

# BUSINESS REPORT

FOR THE 79TH FISCAL TERM

FROM APRIL 1, 2014  
TO MARCH 31, 2015

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

Tsuneo Murata  
President  
Statutory Representative Director  
Member of the Board of Directors

## Business Report

From April 1, 2014  
to March 31, 2015

### 1. Matters Concerning Status of the Corporate Group

#### (1) Main business areas

The Murata Manufacturing Co., Ltd. Group (the "Group") is an electronic component manufacturer that primarily engages in manufacturing and sales of electronic components and related products primarily of ceramic material, Components (such as capacitors and piezoelectric products) and Modules (communications modules and power supplies), and conducts vertically integrated technological development and production, from inorganic and organic 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, production technology, and software, analysis, and evaluation to support the above, the Group conducts sales for various electronic components that are used in products such as AV devices, communications devices, computers and related devices, automotive electronics, and domestic electric devices.

#### (2) Business progress and results

##### 1) Business conditions

In the global economic environment during the year ended March 31, 2015, U.S. employment continued its recovery trend. Growth rates in Europe also started a recovery trend even though domestic consumption grew slowly. On the other hand, emerging countries continued to experience slower growth than expected due to a trend of recession.

In the electronics market, the smartphone market showed significant growth, although the business outlook was uncertain. In particular, the penetration of LTE devices mainly in China and growing demand for smartphones contributed to an increase in the number of components and an expansion of the electronic components markets. Additionally, increased production of vehicles and advanced electrification contributed to an increase in demand for electronic components.

Under these circumstances, sales of the Group were 1,043,542 million yen for the period under review, up 23.2% from the year ended March 31, 2014, with the average exchange rate against the U.S. dollar rising by 9.70 yen from the same year end.

Operating income was 214,535 million yen, up 70.4%, income before income taxes was 238,400 million yen, up 80.1%, and net income attributable to Murata Corporation was 167,711 million yen, up 80.0%, from the previous fiscal year. The primary factors contributing to the increase in profit were the increase in capacity utilization, comprehensive cost reductions and the depreciation of the yen while negative factors included price declines and increased fixed costs resulting from the expansion in production capacity and the cost of acquired business.

The operating income ratio was 20.6%, up 5.7 percentage points from the previous fiscal year.

##### 2) Sales by product category

Net sales by product category for the period under review are as follows.

(Orders and sales by product category)

	79th Fiscal Term (From April 1, 2014 to March 31, 2015)			
	Orders received	Net sales		
	Amount	Amount	Component ratio as a percentage of net sales	Year-on-year change
	Millions of yen	Millions of yen	%	%
Capacitors	340,039	334,272	32.2	120.9
Piezoelectric Components	127,829	121,879	11.7	126.6
Other Components	225,383	222,930	21.4	142.4
Components total	693,251	679,081	65.3	128.3
Communication Modules	316,186	307,958	29.6	118.5
Power Supplies and Other Modules	53,020	52,952	5.1	97.5
Modules total	369,206	360,910	34.7	114.8
Total	1,062,457	1,039,991	100.0	123.3

#### <Components>

Sales of Components for the period under review increased by 28.3% year-on-year to 679,081 million yen.

##### [Capacitors]

The Capacitors category includes multilayer ceramic capacitors (MLCCs).

For the period under review, sales of MLCCs, the main product in this category, significantly rose due to an increase in sales of smartphones. The increase in production volume of automobiles for automotive electronics market as well as advanced electrification of automobiles also led to increased demand in this market.

As a result, overall net sales increased by 20.9% year-on-year to 334,272 million yen.

##### [Piezoelectric Components]

The Piezoelectric Components category includes SAW (surface acoustic wave) filters, ceramic resonators, piezoelectric sensors, and ceramic filters.

For the period under review, sales of SAW filters greatly increased thanks to growing production of LTE devices mainly in China. Regarding piezoelectric sensors, sales of shock sensors maintained steady growth as hard disk drives continued to experience steady growth.

As a result, overall net sales increased by 26.6% year-on-year to 121,879 million yen.

