

# BUSINESS REPORT

FOR THE 85TH FISCAL TERM

FROM APRIL 1, 2020  
TO MARCH 31, 2021

10-1, Higashikotari 1-chome, Nagaokakyo-shi, Kyoto, Japan  
Murata Manufacturing Co., Ltd.  
Norio Nakajima  
President and Representative Director

# Business Report

From April 1, 2020  
to March 31, 2021

## 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, piezoelectric products and lithium ion secondary batteries) 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 communications devices including smartphones, AV devices, computers and peripheral devices, automotive electronics, and home electric devices.

### (2) Business progress and results

#### 1) Business conditions

In the global economic environment for the fiscal year under review, there was a significant worsening in business for the first quarter due to the COVID-19 pandemic and restrictions on economic activities taken by countries. However, the extent of deterioration in business has eased since the second quarter. China resumed economic activities at an early stage, followed by actions to vaccinate the population toward resuming business activities in regions like the U.S. and Europe. Nonetheless, the outlook for the global economy remains uncertain due to the ongoing U.S.–China confrontation in addition to the spread of coronavirus variants.

The Company Group operates in the electronics market. In this market, demand for personal computers (PCs) used in teleworking and online education remained firm along with robust demand for video game consoles on the back of stay-at-home demand. In the smartphone market, from the second quarter onward there were signs of a strong move to secure components against the background of the launch of 5G technology (5th Generation Mobile Communication System). In the automotive market, there was a suspension of production by automakers during the first quarter and shortages of semiconductors in the fourth quarter. Mainly due to these factors, the production output of automobiles fell on a year-on-year basis, but there was a move to secure components for a future production increase.

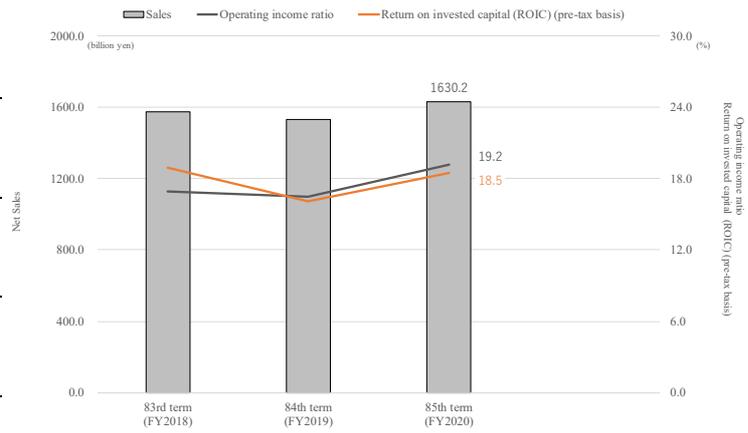
Given such a background, by product, sales of multilayer resin substrates and lithium ion secondary batteries decreased for smartphones. However, multilayer ceramic capacitors (MLCCs), the main product in this category, remained firm in a wide range of applications, and inductors and connectivity modules increased for PCs with more RF modules being used for smartphones. As a result, net sales increased by 6.3% year on year to 1,630,193 million yen in the fiscal year under review, marking a record high, despite a negative effect of foreign exchange (year-on-year appreciation of 2.69 yen to a U.S. dollar).

Operating income was 313,240 million yen, up 23.7%, income before income taxes was 316,417 million yen, up 24.6%, and net income attributable to the Company was 237,057 million yen, up 29.5% from the fiscal year ended March 31, 2020. We marked a record high in each profit level. Negative factors, such as a fall in product prices and the impact of currency fluctuations, were offset by positive factors, including the effects of a production increase and cost reduction initiatives.

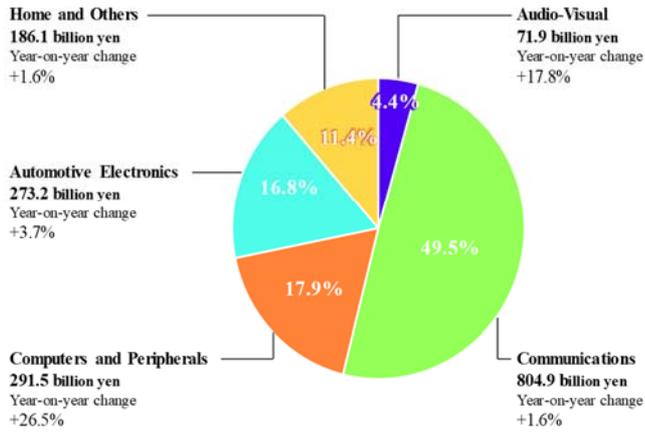
ROIC (Return on Invested Capital) (pre-tax) is established as a priority management index in “Mid-term Direction 2021.” ROIC (pre-tax) in the fiscal year under review was 18.5%, up 2.4 percentage points from the fiscal year ended March 31, 2020. The increase in ROIC (pre-tax) was due to the increase in operating income, despite an increase in invested capital, with capital expenditures to expand buildings and production capacity in anticipation of higher demand for electronic components in the medium to long term.

## Key financial results

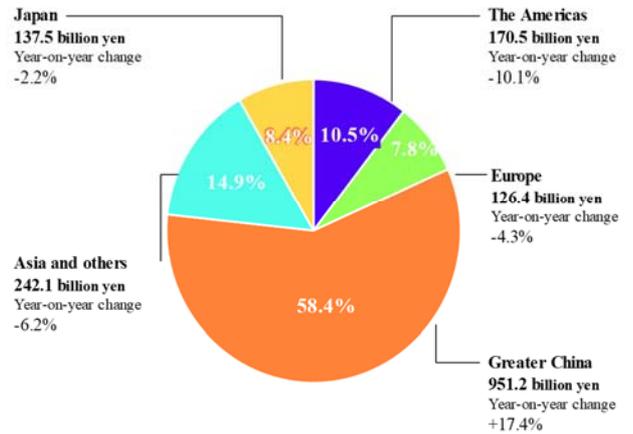
Net sales	<b>1,630.2 billion yen</b>	YoY <b>+6.3%</b>
Operating income	<b>313.2 billion yen</b>	YoY <b>+23.7%</b>
Income before income taxes	<b>316.4 billion yen</b>	YoY <b>+24.6%</b>
Net income attributable to the Company	<b>237.1 billion yen</b>	YoY <b>+29.5%</b>
Return on invested capital (ROIC) (pre-tax basis)	<b>18.5 %</b>	<b>+2.4</b> YoY <b>percentage points</b>



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



### Sales by Area



## 2) Sales by product category

### [Capacitors]

(Main products: MLCCs, etc.)

Orders and backlogs

**706.9 billion yen**

Net sales

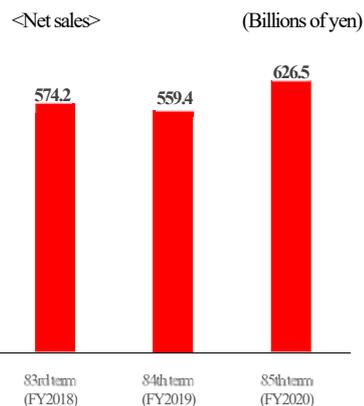
**626.5 billion yen**

YoY

**+67.1 billion yen (+12.0%)**

For the fiscal year under review, sales of MLCCs, the main product in this category, increased for PCs and PC peripherals significantly and for smartphones and car electronics as a strong move to secure components started.

As a result, overall net sales increased by 12.0% year-on-year to 626,546 million yen.



### [Piezoelectric Components]

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

Orders and backlogs

**151.8 billion yen**

Net sales

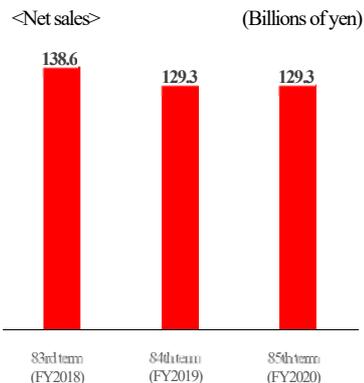
**129.3 billion yen**

YoY

**+0 billion yen (+0.0%)**

For the fiscal year under review, sales of piezoelectric sensors declined for car electronics although SAW filters increased for IoT devices.

As a result, overall net sales were 129,288 million yen, almost unchanged from the fiscal year ended March 31, 2020.



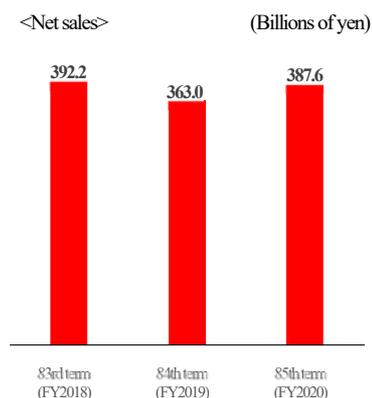
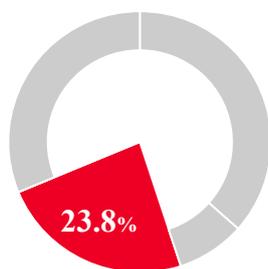
[Other Components]

(Main products: Lithium ion secondary batteries, inductors, electromagnetic interference suppression filters, sensors, connectors, thermistors, etc.)

Orders and backlogs	<b>453.8 billion yen</b>
Net sales	<b>387.6 billion yen</b>
YoY	<b>+24.6 billion yen (+6.8%)</b>

For the fiscal year under review, sales of lithium ion secondary batteries slipped for smartphones due to the impact of an ongoing review of the business portfolio. On the other hand, sales of inductors for PCs rose and sales of connectors for smartphones grew.

As a result, overall net sales increased by 6.8% year-on-year to 387,648 million yen.



