

## Message from the Chairman of the Board

# Realizing a Board of Directors that demonstrates Murata's unique qualities

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

## Tsuneo Murata



## A philosophy that exhibits what Murata values

At Murata, our philosophy is the backbone of our corporate culture, business processes, and corporate governance. However, how we think about this philosophy and how it resonates with employees have varied over time, and I cannot say that we have always been able to perfectly embody it. This is precisely why the Murata Philosophy describes how we should be and what we should strive for.

We have always factored in social change when using the Murata Philosophy to guide our behavior. However, the thinking towards that philosophy never remains static and can fluctuate like waves. Currently, the awareness of and interest in the Murata Philosophy is higher than ever. I get the distinct impression company-wide that a movement is underway to adapt behavior in a way that is rooted in the philosophy. In my daily work, there has also been an increase in encounters where employees or managers have quoted a line or an idea from the philosophy and given their thoughts on it.

I think one of the reasons the level of awareness and interest concerning the Murata Philosophy is so high is its alignment with our SDG approach that is driving the development of a sustainable society. Considering how Murata can help resolve some of the most pressing social issues is necessary in realizing a sustainable society and the company's associated growth.

If we are to instill the Murata Philosophy at our overseas sites and at those of new Group members acquired through M&A, the key challenges are the difficulty of this task and the sense of distance. Murata has a culture of producing results through mutual gratitude and aid, teamwork, and collaboration with partners. Unfortunately, there have been cases where people have left the company because they were focused on individual results and could not fully embrace the philosophy's framework. Even so, I also feel many people like Murata's way of doing things and are willing to face the challenges head-on and sincerely adapt their behavior to do so. These people are currently revitalizing the company through their mutual understanding and cooperation.

Realizing diversity is not just about gathering a diverse group of people. To truly leverage the advantages of diversity, it is important to have a shared purpose and goals. In the case of our organization, this is the Murata Philosophy.

The concept I think we should value especially within our philosophy is "pioneering spirit." While there is a tendency to focus on the technological aspect of this, I want our employees to adopt a pioneering spirit and put effort into scientific management by applying a variety of management methods. I feel steady progress is being made in this area.

## Trends, changes, and outlook regarding Murata's governance

As a company grows, its impact on society also grows. Over the last two to three years, Murata has worked to evolve our governance and revise governance frameworks proactively.

One of these revisions is to strengthen our risk response framework. A strategy we use to achieve this is gathering perspective company-wide. As such, in April 2023, we repositioned the Risk Management Committee. Specifically, its previous charter was as a subcommittee of the CSR Management Committee, but we evolved it into an independent committee under the direct supervision of the Representative Director. Also, its membership is now comprised of Directors and Vice Presidents.

Given the complexity of the risk management issues being addressed, we were aware that there were limits as a CSR Management Committee subcommittee to the extent to which the group could expand its activities. With Outside Directors' backing, we took action to forward this large-scale movement.

Within this function's evolution, we recognize that gauging how much risk Murata can take is an issue to be addressed. We can only boldly take on challenges if we understand our risk tolerance. Our goal is to deepen discussion under the new committee structure and clarify standards for assessing risk tolerance through a scientific approach incorporating a pioneering spirit.

From fiscal 2022 to this year, we also enhanced the initiatives and discussions of the Nomination Advisory and Remuneration Advisory Committees. The groups' achievements include revisions to the definitions and criteria used in the Director skills matrix and strengthening governance concerning remuneration. However, the most significant benefit was convening the two committees and holding joint meetings.

It was necessary to coordinate the division of roles between the two committees, particularly in terms of evaluating the President and Representative Director from each committee's perspective. The concept of joint meetings came while we explored how they should collaborate. However, the results have exceeded our expectations. Within these joint meetings, we exchanged information, aligned recognition regarding shared issues, shared opinions from diverse viewpoints, and sorted out and organized matters for further discussion. The issues that come up in the joint meetings were taken back and discussed at the individual committee level. Those conclusions were then carried into the next joint meeting for a more focused discussion. This

process kept repeating until a resolution was achieved. I want to continue this process and make discussions even more enriching. We built a process for appropriately evaluating the President and Representative Director and linking this to remuneration, selections, and dismissals. I would like to continue discussions for continuing to evolve this with the aim of further enhancing corporate value. I look forward to gaining more perspective on this topic from Outside Directors based on their own knowledge and experience.

We also transformed the Board of Directors, which I chair. One thing I focused on when chairing Board meetings was to elevate the discussions to cover more strategic and substantive issues. One initiative that has been effective in this regard is the advance briefings given to Outside Directors. Advance briefings provide a deeper dive into related agenda items, particularly those needing to fill knowledge gaps between Inside and Outside Directors. Previously, these were only provided as deemed necessary. Since fiscal 2022, we have been fully committed to this initiative and have made improvements as we refine the process. Questions and concerns that arise during these briefings are organized to identify discussion for the Board meeting, which directly leads to more valuable and substantive discussion in the meeting itself. These advance briefings are not only an opportunity to encourage an understanding of the details of projects among Outside Directors, but they also help clarify the approaches and actions that define Murata as a company.

Finally, if you were to ask me how I approach the Board of Directors and Management Committee meetings in my role as Chairman, I would say that I try to keep my horizons as broad as possible so that I can provide input from an overarching perspective. I also want to ensure that the Board of Directors can appreciate Murata's unique qualities such as our willingness to take on challenges and pioneering spirit.

The executive side is responsible for executing duties and is overseen by the Board of Directors. Going forward, the Board of Directors will monitor whether we are appropriately taking on the risks we should. This monitoring approach will provide the executive side with a safeguard, enabling them to boldly and proactively take these on. This is the monitoring model for the Board of Directors that I aspire to.

Our approaches to management and governance are not goals in themselves. We will continue to stay alert to changes in society and adapt our leadership while staying true to the Murata Philosophy as we strive for sustainable growth.