##### [Other Components]

Other Components include EMI (electro-magnetic interference) suppression filters, inductors (coils), connectors, sensors, and thermistors.

For the period under review, sales of inductors (coils), connectors and EMI suppression filters for smartphones substantially increased. Additionally, sales significantly increased from the previous year as the inductors (coils) from TOKO, INC. were added to our product lineup through the acquisition of TOKO, INC. Sales of sensors increased as demand for MEMS (Micro Electro Mechanical Systems) sensors grew in the automotive electronics market.

As a result, overall net sales increased by 42.4% year-on-year to 222,930 million yen.

#### <Modules>

Sales of Modules for the period under review increased by 14.8% year-on-year to 360,910 million yen.

##### [Communication Modules]

The Communication Modules category includes short-range wireless communication modules, multilayer ceramic devices and circuit modules.

For the period under review, sales of short-range wireless communication modules and multilayer ceramic devices for smartphones and tablets increased. Sales of multilayer ceramic devices largely increased for smartphones.

As a result, overall net sales increased by 18.5% year-on-year to 307,958 million yen.

##### [Power Supplies and Other Modules]

This product category includes power supplies.

For the period under review, sales of power supplies for automotive electronics decreased.

As a result, overall net sales decreased by 2.5% year-on-year to 52,952 million yen.

#### (3) Challenges facing the Company

The global electronics market is expected to grow in the medium to long term, driven by new demand for sophisticated and multifunctional electronic components and the expansion of demand for consumer electronics market centering on smartphones. The automotive market is also expected to grow by its advanced electrification. Additionally, it is expected that future demand for electronics components will expand and shift to new applications which will become the next primary market such as energy, environment and healthcare.

For the rapidly growing markets, the Group intends to strengthen its sales and marketing forces and enhance production capacity, launch new, high value-added products earlier than its competitors and contribute to the trend of reduced size and thickness of electronic devices, and more manifold functions. In addition, the Group is planning to leverage and expand the semiconductor RF components acquired from Peregrine Semiconductor Corp. for the year ended March 31, 2015, utilizing the synergy with the Group's existing products and the Group's strong relationship with customers. In addition, the Group will seek to improve profitability by increasing production capacity outside Japan to reduce costs and mitigate foreign exchange fluctuations. Together with the increase in capacity at existing factories in China, Thailand, Malaysia and the Philippines, we intend to further expand production capacity outside Japan.

In regards to its responsibility to society, the Group places equal emphasis on economic, environmental and social perspectives, and strives to fulfill its corporate responsibilities from each perspective. As for corporate governance, the Group has developed a system for assuring appropriateness of operations (internal control system). Taking into consideration feedback from all stakeholders, the Group is building a sound corporate management structure and system. Concrete actions to be taken by the Group include improving management efficiency, strengthening management-monitoring functions, and ensuring thorough compliance with all relevant laws and regulations.

#### (4) Status of capital expenditures

During the period under review, the Group had capital expenditures totaling 101,184 million yen. Primary components were 67,704 million yen in reinforcement and rationalization of production facilities of the Company and its subsidiaries, 10,921 million yen in the acquisition of land and buildings, and 7,380 million yen in reinforcement of research and development facilities.

Additionally, no eliminations or sales were carried out that had a significant effect on production capabilities.

## (5) Status of property and profits

## 1) Status of property and profits of the corporate group

(Millions of yen, %)

	76th Fiscal Term From April 1, 2011 to March 31, 2012	77th Fiscal Term From April 1, 2012 to March 31, 2013		78th Fiscal Term From April 1, 2013 to March 31, 2014		79th Fiscal Term From April 1, 2014 to March 31, 2015	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	584,662	681,021	116.5	846,716	124.3	1,043,542	123.2
Income before Income taxes	50,931	59,534	116.9	132,336	222.3	238,400	180.1
Net income attributable to Murata Corporation	30,807	42,386	137.6	93,191	219.9	167,711	180.0
Total assets	1,000,885	1,087,144	108.6	1,243,687	114.4	1,431,303	115.1
Shareholders' equity	808,542	860,963	106.5	955,760	111.0	1,123,090	117.5
Basic earnings attributable to Murata Corporation per share	Yen 144.35	Yen 200.81	-	Yen 440.63	-	Yen 792.19	-
Shareholders' equity ratio	% 80.8	% 79.2	-	% 76.8	-	% 78.5	-

