

BUSINESS REPORT

FOR THE 83RD FISCAL TERM

FROM APRIL 1, 2018
TO MARCH 31, 2019

10-1, Higashikotari 1-chome, Nagaokakyo-shi, Kyoto, Japan
Murata Manufacturing Co., Ltd.

Tsuneo Murata
Chairman of the Board,
President and Representative Director

Business Report

From April 1, 2018
to March 31, 2019

1. Matters Concerning Status of the Company Group

(1) Main business areas

The Company Group is an electronic component manufacturer that primarily engages in manufacturing and sales of electronic components and related products primarily of ceramic material, Components (such as capacitors and piezoelectric products) and Modules (communications modules and power supplies), and conducts vertically integrated technological development and manufacturing, from inorganic and organic chemical materials, to ceramics and electronic components. Through the creation of original products that utilize a technological base featuring uniquely developed and accumulated materials development, process development, product design, manufacturing technology, and software, analysis, and evaluation to support the above, the Company Group conducts sales for various electronic components that are used in products such as AV devices, communications devices, computers and peripheral devices, automotive electronics, and home electric devices.

(2) Business progress and results

1) Business conditions

For the fiscal year under review, in the global economic environment, the U.S. economy showed strong momentum due to continued growth in employment and private income. On the other hand, China suffered from the clear impact of trade frictions with the U.S., while political uncertainty in Europe coincided with the weakening of the region's economy, slowing down the world economy more strongly towards the end of the fiscal year.

The electronics market, of which the Company Group is a part, generated growth in demand for electronic components used for car electronics. Products for car electronics benefited from an increase in the number of electric components installed in vehicles due to improvements in vehicle environmental friendliness and safety. Until the third quarter there was growth in demand, mainly for component products used in various applications. For example, the increasing functional sophistication of smartphones and PCs led to growth in the number of components used per end product. In the fourth quarter, however, demand for components fell slightly partly because of reduced smartphone sales.

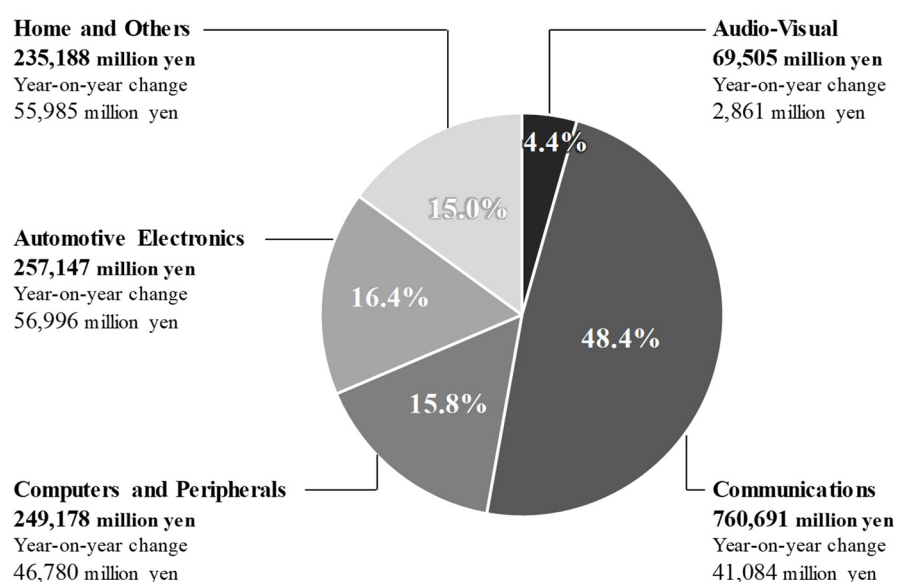
By focusing on promising markets, the Company Group increased net sales by 14.8% year-on-year to 1,575,026 million yen in the fiscal year under review. This growth was achieved due not only to the drastic growth of multilayer ceramic capacitors (MLCCs), Murata's core product group, but to the consolidation of the lithium-ion secondary battery business, whose acquisition process was completed in September 2017.

Operating income was 266,807 million yen, up 63.4%, income before income taxes was 267,316 million yen, up 59.3%, and net income was 206,930 million yen, up 41.6% from the fiscal year ended March 31, 2018. Negative factors such as production-related costs increased to meet demand and the impairment loss related to property, plant and equipment were more than canceled by the effects of a production increase as well as cost reduction initiatives, lower depreciation and amortization, and continued launch of new products.

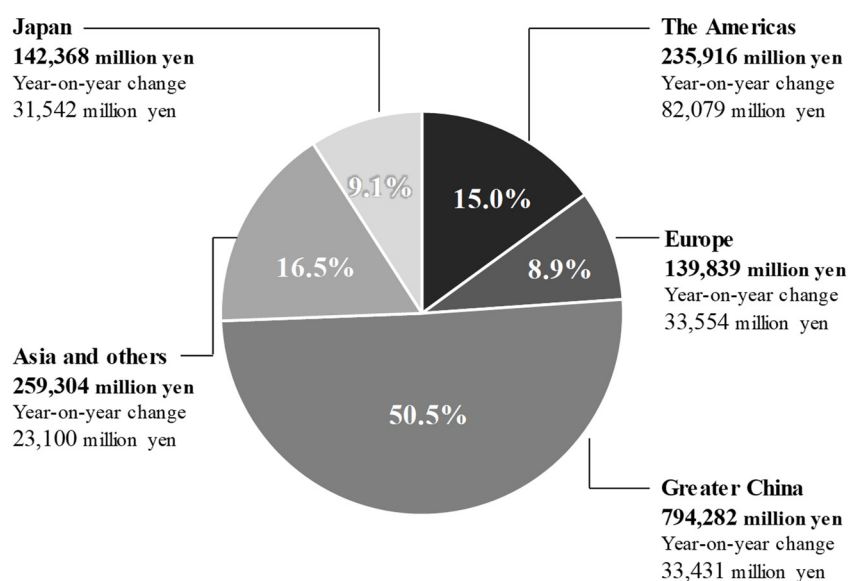
Key financial results

Net sales	1,575,026	million yen	YoY	+14.8%
Operating income	266,807	million yen	YoY	+63.4%
Income before income taxes	267,316	million yen	YoY	+59.3%
Net income attributable to the Company	206,930	million yen	YoY	+41.6%

Sales by Application (Based on the Company's estimates)



Sales by Area



2) Sales by product category

<Components>

Orders and Backlogs	1,075,924 million yen	Net sales	1,105,010 million yen	YoY	+19.6%
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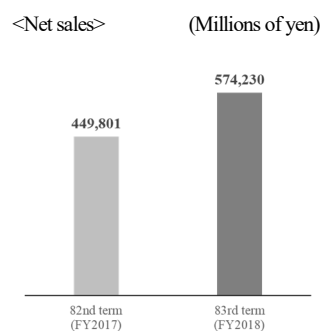
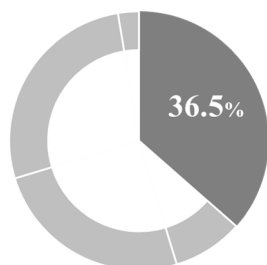
[Capacitors]

(Main products: MLCCs, etc.)

Orders and Backlogs	550,421 million yen
Net sales	574,230 million yen
YoY	+27.7%

For the fiscal year under review, sales of MLCCs, the main product in this category, grew significantly as demand increased in a broad range of applications. Products for car electronics were successful due to progress in vehicle electrification. In addition, there was strong demand for products used in smartphones produced in Greater China, and computers and peripherals.

As a result, overall net sales increased by 27.7% year-on-year to 574,230 million yen.



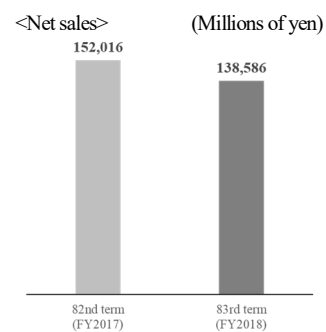
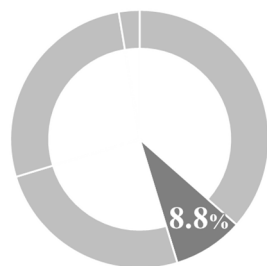
[Piezoelectric Components]

(Main products: SAW filters, ceramic resonators, piezoelectric sensors, and ceramic filters, etc.)

Orders and Backlogs	135,578 million yen
Net sales	138,586 million yen
YoY	+8.8%

For the fiscal year under review, SAW (surface acoustic wave) filters suffered reduced sales due to the sales downturn and continued price reductions in high-end products for smartphones.

As a result, overall net sales decreased by 8.8% year-on-year to 138,586 million yen.



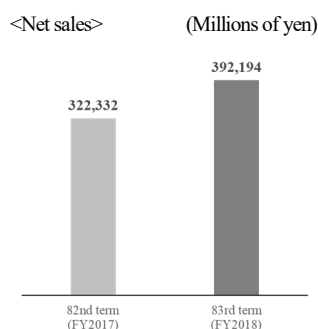
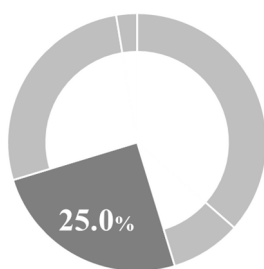
[Other Components]

(Main products: Inductors (coils), EMI (electro-magnetic interference) suppression filters, connectors, sensors, thermistors, and rechargeable lithium-ion batteries, etc.)

Orders and Backlogs	389,925 million yen
Net sales	392,194 million yen
YoY	+21.7%

For the fiscal year under review, this segment achieved substantial sales growth. While RF coils for high-end smartphones faced a sales downturn, MEMS sensors for car electronics grew. A further contribution came from the inclusion of the sales achieved by the lithium-ion secondary battery business, following the completion of its acquisition process in September 2017.

As a result, overall net sales increased by 21.7% year-on-year to 392,194 million yen.



<Modules>

Orders and Backlogs	472,569 million yen	Net sales	466,699 million yen	YoY	+5.1%
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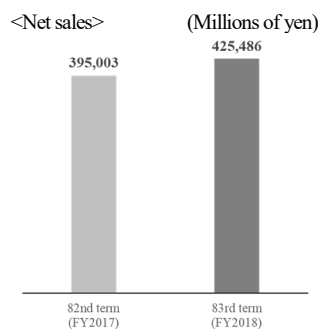
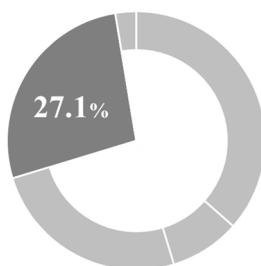
[Communication Modules]

(Main products: Short-range wireless communication modules, circuit modules, RF sub modules, multilayered resin substrate, and multilayer ceramic devices, etc.)

Orders and Backlogs	431,688 million yen
Net sales	425,486 million yen
YoY	+7.7%

For the fiscal year under review, multilayered resin substrates grew substantially due to use in new high-end smartphones. Sales in RF sub modules also increased.

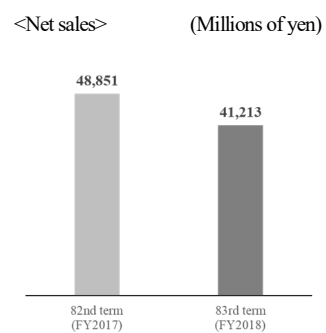
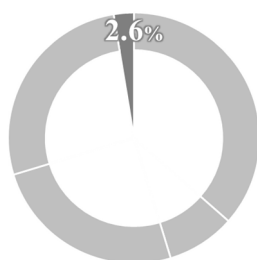
As a result, overall net sales increased by 7.7% year-on-year to 425,486 million yen.



[Power Supplies and Other Modules]
(Main products: Power supplies, etc.)