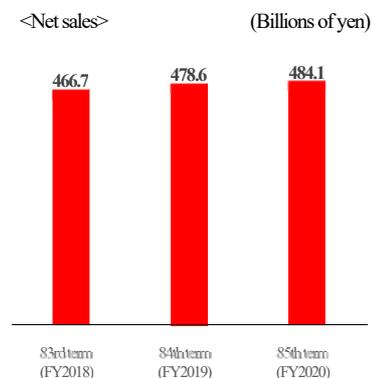
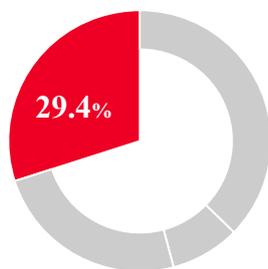
[Modules]

(Main products: Connectivity modules (short-range wireless communication modules), RF modules (circuit modules and radio frequency submodules), multilayer resin substrates, power supplies modules, multilayer ceramic devices, etc.)

Orders and backlogs	<b>509.3 billion yen</b>
Net sales	<b>484.1 billion yen</b>
YoY	<b>+5.5 billion yen (+1.1%)</b>

For the fiscal year under review, sales of RF modules increased for smartphones, and sales of connectivity modules rose for PC whereas sales of multilayer resin substrates declined for smartphones.

As a result, overall net sales increased by 1.1% year-on-year to 484,099 million yen.



### **(3) Management Policy, Management Environment, and Issues to be Addressed**

#### **1) The Company's Fundamental Management Policy**

“We contribute to the advancement of society by creating innovative products and solutions.” The Company Group implements management based upon this Murata Philosophy. All members of the Company Group share Murata Philosophy and also focus on employee satisfaction (ES) and customer satisfaction (CS) as an important value. At the same time, we enhance our core competencies – “global network and relationship with a broad range of customers,” “technological development capabilities,” and “monozukuri (manufacturing) capabilities” – and demonstrate our collective strength by integrating these competencies through our “organizational cooperation.” The Company Group continues to supply the products required by the market quickly and stably. This is how we create our value.

In technology and product development, based on the fundamental corporate principle “New quality electronic devices begin with new quality components, and new quality components begin with new quality materials,” we develop and supply distinctive and innovative products, with the ultimate goal of contributing toward the advancement of an electronic society. We focus on the research and development of elemental technology including electronic materials technology (e. g., ceramic materials), RF technology, circuit design technology, processing technology (e. g., thin-film and microfabrication technology), and development technologies for production machinery. By intelligently combining the achievements from these efforts, we create multilayer ceramic capacitors (MLCCs), piezoelectric components, noise suppression components, microwave devices, circuit modules, and other electronic components. These components are indispensable for various applications, such as communication devices, computing devices, and automotive electronics.

At the Company Group, these principles comprise our basic management policy and are embedded in the slogan “Innovator in Electronics,” which is shared by all employees. By seeking mutual prosperity with our partners and actively endeavoring to find solutions to social issues, we will contribute to the realization of a plentiful and sustainable society.

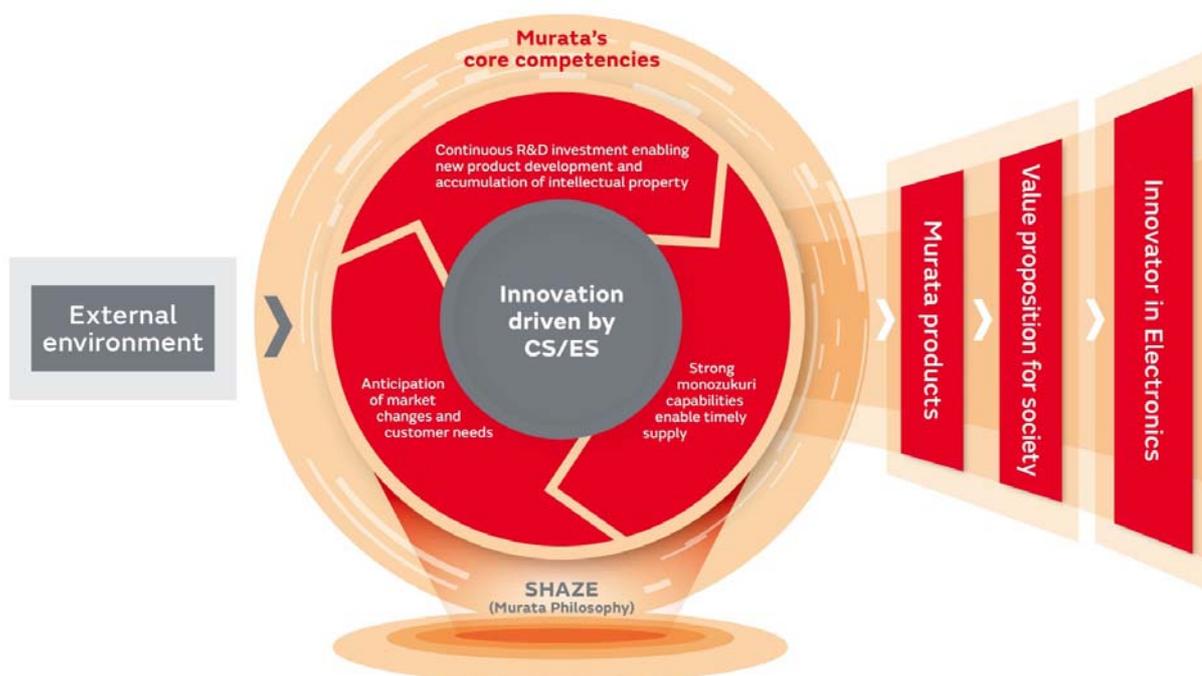
## 2) Business Goals

Our management indices are the ratio of operating income to net sales and ROIC (Return on Invested Capital) (pre-tax)\*. In particular, we place importance on ROIC to enhance our corporate value by improving capital efficiency, and we have set a target of 20% to achieve healthy and sustainable growth.

\* ROIC (pre-tax) = Operating income / Invested capital (= Noncurrent assets + Inventories + Trade accounts receivable – Trade accounts payable)

\* ROIC is calculated on a pre-tax operating income basis as we assess the performance of each business unit by its pre-tax operating income, while after-tax operating income is commonly used.

### Process of Value Creation

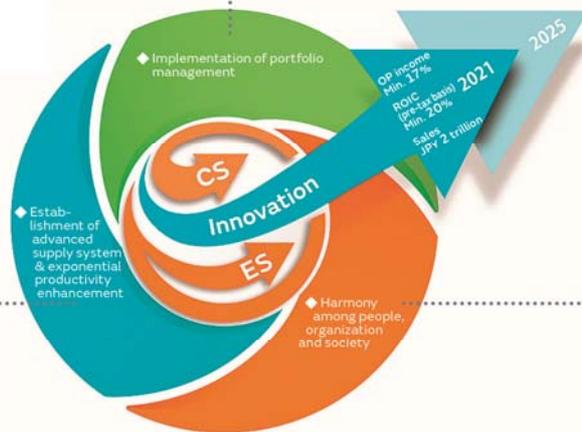


## 3) Medium- to Long-Term Management Strategy and Management Issues

In the “Mid-term Direction 2021,” started from the fiscal year ended March 31, 2020, we set communication and automotive market as our important growing market. We aim to expand business in these markets by accurately capturing business opportunities and maintaining competitive advantages. In order to realize healthy and sustainable growth, we have defined three corporate-wide issues to tackle. Firstly, we aim to create further customer value by implementing efficient resource allocation through portfolio management. Secondly, we improve capital and labor productivity dramatically and establish a stable supply system that can respond to demand fluctuations. Lastly, we focus on strengthening “Business and Management Foundation” to accommodate the expansion of our business, while fully recognizing the Company Group’s impact on the society and the environment, and conduct business in consideration of these factors.

## Implementation of portfolio management

“Murata’s business portfolio is composed of ‘Global No.1’ products and we create additional customer value by designing and proposing specific technologies and products.”



## Establishment of advanced supply system & exponential productivity enhancement

“While satisfying each customer’s QCDS (quality, cost, delivery, and safety), Murata achieves dramatic improvements in capital and labor productivity and a stable supply system that responds to demand fluctuation.”

### Basic policy

1. In order to respond to changes in the market environment, the key requirements are to identify promising businesses, develop necessary management resources and conduct optimal allocation. From a market perspective, Murata concentrates management resources on the Communication and Automotive markets.
2. Murata tackles new business creation with a long-term perspective. In the Energy and Medical/Healthcare markets, Murata continues to address the challenge in the identified business/product domains.
3. Murata acquires and strengthens core competencies that enable sustainable growth.

### Harmony among people, organization and society

“Murata earns the trust of society and is able to respond to changing business opportunities by improving its systems and organization by adapting as our employees grow and as our business grows.”

### Basic policy

1. Murata places great emphasis on Employee Satisfaction, a key ingredient to support our growth and strengthen the organization.
2. Murata renovates its organizational culture and business processes to enable engendering of “trust and respect.”
3. Murata complies with all applicable regulations and laws. In addition, Murata operates its businesses in harmony with society.

### Basic policy

1. Murata enhances direct/indirect labor efficiency, utilizing all appropriate methods, including AI and RPA.
2. Murata learns best practices from internal organizations and other companies, and expands on them.
3. Murata prepares systems for development and production ahead of demand fluctuations.
4. Murata flexibly responds to demand fluctuation by ascertaining in a timely manner the flow of information and goods throughout the supply chain and organizations and sites.
5. Autonomous overseas factories collaborate, and we strengthen all Murata monozukuri (manufacturing) capabilities.