- (Notes)
1. The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.
  2. The basic earnings attributable to Murata Corporation per share are calculated based on "Accounting Standards Codification (ASC) 260: Earnings Per Share" published by the Financial Accounting Standards Board (FASB) of the United States of America.
  3. 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, %)

	76th Fiscal Term From April 1, 2011 to March 31, 2012	77th Fiscal Term From April 1, 2012 to March 31, 2013		78th Fiscal Term From April 1, 2013 to March 31, 2014		79th Fiscal Term From April 1, 2014 to March 31, 2015	
	Amount	Amount	Year-on-year change	Amount	Year-on-year change	Amount	Year-on-year change
Net sales	495,744	535,155	107.9	635,028	118.7	752,660	118.5
Income before income taxes and extraordinary items	17,921	31,195	174.1	57,892	185.6	120,840	208.7
Net income	17,155	30,601	178.4	51,231	167.4	98,694	192.6
Total assets	608,636	616,263	101.3	714,395	115.9	855,498	119.8
Net assets	384,434	397,445	103.4	430,671	108.4	499,356	115.9
Basic earnings per share	Yen 80.39	Yen 144.98	-	Yen 242.23	-	Yen 466.18	-
Shareholders' equity ratio	% 63.2	% 64.5	-	% 60.3	-	% 58.4	-

(Note) Amounts of less than one million yen are rounded to the nearest million yen.

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

1) The Company (As of March 31, 2015)

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

2) Subsidiaries (As of March 31, 2015)

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 %	Production of components	Echizen-shi, Fukui
Izumo Murata Manufacturing Co., Ltd.	430	100	Production of components	Izumo-shi, Shimane
Toyama Murata Manufacturing Co., Ltd.	450	100	Production of components and modules	Toyama-shi, Toyama
Komatsu Murata Manufacturing Co., Ltd.	300	100	Production of modules	Komatsu-shi, Ishikawa
Kanazawa Murata Manufacturing Co., Ltd.	480	100	Production of components	Hakusan-shi, Ishikawa
Okayama Murata Manufacturing Co., Ltd.	480	100	Production of components and modules	Setouchi-shi, Okayama
TOKO, INC.	17,446	64.2	Production and sales of components	Tsurugashima-shi, Saitama
Murata Electronics North America, Inc.	Thousands of US\$ 14,406	100	Sales of products of the Company and its subsidiaries	United States of America
Murata Company Limited	Thousands of HK\$ 1,400,000	100	Sales of products of the Company and its subsidiaries	People's Republic of China
Murata (China) Investment Co., Ltd.	Thousands of US\$ 120,000	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 <sup>(Note)</sup>	Sales of products of the Company and its subsidiaries	People's Republic of China
Murata Electronics Europe B.V.	Thousands of EURO 220,000	100	Sales of products of the Company and its subsidiaries	Kingdom of the Netherlands

(Note) Ratio includes indirect holdings.

3) Progress and results of business combinations

1. With the intent of strengthening the development structure for RF components, Murata Electronics North America, Inc., a subsidiary of the Company, acquired shares of US-based Peregrine Semiconductor Corp. on December 12, 2014.
2. The number of consolidated subsidiaries is 104, including 12 significant subsidiaries above. The results of business combinations are as stated in "1. Matters concerning status of the corporate group (2) Business progress and results."

(7) Employees

1) Employees of the corporate group

Number of employees	
As of March 31, 2015	Year-on-year change
Persons	Persons
51,794	3,506

(Note) The number of employees is the number of persons in regular employment at the Company (excluding persons seconded outside of the Group), and does not include seasonal, part-time, or temporary employees (1,957 persons).