Orders and Backlogs	40,881 million yen
Net sales	41,213 million yen
YoY	+15.6%

For the fiscal year under review, power supplies including office automation equipment suffered a decline in sales.
As a result, overall net sales decreased by 15.6% year-on-year to 41,213 million yen.



(3) Issues to be addressed

In the automotive market where the shift towards EVs and the development of autonomous vehicles is accelerating, demand for electronic components is expected to expand in the medium to long term. In addition, the growth in the number of consumer electronic devices, mainly smartphones, is slowing, but the evolution and dissemination of communication technology by 5G accelerates the realization of IoT society, and for the Company Group, based on the telecommunications market, business opportunities will continue to spread further. Along with it, the customer base expands further, and the understanding of diversifying customer needs and accurate demand forecasting are becoming more difficult.

In order to strengthen the Company Group's marketing system and accurately capture changes in customer needs and to follow the intense demand fluctuations centered on the consumer market, we will strive to build a supply system that seamlessly links sales plans, production plans and procurement plans. In addition, capital expenditures are increasing to meet the growing demand for electronic components, and to increase capital efficiency is a key issue. We will launch new, high value-added products earlier than their competitors and contribute to the trend of reduced size and thickness of electronic devices, add more manifold functions, and also create new business models and customer value.

In regard to corporate social responsibility, taking into account a set of 17 goals of UN's "Sustainable Development Goals: SDGs," the Company Group will develop its business with equal emphasis on environmental preservation (E), social responsibility (S), and corporate governance (G).

The Company Group defines corporate governance as one of the most important principles of management. While taking all stakeholders into consideration, we commit ourselves to always keeping an optimal management structure in place to ensure the sound growth and development of the Company Group.

Mid-term Direction 2021 (fiscals 2019 to 2021)

The Company Group has rapidly expanded the scale of the company for the last several years through business expansion in the communications market and a series of M&As. The Company Group's business opportunities will further grow thanks to digitization of all types of "objects." For the next three years, we will strengthen our business and management foundation, including systems and organization, in accordance with the expanding scale of the company, and aim for healthy growth so that we can provide value that satisfies customers by seizing expanding business opportunities and allowing each and every employee to feel rewarded as they continue to grow.

Murata focuses on strengthening "Business & Management Foundation" in order to seize expanding business opportunities and realize Healthy & Sustainable Growth.

3 corporate-wide issues (3 pillars) for Healthy & Sustainable Growth.

"Resolution of issues and what we aim for"

Implementation of portfolio management

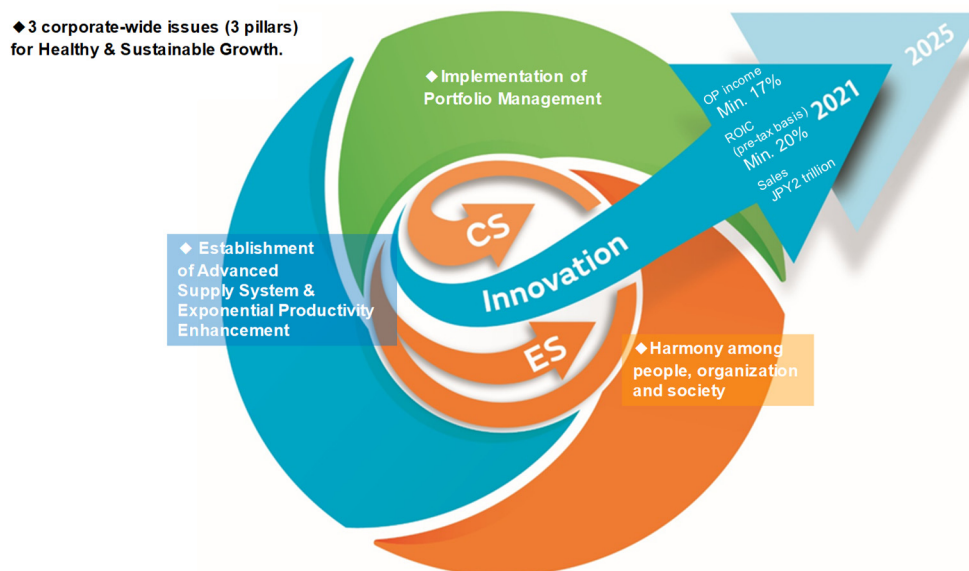
Murata's portfolio consists of "global No.1 products" which are the first choice of customers, and Murata creates further customer value by designing or proposing combinations of individual technologies and products.

Establishment of advanced supply system & exponential productivity enhancement

While meeting QCDS requirements to satisfy customers, Murata has achieved both exponential enhancement of capital and labor productivity and a stable supply system that responds to changes in demand.

Harmony among people, organization, and society

Murata is a company trusted by society and one that responds to changing business opportunities through an evolving structure of work and organization in accordance with growth of each and every employee and business.



(4) Status of capital expenditures

During the fiscal year under review, the Company Group had capital expenditures totaling 291,581 million yen.

Primary components were 200,910 million yen in reinforcement and rationalization of manufacturing facilities of the Company Group, 39,827 million yen in the acquisition of land and buildings, and 14,890 million yen in reinforcement of research and development facilities.

No eliminations or sales that had a significant effect on manufacturing capabilities were carried out.

(5) Status of property and profits

1) Status of property and profits of the Company Group

(Millions of yen, %)

Item \ Term	80th Fiscal Term From April 1, 2015 to March 31, 2016		81st Fiscal Term From April 1, 2016 to March 31, 2017		82nd Fiscal Term From April 1, 2017 to March 31, 2018		83rd Fiscal Term From April 1, 2018 to March 31, 2019	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	1,210,841	116.0	1,135,524	93.8	1,371,842	120.8	1,575,026	114.8
Income before Income taxes	279,173	117.1	200,418	71.8	167,801	83.7	267,316	159.3
Net income attributable to Murata Corporation	203,776	121.5	156,060	76.6	146,086	93.6	206,930	141.6
Total assets	1,517,784	106.0	1,634,999	107.7	1,797,013	109.9	2,048,893	114.0
Shareholders' equity	1,229,159	109.4	1,354,819	110.2	1,456,600	107.5	1,603,976	110.1
Basic earnings attributable to Murata Corporation per share	Yen 320.85	-	Yen 244.62	-	Yen 228.62	-	Yen 323.45	-
Shareholders' equity ratio	% 81.0	-	% 82.9	-	% 81.1	-	% 78.3	-

- (Notes)
1. The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.
 2. The basic earnings attributable to Murata Corporation per share are calculated based on "Accounting Standards Codification (ASC) 260: Earnings Per Share" published by the Financial Accounting Standards Board (FASB) of the United States of America.
 3. The Company implemented a three-for-one common stock split, effective April 1, 2019. Basic earnings attributable to Murata Corporation per share were calculated on the assumption that the relevant stock had been implemented at the beginning of the 80th Fiscal Term.
 4. Amounts of less than one million yen are rounded to the nearest million yen.

2) Status of property and profits of the Company

(Millions of yen, %)

Item \ Term	80th Fiscal Term From April 1, 2015 to March 31, 2016		81st Fiscal Term From April 1, 2016 to March 31, 2017		82nd Fiscal Term From April 1, 2017 to March 31, 2018		83rd Fiscal Term From April 1, 2018 to March 31, 2019	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	889,121	118.1	831,136	93.5	948,594	114.1	1,053,105	111.0
Ordinary income	95,732	79.2	73,134	76.4	41,193	56.3	63,623	154.5
Net income	80,721	81.8	75,754	93.8	48,095	63.5	67,005	139.3
Total assets	840,658	98.3	942,873	112.2	1,015,877	107.7	1,053,270	103.7
Net assets	533,022	106.7	580,270	108.9	587,945	101.3	595,827	101.3
Basic earnings per share	Yen 127.10	-	Yen 118.74	-	Yen 75.27	-	Yen 104.73	-
Shareholders' equity ratio	% 63.4	-	% 61.5	-	% 57.9	-	% 56.6	-

- (Notes) 1. The Company implemented a three-for-one common stock split, effective April 1, 2019. Basic earnings per share were calculated on the assumption that the relevant stock had been implemented at the beginning of the 80th Fiscal Term.
2. Amounts of less than one million yen are rounded down to the nearest million yen.

(6) Primary sites and status of significant subsidiaries of the Company

1) The Company (As of March 31, 2019)

Name	Location
Head Office	Nagaokakyo-shi, Kyoto
Tokyo Branch	Shibuya-ku, Tokyo
Yokaichi Plant	Higashiomi-shi, Shiga
Yasu Division	Yasu-shi, Shiga
Yokohama Technical Center	Yokohama-shi, Kanagawa
Nagaoka Plant	Nagaokakyo-shi, Kyoto

2) Subsidiaries (As of March 31, 2019)

Company name	Capital	Share of voting rights held by the Company	Primary business areas	Head office location
Fukui Murata Manufacturing Co., Ltd.	Millions of yen 300	% 100	Manufacturing of components	Echizen-shi, Fukui
Izumo Murata Manufacturing Co., Ltd.	430	100	Manufacturing of components	Izumo-shi, Shimane
Toyama Murata Manufacturing Co., Ltd.	450	100	Manufacturing of components and modules	Toyama-shi, Toyama
Kanazawa Murata Manufacturing Co., Ltd.	480	100	Manufacturing of components and modules	Hakusan-shi, Ishikawa
Okayama Murata Manufacturing Co., Ltd.	480	100	Manufacturing of components and modules	Setouchi-shi, Okayama
Tohoku Murata Manufacturing Co., Ltd.	300	100	Manufacturing and development of components	Koriyama-shi, Fukushima
Murata Electronics North America, Inc.	Thousands of US\$ 14,406	100	Sales of products of the Company and its subsidiaries and associates	United States of America
Murata Company Limited	Thousands of HK\$ 1,900,000	100	Sales of products of the Company and its subsidiaries and associates	People's Republic of China

Company name	Capital	Share of voting rights held by the Company	Primary business areas	Head office location
Murata (China) Investment Co., Ltd.	Thousands of US\$ 145,000	100	Marketing and engineering activities in Greater China, General management of Chinese sales companies	People's Republic of China
Murata Electronics Trading (Shanghai) Co., Ltd.	Thousands of US\$ 23,400	100 (Note)	Sales of products of the Company and its subsidiaries and associates	People's Republic of China
Wuxi Murata Electronics Co., Ltd.	Thousands of US\$ 312,000	100 (Note)	Manufacturing of components	People's Republic of China
Shenzhen Murata Technology Co., Ltd.	Thousands of US\$ 58,100	100 (Note)	Manufacturing of modules	People's Republic of China
Murata Energy Device Wuxi Co., Ltd.	Thousands of US\$ 366,220	100 (Note)	Manufacturing of components	People's Republic of China
Murata Electronics Europe B.V.	Thousands of EURO 245,000	100	Sales of products of the Company and its subsidiaries and associates	Kingdom of the Netherlands
Korea Murata Electronics Company, Limited	Thousands of WON 1,500,000	100	Sales of products of the Company and its subsidiaries and associates	Republic of Korea
Philippine Manufacturing Co. of Murata, Inc.	Thousands of PHP 7,700,000	100	Manufacturing of components	Republic of the Philippines
Murata Electronics Singapore (Pte.) Ltd.	Thousands of SD 4,000	100	Manufacturing of components, Sales of products of the Company and its subsidiaries and associates, General management of ASEAN sales companies	Singapore
Murata Energy Device Singapore Pte. Ltd.	Thousands of SD 0 Thousands of US\$ 162,000	100	Manufacturing of components	Singapore

(Note) Ratio includes indirect holdings.