## 4) The Company’s Management Environment and Issues to be Addressed

### i. Capturing Business Opportunities in Growth Markets

#### Pursuit of Competitive Advantages in the Communication Market

The growth of production volumes of mobile communication equipment, mainly smartphones, is slowing down. However, we can still expect an increase in the number of electronic components per device, due to the improved functionality of devices and the increase in added value of devices following the greater demand for new products. During the fiscal year under review, although demand for electronic components slowed temporarily due to COVID-19, there were also signs that recovery in demand would occur sooner than expected. Especially in China, sales of devices compatible with 5G technology (5th Generation Mobile Communication System) increased, resulting in an increase in sales of MLCCs and RF modules. We will aim to maintain our competitive advantages and increase our market shares by offering technology and products that can meet advanced customer needs required for applications utilizing 5G performance.

#### Making the Automotive Market the Next Pillar of Revenue

As our next pillar of revenue, we are currently focusing on the automotive market, which, along with the communication market, will lead the demand for electronic components. The industry continues to adjust to such current realities as the worldwide shortage of automotive semiconductors, but over the medium to long term, there is no change to the outlook that demand for electronic components will expand with the advance of electrification of vehicles. We will continue to provide a wide range of products that have high reliability that ensures our customers’ safety and peace of mind and utilize the Company Group’s strengths in areas such as sensing, communication, small size, and noise suppression to firm up our business foundation. Furthermore, we will monitor technological trends and changes in industrial structure. In addition to the demand for components used in automobiles as electrification

progresses, we see business opportunities in the rise of automotive IoT (Internet of Things), smart cities, and other emerging aspects of mobility and will act accordingly.

## **ii. Current Status of Our Three Corporate-Wide Issues**

### **Implementation of Portfolio Management**

By implementing portfolio management within Murata, we hope to create a business portfolio composed of “Global No. 1” products and create additional customer value by designing and offering combinations of different technologies and products. In an aim to build a strong and sustainable organization, the Company Group has implemented a business evaluation model that facilitates autonomous and self-correcting portfolio management and has been working to build a system that enables efficient resource allocation from an overall corporate perspective. Going forward, we will endeavor to enhance our business management and view our portfolio from a very long-term perspective. We will work to nurture innovation of all types and continually create new value.

### **Establishment of Advanced Supply System & Exponential Productivity Enhancement**

Our goal is to drastically improve capital and labor productivity, and to establish a stable supply system that can respond to demand fluctuation while maintaining quality that satisfies our customers. We hope to improve productivity by utilizing IoT and eliminating constraints and wasteful activities to achieve optimization and standardization. It is particularly important to reinforce our efforts for higher quality in order to expand our business in the automotive market. We need to realize zero-defect manufacturing by foreseeing quality variances and taking preventive measures to achieve manufacturing that does not allow defective goods to leave the plant, and correct problems in a timely manner. In addition, to adapt to volatile demand fluctuations especially in consumer markets and to create a stable supply system, we will strive to unitarily manage our entire supply chain. We will also create business processes and systems that enable high-speed, high-precision decision making and execution.

### **Harmony among People, Organization, and Society**

By solving this issue, we want to realize the statement, “Murata is a company trusted by society, and is able to improve its systems and organization according to the growth of each employee and the growth of its businesses to adapt to ever-changing business opportunities.” We have established key “materiality issues” for the Company Group and our stakeholders as efforts that address social issues we need to prioritize. With this groundwork, we will practice business operations while continually monitoring their impacts on society and making appropriate improvements. During the fiscal year under review, the Murata group joined the RE100 global initiative as we aim to offset our energy use with 100% renewable energy by 2050. Our sites in Japan and abroad are already implementing renewable energy, and now we will increase those efforts by combining them with the Company Group’s products and systems. Going forward, we will place even greater emphasis on helping to resolve social issues in our management. Embedded in the Company Group’s slogan “Innovator in Electronics” is a commitment to work proactively for the betterment of the environment and society, and we intend to put that commitment into practice. We will achieve greater corporate value by contributing to the realization of a sustainable society. Murata continues to view corporate governance as one of the top priorities of management and we will continue striving to establish and operate an optimal management system for the sound and sustainable development of our company.

## The Company Group's Materiality Issues

In July 2019, we identified 11 materiality issues by classifying them into two categories; resolving social issues through business activities (opportunities), and confronting social issues related to business processes (risks). We are endeavoring to make progress on these issues.

Process for identifying key issues	
Step 1	Create a long list of approximately 100 social issues from SDGs, global risks and Murata issues.
Step 2	Exclude the issues, etc. that are not closely related to business, and assign scores of the importance to Murata's business and importance to stakeholders based on both risks and opportunities.
Step 3	Hold discussions among the officers, including Members of the Board of Directors, and affected parties, and have the Board of Directors decide the 11 key issues.

Key areas	Key issues	Identified risks and opportunities	The fiscal 2019-2021 mid-term target
Solving Societal Problems through Business			
Highly efficient components contributing to a stronger response to climate change Lightweight miniature components promoting sustainable use of resources	<ul style="list-style-type: none"> <li>• An increase in natural disasters associated with climate change</li> <li>• Improvement of global energy efficiency and promotion of the use of renewable energy</li> <li>• Expansion of the markets for energy-saving, renewable energy, and energy storage businesses</li> <li>• The reduction in available water and mineral resources</li> </ul>	<ul style="list-style-type: none"> <li>• Organizing the value of the business from a non-financial perspective</li> <li>• Developing a commercialization process from a non-financial perspective</li> <li>• Exploring business opportunities based on social issues</li> <li>• Quantifying the non-financial value of light, compact, and highly efficient products</li> </ul>	

Key areas	Key issues	Identified risks and opportunities	The fiscal 2019-2021 mid-term target
Work on societal issues in our business processes			
Environment	Strengthening Murata's response to climate change	<ul style="list-style-type: none"> <li>• Impact on the business due to an increase in natural disasters associated with climate change</li> <li>• Improvement of global energy efficiency and promotion of the use of renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Formulating methods to survey the current status of suppliers and request them to set targets, to reduce greenhouse gas based on the Science Based Targets (SBT) <sup>(Note 1)</sup></li> <li>• Reducing greenhouse gas emissions to 1.4 million t-CO<sub>2</sub> or less in fiscal 2021</li> <li>• Reducing greenhouse gas emissions from domestic logistics to 2.0 kg/million yen or less in the unit of real production</li> <li>• Expanding the scope of surveys on greenhouse gas emissions from logistics</li> </ul>
	Use of Sustainable Resources	<ul style="list-style-type: none"> <li>• Impact on business operations due to the reduction in available water and mineral resources</li> <li>• Expansion of circular economy, including regulations on waste plastics</li> <li>• Growing momentum for sustainable procurement</li> </ul>	<ul style="list-style-type: none"> <li>• Improving waste emissions per unit of production by 7% in fiscal 2021 (compared to the average of fiscal 2016-2018)</li> <li>• Improving water use per unit of production by 6% in fiscal 2021 (compared to the average of fiscal 2016-2018)</li> <li>• Investigating the regulations and industry trends for the Use of Sustainable Resources</li> <li>• Establishing a feasible plastic recycling program and examining the economic benefits of the scheme</li> </ul>

Key areas	Key issues	Identified risks and opportunities	The fiscal 2019-2021 mid-term target
Environment	Pollution Prevention and Chemical Substance Management	<ul style="list-style-type: none"> <li>• Possibility of leakage and spillage of hazardous chemical substances and contamination of products with hazardous chemical substances</li> </ul>	<ul style="list-style-type: none"> <li>• Applying green procurement based on the Murata Standards <sup>(Note 2)</sup> to the raw materials, parts, and products</li> <li>• Managing environmentally hazardous substances in accordance with the Murata Standards <sup>(Note 2)</sup></li> <li>• Reflecting internal and external requirements in product specifications regarding chemical substances contained in products</li> <li>• Taking actions ahead of changes in the external environment</li> <li>• Establishing a global management system for volatile organic compound (VOC) <sup>(Note 3)</sup> emissions</li> </ul>
	Use of Sustainable Resources	<ul style="list-style-type: none"> <li>• The same as the above</li> </ul>	<ul style="list-style-type: none"> <li>• Introducing a mechanism that saves resources and suppresses emissions of environmentally hazardous substances in advance on a trial basis by considering the environment at the product planning and design stage</li> </ul>
Social	Safe and Worry-free Workplaces and Health Management	<ul style="list-style-type: none"> <li>• The possibility of occurrence of industrial accidents resulting from a rapid increase in the number of employees due to business growth</li> <li>• Increased health and safety awareness among employees and business partners due to the spread of infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of work accidents <ul style="list-style-type: none"> <li>– To avoid causing serious industrial accidents that result in death or permanent disability.</li> <li>– To reduce the annual work-related accident rate per 1,000 people to 1.6 or less.</li> </ul> </li> <li>• Promotion of health management</li> </ul>

Key areas	Key issues	Identified risks and opportunities	The fiscal 2019-2021 mid-term target
Social	Respect for Human Rights and Diversity	<ul style="list-style-type: none"> <li>• Increased human rights risks due to an increase in the number of global workers and the expansion of areas where the business is operated</li> <li>• Decline in competitiveness as diverse human resources cannot fully demonstrate their abilities</li> </ul>	<ul style="list-style-type: none"> <li>• Firmly establishing Management System on Human Rights and Labor and making improvements</li> <li>• Expanding and enhancing education for employees on human rights, labor, and harassment</li> <li>• Promoting diversity and inclusion</li> </ul>
	Coexistence with Local Communities	<ul style="list-style-type: none"> <li>• Increasing expectations from local communities in the areas where the business is operated</li> </ul>	<ul style="list-style-type: none"> <li>• Realizing our founder's philosophy on a global level</li> </ul>
Governance	Appropriate Business Transactions	<ul style="list-style-type: none"> <li>• Increasing global insistence for the prevention of cartels and bribery</li> <li>• Damage to corporate value resulting from deviation from laws and social norms</li> </ul>	<ul style="list-style-type: none"> <li>• Deploying global compliance activities overseas in coordination with overseas management companies</li> </ul>
	Business Continuity Management (BCM <sup>(Note 4)</sup> )	<ul style="list-style-type: none"> <li>• Occurrence of major disasters</li> <li>• Global pandemic of infectious diseases</li> </ul>	<ul style="list-style-type: none"> <li>• Instilling risk management on a global level</li> <li>• Developing a Business Continuity Plan (BCP)<sup>(Note 4)</sup>, preventing risks, and mitigating losses if these risks materialize</li> </ul>
	Information Security	<ul style="list-style-type: none"> <li>• Increasing sophistication and volume of cyber attacks</li> <li>• Leakage of information such as important technical and personal information</li> </ul>	<ul style="list-style-type: none"> <li>• Instilling Information Security measures on a global level</li> </ul>

(Note 1) SBT (Science Based Targets) refer to quantifiably standardized science-based targets that are set for long-term scenarios for the reduction of greenhouse gases.