2) Employees of the Company

Number of employees		Average age	Average length of service
As of March 31, 2015	Year-on-year change		
Persons	Persons	Years	Years
7,425	77	39.5	14.4

(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 (223 persons).

(8) Source of borrowings (As of March 31, 2015)

Counterparty	Balance of borrowings
Mizuho Bank (China), Ltd.	Millions of yen 8,228
Mizuho Bank, Ltd.	4,952
Saitama Resona Bank, Limited	4,100
Sumitomo Mitsui Banking Corporation (China) Limited	3,273
Sumitomo Mitsui Trust Bank, Limited	1,190
Bank of Tokyo-Mitsubishi UFJ (China), Ltd.	804
Other	3,320
Total	25,867

2. Matters Concerning Stock (As of March 31, 2015)

- (1) Total number of authorized shares 581,000,000 shares (Share unit: 100 shares)  
 (2) Total number of issued shares 225,263,592 shares (Includes 13,558,666 shares of treasury stock)  
 (3) Number of shareholders 49,127 persons  
 (4) Major shareholders (Top 10)

Shareholder name	Number of shares held (Thousands of shares)	Ownership ratio (%)
JP Morgan Chase Bank 380055	19,841	9.4
State Street Bank and Trust Company	10,218	4.8
Japan Trustee Services Bank, Ltd. (Trust Account)	9,969	4.7
Nippon Life Insurance Company	7,361	3.5
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,318	3.5
The Bank of Kyoto, Ltd.	5,260	2.5
Meiji Yasuda Life Insurance Company	5,240	2.5
The Shiga Bank, Ltd.	3,551	1.7
The Bank of New York Mellon SA/NV 10	3,164	1.5
Mizuho Bank, Ltd.	3,000	1.4

(Note) Ownership ratio is calculated after subtracting treasury stock (13,558 thousand shares) from the number of issued shares.

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

#### (1) Members of the Board of Directors and Statutory Auditors (As of March 31, 2015)

Post	Positions and responsibilities	Name	Significant concurrent positions	
President	Statutory Representative Director	Tsuneo Murata	Fukui Murata Manufacturing Co., Ltd. Murata Science Foundation	Statutory Representative Director, President Chairman
Executive Deputy President	Statutory Representative Director	Yoshitaka Fujita	The Murata (China) Investment Co., Ltd.	President
Member of the Board of Directors	Senior Executive Vice President Director of Production Engineering Unit Responsible for Power Device Products Division	Koji Makino		
Member of the Board of Directors	Executive Vice President Director of Communication Business Unit	Norio Nakajima	Komatsu Murata Manufacturing Co., Ltd. Kanazawa Murata Manufacturing Co., Ltd. Okayama Murata Manufacturing Co., Ltd.	Statutory Representative Director, President Statutory Representative Director, President Statutory Representative Director, President
Member of the Board of Directors	Vice President General Manager of Accounting, Finance, and Corporate Planning Group Responsible for Security Export Administration Office	Yoshito Takemura	TOKO, INC.	Outside Director
Member of the Board of Directors		Yasuro Tanahashi	Yokogawa Electric Corporation Internet Initiative Japan Inc. San Holdings, Inc.	Outside Director Outside Director Outside Director
Member of the Board of Directors		Hiroaki Yoshihara	Hitachi, Ltd.	Outside Director
Statutory Auditor	Standing Statutory Auditor	Yukio Yoshino		
Statutory Auditor	Standing Statutory Auditor	Junichi Tanaka		
Statutory Auditor		Masakazu Toyoda	The Institute of Energy Economics, Japan Nitto Denko Corporation CANON ELECTRONICS INC.	Chairman & CEO Outside Statutory Auditor Outside Director
Statutory Auditor		Shizuo Nakanishi	Konan Graduate School of Accountancy	Professor
Statutory Auditor		Kazuto Nishikawa	Sumitomo Dainippon Pharma Co., Ltd.	Outside Audit & Supervisory Board Member