3) Progress and results of business combinations

1. In April 2018, the Company merged with subsidiary Murata Active Partner Co., Ltd. in an absorption-type merger.
2. In April 2019, the Company merged with subsidiary Murata Electronics Co., Ltd. in an absorption-type merger.
3. In April 2019, subsidiary Murata Electronics Singapore (Pte.) Ltd. merged with subsidiary Murata Energy Device Singapore Pte. Ltd. in an absorption-type merger.
4. The number of consolidated subsidiaries is 91, including 18 significant subsidiaries above. The results of business combinations are as stated in “(2) Business progress and results” in “1. Matters Concerning Status of the Company Group.”

(7) Employees

1) Employees of the Company Group

Number of employees	
As of March 31, 2019	Year-on-year change
Persons	Persons
77,571	2,245

(Note) The number of employees is the number of persons in regular employment at the Company (excluding persons seconded outside of the Company Group), and does not include seasonal, part-time, or temporary employees (1,894 persons).

2) Employees of the Company

Number of employees		Average age	Average length of service
As of March 31, 2019	Year-on-year change		
Persons	Persons	Years old	Years
8,783	398	40.0	14.1

(Note) The number of employees is the number of persons in regular employment at the Company (excluding persons seconded to subsidiaries, etc., but including persons seconded from subsidiaries, etc.), and does not include seasonal, part-time, or temporary employees (216 persons).

(8) Lenders (As of March 31, 2019)

Lenders	Loan balance
	Millions of yen
Mizuho Bank, Ltd.	7,000
Sumitomo Mitsui Banking Corporation	7,000
The Bank of Kyoto, Ltd.	4,650
THE SHIGA BANK, LTD.	4,650
Other	501
Total	23,801

(9) Funds raised

During the fiscal year under review, the Company Group raised total funds of 100,000 million yen from the issuance of corporate bonds, as follows.

Issue date	Company name	Details	Issue amount
January 24, 2019	Murata Manufacturing Co., Ltd.	1st Unsecured Straight Corporate Bonds	40,000 million yen
January 24, 2019	Murata Manufacturing Co., Ltd.	2nd Unsecured Straight Corporate Bonds	60,000 million yen

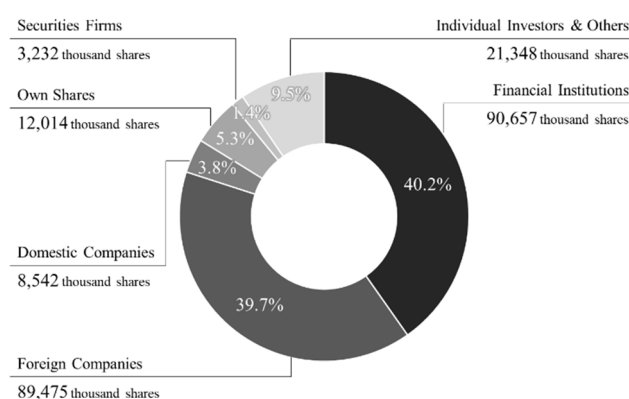
2. Matters Concerning Stock (As of March 31, 2019)

- (1) Total number of authorized shares 581,000,000 shares (Number of shares per unit: 100 shares)
- (2) Total number of issued shares 225,271,427 shares (Includes 12,014,752 shares of treasury stock)
- (3) Number of shareholders 62,402 persons
- (4) Major shareholders (Top 10)

	Shareholder name	Number of shares held (Thousands of shares)	Ownership ratio (%)
1	Japan Trustee Services Bank, Ltd. (Trust Account)	14,591	6.8
2	The Master Trust Bank of Japan, Ltd. (Trust Account)	11,970	5.6
3	JPMorgan Chase Bank 380055	9,335	4.4
4	Nippon Life Insurance Company	7,361	3.5
5	SSBTC CLIENT OMNIBUS ACCOUNT	5,411	2.5
6	The Bank of Kyoto, Ltd.	5,260	2.5
7	Meiji Yasuda Life Insurance Company	5,240	2.5
8	Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,117	1.9
9	THE SHIGA BANK, LTD.	3,551	1.7
10	Mizuho Bank, Ltd.	3,000	1.4

(Note) Ownership ratio is calculated after subtracting treasury stock (12,014 thousand shares) from the total number of issued shares.

Shareholding by shareholder category



(5) Other significant matters concerning stock

The Company implemented a three-for-one common stock split, effective April 1, 2019.

In line with the above, the total number of authorized shares and total number of issued shares increased to 1,743,000,000 shares and 675,814,281 shares, respectively.

3. Matters Concerning Corporate Officers of the Company

(1) Members of the Board of Directors (As of March 31, 2019)

Name	Positions and responsibilities	Significant concurrent positions	
Tsuneo Murata	* Chairman of the Board and President	The Murata Science Foundation	Chairman
Yoshitaka Fujita	Vice Chairman of the Board	Murata (China) Investment Co., Ltd.	President
Toru Inoue	* Member of the Board of Directors Senior Executive Vice President Director of Components Business Unit	Fukui Murata Manufacturing Co., Ltd.	President and Representative Director
		Izumo Murata Manufacturing Co., Ltd.	President and Representative Director
		Toyama Murata Manufacturing Co., Ltd.	President and Representative Director
Norio Nakajima	* Member of the Board of Directors Senior Executive Vice President Director of Module Business Unit	Kanazawa Murata Manufacturing Co., Ltd.	President and Representative Director
		Okayama Murata Manufacturing Co., Ltd.	President and Representative Director
		Tohoku Murata Manufacturing Co., Ltd.	President and Representative Director
Hiroshi Iwatsubo	Member of the Board of Directors Executive Vice President Director of Corporate Technology & Business Development Unit		
Yoshito Takemura	Member of the Board of Directors Executive Vice President Director of Corporate Planning & Administration Unit		
Hiroaki Yoshihara	Member of the Board of Directors	Hitachi, Ltd.	Outside Director
		HOYA CORPORATION	Outside Director
Takashi Shigematsu	Member of the Board of Directors	Bando Chemical Industries, Ltd.	Outside Director
Yoshiro Ozawa	Member of the Board of Directors Audit and Supervisory Committee Member (Standing)		
Hiroshi Ueno	Member of the Board of Directors Audit and Supervisory Committee Member	Osaka Shinkin Bank	Part-time Director
Hyo Kambayashi	Member of the Board of Directors Audit and Supervisory Committee Member	Protiviti LLC	Chairman and Senior Managing Director
		Japan Internal Control Research Association	Chairman
		Sojitz Corporation	Outside Corporate Auditor
Yuko Yasuda	Member of the Board of Directors Audit and Supervisory Committee Member	Russell Reynolds Associates Japan Inc.	Managing Director
		Showa Shell Sekiyu K. K.	Outside Director

- (Notes)
1. “*” indicates Representative Director.
 2. Members of the Board of Directors Messrs. Hiroaki Yoshihara and Takashi Shigematsu, and Members of the Board of Directors and Audit and Supervisory Committee Members Messrs. Hiroshi Ueno and Hyo Kambayashi and Ms. Yuko Yasuda are Outside Directors as stipulated by Article 2, Paragraph 15 of the Companies Act.
 3. Member of the Board of Directors and Audit and Supervisory Committee Member Mr. Yoshiro Ozawa has experience in finance and accounting operations at the Company, and possesses adequate insight into the fields of finance and accounting.
Member of the Board of Directors and Audit and Supervisory Committee Member Mr. Hiroshi Ueno has

experience in important positions at the Ministry of Finance and the National Tax Agency, and possesses adequate insight into the fields of finance and accounting.

Member of the Board of Directors and Audit and Supervisory Committee Member Mr. Hyo Kambayashi is a certified public accountant, and possesses adequate insight into the fields of finance and accounting.

4. Member of the Board of Directors and Audit and Supervisory Committee Member Mr. Yoshiro Ozawa is a Standing Audit and Supervisory Committee Member.

The Company designates a Standing Audit and Supervisory Committee Member to improve the effectiveness of audits and supervision of the Audit and Supervisory Committee through collecting information by attending important internal meetings on a daily basis and deep cooperation with the Independent Auditor and Internal Audit Department, etc.

5. There are no special interests between the Company Group and companies, etc. at which Members of the Board of Directors Messrs. Hiroaki Yoshihara and Takashi Shigematsu, and Members of the Board of Directors and Audit and Supervisory Committee Members Messrs. Hiroshi Ueno and Hyo Kambayashi and Ms. Yuko Yasuda hold concurrent positions.
6. The Company has designated Members of the Board of Directors Messrs. Hiroaki Yoshihara and Takashi Shigematsu, and Members of the Board of Directors and Audit and Supervisory Committee Members Messrs. Hiroshi Ueno and Hyo Kambayashi and Ms. Yuko Yasuda as Independent Directors/Auditors as specified in the regulations of the Tokyo Stock Exchange and notified the exchange accordingly.
7. The Company has a total of 24 Vice Presidents. Aside from Members of the Board of Directors above that hold concurrent positions as Vice Presidents, the Company has 20 other Vice Presidents.
8. Changes in Members of the Board of Directors during the fiscal year under review are as follows.

At the conclusion of the 82nd Ordinary General Meeting of Shareholders held on June 28, 2018, Members of the Board of Directors and Audit and Supervisory Committee Members Messrs. Junichi Tanaka, Hiroaki Yoshihara, and Masakazu Toyoda retired from their positions owing to the expiration of their terms of office.

At the 82nd Ordinary General Meeting of Shareholders held on June 28, 2018, Mr. Hiroaki Yoshihara was appointed as Member of the Board of Directors, and Messrs. Yoshiro Ozawa and Hyo Kambayashi and Ms. Yuko Yasuda were each newly elected and appointed as Members of the Board of Directors and Audit and Supervisory Committee Members.

9. Changes in significant concurrent positions of Members of the Board of Directors during the fiscal year under review are as follows.

Member of the Board of Directors Mr. Takashi Shigematsu retired from his position as Chairman and Representative Director of DENSO TEN Limited on June 22, 2018.

Member of the Board of Directors Mr. Hiroaki Yoshihara was appointed as Outside Director of HOYA CORPORATION on June 21, 2018.

Member of the Board of Directors and Audit and Supervisory Committee Member Mr. Hiroshi Ueno was appointed Part-time Director of Osaka Shinkin Bank on June 18, 2018.

10. After the final day of the fiscal year under review, the following changes occurred to the significant concurrent positions of Members of the Board of Directors.

In line with the business integration of Idemitsu Kosan Co., Ltd. and Showa Shell Sekiyu K. K., effective April 1, 2019, Member of the Board of Directors and Audit and Supervisory Committee Member Ms. Yuko Yasuda retired from her position as Outside Director of Showa Shell Sekiyu K. K. on March 31, 2019, and was appointed as Outside Director of Idemitsu Kosan Co., Ltd. on April 1, 2019.

(2) Summary of liability limitation agreements

The Company has entered into liability limitation agreements with Members of the Board of Directors (excluding those who are the executive officers) to restrict liabilities for damages as stipulated by Article 423, Paragraph 1 of the Companies Act based on the provisions of Article 427, Paragraph 1 of the Companies Act. The liability limit under these agreements is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

(3) Compensation, etc., of Members of the Board of Directors and Audit and Supervisory Committee Members

Category	Persons	Amount of compensation, etc.
Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members)	8 Persons	Millions of yen 426
Members of the Board of Directors who are Audit and Supervisory Committee Members	7	73
Total	15	500

- (Notes)
1. The above number includes three Members of the Board of Directors who are Audit and Supervisory Committee Members who retired during the fiscal year ended March 31, 2019.
 2. Out of the total shown above, total compensation, etc., provided to six Outside Directors, is 70 million yen.
 3. The total number of persons receiving compensation is cumulative. The actual number of persons eligible for compensation is 14.
 4. Of the above, the cumulative total number of Outside Directors is seven, and the actual number of persons eligible for compensation is six.
 5. Included in the above are restricted share remuneration (72 million yen for six Members of the Board of Directors, excluding Members of the Board of Directors who are Audit and Supervisory Committee Members, and Outside Directors) for the fiscal year under review.
 6. The maximum amount of compensation (per annum) is 700 million yen (resolved at the Ordinary General Meeting of Shareholders in June 2016) for Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members). However, this does not include employee compensation and bonuses provided to Members of the Board of Directors concurrently serving as Vice Presidents. The maximum amount of compensation (per annum) for the restricted share remuneration is 300 million yen (resolved at the Ordinary General Meeting of Shareholders in June 2017).
 7. The maximum amount of compensation (per annum) is 100 million yen for Members of the Board of Directors who are Audit and Supervisory Committee Members (resolved at the Ordinary General Meeting of Shareholders in June 2016).

