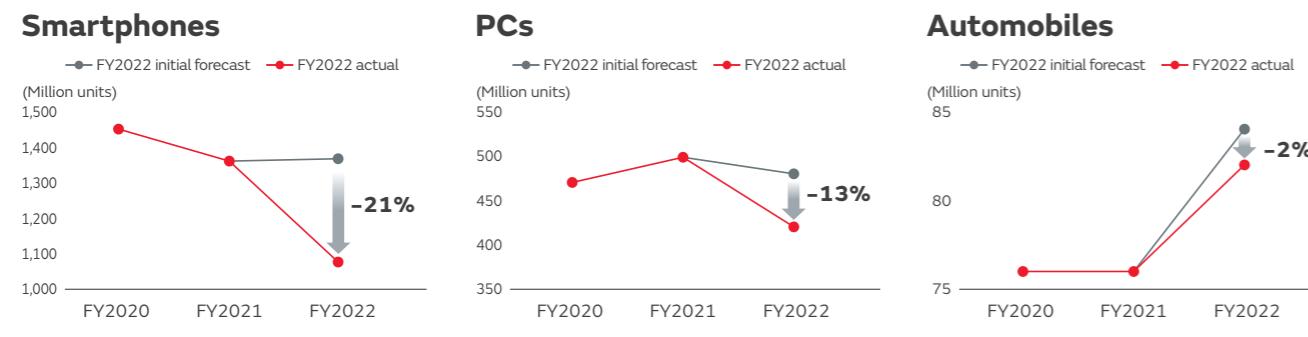


Fiscal 2022 actual component demand in units (compared with initial forecast)

- Smartphone market growth had been flat since fiscal 2021, and we expected to see a decline in the PC market due to weaker demand related to remote working and online education, but demand for components for the consumer market was far lower than originally anticipated because of the protracted market slump and prolonged inventory adjustments.
- In the mobility market, component demand held firm thanks to a recovery in automobile production volume and further electrification, but factors such as the semiconductor shortage restricted auto output, and the figure was lower than we had initially projected.

Demand for components in the electronics market in fiscal 2022 was down compared to our forecast at the beginning of fiscal 2022

Trend with component demand in units



Note: Figures for smartphones and PCs are for components included, while figures for automobiles are for the number of vehicles produced

Economic value targets

	FY2021	FY2022		FY2024
	Actual (US-GAAP)	Initial forecast	Actual (US-GAAP)	Target
Net sales	1,810 billion yen	1,930 billion yen	1,690 billion yen	2,000 billion yen
Ratio of operating income to net sales	23.4%	22.8%	17.7%	20% or higher
ROIC (pre-tax basis)*	22.6%	21.6%	14.6%	20% or higher

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

Fiscal 2022 results (comparison with previous year)

- Net sales: The weak yen had the effect of boosting revenues, and net sales of multilayer resin substrates for smartphones increased. However, while net sales of lithium-ion secondary batteries for power tools climbed, net sales of MLCC for computers and smartphone, as well as SAW filters and RF modules for smartphones, declined. As a result, net sales fell 6.9% from the previous year.
- Ratio of operating income to net sales: Although yen depreciation and cost reductions helped lift profits, lower capacity utilization and higher fixed costs resulted in a year-on-year decline of 5.7 points.
- ROIC (pre-tax basis): Invested capital such as inventories and property, plant and equipment increased, and operating income fell substantially, leading to an 8.0-point drop from the previous year.

Social value targets

	FY2021 results	FY2022 results	FY2024 targets
Environment	Amount of GHG emissions (Scope1+2): 13% reduction vs. fiscal 2019 (1.40 million t-CO ₂ e)	• Took measures such as conserving energy, switching to renewables, and purchasing energy certificates, achieving GHG emissions of 1.34 million t-CO ₂ e (down 16% from fiscal 2019) and 23.7% of renewable energy sourcing in fiscal 2022. • We calculated our carbon footprint (CFP) and pursued further initiatives by utilizing an investment promotion system. ►P.65 Strengthening Murata's response to climate change	20% reduction vs. fiscal 2019 (1.28 million t-CO ₂ e or less)
	Renewable energy implementation rate (%) 21.3%		25%
	Rate of use of sustainable resources* • In order to determine our rate of use of sustainable resources and our resource recovery rate, we continued to survey the amount of our procured resources, their recycling ratio, and actual waste treatment results. • We continued to take steps to reduce waste, and began horizontal recycling of materials at some business sites. ►P.71 Use of sustainable resources		1% improvement from fiscal 2021 results
	Resource recovery rate* ² 3.0%		5% improvement from fiscal 2021 results
Diversity	Percentage of overseas indirect employees* ³ with experience working at other sites 3.0%	• The figure for FY2022 was 5.3%. • We expanded systems and measures for employees to gain diverse global work experience. ►P.75 Strengthening human capital—Leverage diversity in human resources	7%
	Positive employee engagement response rate 68%	• We devised and implemented measures for each tier/attribute based on the fiscal 2021 results. * We did not conduct a global survey of employees in fiscal 2022, as these surveys are carried out once every two years. • To accompany company-wide initiatives, business sites and departments also continued taking action to improve engagement. ►P.77 Strengthening human capital—Engagement	70% or higher

* Ratio of resources with lower risk of depletion that can be used sustainably by building a recycling scheme, etc. (Potentially depletable resources: Ag, Ni, etc.)