(Note 2) Murata Standards refer to standards that identify materials that are subject to control by the Company Group among environmentally hazardous substances contained in the Company Group's products and materials and establish regulatory conditions and ranks for each substance.

(Note 3) VOC (Volatile Organic Compound) refers to any volatile organic compound that is considered to be one of the causes of air pollution.

(Note 4) BCM (Business Continuity Management) refers to management activities conducted during ordinary times that relate to measures taken to formulate, maintain or update BCP (Business Continuity Plan), measures taken as precautionary action, and measures to provide education and training drills.

**iii. The Effects of COVID-19**

During the first quarter, the COVID-19 pandemic and restrictions that various countries placed on economic activity temporarily damaged economic conditions across the world. During the second quarter, the extent of deterioration in business has eased, and some countries have been moving to reopen their economies, in part due to vaccination. However, there are concerns of the spread of coronavirus variants in the short term, and the future remains unpredictable.

On the other hand, in the electronics market to which the Company Group belongs, the introduction of 5G to the communications market and progress in automobile electrification mean that there is no change to the forecast that demand for electronic components will grow in the medium to long term.

In this business environment, we will continue to pursue two objectives outlined in our Mid-term Direction 2021: i. Capturing Business Opportunities in Growth Markets, and ii. Our Three Corporate-Wide Issues.

(4) Status of capital expenditures

During the fiscal year under review, the Company Group had capital expenditures totaling 196,660 million yen.

Primary components were 87,618 million yen in reinforcement and rationalization of manufacturing facilities of the Company and its subsidiaries, 64,058 million yen in the acquisition of land and buildings, and 12,656 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	82nd Fiscal Term From April 1, 2017 to March 31, 2018		83rd Fiscal Term From April 1, 2018 to March 31, 2019		84th Fiscal Term From April 1, 2019 to March 31, 2020		85th Fiscal Term From April 1, 2020 to March 31, 2021	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	1,371,842	120.8	1,575,026	114.8	1,534,045	97.4	1,630,193	106.3
Income before Income taxes	167,801	83.7	267,316	159.3	254,032	95.0	316,417	124.6
Net income attributable to the Company	146,086	93.6	206,930	141.6	183,012	88.4	237,057	129.5
Total assets	1,797,013	109.9	2,048,893	114.0	2,250,230	109.8	2,462,261	109.4
Shareholders' equity	1,456,600	107.5	1,603,976	110.1	1,694,104	105.6	1,920,805	113.4
Basic earnings attributable to the Company per share	Yen 228.62	-	Yen 323.45	-	Yen 286.05	-	Yen 370.51	-
Shareholders' equity ratio	% 81.1	-	% 78.3	-	% 75.3	-	% 78.0	-

- (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 the Company 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 the Company per share were calculated on the assumption that the relevant stock split had been implemented at the beginning of the 82nd 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	82nd Fiscal Term From April 1, 2017 to March 31, 2018		83rd Fiscal Term From April 1, 2018 to March 31, 2019		84th Fiscal Term From April 1, 2019 to March 31, 2020		85th Fiscal Term From April 1, 2020 to March 31, 2021	
	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	948,594	114.1	1,053,105	111.0	1,044,772	99.2	1,107,863	106.0
Ordinary income	41,193	56.3	63,623	154.5	68,629	107.9	90,872	132.4
Net income	48,095	63.5	67,005	139.3	67,669	101.0	85,317	126.1
Total assets	1,015,877	107.7	1,053,270	103.7	1,147,829	109.0	1,268,960	110.6
Net assets	587,945	101.3	595,827	101.3	601,650	101.0	623,496	103.6
Basic earnings per share	Yen 75.27	-	Yen 104.73	-	Yen 105.77	-	Yen 133.35	-
Shareholders' equity ratio	% 57.9	-	% 56.6	-	% 52.4	-	% 49.1	-

- (Notes)
- 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 split had been implemented at the beginning of the 82nd Fiscal Term.
  - 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, 2021)

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
Minato MIRAI Innovation Center	Yokohama-shi, Kanagawa

### 2) Subsidiaries (As of March 31, 2021)

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
Komoro Murata Manufacturing Co., Ltd.	200	100	Manufacturing of modules	Komoro-shi, Nagano
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\$ 456,220	100 (Note)	Manufacturing of components	People's Republic of China
Foshan Murata Minmetals Materials Co., Ltd.	Thousands of US\$ 68,900	90 (Note)	Manufacturing of raw materials	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
Murata Electronics (Thailand), Ltd.	Thousands of Baht 950,000	100	Manufacturing of components	Kingdom of Thailand
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

(Note) Ratio includes indirect holdings.

### 3) Progress and results of business combinations

1. For research, development, manufacturing, and sales of the piezoelectric fabric "PIECLEX" that exhibits antimicrobial performance, which has been jointly developed by the Company and Teijin Frontier Co., Ltd., the two companies jointly established PIECLEX Co., Ltd. in April 2020.
2. The number of consolidated subsidiaries is 88, including 19 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, 2021	Year-on-year change
Persons	Persons
75,184	1,075

(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 (1,724 persons).

2) Employees of the Company

Number of employees		Average age	Average length of service
As of March 31, 2021	Year-on-year change		
Persons	Persons	Years old	Years
9,528	329	40.1	14.7

(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 (289 persons).

(8) Lenders (As of March 31, 2021)

A description has been omitted because the amounts of borrowings are immaterial.

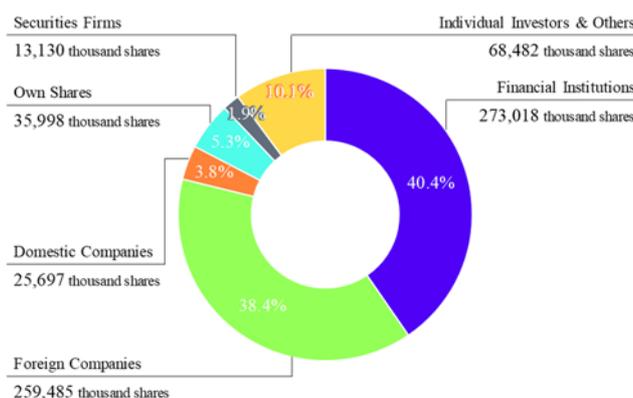
## 2. Matters Concerning Stock (As of March 31, 2021)

- (1) Total number of authorized shares 1,743,000,000 shares (Number of shares per unit: 100 shares)  
 (2) Total number of issued shares 675,814,281 shares (Includes 35,998,818 shares of treasury stock)  
 (3) Number of shareholders 123,521 persons  
 (4) Major shareholders (Top 10)

	Shareholder name	Number of shares held (Thousands of shares)	Ownership ratio (%)
1	The Master Trust Bank of Japan, Ltd. (Trust Account)	49,715	7.8
2	Custody Bank of Japan, Ltd. (Trust Account)	33,036	5.2
3	Nippon Life Insurance Company	22,083	3.5
4	SSBTC CLIENT OMNIBUS ACCOUNT	16,792	2.6
5	The Bank of Kyoto, Ltd.	15,780	2.5
6	Meiji Yasuda Life Insurance Company	15,722	2.5
7	Custody Bank of Japan, Ltd. (Trust Account 7)	13,471	2.1
8	THE SHIGA BANK, LTD.	10,653	1.7
9	STATE STREET BANK WEST CLIENT – TREATY 505234	9,125	1.4
10	Custody Bank of Japan, Ltd. (Trust Account 5)	9,005	1.4

(Note) Ownership ratio is calculated after subtracting treasury stock (35,998 thousand shares) from the total number of issued shares.

### Shareholding by shareholder category



### (5) Shares granted as compensation for the execution of duties during the fiscal year under review

Category	Number of shares (shares)	Persons
Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members)	12,435	7
Vice Presidents	9,085	15

- (Notes) 1. Out of the total shown above, there are no shares granted to Outside Directors.  
 2. The contents of share-based remuneration at the Company are stated in “3. (4) Compensation, etc., of Members of the Board of Directors and Audit and Supervisory Committee Members.”