[Policy on Member of the Board of Directors Remuneration]

To improve corporate governance and to enhance objectivity and transparency, for the decision making process for matters related to the remuneration of Members of the Board of Directors, the Company has established a Remuneration Advisory Committee, consisting of four (4) Members of the Board of Directors of which two (2) are Outside Directors, and the decision is made at the Board of Directors meeting upon receiving report from that committee.

With respect to remuneration for Members of the Board of Directors, the Company makes it a basic policy to provide a system and level of remuneration that is considered suitable for executive-level managers of a globally competitive electronic equipment and component manufacturer in order to ensure recruitment of human talent considered to be excellent based on a comparison with same-industry competitors, to raise the morale and motivation to improve financial results and to contribute to the maximization of corporate value.

Remuneration for Members of the Board of Directors who are not Audit and Supervisory Committee Members is made up of (i) monthly remuneration, (ii) bonus with the aim of giving a short-term incentive, and (iii) share-based remuneration with the aim of making them further share values with our shareholders by giving a medium- to long-term incentive.

- (i) Monthly remuneration: The monthly remuneration is a fixed remuneration of an amount individually decided for each Member of the Board of Directors based on a fixed amount for service as a Member of the Board of Directors, and an amount that is decided based on consideration of the level of importance of each Member of the Board of Directors' business execution allocation and responsibility and the previous fiscal year's financial performance.
- (ii) Bonus: The total amount of bonus is decided according to the Company's financial performance, and the amount allocated to each Member of the Board of Directors is decided by giving consideration to the level of contribution to financial performance of each individual.
- (iii) Share-based remuneration: The share-based remuneration is set by position of each Member of the Board of Directors.

The remuneration paid to Outside Directors who are not Audit and Supervisory Committee Members and to Members of the Board of Directors who are Audit and Supervisory Committee Members is only monthly remuneration. The amount paid to Members of the Board of Directors who are Audit and Supervisory Committee Members is decided as a fixed individual remuneration through discussion by the Members of the Board of Directors who are Audit and Supervisory Committee Members.

(4) Key activities of Outside Directors

Category	Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Committee	Key activities
Outside Director	Hiroaki Yoshihara	8/8	—	Mr. Hiroaki Yoshihara made comments on overall management based on his extensive insight as an accounting specialist, and abundant experience in global corporate management and consulting for global companies, etc.
	Takashi Shigematsu	10/10	—	Mr. Takashi Shigematsu made comments on overall management based on his insight into the automotive industry and abundant experience as a corporate manager.
Outside Directors who are Audit and Supervisory Committee Members	Hiroaki Yoshihara	1/2	2/3	Mr. Hiroaki Yoshihara made comments on overall management based on his extensive insight as an accounting specialist, and abundant experience in global corporate management and consulting for global companies, etc.
	Hiroshi Ueno	10/10	10/10	Mr. Hiroshi Ueno made comments on overall management based on his insight and abundant experience as a specialist mainly in government administration of such fields as tax and finance, as well as the Antimonopoly Act.
	Hyo Kambayashi	8/8	7/7	Mr. Hyo Kambayashi made comments on overall management based on his insight as a certified public accountant, and insight into the fields of corporate accounting, auditing, internal controls, and risk management, and his abundant experience as a corporate manager.
	Yuko Yasuda	8/8	7/7	Ms. Yuko Yasuda made comments on overall management based on her insight into and abundant experience in the fields of executive personnel assessment, development, and corporate governance.

- (Notes) 1. Mr. Hiroaki Yoshihara retired from his position as Member of the Board of Directors and Audit and Supervisory Committee Member at the conclusion of the 82nd Ordinary General Meeting of Shareholders held on June 28, 2018, and was newly elected as a Member of the Board of Directors at the same Ordinary General Meeting of Shareholders. Accordingly, the number of times that meetings of the Board of Directors and meetings of the Audit and Supervisory Committee were held differs from other Outside Directors.
Furthermore, two (2) meetings of the Board of Directors and three (3) meetings of the Audit and Supervisory Committee were held prior to his retirement as Member of the Board of Directors and Audit and Supervisory Committee Member, and eight (8) meetings of the Board of Directors were held after his appointment as Member of the Board of Directors.
2. Mr. Hyo Kambayashi and Ms. Yuko Yasuda were elected at the 82nd Ordinary General Meeting of Shareholders held on June 28, 2018, and therefore the number of times that meetings of the Board of Directors and meetings of the Audit and Supervisory Committee were held differs from other Outside Directors.
Furthermore, eight (8) meetings of the Board of Directors, and seven (7) meetings of the Audit and Supervisory Committee were held after the appointment of Mr. Hyo Kambayashi and Ms. Yuko Yasuda.

4. Matters Concerning the Independent Auditor

(1) Name of Independent Auditor

Deloitte Touche Tohmatsu LLC

(2) Independent Auditor Compensation, etc., for the fiscal year under review

	Category	Amount of compensation, etc.
(1)	Compensation, etc., as Independent Auditor	Millions of yen 208
(2)	Total amount of cash and other beneficial property payable by the Company and its subsidiaries	232

- (Notes)
1. The Audit and Supervisory Committee has given its consent to the amount of compensation, etc. for the Independent Auditor for the fiscal year under review upon receiving explanation on quotation of compensation from the Independent Auditor and internal related departments, and conducting necessary verification on the content of the Independent Auditor's audit plans, the performance status of its accounting audit duties, and whether the calculation basis, etc. of quotation of compensation is appropriate.
 2. In the audit agreement between the Company and the Independent Auditor, audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not distinguished, and as they are not distinguishable in practice, the amount in (1) is the total of these amounts.
 3. Other than operations stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act, the Company makes payment to the Independent Auditor for advisory operations on accounting operations.
 4. Of the Company's significant subsidiaries, Murata Electronics North America, Inc., Murata Company Limited, Murata (China) Investment Co., Ltd., Murata Electronics Trading (Shanghai) Co., Ltd., Wuxi Murata Electronics Co., Ltd., Shenzhen Murata Technology Co., Ltd., Murata Energy Device Wuxi Co., Ltd., Murata Electronics Europe B.V., Korea Murata Electronics Company, Limited, Philippine Manufacturing Co. of Murata, Inc., Murata Electronics Singapore (Pte.) Ltd., and Murata Energy Device Singapore Pte. Ltd. are audited (as defined by the Companies Act or the Financial Instruments and Exchange Act [including corresponding foreign laws and regulations]) by certified public accountants or Independent Auditors (including parties that hold corresponding foreign certifications) other than the Independent Auditor serving the Company.

(3) Policy for dismissal or nonrenewal of the Independent Auditor

If the Audit and Supervisory Committee determines that the any of the items in Article 340, Paragraph 1 of the Companies Act applies to the Independent Auditor and that dismissal is appropriate, the Independent Auditor shall be dismissed upon unanimous approval of the Audit and Supervisory Committee.

Additionally, if the Audit and Supervisory Committee determines that the Independent Auditor cannot appropriately fulfill its duties, the Audit and Supervisory Committee shall determine the content of a proposal to be submitted to a General Meeting of Shareholders regarding the dismissal or nonrenewal for the Independent Auditor.

Systems to Secure the Appropriateness of Company Operations

The Company's Board of Directors has defined a basic policy regarding the maintenance of a system to secure the appropriateness of company operations (internal control system), as shown below. Based on this, the Company works to appropriately maintain and operate the internal control system.

[Systems to Secure the Appropriateness of Company Operations]

- (1) System to secure compatibility between execution of duties of Members of the Board of Directors and employees with laws and regulations and the Articles of Incorporation
 - 1) The Company shall appoint Outside Directors to strengthen operational execution decisions of the Board of Directors and monitoring functions of business execution by Members of the Board of Directors.
 - 2) The Company shall establish an organizational committee to evaluate the maintenance and operational conditions of the internal control system, and work to maintain and continuously improve the internal control system.
 - 3) In order to fulfill corporate social responsibilities (CSR), the Company shall establish an organizational committee which manages activities regarding CSR areas such as compliance, risk management, and environment, etc., and promote CSR management of the Company Group continuously and systematically.
 - 4) The Company shall establish an organization responsible for promotion of CSR activities. This organization will work in tandem with organizational committees related to CSR, and act as a central group to spread CSR within the Company and handle issues with the outside of the Company.
 - 5) In order for Members of the Board of Directors, Vice Presidents, and employees to adhere to laws and regulations and the Articles of Incorporation, and conduct business activities based on higher ethical standards, the Company shall define and work to spread Corporate Ethics Policy and Code of Conduct and regulations regarding compliance.
 - 6) In order to appropriately deal with issues related to compliance, the Company shall establish a reporting hotline within and outside of the Company, and ensure that measures are in place such that there is no detriment to reporters.
 - 7) The Company shall clearly define within its Corporate Ethics Policy and Code of Conduct to firmly refuse correspondence and contact with anti-social activities and organizations and to not resolve unreasonable requests received from anti-social forces via the use of cash, etc., and will appropriately deal with such events based on the policy and the code.
 - 8) The Company shall establish an independent internal auditing department to evaluate and monitor the effectiveness of the internal control system.
- (2) System to store and manage information regarding the execution of duties by Members of the Board of Directors
 - 1) Minutes and group approval documents of the Board of Directors and other important documents concerning the execution of duties by Members of the Board of Directors shall be stored based upon internal regulations of the Company, and shall be suitably made available for viewing by Members of the Board of Directors.
 - 2) Basic items regarding storing and managing documents shall be defined within the internal regulations of the Company, and documents contained in the above item shall be appropriately stored and managed.
 - 3) A meeting structure shall be established to deliberate the necessity and content of timely disclosure of company information, and company information shall be disclosed in a timely and appropriate manner.
- (3) Regulations and other systems regarding management of risks of loss
 - 1) Regulations shall be defined regarding risk management, and the division that supervises each business function shall conduct risk management.
 - 2) Deliberations regarding the Company Group's risk management structure and operational status shall be conducted at an organizational committee. Additionally, evaluations will be made regarding countermeasures against significant risks, driving forward the activities of the Company Group.