*2 Percentage of Murata's discharges (waste + valuable material) that are recycled as circulating resources

*3 Applies to overseas local staff, excluding those transferred from Japan to overseas

Efforts made in fiscal 2022 to tackle medium-term management issues

Management transformation ▶P.28

- Joined the RBA(Responsible Business Alliance), an industry coalition promoting CSR in global supply chains, as a regular member in June 2022
- Took action to raise awareness internally concerning sustainability and initiatives to tackle key issues (materialities) originating with social issues
- As mechanisms for maintaining a Autonomous and decentralized organizational management, incorporated the hypothetical thinking approach into administrative processes related to business planning, formulated budgets and medium-term business plans, and reviewed business evaluation processes
- Drew up a next-generation value chain concept aimed at maximizing customer value creation and are currently documenting it with a view to establishing PoC (Proof of Concept)
- Improved digital infrastructure by defining requirements and strengthening IT human resources ahead of the construction of a next-generation data platform
- Took steps to reorient internal attitudes and behaviors toward management transformation
- Introduced management and administration systems to drive sustainability initiatives

Topics Steps to reorient internal attitudes and behaviors toward management transformation

In January 2023, as part of our efforts to drive management transformation, we organized the following events to promote understanding and resonance among employees and to forge networks internally.

■ Dx Innovators Day

Dx Innovators Day 2022, an event for all employees to promote DX, which is one of the Vision 2030 growth strategies, was run in hybrid format (physical and online), with personnel from around 20 sites in Japan and overseas taking part. The event featured a wide range of content, including a speech by President Norio Nakajima on the topic of Murata's DX ambitions, lectures by outside speakers on the theme of society in 2030, and the showcasing of DX case studies from inside Murata.

Content from the event has also been archived and shared internally, which is helping to make DX more comprehensible to employees and better resonate with them, and also to get them feeling more involved in the DX process. To change attitudes and behaviors among employees in ways that transcend the boundaries of their respective areas of expertise and the organizations to which they belong, ongoing and multifaceted dialogue is vital, so we will also be strengthening and promoting DX as a vehicle for communication.

■ Environmental Innovation Day

This event was held with the aim of fostering awareness internally of the importance of resolving environmental issues, strengthening cooperation through the sharing of examples of initiatives, and encouraging more action to be taken. More than 1,000 employees from Japan and overseas participated, both in person and online, and the program included presentations on internal initiatives aimed at creating a continuous cycle of social value and economic value, lectures from outside speakers, and an environmentally themed poster session.

During the poster session, personnel from domestic and overseas sites made presentations on a myriad of themes. They shared opinions from customers and markets, described recycling and energy-saving initiatives, and showcased examples of new materials technologies they have developed. All the presentations triggered lively discussions. Going forward, we will keep taking action with the aim of creating a continuous cycle of social value and economic value.



Examples of themes from Environmental Innovation Day

Topics Management and administration systems to drive sustainability initiatives

Murata has been implementing management and administration systems that combine autonomous operation by each organization with governance by the corporate organization. They include a detailed profit-and-loss management system for each product and production process as well as evaluations of the economic efficiency of investments with a focus on return on investment and recoup periods. In addition, to accelerate the creation of a continuous cycle of social value and economic value, we have adopted some new sustainability-related management and administration systems. First, we have launched an internal carbon pricing system to recognize emissions as an expense in management accounting with the aim of reducing GHG emissions. Second, with the goal of encouraging investment in sustainability, we have introduced a system to reflect the amount of GHG emission reduction in incremental profit when making economic evaluations of investments, as well as a special quota certification system for sustainability investment. Besides developing new products and technologies and generating business opportunities, we will be accelerating our efforts to reduce environmental impact by incorporating sustainability perspectives into the management and administration systems that form the foundation of our business activities.

New sustainability-related management and administration systems

- | | |
|----------|------------------------------------------------------------------------------------|
| 1 | Recognition of amount of GHG emissions as expense |
| | ● Introduction of internal carbon pricing system |
| 2 | Promotion of sustainability investment |
| | ● Reflection of amount of GHG emissions reduction in incremental profit |
| | ● Introduction of special quota certification system for sustainability investment |

Higher level portfolio management ▶P.45

- Based on the view that the deepening of core businesses and the evolution of business models is essential to achieve medium- to long-term growth, moved forward with three-layer portfolio-based management

Formation of a lean management base

Strengthen human capital ▶P.73

- To accompany company-wide initiatives, business sites and departments continued taking action to achieve the Medium-term Direction 2024 social value targets, namely "percentage of overseas indirect employees with experience working at other sites: 7%" and "positive employee engagement response rate: 70% or more"
- To augment the role of traditional hierarchy-based education in human resources development, implemented a program to train develop potential future corporate executives
- Initiated discussions to gain further support internally and externally for our strategy for strengthening Murata's human capital

Strengthen quality foundation

- Held discussions on getting buy-in from senior management to further raise awareness of the importance of quality governance and on what the role of quality should be in future manufacturing and DX

Preparation for 2030

Strengthen monozukuri in a broad sense ▶P.63

- With the aim of improving productivity, moved forward with the elimination of muda and the deployment of technology on the production frontline sites, as well as the development of innovative technologies with an eye to the future
- Made progress with the establishment of a global HR development system with the objective of strengthening the development of the monozukuri (manufacturing) talent that form the backbone of the production frontline

Respond to management risks ▶P.86

- Reinforced internal and external information collection/dissemination structures by establishing an intelligence function, took measures to tackle emergent risks, and conducting scenario planning to mitigate future risks

Strengthen the power to sell and power to support

- Moved to strengthen sales capabilities by enhancing sales strategies and improving the underlying human resource development programs for each personnel tier and for expert talent in order to reinforce our core human resources. This was achieved through both autonomous activities in each region and stronger global cooperation

Drive innovation ▶P.61

- Discussed a future intellectual property strategy driven by the exploration of unknown technologies based on the premises of portfolio adoption for current R&D activities and future changes in our operating environment