### 3. Matters Concerning Corporate Officers of the Company

#### (1) Members of the Board of Directors (As of March 31, 2021)

Name	Positions and responsibilities	Significant concurrent positions	
Tsuneo Murata	Chairman of the Board and Representative Director	The Murata Science Foundation	Chairman
Norio Nakajima	President and Representative Director		
Hiroshi Iwatsubo	Member of the Board of Directors Senior 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	Murata (China) Investment Co., Ltd.	President
Masahiro Ishitani	Member of the Board of Directors Executive Vice President Director of Capacitor Division, Components Business Unit	Foshan Murata Minmetals Materials Co., Ltd.	President
Ryuji Miyamoto	Member of the Board of Directors Senior Vice President Deputy Director of Corporate Planning & Administration Unit		
Masanori Minamide	Member of the Board of Directors Senior Vice President Director of Accounting, Finance & Corporate Planning Group, Corporate Planning & Administration Unit		
Takashi Shigematsu	Member of the Board of Directors	Bando Chemical Industries, Ltd.	Outside Director (Audit & Supervisory Committee Member)
		Ashimori Industry Co., Ltd.	Outside Director
Yuko Yasuda	Member of the Board of Directors	Board Advisors Japan, Inc.	Senior Partner
		Idemitsu Kosan Co., Ltd.	Outside Director
		Nippon Suisan Kaisha, Ltd.	Outside Director
Yoshiro Ozawa	Member of the Board of Directors Audit and Supervisory Committee Member (Standing)		
Hyo Kambayashi	Member of the Board of Directors Audit and Supervisory Committee Member	Protiviti LLC Sojitz Corporation	Chairman and Senior Managing Director Outside Corporate Auditor
Takatoshi Yamamoto	Member of the Board of Directors Audit and Supervisory Committee Member	Hitachi, Ltd.	Outside Director
Naoko Munakata	Member of the Board of Directors Audit and Supervisory Committee Member	The Dai-ichi Life Research Institute INC.	Advisor

- (Notes)
- Members of the Board of Directors Takashi Shigematsu and Yuko Yasuda, and Members of the Board of Directors and Audit and Supervisory Committee Members Hyo Kambayashi, Takatoshi Yamamoto, and Naoko Munakata are Outside Directors as stipulated by Article 2, Paragraph (15) of the Companies Act.
  - Member of the Board of Directors and Audit and Supervisory Committee Member 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 Hyo Kambayashi is a certified public accountant, and possesses adequate insight into the fields of finance and accounting.  
Member of the Board of Directors and Audit and Supervisory Committee Member Takatoshi Yamamoto has years of experience as a securities analyst and possesses adequate insight into the fields of finance and accounting.

3. Member of the Board of Directors and Audit and Supervisory Committee Member 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.

4. There are no special interests between the Company Group and companies, etc. at which Members of the Board of Directors Takashi Shigematsu and Yuko Yasuda, and Members of the Board of Directors and Audit and Supervisory Committee Members Hyo Kambayashi, Takatoshi Yamamoto, and Naoko Munakata hold concurrent positions.
5. The Company has designated Members of the Board of Directors Takashi Shigematsu and Yuko Yasuda, and Members of the Board of Directors and Audit and Supervisory Committee Members Hyo Kambayashi, Takatoshi Yamamoto, and Naoko Munakata as Independent Directors/Auditors as specified in the regulations of the Tokyo Stock Exchange and notified the exchange accordingly.
6. The Company has a total of 22 Vice Presidents. Aside from Members of the Board of Directors above that hold concurrent positions as Vice Presidents, the Company has 17 other Vice Presidents.
7. Changes in Members of the Board of Directors during the fiscal year under review are as follows.

At the conclusion of the 84th Ordinary General Meeting of Shareholders held on June 26, 2020, Members of the Board of Directors Toru Inoue, Hiroaki Yoshihara, and Takatoshi Yamamoto and Members of the Board of Directors and Audit and Supervisory Committee Members Hiroshi Ueno and Yuko Yasuda retired from their positions owing to the expiration of their terms of office.

At the 84th Ordinary General Meeting of Shareholders held on June 26, 2020, Masahiro Ishitani and Yuko Yasuda were each newly elected and appointed as Members of the Board of Directors, and Takatoshi Yamamoto and Naoko Munakata were each newly elected and appointed as Members of the Board of Directors and Audit and Supervisory Committee Members.

8. Changes in positions and responsibilities of Members of the Board of Directors during the fiscal year under review are as follows.

Name	Before change	After change	Date of change
Tsuneo Murata	Chairman of the Board, President and Representative Director	Chairman of the Board and Representative Director	June 26, 2020
Norio Nakajima	Member of the Board of Directors Representative Director and Senior Executive Vice President Director of Module Business Unit	President and Representative Director	June 26, 2020
Hiroshi Iwatsubo	Member of the Board of Directors Executive Vice President Director of Corporate Technology & Business Development Unit	Member of the Board of Directors Senior Executive Vice President Director of Corporate Technology & Business Development Unit	June 26, 2020

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 Masahiro Ishitani was appointed as President of Foshan Murata Minmetals Materials Co., Ltd. on July 1, 2020.

Member of the Board of Directors Yuko Yasuda was appointed as Outside Director of Nippon Suisan Kaisha, Ltd. on June 25, 2020, retired from her position as Managing Director of Russell Reynolds Associates Japan Inc. on June 30, 2020, and was appointed as Senior Partner of Board Advisors Japan, Inc. on July 1, 2020.

Member of the Board of Directors and Audit and Supervisory Committee Member Hyo Kambayashi retired from his position as Chairman of Protiviti LLC on March 31, 2021 (he remains in his position as Senior Managing Director of Protiviti LLC).

Member of the Board of Directors and Audit and Supervisory Committee Member Takatoshi Yamamoto retired from his position as Outside Audit & Supervisory Board Member of Tokyo Electron Ltd. on June 23, 2020.

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.

Member of the Board of Directors and Audit and Supervisory Committee Member Naoko Munakata was appointed as Professor of the University of Tokyo Graduate School of Public Policy on April 1, 2021.

## (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) Summary of Directors and Officers Liability Insurance agreement

The Company has entered into a Directors and Officers Liability Insurance agreement, as stipulated in Article 430-3, Paragraph (1) of the Companies Act, with an insurance company. The scope of the insured under the insurance agreement includes Members of the Board of Directors and Vice Presidents of the Company and the Company's subsidiaries in Japan, etc., and the insurance premiums are fully paid by the Company.

Under the insurance agreement, the insurance company covers damages that may arise from the insured being liable for the execution of their duties or being subject to a claim related to the pursuit of such liability, and the insurance agreement is renewed each year. The Company plans to renew the agreement with similar terms at the time of next renewal.

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

### 1) Policy on determination of remuneration, etc.

Regarding the policy on determination of remuneration, etc. for Members of the Board of Directors, the Company has established a Remuneration Advisory Committee, which is chaired by an Outside Director and a majority of which is comprised of Outside Directors, to improve corporate governance and to enhance objectivity and transparency. The Board of Directors makes decisions based on reports from the committee.

Furthermore, concerning individual remuneration, etc., the Chairman of the Board and Representative Director (Tsuneo Murata), who has been delegated authority from the Board of Directors, makes decisions within the range of each remuneration resolved at the General Meeting of Shareholders, to evaluate the overall status of business execution from a bird's-eye perspective. However, the Chairman of the Board and Representative Director makes the decisions based on reports from the Remuneration Advisory Committee to the Board of Directors, so that the delegated authority will be exercised appropriately without compromising objectivity and transparency.

Regarding the policy on determination of remuneration, etc. for Members of the Board of Directors of the Company, 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 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 a) monthly remuneration, b) bonus with the aim of giving a short-term incentive, and c) share-based remuneration with the aim of making them further share values with our shareholders by giving a medium- to long-term incentive.

The composition ratio of these types of remuneration is largely as follows:

a) Monthly remuneration:	57% - 60%
b) Bonus:	26% - 28%
c) Share-based remuneration:	14% - 17%

### a) 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.

### b) 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. The indicator used as a standard for bonus calculation is consolidated operating income per person after deducting capital cost, which measures the growth and productivity increase of the corporation. The bonus is calculated by adjusting a reference amount for each position based on this indicator. As for the timing of payments, the bonus is paid in two installments, once during a fiscal year and once after the end of the fiscal year. Consolidated operating income per person for the fiscal year ended March 31, 2021 was 4.2 million yen.

c) Share-based remuneration:

Restricted share remuneration is introduced to improve corporate value in the medium to long term. The reference amount is set by position of each Member of the Board of Directors. It reflects their individual performance evaluations, and shares are allotted every July. Upon meeting conditions such as remaining in the position of eligible Member of the Board, transfer restrictions are lifted three years after each allotment.

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.

Regarding the contents of remuneration, etc. for individual Members of the Board of Directors pertaining to the fiscal year ended March 31, 2021, the Board of Directors has delegated its authority on determination to the Chairman of the Board and Representative Director (Tsuneo Murata). The making of these decisions is premised on the Chairman of the Board and Representative Director referring to the reports of the Remuneration Advisory Committee, which have been appropriately deliberated on based on necessary and sufficient amount of objective information such as benchmarks using databases of an external remuneration consulting company. The Chairman of the Board and Representative Director (Tsuneo Murata) has also participated in the preparation of the said reports, as a member of the Remuneration Advisory Committee. As the contents of individual remuneration, etc. have been determined in this manner, the Board of Directors has judged that they are in line with the Company's policy on the determination of remuneration, etc.

Regarding the decision of the contents of remuneration, etc. for individual Members of the Board of Directors pertaining to the fiscal year ending March 31, 2022, the Board of Directors plans to resolve that it will entrust such decision to the Remuneration Advisory Committee (which is chaired by an Outside Director and a majority of which is comprised of Outside Directors).