- (4) System to secure efficient execution of duties by Members of the Board of Directors
 - 1) The Company shall formulate long and medium term policies and based on such long and medium term policies formulate yearly policies, budgets, and action plans, and manage the progress and confirm status of the achievement.
 - 2) The Company shall implement a Vice President system, and by separating decision making for management policies and important business execution with daily business execution, strengthen monitoring functions and business execution functions.
 - 3) To conduct appropriate decision making, approval regarding matters that are defined in the internal regulations of the Company shall be conducted via group approval procedures utilizing information technology (IT), through deliberation by concerned Members of the Board of Directors, Vice Presidents, and significant employees.
 - 4) As a deliberation body to supplement decision making by the Board of Directors and Representative Directors, the Company shall establish the Management Executive Committee composed of executive Members of the Board of Directors and Members of the Board of Directors who concurrently serve as Vice Presidents. The Management Executive Committee shall receive reports and deliberate on matters that are defined in the internal regulations of the Company.
 - 5) Various information regarding the status of business execution shall be provided to concerned Members of the Board of Directors, Vice Presidents, and employees periodically or as required, and a system to share information shall be established via the use of IT.
- (5) System to secure appropriate business in the Company Group, composed of the Company and its subsidiaries
 - 1) The Company Group shall share corporate policy that acts as a fundamental management policy, in addition to strictly enforcing and sharing Corporate Ethics Policy and Code of Conduct, and regulations regarding compliance.
 - 2) The Company Group shall establish regulations and procedures regarding decision making. Based on these, deliberations will be made with subsidiaries regarding the business operations of subsidiaries, in addition to sharing various information regarding business operations of the Company Group.
 - 3) Divisions that supervise the various business functions of the Company shall define frameworks, processing procedures, and judgment standards for duties to ensure that duties within the Company Group are performed appropriately and efficiently, in addition to providing appropriate direction to subsidiaries as required.
 - 4) The Internal Audit Department shall evaluate and monitor whether or not duties within the Company Group are conducted appropriately and efficiently, adhering to laws and regulations and the internal regulations, etc. of the Company.
 - 5) Members of the Board of Directors, Vice Presidents, and employees of subsidiaries shall report to the Company matters defined in items 2) through 4) above, and other items regarding the execution of duties.
 - 6) The Company shall direct each subsidiary to establish and operate internal control systems that are appropriate for the content and scale of each business.
- (6) Matters regarding Members of the Board of Directors and employees who assist the duties of the Audit and Supervisory Committee, matters regarding the independence of these employees from Members of the Board of Directors who are executive officers, and matters regarding securing the ability to execute orders given to these employees
 - 1) The Company shall station an appropriate number of dedicated employees to assist the duties of Audit and Supervisory Committee.
 - 2) These employees shall not receive supervision or orders from Members of the Board of Directors who are executive officers. Additionally, for matters regarding human resources of these employees, Members of the Board of Directors who are executive officers must consult with and obtain permission from the Audit and Supervisory Committee.

- (7) System for reporting to the Audit and Supervisory Committee and system to ensure that parties that report to the Audit and Supervisory Committee do not receive detrimental treatment as a result of reporting
- 1) Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall submit to the Audit and Supervisory Committee minutes and materials from Management Executive Committee, etc., group approval documents of the Company Group, and periodic reports of business reports, etc., and also report on facts that may conflict with the Corporate Ethics Policy and Code of Conduct, status of risks and risk management, status and content of reports to the internal reporting hotline, and audit results of external public institutions.
 - 2) In the event that facts are discovered regarding the business execution of the Company Group that conflict with laws and regulations, the Articles of Incorporation, Corporate Ethics Policy and Code of Conduct, or other internal regulations of the Company, or may cause significant harm to the Company Group, Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall immediately report to the Audit and Supervisory Committee.
 - 3) In the event that facts are discovered regarding the business execution of the Company Group that conflict with laws and regulations, the Articles of Incorporation, Corporate Ethics Policy and Code of Conduct, or other internal regulations of the Company, or may cause significant harm to the Company Group, Members of the Board of Directors, Statutory Auditors, Vice Presidents, and employees of subsidiaries or parties that received such reports from the Members of the Board of Directors, Statutory Auditors, Vice Presidents, and employees of subsidiaries shall report to the Audit and Supervisory Committee.
 - 4) Apart from the previous items, if requested by the Audit and Supervisory Committee, Members of the Board of Directors who are executive officers, Vice Presidents, and employees shall submit requested documents, etc., or report as required.
 - 5) Regarding the previous items, the Company shall not give detrimental treatment to reporters as a result of reporting.
- (8) Other systems to secure the effectiveness of audits by the Audit and Supervisory Committee
- 1) Members of the Board of Directors who are executive officers shall maintain an environment that allows for Audit and Supervisory Committee Members designated by the Audit and Supervisory Committee to attend important meetings.
 - 2) Members of the Board of Directors who are executive officers and employees shall conform to the “Audit Plan” as formulated on a yearly basis by the Audit and Supervisory Committee, and cooperate to allow for effective audits.
 - 3) Members of the Board of Directors who are executive officers and employees shall cooperate with and fulfill the requests of the Audit and Supervisory Committee in the event that evaluation hearings are required with attorneys-at-law or the Independent Auditor.
 - 4) Fees, etc., incurred as a result of the execution of duties by Audit and Supervisory Committee Members shall be borne by the Company.
 - 5) Members of the Board of Directors who are executive officers and employees shall cooperate with and fulfill the requests of the Audit and Supervisory Committee during the course of cooperation between the Audit and Supervisory Committee and the Independent Auditor.
 - 6) The Internal Audit Department shall work to cooperate with the Audit and Supervisory Committee as requested.
 - 7) Representative Directors, etc., shall work to exchange information with the Audit and Supervisory Committee.

[Operational Conditions of Systems to Secure the Appropriateness of Company Operations]

- (1) System to secure compatibility between business execution of Members of the Board of Directors and employees with laws and regulations and the Articles of Incorporation
 - Based on internal regulations such as “Regulations of the Board of Directors,” the Board of Directors conducts monitoring of decision making of management policies and important business executions as well as the execution of duties of Members of the Board of Directors.
 - “Independent Outside Director Appointment Standards” have been established. Based on the standards, a number of Outside Directors are elected and they are giving their opinions based on their specialized views and abundant experience in the meeting of the Board of Directors and conducting vigorous discussions.
 - An Internal Control Committee has been established to develop the internal control system, evaluate and investigate operational conditions, and periodically report such content to the Board of Directors.
 - “Compliance Promotion Committee,” “Risk Management Committee,” “Environmental Committee,” “Global Warming Prevention Special Committee,” and “Social & Community Contributions Committee” have been established, as well as a “CSR Management Committee” that acts as a controlling committee. A dedicated organization responsible for promoting CSR activities has also been established.
 - Compliance-related regulations are formulated such as “Compliance Program Regulations” and “Corporate Ethics Policy and Code of Conduct,” and through measures such as selecting compliance promotion leaders in each division, an appropriate compliance system is maintained and continued while actions for further improvement are also taken. Also, regarding the Compliance Promotion Committee, the status of its activities and others are periodically reported to the Board of Directors.
 - The Company has established a reporting hotline both within and outside of the Company that receives anonymous, pseudonymous, and identifiable reports. A systematic approach is taken with regards to the treatment of reporters so that they are not subject to detrimental treatment and efforts are taken toward appropriate responses.
 - A response manual regarding anti-social forces is distributed to all offices and related companies.
 - Through establishing an Internal Audit Department independent from executive divisions and implementing third-party assessment regarding the effectiveness of internal control systems at the department, the Company works to enhance transparency and effectiveness of operations.
- (2) System to store and manage information regarding the execution of duties by Members of the Board of Directors
 - Based on internal regulations such as “Regulations on Document Storage and Preservation Management,” efforts are being made to construct a system to appropriately store and manage information. Also, “Information Security Management Regulations” and others have been established and a commitment has been made to educating employees and others in an effort toward thoroughly appropriate information management.
 - Regarding important decisions, an “Information Disclosure Committee” was established and creates a system to deliberate on the necessity of disclosing individual items and the content of disclosure in an effort toward realizing timely and appropriate disclosure.
- (3) Regulations and other systems regarding management of risks of loss
 - In addition to developing internal regulations such as “Risk Management Basic Regulations,” each department responsible for each business function periodically surveys and evaluates the existence, content, etc. of Company-wide risks, and a system has been created to report these to the Risk Management Committee. Regarding the individual risks received in these reports, a system has been created where the Risk Management Committee deliberates on countermeasures and verifies the state of implementation of those measures.
- (4) System to secure efficient execution of duties by Members of the Board of Directors
 - A Mid-term Direction (three years) has been formulated and progress reports are periodically given at the Board of Directors. Yearly policies are decided by the Board of Directors and are then shared within the Company.
 - By implementing a Vice President system and having Vice Presidents conduct daily business execution, the Company aims to realize efficient decision making.
 - Regarding decision making in the Company and the Company Group, a group approval system has been established that is used to carry out decision making. A dedicated information system is also being used to not only realize efficient deliberations, but also to record both the results and progress of decision making through a framework to visualize the process.
 - The Management Executive Committee deliberates on management items provided by internal regulations such as important management policies, plans, business execution, etc., and also receives reports on the status of policies and budgets, evaluates them, and works on their improvement.
 - In addition to constructing a system where the Board of Directors periodically receives reports on the status of business execution, a dedicated information system that allows related Members of the Board of Directors, Vice Presidents, and employees to share periodic reports and others is used.

- (5) System to secure appropriate business in the Company Group, composed of the Company and its subsidiaries
- Efforts are made to share the management policy including the corporate policy by posting them on the Intranet site as well as in internal company reports, and measures such as incorporating them in the education system. Additionally, similar efforts to spread awareness of Corporate Ethics Policy and Code of Conduct are being taken.
 - As stated earlier, a group approval system has been established in both the Company and the Company Group. The Company also operates a system where advice and approval is given on certain matters for decisions by subsidiaries.
 - Divisions that supervise each function of the Company maintain regulations so that operations within the Company Group are carried out in a standardized, efficient, and appropriate manner and appropriately guide operations and other measures taken in the course of operations.
 - The Internal Audit Department evaluates and monitors the Company and the Company Group regarding the effectiveness and efficiency of operations, the credibility of financial statements, the development status of important compliance items, and the status of operations, and works to increase transparency and effectiveness. Additionally, proposals are implemented through internal control evaluations of operation process levels.
- (6) Matters regarding Members of the Board of Directors and employees who assist the duties of the Audit and Supervisory Committee, matters regarding the independence of these employees from Members of the Board of Directors who are executive officers, and matters regarding securing the ability to execute orders given to these employees
- The Company has stationed an appropriate number of dedicated employees to assist the duties of the Audit and Supervisory Committee.
 - These employees receive direction regarding their duties directly from Standing Audit and Supervisory Committee Members, and the appointment, transfer, and other personnel evaluations of these employees are made by Directors who are executive officers upon discussion with Standing Audit and Supervisory Committee in a system where consent is received from the Audit and Supervisory Committee.
- (7) System for reporting to the Audit and Supervisory Committee and system to ensure that parties that report to the Audit and Supervisory Committee do not receive detrimental treatment as a result of reporting
- Minutes and materials from the Management Executive Committee, etc., group approval documents, and periodic business reports are available for inspection as necessary by Standing Audit and Supervisory Committee Members. Additionally, a system is in place where Standing Audit and Supervisory Committee Members may attend meeting bodies such as the Management Executive Committee, CSR Management Committee, Internal Control Committee, Information Disclosure Committee, Compliance Promotion Committee, and Risk Management Committee at any time, and their minutes, audit results from internal and external bodies, and others are delivered and reported to Standing Audit and Supervisory Committee Members. Furthermore, documents, information, etc., requested by the Audit and Supervisory Committee are individually submitted and reported.
 - In the event that Members of the Board of Directors who are executive officers, Vice Presidents, and employees of the Company, as well as Members of the Board of Directors, Statutory Auditors, Vice Presidents, and employees of subsidiaries of the Company discover facts regarding the business execution of the Company Group that conflict with laws and regulations, the Articles of Incorporation, Corporate Ethics Policy and Code of Conduct, or other internal regulations, or that may cause significant harm to the Company Group, a system where such reports can be made to the Audit and Supervisory Committee is developed, and reporters are not given detrimental treatment as a result of reporting. Furthermore, a hotline allowing for direct reports and consultations with Standing Audit and Supervisory Committee Members has been established as a reporting and consultation hotline for compliance violations.
- (8) Other systems to secure the effectiveness of audits by the Audit and Supervisory Committee
- As noted above, Standing Audit and Supervisory Committee Members are allowed to attend important meetings such as the Management Executive Committee.
 - Audit plans formulated by the Audit and Supervisory Committee are reported to the Board of Directors and shared with Members of the Board of Directors. Members of the Board of Directors actively cooperate with audits by the Audit and Supervisory Committee and hearings from attorneys-at-law and the Independent Auditor.
 - A system to secure budget necessary for the execution of duties by Audit and Supervisory Committee Members and to bear fees, etc., actually incurred as a result of the execution of duties by Audit and Supervisory Committee Members is in place.
 - The Audit and Supervisory Committee, the Independent Auditor, and the Internal Audit Department periodically meet, and a sufficient level of cooperation is realized.
 - Representative Directors are sharing the status and results of the Audit and Supervisory Committee's audits in the meeting with the Audit and Supervisory Committee on a regular basis and actively exchanging opinions.