- (Notes)
- Members of the Board of Directors Messrs. Yasuro Tanahashi and Hiroaki Yoshihara are Outside Directors as stipulated by Article 2, Paragraph 15 of the Companies Act.
  - Statutory Auditors Messrs. Masakazu Toyoda, Shizuo Nakanishi, and Kazuto Nishikawa are Outside Statutory Auditors as stipulated by Article 2, Paragraph 16 of the Companies Act.
  - The Company has designated Members of the Board of Directors Messrs. Yasuro Tanahashi, Hiroaki Yoshihara, and Statutory Auditors Messrs. Masakazu Toyoda, Shizuo Nakanishi, and Kazuto Nishikawa as independent directors / auditors as specified in the regulations of Tokyo Stock Exchange, Inc. and registered them thereto.
  - Statutory Auditor Mr. Junichi Tanaka has experience in finance and accounting operations at the Company, and possesses adequate knowledge in the fields of finance and accounting.  
Statutory Auditor Mr. Shizuo Nakanishi is a certified public accountant, and possesses adequate knowledge in the fields of finance and accounting.
  - There are no special interests between the Company and companies, etc., at which Members of the Board of Directors Messrs. Yasuro Tanahashi, Hiroaki Yoshihara, and Statutory Auditors Messrs. Masakazu Toyoda, Shizuo Nakanishi, and Kazuto Nishikawa hold concurrent positions.
  - The Company has a total of 19 Vice Presidents, and aside from Members of the Board of Directors above that hold concurrent positions as Director, the Company has 16 Vice Presidents.



(2) Compensation, etc., of Members of the Board of Directors and Statutory Auditors

Category	Persons	Amount of compensation, etc.
Members of the Board of Directors	7	316
Statutory Auditors	5	73
Total	12	389

- (Notes) 1. The above amounts of compensation, etc., for Members of the Board of Directors do not include employee compensation provided to Members of the Board of Directors concurrently serving as employees.
2. Of the above, total compensation, etc., provided to 5 Outside Directors is 48 million yen.
3. By resolution of the General Meeting of Shareholders, the maximum amount of compensation (per annum) is 600 million yen for Members of the Board of Directors (resolved at the Ordinary General Meeting Shareholders in June 2007) and 80 million yen for Statutory Auditors (resolved at the Ordinary General Meeting Shareholders in June 1998). However, this does not include employee compensation and bonuses provided to Members of the Board of Directors concurrently serving as Vice Presidents. Additionally, solely for instances where a change of residence is unavoidable due to operational requirements, upon collecting usage fees for corporate housing based on standards set by the Company, the Company shall provide corporate housing that allows for commute to the branch or division to execute business, and the maximum amount of compensation in lieu of cash that shall be borne by the Company in this instance is 20 million yen (resolved at the Ordinary General Meeting Shareholders in June 2003).

(3) Key activities of outside officers

Category	Name	Key activities
Outside Director	Yasuro Tanahashi	Mr. Yasuro Tanahashi attended 13 of 14 meetings of the Board of Directors, and, as required, made comments based on his extensive knowledge and abundant experience as a manager.
	Hiroaki Yoshihara	Mr. Hiroaki Yoshihara attended 13 of 14 meetings of the Board of Directors, and, as required, made comments based on his abundant consulting experience to global companies and extensive knowledge as an accounting specialist.
Outside Statutory Auditor	Masakazu Toyoda	Mr. Masakazu Toyoda attended 13 of 14 meetings of the Board of Directors and all 12 meetings of the Board of Statutory Auditors, and, as required, made comments based on his views and abundant experience as a specialist in the field of industrial economics.
	Shizuo Nakanishi	Mr. Shizuo Nakanishi attended 12 of 14 meetings of the Board of Directors and all 12 meetings of the Board of Statutory Auditors, and, as required, made comments based on his extensive knowledge as an accounting specialist.
	Kazuto Nishikawa	Mr. Kazuto Nishikawa attended all 14 meetings of the Board of Directors and all 12 meetings of the Board of Statutory Auditors, and, as required, made comments based on his extensive knowledge as a specialist in the fields of taxation and finance.

(Note) For the period under review, the Company implemented one written resolution of the Board of Directors as stipulated by Article 370 of the Companies Act, but this is not included in the above number of meetings.