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

i. Total compensation, etc. by category, total compensation by type and number of eligible Directors

Category	Total amount of compensation, etc. (Millions of yen)	Total amount per type of compensation, etc. (Millions of yen)			Persons
		Monthly remuneration	Bonus	Share-based remuneration	
Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members)	505	318	109	77	12
Members of the Board of Directors who are Audit and Supervisory Committee Members	73	73	—	—	6

(Notes) 1. The above figures for total amount of compensation, etc. and number of persons are indicated for each director category taken into account of two Members of the Board of Directors who are not Audit and Supervisory Committee Members who retired, one Member of the Board of Directors who is an Audit and Supervisory Committee Member who retired, one Member of the Board of Directors who is not an Audit and Supervisory Committee Member who resigned and assumed office as Member of the Board of Directors who is an Audit and Supervisory Committee Member, and one Member of the Board of Directors who is an Audit and Supervisory Committee Member who resigned and assumed office as a Member of the Board of Directors who is not an Audit and Supervisory Committee Member during the fiscal year ended March 31, 2021.

2. Out of the total shown above, total compensation, etc., provided to nine Outside Directors, is 78 million yen (only monthly remuneration).

3. The amount of compensation, etc. for Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members) does not include employee salaries provided to Members of the Board of Directors concurrently serving as employees.
4. By resolution at the 80th Ordinary General Meeting of Shareholders held on June 29, 2016, the amount of compensation (excluding share-based remuneration) is 700 million yen or less for Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members). However, this does not include employee salaries and bonuses provided to Members of the Board of Directors concurrently serving as Vice Presidents. At the conclusion of the said General Meeting of Shareholders, the number of Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members) was eight (of which, one was Outside Director).
5. By resolution at the 80th Ordinary General Meeting of Shareholders held on June 29, 2016, the amount of compensation is 100 million yen or less for Members of the Board of Directors who are Audit and Supervisory Committee Members. At the conclusion of the said General Meeting of Shareholders, the number of Members of the Board of Directors who are Audit and Supervisory Committee Members was four (of which, three were Outside Directors).
6. By resolution at the 81st Ordinary General Meeting of Shareholders held on June 29, 2017, the maximum amount of compensation for the restricted share remuneration is 300 million yen or less, and the maximum number of shares is 60,000 shares per year. Shares are not granted to Members of the Board of Directors who are Audit and Supervisory Committee Members or Outside Directors. At the conclusion of the said General Meeting of Shareholders, the number of Members of the Board of Directors (excluding those who are Audit and Supervisory Committee Members and Outside Directors) was seven.
7. The state of the Company's shares granted as share-based remuneration for the fiscal year ended March 31, 2021 is as stated in "2. (5) Shares granted as compensation for the execution of duties during the fiscal year under review."

ii. Total compensation, etc. of persons whose total compensation, etc. is more than 100 million yen

Name (Category)	Company category	Total amount per type of compensation, etc. (Millions of yen)			Total amount of compensation, etc. (Millions of yen)
		Monthly remuneration	Bonus	Share-based remuneration	
Tsuneo Murata (Member of the Board of Directors)	Reporting company	66	28	18	113
Norio Nakajima (Member of the Board of Directors)	Reporting company	63	27	17	108

(5) Key activities of Outside Directors

Name (Category)	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Committee	Key activities and outline of duties performed in relation to expected roles
Outside Director Takashi Shigematsu	10/10	—	<p>Takashi Shigematsu actively provided opinions and made proposals on many agenda items at meetings of the Board of Directors. In particular, based on his abundant experience and insight as a corporate manager in the automotive industry, he has fulfilled appropriate roles in ensuring the validity and appropriateness of decision-making, as well as the supervisory functions, such as by raising issues and providing advice from the expert perspective regarding manufacturing and technology, and raising issues and making proposals from the standpoint of business and management strategies with a view to medium- and long-term prospects.</p> <p>In addition, as a member of the Nomination Advisory Committee, he attended all four meetings of the committee held during the fiscal year under review, taking on the supervisory functions with respect to the decision-making process on and operation of matters including the criteria and procedures for nominating candidates for Members of the Board of Directors of the Company, the nomination of candidates for Members of the Board of Directors and other officers, and the successor plan for President and Representative Director, from an objective and neutral position.</p>
Outside Director Yuko Yasuda	10/10	3/3	<p>As a Member of the Board of Directors or a Member of the Board of Directors who is an Audit and Supervisory Committee Member, Yuko Yasuda attended all ten meetings of the Board of Directors held during the fiscal year under review, as well as all three meetings of the Audit and Supervisory Committee held prior to her retirement from the position of Member of the Board of Directors who is an Audit and Supervisory Committee Member.</p> <p>She actively provided opinions and made proposals on many agenda items at meetings of the Board of Directors and meetings of the Audit and Supervisory Committee. In particular, based on her perspective as an expert in the fields of executive personnel assessment, development, and corporate governance, as well as her abundant experience as a corporate manager, she has fulfilled appropriate roles in ensuring the validity and appropriateness of decision-making, as well as the supervisory functions, such as by raising issues and providing advice regarding the development of the corporate culture of the Company Group and human resource development, and making proposals from the standpoint of management strategies with a view to medium- and long-term prospects.</p> <p>In addition, as a member of the Remuneration Advisory Committee, she attended all three meetings of the committee held during the fiscal year under review, taking on the supervisory functions with respect to the decision-making process on and operation of matters including the remuneration plans and levels for the Company's Members of the Board of Directors, as well as specific individual remuneration, from an objective and neutral standpoint. Since her appointment as the chairperson of the Remuneration Advisory Committee on June 26, 2020, she has played an active role in managing the committee, leading the fair and transparent management of the committee as the chairperson.</p> <p>Since her appointment on June 26, 2020, as a member of the Nomination Advisory Committee, she attended all four meetings of the committee held during the fiscal year under review, taking on the supervisory functions with respect to the decision-making process on and operation of matters including the criteria and procedures for nominating candidates for Members of the Board of Directors of the Company, the nomination of candidates for Members of the Board of Directors and other officers, and the successor plan for President and Representative Director, from an objective and neutral position.</p>

Name (Category)	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit and Supervisory Committee	Key activities and outline of duties performed in relation to expected roles
Outside Director who is an Audit and Supervisory Committee Member Hyo Kambayashi	10/10	10/10	<p>Hyo Kambayashi actively provided opinions and made proposals on many agenda items at meetings of the Board of Directors and meetings of the Audit and Supervisory Committee. In particular, based on his perspective as a certified public accountant and an expert in the fields of internal controls and risk management, as well as his abundant experience as a corporate manager, he has fulfilled appropriate roles in ensuring the validity and appropriateness of decision-making, as well as the supervisory functions, such as by raising issues and providing advice on a variety of agenda items from the standpoint of internal controls, risk management, and ESG, and making proposals from the standpoint of management strategies with a view to medium- and long-term prospects.</p> <p>In addition, since his appointment on June 26, 2020, as a member of the Remuneration Advisory Committee, he attended all two meetings of the committee held during the fiscal year under review, taking on the supervisory functions with respect to the decision-making process on and operation of matters including the remuneration plans and levels for the Company's Members of the Board of Directors, as well as specific individual remuneration, from an objective and neutral standpoint.</p>
Outside Director who is an Audit and Supervisory Committee Member Takatoshi Yamamoto	10/10	6/7	<p>As a Member of the Board of Directors or a Member of the Board of Directors who is an Audit and Supervisory Committee Member, Takatoshi Yamamoto attended all ten meetings of the Board of Directors held during the fiscal year under review, as well as six out of seven meetings of the Audit and Supervisory Committee held during the fiscal year under review after his appointment as Member of the Board of Directors who is an Audit and Supervisory Committee Member.</p> <p>He actively provided opinions and made proposals on many agenda items at meetings of the Board of Directors and meetings of the Audit and Supervisory Committee. In particular, based on his abundant experience and insight into the corporate analysis of companies mainly in the electronics industry in Japan and overseas as a securities analyst, he has fulfilled appropriate roles in ensuring the validity and appropriateness of decision-making, as well as the supervisory functions, such as by raising issues and providing advice from the perspective of an investor, and making proposals from the standpoint of management strategies with a view to medium- and long-term prospects utilizing his abundant experience in international corporate management.</p> <p>In addition, since his appointment on June 26, 2020, as a member of the Nomination Advisory Committee, he attended all four meetings of the committee held during the fiscal year under review, taking on the supervisory functions with respect to the decision-making process on and operation of matters including the criteria and procedures for nominating candidates for Members of the Board of Directors of the Company, the nomination of candidates for Members of the Board of Directors and other officers, and the successor plan for President and Representative Director, from an objective and neutral position.</p>
Outside Director who is an Audit and Supervisory Committee Member Naoko Munakata	8/8	7/7	<p>Naoko Munakata attended all eight meetings of the Board of Directors, as well as all seven meetings of the Audit and Supervisory Committee, which were respectively held during the fiscal year under review after her appointment as Member of the Board of Directors who is an Audit and Supervisory Committee Member.</p> <p>She actively provided opinions and made proposals on many agenda items at meetings of the Board of Directors and meetings of the Audit and Supervisory Committee. In particular, based on her insight and abundant experience in government administration of such fields as industrial and trade policies and intellectual property policies, she has fulfilled appropriate roles in ensuring the validity and appropriateness of decision-making, as well as the supervisory functions, such as by raising issues and providing advice from the perspective that incorporates trends in international affairs and policies, and making proposals from the standpoint of management strategies with a view to medium- and long-term prospects.</p>

- (Notes) 1. The above table is stated based on category as of March 31, 2021.
2. The number of times that meetings of the Board of Directors and meetings of the Audit and Supervisory Committee were held differs due to the following reasons.
- At the conclusion of the 84th Ordinary General Meeting of Shareholders held on June 26, 2020, Takatoshi Yamamoto retired from his position of Member of the Board of Directors, and Yuko Yasuda retired from her position of Member of the Board of Directors who is an Audit and Supervisory Committee Member. At the same Ordinary General Meeting of Shareholders, Yuko Yasuda was newly elected and appointed as a Member of the Board of Directors, and Takatoshi Yamamoto and Naoko Munakata were each newly elected and appointed as Members of the Board of Directors who are Audit and Supervisory Committee Members. Furthermore, two meetings of the Board of Directors and three meetings of the Audit and Supervisory Committee were held by June 26, 2020, and eight meetings of the Board of Directors and seven meetings of the Audit and Supervisory Committee were held after June 26, 2020.