Consolidated Balance Sheets

(As of March 31, 2019)

(Millions of yen)

Item	Amount	Item	Amount
Assets	2,048,893	Liabilities	444,353
Current assets	933,941	Current liabilities	259,771
Cash	181,956	Short-term borrowings	23,007
Short-term investments	69,781	Trade accounts payable	75,491
Marketable securities	27,364	Accrued payroll and bonuses	43,485
Trade notes receivable	4,053	Income taxes payable	38,315
Trade accounts receivable	271,566	Accrued expenses and other	79,473
Allowance for doubtful notes and accounts	(1,510)	Long-term liabilities	184,582
Inventories	349,315	Bonds payable	99,813
Prepaid expenses and other	31,416	Long-term debt	594
Property, plant and equipment	856,453	Termination and retirement benefits	75,789
Land	68,133	Deferred income taxes	6,673
Buildings	536,781	Other	1,713
Machinery and equipment	1,250,288	Equity	1,604,540
Construction in progress	109,057	Murata Corporation's Shareholders' equity	1,603,976
Accumulated depreciation	(1,107,806)	Common stock	69,444
Investments and other assets	258,499	Capital surplus	120,702
Investments	66,697	Retained earnings	1,493,697
Intangible assets	47,526	Accumulated other comprehensive loss	(26,273)
Goodwill	78,389	Unrealized gains on securities	46
Deferred income taxes	42,065	Pension liability adjustments	(21,574)
Other	23,822	Foreign currency translation adjustments	(4,745)
		Treasury stock, at cost	(53,594)
		Noncontrolling interests	564
Total assets	2,048,893	Total liabilities and total equity	2,048,893

Consolidated Statements of Income

(From April 1, 2018
to March 31, 2019)

(Millions of yen)

Item	Amount	
Net sales		1,575,026
Operating expenses		
Cost of sales	974,808	
Selling, general and administrative	231,822	
Research and development	101,589	1,308,219
Operating income		266,807
Other income		
Interest and dividend income	3,519	
Interest expense	(422)	
Foreign currency exchange loss	(2,401)	
Other - net	(187)	509
Income before income taxes		267,316
Income taxes		
Current income tax	65,036	
Deferred income tax	(4,679)	60,357
Net income		206,959
Net income attributable to noncontrolling interests		29
Net income attributable to Murata Corporation		206,930

Consolidated Statements of Shareholders' Equity

(From April 1, 2018
to March 31, 2019)

(Shares, millions of yen)

Item	Number of common shares issued								Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Controlling interests	Non-controlling interests	
Balance at March 31, 2018	675,814,281	69,444	120,596	1,336,208	(16,052)	(53,596)	1,456,600	616	1,457,216
Cumulative effects of accounting standard update-adoption of ASU No. 2016-01 (after tax effect adjustments)				7,850	(7,850)		-		-
Purchases of treasury stock at cost						(33)	(33)		(33)
Disposal of treasury stock			3			1	4		4
Net income				206,930			206,930	29	206,959
Cash dividends				(57,579)			(57,579)	(6)	(57,585)
Other comprehensive loss, net of tax					(2,371)		(2,371)	(14)	(2,385)
Restricted share remuneration			103			34	137		137
Equity transaction with noncontrolling interests and other				288			288	(61)	227
Balance at March 31, 2019	675,814,281	69,444	120,702	1,493,697	(26,273)	(53,594)	1,603,976	564	1,604,540

(Note) The Company implemented a three-for-one common stock split, effective April 1, 2019. The number of common shares issued was calculated on the assumption that the relevant stock split had been implemented on March 31, 2018.

Notes to the Consolidated Financial Statements

(Basis of preparation of Consolidated Financial Statements)

1. Scope of consolidation and application of the equity method

1) Number of consolidated subsidiaries: 91

Major consolidated subsidiaries:

Fukui Murata Manufacturing Co., Ltd.
Izumo Murata Manufacturing Co., Ltd.
Toyama Murata Manufacturing Co., Ltd.
Kanazawa Murata Manufacturing Co., Ltd.
Okayama Murata Manufacturing Co., Ltd.
Tohoku Murata Manufacturing Co., Ltd.
Murata Electronics North America, Inc.
Murata Company Limited
Murata (China) Investment Co., Ltd.
Murata Electronics Trading (Shanghai) Co., Ltd.
Wuxi Murata Electronics Co., Ltd.
Shenzhen Murata Technology Co., Ltd.
Murata Energy Device Wuxi Co., Ltd.
Murata Electronics Europe B.V.
Korea Murata Electronics Company, Limited
Philippine Manufacturing Co. of Murata, Inc.
Murata Electronics Singapore (Pte.) Ltd.
Murata Energy Device Singapore Pte. Ltd.

2) Number of unconsolidated subsidiaries

None (Companies accounted for by equity method None)

3) Number of affiliated companies

1 (Companies accounted for by equity method 1)

2. Changes in scope of consolidation and application of the equity method

(Consolidated subsidiaries)

2 companies were newly consolidated.

9 companies were excluded from consolidation.

Murata BUNSEKI Partner Co., Ltd.

Murata Active Partner Co., Ltd.

Murata Elektronik GmbH, and others

3. Significant Accounting Policies

(1) Standards for preparation of consolidated financial statements

The consolidated financial statements of the Company, pursuant to the regulations of Article 120-3, Paragraph 1 of the Company Accounting Ordinance, are prepared in accordance with terminology, style, and preparation method based on generally accepted corporate accounting standards in the United States of America (hereinafter “US Accounting Principles”). However, based on regulations in the latter segment of the Article 120, Paragraph 1 of the said Ordinance by applying Paragraph 3 of Article 120-3 mutatis mutandis, a portion of content and notes required by US Accounting Principles are omitted.

(2) Inventories

Inventories are stated at the lower of cost, which is determined principally by the average cost method, or market.

(3) Marketable securities and investments

Under ASC320 “Investments - Debt,” ASC321 “Investments - Equity Securities,” and ASC825 “Financial Instruments” in the Statement of Financial Accounting Standards of the Financial Accounting Standards Board (FASB), the Company Group classifies debt securities as available-for-sale and carries them at fair value with a corresponding recognition of the net unrealized holding gain or loss (net of tax) as a separate component of shareholders’ equity, except investments whose unrealized holding gain and loss is recorded as net income by electing the fair value option. In addition, equity securities (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) are measured at fair value, with any gains or losses recorded in net income. Nonmarketable equity securities whose fair value cannot be reliably determined are measured at cost after impairment, adjusted for observable changes in the price of orderly transactions for the same or similar investments by the same issuer. Gains and losses on sales of investments are computed on an average cost basis.

(4) Depreciation of property, plant and equipment Straight-line method

The Company and domestic consolidated subsidiaries formerly principally used the declining-balance method for computing the depreciation of property, plant and equipment, but has changed to the straight-line method from the fiscal year under review. Under the Mid-term Business Plan, the Company will implement large-scale capital investment plans in growth businesses, and so the Company took this opportunity to review the actual conditions under which property, plant and equipment is used. As a result, the Company believes that depreciation by the straight-line method is desirable as the stable operation of property, plant and equipment is anticipated in future, and depreciation by the straight-line method will more appropriately reflect the actual conditions under which property, plant and equipment is used in future. In accordance with ASC250 “Accounting Changes and Error Corrections,” changes in depreciation methods are considered changes in accounting estimates. Accordingly, the effect of this change shall be recorded prospectively. This change in depreciation method resulted in increases of 28,720 million yen and 44.89 yen to net income attributable to Murata Corporation and basic earnings attributable to Murata Corporation per share, respectively, in the fiscal year under review. Furthermore, the effect on diluted earnings attributable to Murata Corporation per share in the fiscal year under review is not stated since there are no potential dilutive securities.

(Note) The Company implemented a three-for-one common stock split, effective April 1, 2019. “Basic earnings attributable to Murata Corporation per share” are calculated based on the number of common shares issued after the relevant stock split.

(5) Goodwill and other intangible assets

The Company Group accounts for goodwill and other intangible assets in accordance with ASC350 “Intangibles - Goodwill and Other.”

In accordance with this statement, goodwill is not amortized and is instead tested at least annually for impairment.

Intangible assets that have finite useful lives will continue to be amortized over their useful lives.

Also, this statement requires that an intangible asset that is determined to have an indefinite useful life is not amortized but is instead tested at least annually for impairment until its useful life is determined to be no longer indefinite.

In January 2017, the FASB issued Accounting Standards Update (ASU) No. 2017-04, “Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” The update eliminates Step 2 of the current goodwill impairment test, under which a goodwill impairment loss is measured by comparing the implied fair value of a reporting unit’s goodwill with the carrying amount of that goodwill. The new guidance requires that goodwill impairment loss be recognized for any excess of a reporting unit’s carrying amount over its fair value. The Company Group was an early adopter of this update in the previous fiscal year and will use the new standards prospectively towards the future. Application of these standards will not impact the operating results or financial position of the Company Group during the fiscal year under review.

(6) Termination and retirement benefits

To provide for retirement benefits to employees, the Company Group records benefits based on the estimated present value of the projected benefit obligation less the fair value of plan assets at the end of the fiscal year under review, in accordance with ASC715 “Compensation - Retirement benefits.” The overfunded or underfunded status of a defined benefit postretirement plan is recognized as an asset or liability in its statement of financial position, with an adjustment to accumulated other comprehensive income or loss.

The unrecognized prior service expenses due to certain plan amendments is being amortized on a straight-line basis over the average remaining service period of employees.

The unrecognized actuarial gains and losses in excess of ten percent of the larger of the projected benefit obligation or plan assets are being amortized over five years.

(7) Revenue recognition

The Company Group adopted ASC606 “Revenue from Contracts With Customers.” The Company Group recognizes revenue based on the following five-step:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group conducts sales of electronic items, including Components (Capacitors, Piezoelectric Components, etc.) and Modules (Communication Modules, Power Supplies, etc.), and related products. With regard to the sales of products, the Company Group recognizes revenue at the time of delivery of a product since it considers that the customer obtains control over the product and performance obligations are satisfied at the time of delivery of the product. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc.

(8) Consumption taxes are separately accounted for, and are excluded from the amounts of the underlying income and expense transactions.

(Changes in accounting policy)

Revenue

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, “Revenue from Contracts with Customers.” Further, in August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers: Deferral of the Effective Date.” The ASUs outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The ASUs require entities to disclose both quantitative and qualitative information that contributes to users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company Group adopted the ASUs from the fiscal year under review by applying the modified retrospective method of adoption to contracts that were not completed as of the adoption date. The adoption of this guidance does not have a material impact on consolidated financial statements.

Financial instruments

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.” The ASU requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income.

The Company Group adopted the ASU from the fiscal year under review. The Company Group recognized a cumulative-effect adjustment to retained earnings of 7,850 million yen at the beginning of the fiscal year under review for the unrealized gains, after tax effect adjustment, of available-for-sale securities previously recognized in accumulated other comprehensive income. The adoption of this guidance resulted in a decrease in income before income taxes of 2,500 million yen for the fiscal year under review.