#### 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 230
(2)	Total amount of cash and other beneficial property payable by the Company and its subsidiaries	313

- (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 operations including advisory and guidance operations regarding financial reporting.
  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., Foshan Murata Minmetals Materials Co., Ltd., Murata Electronics Europe B.V., Murata Electronics (Thailand), Ltd., Philippine Manufacturing Co. of Murata, Inc., and Murata Electronics 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 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 a number of 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 and its subsidiaries (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 ensure early detection and prevention of non-compliant behavior, 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 and examination of measures for company-wide risk projects of the Group shall be conducted at an organizational committee regarding risk management.
  - 3) Twice a year, the departments in charge of each risk will extract and evaluate the risks that the Group is currently facing or are expected to in the near future and formulate countermeasures. The Risk Management Committee will organize these matters and direct additional measures as necessary.

- (4) System to secure efficient execution of duties by Members of the Board of Directors
  - 1) The Company shall formulate medium and long 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, through deliberation by concerned Members of the Board of Directors and Vice Presidents, etc.
  - 4) As a body to supplement decision making by the Board of Directors and Representative Directors, the Company shall establish the Management Committee.
  - 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.
  
- (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 established to materialize the corporate policy, and regulations regarding compliance.
  - 2) The Company Group shall establish regulations and procedures regarding common 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. Projects that meet the criteria of the agenda will be discussed and deliberated by the Management Committee and the Board of Directors.
  - 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 establish a division to assist the duties of Audit and Supervisory Committee, and 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 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, officers, statutory auditors, and employees of subsidiaries or parties that received such reports from officers, Statutory Auditors, 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,” “Climate Change Committee,” “Social & Community Contributions Committee,” and “Health & Safety Promotion 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 functions periodically surveys and evaluates the existence, content, etc., of risks across the Company and reports these to the Risk Management Committee. Regarding individual risks received in these reports, 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 used to not only realize efficient deliberations, but also to record both the results and progress of decision making to visualize the process.

- The Management 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.
  - The Board of Directors periodically receives reports on the status of business execution and also a dedicated information system allows related Members of the Board of Directors, Vice Presidents, and employees to share periodic reports and others.
- (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 are being taken to spread awareness of Corporate Ethics Policy and Code of Conduct established to materialize the corporate policy.
  - As stated earlier, a group approval system has been established in both the Company and the Company Group. The Company also gives advice and approval 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 established a division to assist the duties of Audit and Supervisory Committee, and 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 Members of the Board of Directors who are executive officers receiving consent upon discussion with 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 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 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 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.
- The Company secures budgets necessary for the execution of duties by Audit and Supervisory Committee Members and bears fees, etc., actually incurred as a result of the execution of duties by Audit and Supervisory Committee Members.
- 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, 2021)

(Millions of yen)

Item	Amount	Item	Amount
Assets	2,462,261	Liabilities	540,616
Current assets	1,184,180	Current liabilities	317,911
Cash	363,979	Short-term borrowings	97
Short-term investments	64,218	Trade accounts payable	85,927
Marketable securities	22,599	Current portion of bonds payable	39,982
Trade notes receivable	25	Accrued payroll and bonuses	52,909
Trade accounts receivable	342,260	Income taxes payable	41,525
Allowance for doubtful notes and accounts	(1,414)	Accrued expenses and other	90,516
Inventories	361,331	Current operating lease liabilities	6,955
Prepaid expenses and other	31,182	Long-term liabilities	222,705
Property, plant and equipment	1,078,838	Bonds payable	109,853
Land	73,359	Long-term debt	772
Buildings	741,346	Termination and retirement benefits	74,005
Machinery and equipment, tools, dies, furniture and fixtures, and autos and trucks	1,418,356	Deferred income taxes	7,603
Construction in progress	100,277	Noncurrent operating lease liabilities	25,051
Accumulated depreciation	(1,286,598)	Other	5,421
Operating lease right-of-use assets	32,098	Equity	1,921,645
Investments and other assets	199,243	Murata Corporation's Shareholders' equity	1,920,805
Investments	41,438	Common stock	69,444
Intangible assets	33,524	Capital surplus	120,880
Goodwill	71,058	Retained earnings	1,786,660
Deferred income taxes	37,796	Accumulated other comprehensive income (loss)	(2,627)
Other	15,427	Unrealized losses on securities	(32)
		Pension liability adjustments	(14,814)
		Foreign currency translation adjustments	12,219
		Treasury stock, at cost	(53,552)
		Noncontrolling interests	840
<b>Total assets</b>	<b>2,462,261</b>	<b>Total liabilities and total equity</b>	<b>2,462,261</b>

## Consolidated Statements of Income

( From April 1, 2020  
to March 31, 2021 )

(Millions of yen)

Item	Amount	
Net sales		1,630,193
Operating expenses		
Cost of sales	1,007,992	
Selling, general and administrative expenses	203,680	
Research and development expenses	101,727	
Impairment losses on goodwill	3,554	1,316,953
Operating income		313,240
Other income		
Interest and dividend income	1,667	
Interest expense	(384)	
Foreign currency exchange loss	(10,237)	
Other - net	12,131	3,177
Income before income taxes		316,417
Income taxes		
Current income tax	80,476	
Deferred income tax	(1,084)	79,392
Net income		237,025
Net income (loss) attributable to noncontrolling interests		(32)
Net income attributable to Murata Corporation		237,057

## Consolidated Statements of Shareholders' Equity

( From April 1, 2020  
to March 31, 2021 )

(Shares, millions of yen)

Item	Number of common shares issued						Controlling interests	Non-controlling interests	Total equity
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock			
Balance at March 31, 2020	675,814,281	69,444	120,775	1,616,783	(59,335)	(53,563)	1,694,104	703	1,694,807
Purchases of treasury stock at cost						(21)	(21)		(21)
Disposal of treasury stock			1			0	1		1
Net income				237,057			237,057	(32)	237,025
Cash dividends				(67,180)			(67,180)	(3)	(67,183)
Other comprehensive income (loss), net of tax					56,708		56,708	74	56,782
Restricted share remuneration			104			32	136		136
Equity transaction with noncontrolling interests and other								98	98
Balance at March 31, 2021	675,814,281	69,444	120,880	1,786,660	(2,627)	(53,552)	1,920,805	840	1,921,645

## 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: 88

Major consolidated subsidiaries:

Fukui Murata Manufacturing Co., Ltd.

Izumo Murata Manufacturing Co., Ltd.

Kanazawa Murata Manufacturing Co., Ltd.

Toyama Murata Manufacturing Co., Ltd.

Okayama Murata Manufacturing Co., Ltd.

Komoro 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.

Foshan Murata Minmetals Materials Co., Ltd.

Murata Electronics Europe B.V.

Murata Electronics (Thailand), Ltd.

Philippine Manufacturing Co. of Murata, Inc.

Murata Electronics Singapore (Pte.) Ltd, and others

#### 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.

PIECLEX Co., Ltd.

Murata Cosmos Co., Ltd.

3 companies were excluded from consolidation.

Iwami Murata Manufacturing Co., Ltd.

One group company of Saitama Murata Manufacturing Co., Ltd.

Murata Power Solutions (Shanghai) Co., Ltd.

### 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 Securities,” 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

(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 for impairment annually and also at the time of an event or change in circumstances that indicates the possibility of 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 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 has adopted this update early since the fiscal year ended March 31, 2018 and will use the new standards prospectively towards the future.

(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 and 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 Company Group conducts sales of electronic items, including Components (Capacitors, Piezoelectric Components, etc.) and Modules, 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.

(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	30,429	13	60	30,382

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

(Millions of yen)

Maturity date	Amount
Within 1 year	22,599
Over 1 year, within 5 years	7,783
Over 5 years	-
Total	30,382

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	7,240
Realized gains (losses) from the sale of equity securities in the fiscal year under review	(96)
Impairment of equity securities	(206)
Unrealized gains (losses) on equity securities	7,542

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 4,279 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 approximates 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	30,382
Equity securities	27,172
Investment trusts	2,204
Total	59,758

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 Company 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 Company 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	192,688

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	74	Accrued expenses and other current liabilities	10,247

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	3,002.12 yen
2. Basic earnings attributable to Murata Corporation per share	370.51 yen

## Balance Sheets

(As of March 31, 2021)

(Millions of yen)

Item	Amount	Item	Amount
Assets	1,268,960	Liabilities	645,463
Current assets	660,565	Current liabilities	496,488
Cash	139,730	Trade accounts payable	119,422
Trade accounts receivable	354,104	Current portion of bonds payable	40,000
Marketable securities	22,598	Short-term borrowings	234,915
Merchandise and finished goods	14,490	Current portion of long-term borrowings	17,864
Raw materials and supplies	22,725	Other accounts payable	15,299
Work in process	19,246	Accrued expenses	32,264
Accounts receivable	59,675	Accrued income tax	23,735
Current portion of long-term loans receivable	22,782	Other	12,986
Other	5,214	Long-term liabilities	148,975
Allowance for doubtful notes and accounts	(2)	Bonds payable	110,000
Noncurrent assets	608,394	Long-term borrowings	2,200
Property, plant and equipment	173,875	Termination and retirement benefits	36,257
Buildings	80,880	Other	517
Structures	6,941	Net assets	623,496
Machinery	29,826	Murata Corporation's Shareholders' equity	616,343
Vehicles	159	Common stock	69,444
Equipment	8,986	Capital surplus	126,628
Land	30,473	Legal capital surplus	107,733
Construction in progress	16,607	Other capital surplus	18,894
Intangible assets	25,484	Retained earnings	473,823
Investments and other assets	409,034	Legal retained earnings	7,899
Investment securities	34,219	Other retained earnings	465,923
Shares of subsidiaries and associates	269,729	Reserve for reduction entry of land	13
Investments in capital of subsidiaries and associates	17,335	Reserve for special depreciation	4
Long-term loans receivable	59,156	Reserve for reduction entry of replaced property	49
Deferred tax assets	21,941	Reserve for purchase of specified shares	130
Other	6,723	General reserve	162,707
Allowance for doubtful notes and accounts	(70)	Retained earnings brought forward	303,016
		Treasury stock	(53,551)
		Valuation and translation adjustments	7,153
		Valuation difference on other marketable securities	7,153
<b>Total assets</b>	<b>1,268,960</b>	<b>Total liabilities and total net assets</b>	<b>1,268,960</b>

## Income Statements

( From April 1, 2020  
to March 31, 2021 )

(Millions of yen)

Item	Amount	
Net sales		1,107,863
Cost of sales		845,653
Gross profit		262,209
Selling, general and administrative expenses		215,071
Operating income		47,138
Non-operating income		
Interest and dividend income	48,565	
Other	11,251	59,817
Non-operating expenses		
Interest expense	264	
Foreign currency exchange loss	2,546	
Product replacement and repair costs	9,381	
Other	3,890	16,082
Ordinary income		90,872
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	1,692	1,692
Income before income taxes		89,180
Current income tax	7,745	
Deferred income tax	(3,881)	3,863
Net income		85,317

## Statements of Shareholders' Equity

( From April 1, 2020  
to March 31, 2021 )

(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	Reserve for purchase of specified shares
Balance at April 1, 2020	69,444	107,733	18,788	126,521	7,899	13	73	49	-
Changes of items during period									
Restricted share remuneration			105	105					
Cash dividends									
Net income									
Purchases of treasury stock at cost									
Disposal of treasury stock			0	0					
Reversal of reserve for special depreciation							(68)		
Provision of reserve for purchase of specified shares									130
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	106	106	-	-	(68)	-	130
Balance at March 31, 2021	69,444	107,733	18,894	126,628	7,899	13	4	49	130

	Murata Corporation's Shareholders' equity					Valuation and translation adjustments		Total net assets
	Retained earnings			Treasury stock	Total Murata Corporation's Shareholders' equity	Valuation difference on other marketable securities	Total valuation and translation adjustments	
	Other retained earnings		Total retained earnings					
	General reserve	Retained earnings brought forward						
Balance at April 1, 2020	162,707	284,940	455,685	(53,563)	598,088	3,561	3,561	601,650
Changes of items during period								
Restricted share remuneration				32	137			137
Cash dividends		(67,179)	(67,179)		(67,179)			(67,179)
Net income		85,317	85,317		85,317			85,317
Purchases of treasury stock at cost				(20)	(20)			(20)
Disposal of treasury stock				0	0			0
Reversal of reserve for special depreciation		68	-		-			-
Provision of reserve for purchase of specified shares		(130)	-		-			-
Net changes of items other than shareholders' equity						3,591	3,591	3,591
Total changes of items during period	-	18,076	18,137	11	18,255	3,591	3,591	21,846
Balance at March 31, 2021	162,707	303,016	473,823	(53,551)	616,343	7,153	7,153	623,496

## 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
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#### (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 5 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) The treatment of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

For the transition to the group tax sharing system created under the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8, 2020) and items revised in line with the transition to the group tax sharing system, the Company has not applied the stipulations of the “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) Paragraph 44 through the handling of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39, March 31, 2020) Paragraph 3. Amounts of deferred tax assets and deferred tax liabilities are based on provisions of the taxation law before revision.

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

(Notes to changes in presentation methods)

Application of “Accounting Standard for Disclosure of Accounting Estimates”

The “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) has been applied from the fiscal year under review.

(Notes to unconsolidated balance sheets)

1. Accumulated depreciation of property, plant and equipment	210,046 million yen
2. Short-term monetary claims with affiliated companies	368,330 million yen
Long-term monetary claims with affiliated companies	60,832 million yen
Short-term monetary liabilities with affiliated companies	353,192 million yen
Long-term monetary liabilities with affiliated companies	2,200 million yen
3. Guarantee obligations	77 million yen

Warranty	Guaranteed amount (Millions of yen)	Liability guaranteed
pSemi Corporation	77	Trade notes and accounts payable
Total	77	-

(Notes to unconsolidated income statements)

1. Transactions with affiliated companies

Business transactions

Net sales 958,521 million yen

Purchase turnover 785,992 million yen

Non-business transactions

Interest income 421 million yen

Dividend income 47,515 million yen

Asset transfer 1,318 million yen

Interest expense 70 million yen

Asset purchase 926 million yen

2. Research and development expenses 95,709 million yen

(Notes to statements of shareholders' equity)

1. Type and total number of issued shares as of March 31, 2021

Common stock 675,814,281 shares

2. Type and number of treasury stock as of March 31, 2021

Common stock 35,998,818 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 26, 2020 Ordinary General Meeting of Shareholders	Common stock	31,989	50	March 31, 2020	June 29, 2020
October 30, 2020 Meeting of the Board of Directors	Common stock	35,189	55	September 30, 2020	November 30, 2020

(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 29, 2021, the Company plans to propose the following concerning dividends for common stock.

1) Total amount of dividends 38,388 million yen

2) Dividend per share 60 yen

3) Record date March 31, 2021

4) Effective date June 30, 2021

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

(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	3,484 million yen	Other marketable securities valuation adjustment	3,193 million yen
Inventories	3,959 million yen	Reserve for special depreciation	2 million yen
Accrued expenses	3,820 million yen	Other	<u>78 million yen</u>
Accounts payable - other	182 million yen	Total deferred tax liabilities	3,273 million yen
Accrued enterprise tax	570 million yen	Elimination with deferred tax assets	<u>(3,273) million yen</u>
Termination and retirement benefits	11,087 million yen	Net deferred tax liabilities	-
Stock of affiliated companies	5,014 million yen		
Tangible and intangible assets	1,992 million yen		
Deferred tax adjustment	45 million yen		
Investment securities	450 million yen		
Other	<u>770 million yen</u>		
Deferred tax assets subtotal	31,376 million yen		
Valuation allowance for total deductible temporary differences, etc.	<u>(6,162) million yen</u>		
Total deferred tax assets	25,214 million yen		
Elimination with deferred tax liabilities	<u>(3,273) million yen</u>		
Net deferred tax assets	21,941 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	(16.0) %
Tax exemption for R&D promotion tax system	(10.0) %
Other	<u>(0.2) %</u>
Income tax rate after application of tax effect accounting	<u>4.3 %</u>

## (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)	151,918 (Note 2)	Trade accounts payable	7,917 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	21,208 6	Short-term borrowings	29,966
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)	177,689 (Note 2)	Trade accounts payable	17,624 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	21,529 3	Short-term borrowings	46,969
Subsidiary	Kanazawa Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products	Borrowing of funds Payment of interest (Note 3)	37,793 11	Current portion of long-term borrowings Short-term borrowings	45,279
Subsidiary	Toyama Murata Manufacturing Co., Ltd.	Holding Directly, 100%	Manufacturing of the Company's products	Lending of funds Reception of interest (Note 3)	36,760 236	Current portion of long-term loans receivable Long-term loans receivable	25,649
Subsidiary	Murata Company Limited	Holding Directly, 100%	Sales of products of the Company and subsidiaries	Sales of products, etc. (Note 1)	308,366	Trade accounts receivable	86,800
				Borrowing of funds Payment of interest (Note 3)	71,580 37	Short-term borrowings	71,580
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)	172,466	Trade accounts receivable	76,364

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	Philippine Manufacturing Co. of Murata, Inc.	Holding Directly, 100%	Manufacturing of the Company's products Officers concurrently serving at the Company	Lending of funds Reception of interest (Note 3)	42,399 96	Current portion of long-term loans receivable Long-term loans receivable	44,800

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 and lending 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 of the Company	Transactions with the Murata Science Foundation, for which he serves as Chairman (Note)	100	-	-

(Note) Donation of cash for a third party.

(Notes to amounts per share)

Net assets per share	974.49 yen
Net income per share	133.35 yen

(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, 2021)

a. Termination and retirement benefit liabilities	120,016 million yen
b. Pension assets	85,740 million yen
<hr/>	
c. Termination and retirement benefit liabilities in excess of pension assets (a – b)	34,275 million yen
d. Unrecognized actuarial differences	(1,419) million yen
e. Unrecognized prior service cost	(562) million yen
<hr/>	
f. Termination and retirement benefits (c – d – e)	36,257 million yen

(3) Matters concerning the defined-benefit type termination and retirement expenses (From April 1, 2020 to March 31, 2021)

a. Service cost	5,999 million yen
b. Interest expenses	357 million yen
c. Expected operational profit	(1,532) million yen
d. Recorded amount of actuarial difference expenses	5,072 million yen
e. Recorded amount of prior service cost	(633) million yen
<hr/>	
f. Termination and retirement expenses (a + b + c + d + e)	9,263 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	0.5 %
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, 2020 to March 31, 2021)

Recognized costs involved in contributions to defined contribution pension plans during the fiscal year under review are 872 million yen.