Compensation – retirement benefits

In March 2017, the FASB issued ASU No. 2017-07, “Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” The ASU requires entities to disaggregate the service cost component from the other components of net periodic pension cost and net periodic postretirement benefit cost and present the service cost in the same line item as other compensation costs arising from services rendered by employees in the income statement, and present the other components in the income statement separately from the service cost component and outside a subtotal of income and expenses. In addition, among net periodic pension cost and net periodic postretirement benefit cost, only the service cost may be capitalized as part of an asset such as inventory. The amendments in this guidance are applied retrospectively for the presentation in the income statement of the service cost component and the other components, and prospectively for the capitalization in assets of only the service cost component.

The Company Group adopted the ASU from the fiscal year under review. The adoption of this guidance resulted in an increase in operating income and a decrease in other-net of 388 million yen for the fiscal year under review. The adoption of the guidance stating that only the service-cost component of net benefit cost is eligible for capitalization did not have a

material impact on their consolidated financial statements.

(Note to Consolidated Balance Sheet)

Amounts of less than one million yen are shown rounded to the nearest million yen.

(Marketable securities and investment securities)

The cost and amortized cost, gross unrealized gains, gross unrealized losses and fair value for debt securities classified as available-for sale securities by major security type are as follows.

(Millions of yen)

Type	Cost and amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Private debt securities	64,355	119	51	64,423

Maturity dates of debt securities classified as available-for-sale securities are as follows.

(Millions of yen)

Maturity date	Amount
Within 1 year	27,364
Over 1 year, within 5 years	37,059
Over 5 years	-
Total	64,423

As no debt securities classified as available-for-sale securities were sold, there are no realized gains or realized losses.

Realized gains (losses) and unrealized gains (losses) for equity securities included in investments on the consolidated balance sheet are as follows.

(Millions of yen)

	Amount
Total gains (losses) in the fiscal year under review	(3,387)
Realized gains (losses) from the sale of equity securities in the fiscal year under review	(286)
Impairment of equity securities	(601)
Unrealized gains (losses) on equity securities	(2,500)

From the fiscal year under review, the Company Group measures nonmarketable equity securities whose fair value cannot be reliably determined at cost after impairment, adjusted for observable changes in the price of orderly transactions for the same or similar investments by the same issuer. The carrying amount of such nonmarketable equity securities was 3,183 million yen as of the end of the fiscal year under review.

(Financial instruments and concentration of risk)

During the course of normal business, the Company Group records various types of financial assets and liabilities.

1. Assets and liabilities

(1) Cash, short-term investments, trade notes receivable, trade accounts receivable, financial instruments included in other noncurrent assets, short-term borrowings, trade accounts payable, bonds payable and long-term debt

The fair value of these financial instruments approximate the amounts carried on the consolidated balance sheet.

(2) Marketable securities and investment securities

Fair values are primarily calculated based on discounted present value computed using market value or the most recent market interest rate of products traded under similar terms. Fair values of marketable securities and investment securities are as follows.

(Millions of yen)

	Fair value
Private debt securities	64,423
Equity securities	24,468
Investment trusts	1,987
Total	90,878

2. Financial derivatives

In order to hedge market risk arising from fluctuations in the foreign exchange market, the Company Group enters into forward exchange contracts. Additionally, the Group does not hold any forward exchange contracts for trading purposes. Counterparties are large-scale financial institutions, and as such, the credit risk is negligible. Furthermore, the Group does not foresee any defaults with regard to the counterparties.

The Company Group records changes in fair value of forward exchange contracts as gains or losses upon their occurrence.

Estimated principal on forward exchange contracts is as follows.

(Millions of yen)

	Estimated principal
Forward exchange contracts	182,030

Fair values of forward exchange contracts are as follows.

(Millions of yen)

	Assets		Liabilities	
	Item	Fair value	Item	Fair value
Forward exchange contracts	Prepaid expenses and other current assets	220	Accrued expenses and other current liabilities	1,390

3. Concentration of credit risk

The Company Group conducts sales in the global electronic device market.

In general, the Company Group grants credit to its customers, and the recovery possibility of these trade receivables is affected by conditions in the electronics industry. However, the Company Group is strict in granting credit, and has not experienced any large losses in the past.

(Notes to amounts per share)

- | | |
|--|--------------|
| 1. Shareholders' equity per share | 2,507.11 yen |
| 2. Basic earnings attributable to Murata Corporation per share | 323.45 yen |

(Note) The Company implemented a three-for-one common stock split, effective April 1, 2019. "Shareholders' equity per share" and "basic earnings attributable to Murata Corporation per share" are calculated on the assumption that the relevant stock split had been implemented at the beginning of the fiscal year under review.

(Notes to subsequent events)

The Company executed a stock split effective April 1, 2019, according to the resolution of the Board of Directors' meeting on January 31, 2019.

1. Purpose of the stock split

The purpose of the stock split is to expand its investor base by lowering the stock price per investment unit and to increase the liquidity of the Company's stock.

2. Overview of the stock split

1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Sunday, March 31, 2019 will be split into three shares. Provided that, since this day falls on a non-business day of the shareholder registry administrator, the practical record date will be Friday, March 29, 2019.

2) Number of shares increased by the stock split

Total number of issued shares prior to the stock split	225,271,427 shares
Number of shares increased by the stock split	450,542,854 shares
Total number of issued shares after the stock split	675,814,281 shares
Total number of authorized shares after the stock split	1,743,000,000 shares

Furthermore, amounts in (Notes to amounts per share) are calculated assuming the relevant stock split had been implemented.

Balance Sheets

(As of March 31, 2019)

(Millions of yen)

Item	Amount	Item	Amount
Assets	1,053,270	Liabilities	457,442
Current assets	470,367	Current liabilities	328,626
Cash	53,765	Trade accounts payable	86,220
Trade notes receivable	17	Short-term borrowings	147,711
Trade accounts receivable	276,212	Current portion of long-term borrowings	33,274
Marketable securities	24,056	Other accounts payable	14,011
Merchandise and finished goods	19,759	Accrued expenses	22,239
Raw materials and supplies	20,181	Accrued income tax	21,627
Work in process	17,036	Other	3,542
Accounts receivable	34,812	Long-term liabilities	128,815
Current portion of long-term loans receivable	19,804	Bonds payable	100,000
Other	4,731	Long-term borrowings	1,060
Allowance for doubtful notes and accounts	(9)	Termination and retirement benefits	27,215
Noncurrent assets	582,902	Other	539
Property, plant and equipment	113,149	Net assets	595,827
Buildings	39,770	Murata Corporation's Shareholders' equity	590,222
Structures	4,601	Common stock	69,444
Machinery	23,979	Capital surplus	126,429
Vehicles	85	Legal capital surplus	107,733
Equipment	7,515	Other capital surplus	18,696
Land	27,213	Retained earnings	447,941
Construction in progress	9,984	Legal retained earnings	7,899
Intangible assets	25,121	Other retained earnings	440,042
Investments and other assets	444,631	Reserve for reduction entry of land	13
Investment securities	62,160	Reserve for special depreciation	147
Shares of subsidiaries and associates	272,268	Reserve for reduction entry of replaced property	49
Investments in capital of subsidiaries and associates	19,109	General reserve	162,707
Long-term loans receivable	64,790	Retained earnings brought forward	277,122
Deferred tax assets	19,969	Treasury stock	(53,593)
Other	6,357	Valuation and translation adjustments	5,605
Allowance for doubtful notes and accounts	(26)	Valuation difference on other marketable securities	5,605
Total assets	1,053,270	Total liabilities and total net assets	1,053,270

Income Statements

(From April 1, 2018
to March 31, 2019)

(Millions of yen)

Item	Amount	
Net sales		1,053,105
Cost of sales		813,053
Gross profit		240,052
Selling, general and administrative		193,905
Operating income		46,146
Non-operating income		
Interest and dividend income	34,317	
Other	3,745	38,062
Non-operating expenses		
Interest expense	1,034	
Foreign currency exchange loss	5,212	
Product replacement and repair costs	9,807	
Other	4,530	20,584
Ordinary income		63,623
Extraordinary income		
Gain on extinguishment of tie-in shares	527	527
Income before income taxes		64,151
Current income tax	2,225	
Deferred income tax	(5,079)	(2,853)
Net income		67,005

Statements of Shareholders' Equity

(From April 1, 2018
to March 31, 2019)

(Millions of yen)

	Murata Corporation's Shareholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for reduction entry of land	Reserve for special depreciation	Reserve for reduction entry of replaced property
Balance at April 1, 2018	69,444	107,733	18,588	126,322	7,899	13	234	50
Changes of items during period								
Restricted share remuneration			105	105				
Cash dividends								
Net income								
Purchases of treasury stock at cost								
Disposal of treasury stock			2	2				
Reversal of reserve for special depreciation							(86)	
Reversal of reserve for reduction entry of replaced property								(0)
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	107	107	-	-	(86)	(0)
Balance at March 31, 2019	69,444	107,733	18,696	126,429	7,899	13	147	49

	Murata Corporation's Shareholders' equity					Valuation and translation adjustments		Total net assets
	Retained earnings			Treasury stock	Total Murata Corporation's Shareholders' equity			
	Other retained earnings		Total retained earnings					
	General reserve	Retained earnings brought forward						
Balance at April 1, 2018	162,707	267,609	438,515	(53,596)	580,685	7,260	7,260	587,945
Changes of items during period								
Restricted share remuneration				34	139			139
Cash dividends		(57,578)	(57,578)		(57,578)			(57,578)
Net income		67,005	67,005		67,005			67,005
Purchases of treasury stock at cost				(33)	(33)			(33)
Disposal of treasury stock				1	4			4
Reversal of reserve for special depreciation		86	-		-			-
Reversal of reserve for reduction entry of replaced property		0	-		-			-
Net changes of items other than shareholders' equity						(1,655)	(1,655)	(1,655)
Total changes of items during period	-	9,513	9,426	2	9,537	(1,655)	(1,655)	7,881
Balance at March 31, 2019	162,707	277,122	447,941	(53,593)	590,222	5,605	5,605	595,827

Notes to Unconsolidated Financial Statements

(Notes to significant accounting policies)

1. Valuation standards and valuation methods of assets

(1) Valuation standards and valuation methods of marketable securities

Stock of subsidiaries and affiliated companies	Moving-average method
Other marketable securities	
With market value	Market value method based on market prices (Valuation differences are reported as a component of net assets, and the cost of securities sold is calculated using the moving-average method)
Without market value	At cost based on the moving-average method

(2) Valuations standards and valuation methods of derivatives

Derivatives	Market value method
-------------	---------------------

(3) Valuation standards and valuation methods of inventories

Finished goods	At cost based on the moving-average method (balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability)
Products, work in process	At cost based on the weighted-average method (balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability)
Raw materials and supplies	At cost based on the weighted-average method (balance sheet amounts are calculated by writing down the book value of assets that have decreased in profitability)

2. Depreciation method for noncurrent assets

(1) Property, plant and equipment

Straight-line method	
Primary useful lives are as follows.	
Buildings	10 to 50 years
Machinery and equipment	4 to 17 years

(2) Intangible assets

Straight-line method
Software for internal use is amortized by the straight-line method based on an estimated useful life of 3 to 10 years.

3. Standards for recording of allowances

(1) Allowance for doubtful notes and accounts

To provide for possible losses resulting from uncollectible receivables such as trade accounts and loans, the estimated uncollectible amount is recorded based on historical default rate with regard to general accounts, and by individually assessing possible collectability for certain receivables such as loans with default possibility.

(2) Termination and retirement benefits

To provide for retirement benefits to employees, benefits are recorded based on the estimated amount of termination and retirement liabilities and pension assets as of the closing date.

Prior service cost is recorded as expenses using the straight-line method based on the average remaining years of service of employees as of the time of occurrence. Actuarial differences are amortized using the straight-line method over the period of 5 years within the average remaining years of service of employees commencing the following fiscal year after incurrence.

4. Other significant matters concerning the preparation of unconsolidated financial statements

(1) Method of treatment for consumption taxes

Amounts are exclusive of consumption taxes.

(2) Application of consolidated taxation system

The consolidated taxation system is applied.

(3) Amounts of less than one million yen are rounded down.

(Changes in accounting policies)

The Company formerly used the declining-balance method for computing the depreciation of property, plant and equipment, but has changed to the straight-line method from the fiscal year under review. Under the Mid-term Business Plan, the Company will implement large-scale capital investment plans in growth businesses, and so the Company took this opportunity to review the actual conditions under which property, plant and equipment is used. As a result, the Company believes that depreciation by the straight-line method is desirable as the stable operation of property, plant and equipment is anticipated in future, and depreciation by the straight-line method will more appropriately reflect the actual conditions under which property, plant and equipment is used in future. This change in depreciation method resulted in a decrease of 5,441 million yen in depreciation and amortization, and increases of 5,259 million yen in each of operating income, ordinary income and income before income taxes in the fiscal year under review.

(Note to changes in presentation methods)

Balance sheets

1. "Current portion of long-term loans receivable," which had been included in "Other" under "Current assets" until the previous fiscal year, is presented from the fiscal year under review as a separate item as its significance has increased.
2. Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"
"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the beginning of the fiscal year under review. Accordingly, "Deferred tax assets" are presented under "Investments and other assets" and "Deferred tax liabilities" are presented under "Long-term liabilities."

(Notes to unconsolidated balance sheets)

1. Accumulated depreciation of property, plant and equipment	193,022 million yen
2. Short-term monetary claims with affiliated companies	276,933 million yen
Long-term monetary claims with affiliated companies	66,464 million yen
Short-term monetary liabilities with affiliated companies	225,203 million yen
Long-term monetary liabilities with affiliated companies	1,060 million yen

(Notes to the unconsolidated income statements)

1. Transactions with affiliated companies

Business transactions

Net sales	917,545 million yen
Purchase turnover	740,655 million yen

Non-business transactions

Interest income	534 million yen
Dividend income	32,487 million yen
Asset transfer	786 million yen
Interest expense	721 million yen
Asset purchase	2,143 million yen

2. Research and development expenses 92,759 million yen

(Notes to statements of shareholders' equity)

1. Type and total number of issued shares as of March 31, 2019

Common stock 225,271,427 shares

2. Type and number of treasury stock as of March 31, 2019

Common stock 12,014,752 shares

3. Matters concerning dividends

(1) Amount of dividends paid

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividend per share (yen)	Record date	Effective date
June 28, 2018 Ordinary General Meeting of Shareholders	Common stock	27,722	130	March 31, 2018	June 29, 2018
October 31, 2018 Meeting of the Board of Directors	Common stock	29,855	140	September 30, 2018	December 3, 2018

(2) Of dividends with a record date during the fiscal year under review, and with an effective date during the following fiscal year

As a proposal at the Ordinary General Meeting of Shareholders on June 27, 2019, the Company plans to propose the following concerning dividends for common stock.

1) Total amount of dividends 29,855 million yen

2) Dividend per share 140 yen

3) Record date March 31, 2019

4) Effective date June 28, 2019

The Company plans to use retained earnings as source of funds for dividends.

(Note) The Company implemented a three-for-one common stock split, effective April 1, 2019, but amounts for dividends with a record date of March 31, 2019 are based on the number of shares prior to the stock split.

(Notes to tax effect accounting)

1. Breakdown of primary causes for occurrence of deferred tax assets and liabilities

Deferred tax assets		Deferred tax liabilities	
Accrued bonuses	2,614 million yen	Other marketable securities	
Inventories	6,865 million yen	valuation adjustment	2,238 million yen
Accrued expenses	1,747 million yen	Reserve for special depreciation	64 million yen
Accounts payable - other	23 million yen	Other	78 million yen
Accrued enterprise tax	571 million yen	Total deferred tax liabilities	2,381 million yen
Termination and retirement benefits	8,345 million yen	Elimination with deferred tax assets	(2,381) million yen
Stock of affiliated companies	3,518 million yen	Net deferred tax liabilities	-
Tangible and intangible assets	2,263 million yen		
Deferred tax adjustment	101 million yen		
Investment securities	438 million yen		
Other	599 million yen		
Deferred tax assets subtotal	27,089 million yen		
Valuation allowance for total deductible temporary differences, etc.	(4,738) million yen		
Total deferred tax assets	22,350 million yen		
Elimination with deferred tax liabilities	(2,381) million yen		
Net deferred tax assets	19,969 million yen		

2. Difference between effective statutory tax rate and income tax rate after application of tax effect accounting

Effective statutory tax rate	30.5 %
(Adjustments)	
Exemption for dividend income	(15.3) %
Tax exemption for R&D promotion tax system	(16.8) %
Valuation allowance for deferred tax assets	(0.6) %
Other	(2.2) %
Income tax rate after application of tax effect accounting	(4.4) %

(Notes to transactions with related parties)

1. Subsidiaries and affiliated companies, etc.

(Millions of yen)

Type	Name of company, etc.	Percentage of voting rights holding (or held)	Relationship with related party	Summary of transactions	Transaction amount	Item	Balance at the end of the fiscal year
Subsidiary	Fukui Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Procurement of products, etc. (Note 1)	118,037 (Note 2)	Trade accounts payable	6,973 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	33,545 34	Short-term borrowings Current portion of long-term borrowings	21,684
Subsidiary	Izumo Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Procurement of products, etc. (Note 1)	167,602 (Note 2)	Trade accounts payable	6,767 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	15,170 7	Short-term borrowings Current portion of long-term borrowings	12,032
Subsidiary	Kanazawa Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Borrowing of funds Payment of interest (Note 3)	25,401 5	Short-term borrowings	17,789
Subsidiary	Okayama Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Borrowing of funds Payment of interest (Note 3)	20,129 18	Short-term borrowings Current portion of long-term borrowings	14,140
Subsidiary	Toyama Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Lending of funds Reception of interest (Note 3)	60,339 393	Current portion of long-term loans receivable Long-term loans receivable	51,010
Subsidiary	Tohoku Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Borrowing of funds Payment of interest (Note 3)	16,171 4	Short-term borrowings	21,086
Subsidiary	Murata Company Limited	Holding Directly, 100%	Sales of products of the Company and subsidiaries	Sales of products, etc. (Note 1)	252,551	Trade accounts receivable	64,903
				Borrowing of funds Payment of interest (Note 3)	22,202 630	Short-term borrowings	22,202

Type	Name of company, etc.	Percentage of voting rights holding (or held)	Relationship with related party	Summary of transactions	Transaction amount	Item	Balance at the end of the fiscal year
Subsidiary	Murata Electronics Trading (Shanghai) Co., Ltd.	Holding Indirectly, 100%	Sales of products of the Company and subsidiaries Officers concurrently serving at the Company	Sales of products, etc. (Note 1)	139,549	Trade accounts receivable	55,852
Subsidiary	Korea Murata Electronics Company, Limited	Holding Directly, 100%	Sales of products of the Company and subsidiaries Officers concurrently serving at the Company	Sales of products, etc. (Note 1)	145,306	Trade accounts receivable	19,529
Subsidiary	Philippine Manufacturing Co. of Murata, Inc.	Holding Directly, 100%	Manufacturing of the Company's products	Lending of funds Reception of interest (Note 3)	17,160 44	Current portion of long-term loans receivable Long-term loans receivable	23,900

Transaction conditions and standard for determining transaction conditions

(Note 1) Determined via the same method as general transactions, in consideration of market prices.

(Note 2) Transaction amounts do not include consumption taxes. Balance at the end of the fiscal year includes consumption taxes.

(Note 3) Borrowing of funds includes transactions via the cash management system (CMS), and is determined in consideration of market interest rates.

As the fund management operations business for the Japanese subsidiaries is concentrated within the Company, there are borrowings from each company and lending of funds to each company.

Furthermore, transaction amounts are the average balance over the course of the fiscal year under review.

2. Officers and primary shareholders, etc.

(Millions of yen)

Type	Name of company, etc.	Percentage of voting rights holding (or held)	Relationship with related party	Summary of transactions	Transaction amount	Item	Balance at the end of the fiscal year
Officer and close relative	Tsuneo Murata	Held Directly, 0.7%	Chairman of the Board and President of the Company	Transactions with the Murata Science Foundation, for which he serves as Chairman * Donation of cash	100	-	-

* For a third party.

(Notes to amounts per share)

Net assets per share	931.32 yen
Net income per share	104.73 yen

(Note) The Company implemented a three-for-one common stock split, effective April 1, 2019. “Net assets per share” and “net income per share” are calculated on the assumption that the relevant stock split had been implemented at the beginning of the fiscal year under review.

(Notes to subsequent events)

The Company executed a stock split effective April 1, 2019, according to the resolution of the Board of Directors’ meeting on January 31, 2019.

1. Purpose of the stock split

The purpose of the stock split is to expand its investor base by lowering the stock price per investment unit and to increase the liquidity of the Company’s stock.

2. Overview of the stock split

1) Method of the stock split

Each share of common stock owned by shareholders listed or recorded in the closing register of shareholders on the record date of Sunday, March 31, 2019 will be split into three shares. Provided that, since this day falls on a non-business day of the shareholder registry administrator, the practical record date will be Friday, March 29, 2019.

2) Number of shares increased by the stock split

Total number of issued shares prior to the stock split	225,271,427 shares
Number of shares increased by the stock split	450,542,854 shares
Total number of issued shares after the stock split	675,814,281 shares
Total number of authorized shares after the stock split	1,743,000,000 shares

Furthermore, amounts in (Notes to amounts per share) are calculated assuming the relevant stock split had been implemented.

(Other notes)

Accounting for termination and retirement benefits

(1) Summary of termination and retirement benefit system utilized by the Company

As a defined benefit plan, the Company has established a fund-type defined benefit corporate pension plan and a lump-sum retirement pension plan. It also operates a defined contribution pension plan.

(2) Matters concerning the defined-benefit type termination and retirement benefit liabilities (As of March 31, 2019)

a. Termination and retirement benefit liabilities	113,410 million yen
b. Pension assets	77,046 million yen
c. Termination and retirement benefit liabilities in excess of pension assets (a – b)	36,363 million yen
d. Unrecognized actuarial differences	11,107 million yen
e. Unrecognized prior service cost	(1,960) million yen
f. Termination and retirement benefits (c – d – e)	27,215 million yen

(3) Matters concerning the defined-benefit type termination and retirement expenses (From April 1, 2018 to March 31, 2019)

a. Service cost	5,123 million yen
b. Interest expenses	635 million yen
c. Expected operational profit	(1,513) million yen
d. Recorded amount of actuarial difference expenses	2,829 million yen
e. Recorded amount of prior service cost	(769) million yen
f. Termination and retirement expenses (a + b + c + d + e)	6,304 million yen

(4) Matters concerning calculation of the defined-benefit type termination and retirement benefit liabilities

a. Distribution period method for expected termination and retirement benefits	Benefit formula standard
b. Discount rate	0.4 %
c. Expected operational profit rate	2.0 %
d. Number of years for evaluating prior service cost	16 to 20 years (Amortized using the straight-line method based on the average remaining years of service of employees as of the time of occurrence)
e. Number of years for evaluating actuarial differences	5 years (Amortized using the straight-line method over a certain number of years within the average remaining years of service commencing the following fiscal year after incurrence.)

(5) Matters concerning defined contribution pension plans (From April 1, 2018 to March 31, 2019)

The Company converted part of its lump-sum retirement pension plans to defined contribution pension plans in April 2015.

Total assets converted as a result of this change to defined contribution pension plans are 8,986 million yen and conversion has been fully completed as of the end of the fiscal year under review.

Recognized costs involved in contributions to defined contribution pension plans during the fiscal year under review are 853 million yen.