(4) Summary of liability limitation agreements

The Company has entered into liability limitation agreements with Outside Directors and Outside Statutory Auditors to restrict liabilities for damages as stipulated by Article 423, Paragraph 1 of the Companies Act, and the liability limit under these agreements is the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

#### 4. Matters Concerning the Independent Auditor

##### (1) Name of Independent Auditor

Deloitte Touche Tohmatsu LLC

##### (2) Independent Auditor Compensation, etc., for the period under review

	Category	Amount of compensation, etc.
		Millions of yen
(1)	Compensation, etc., as Independent Auditor	163
(2)	Total amount of cash and other beneficial property payable by the Company and its subsidiaries	209

- (Notes)
1. 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.
  2. The Company compensates the Independent Auditor for the creation of reports to be filed with overseas taxation authorities which are activities outside the scope of operations under Article 2, Paragraph 1 of the Certified Public Accountants Act.
  3. 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., and Murata Electronics Europe B.V. 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 Board of Statutory Auditors determines that any of the items in Article 340, Paragraph 1 of the Companies Act apply to the Independent Auditor and that dismissal is appropriate, the Independent Auditor shall be dismissed upon unanimous approval of the Board of Statutory Auditors. Additionally, if the Board of Statutory Auditors determines that the Independent Auditor cannot appropriately fulfill its duties, the Board of Statutory Auditors 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.

(Note) Pursuant to promulgation of the "Act to Partially Amend the Companies Act" (Act No. 90 of 2014) on May 1, 2015, the body to determine the dismissal or nonrenewal of the Independent Auditor has been changed from the Board of Directors to the Board of Statutory Auditors.

#### 5. Systems to Secure the Appropriateness of Company Operations

The Company positions corporate governance as one of its most important management issues, and the Board of Directors has defined a basic policy regarding the maintenance of a system to secure the appropriateness of company operations (internal control system), as shown below. Based on the above, the Company works to consider all stakeholders, maintain a management control organization and system, improve management efficiency, strengthen management monitoring functions, and strictly adhere to laws and regulations.

##### (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

- 1) The Company shall appoint Outside Directors to strengthen operational execution decisions of the Board of Directors and monitoring functions of business execution by Members of the Board of Directors.
- 2) The Company shall establish an organizational committee to evaluate the maintenance and operational conditions of the internal control system, and work to maintain and continuously improve the internal control system.
- 3) In order to fulfill corporate social responsibilities, the Company shall establish various organizational committees regarding areas such as compliance, risk management, and the environment, in addition to establishing an organizational committee to collectively manage these organizations, continuously and systematically promoting unified CSR management of the Group.
- 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 conduct business activities based on high ethical standards, the Company shall define and work to spread regulations regarding corporate ethical standards, action guidelines, and compliance, in addition to working to maintain and execute these systems.
- 6) In order to appropriately deal with issues related to compliance, the Company shall establish a reporting hotline within and outside of the Company, and ensure that measures are in place such that there is no detriment to reporters.
- 7) The Company shall clearly define within its corporate ethical standards and action guidelines 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 standards and guidelines.
- 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 and Statutory Auditors.
- 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 Group's risk management structure and operational status shall be conducted at an organizational committee regarding risk management. Additionally, evaluations will be made regarding countermeasures against significant risks, driving forward the activities of the Group.

- (4) System to secure efficient execution of duties by Members of the Board of Directors
- 1) The Company shall formulate long and medium term policies and based on these policies, yearly policies, budgets, and action plans, and manage progress and confirm status of achievement.
  - 2) The Company shall implement a Vice President system, and by separating decision making for management policies and important business execution with daily business execution, strengthen monitoring functions and business execution functions.
  - 3) To conduct appropriate decision making, approval regarding matters that are defined in the internal regulations of the Company shall be conducted via group approval procedures utilizing information technology (IT), with deliberation from concerned Members of the Board of Directors, Vice Presidents, and significant employees.
  - 4) As a deliberation body to supplement decision making by the Board of Directors and Statutory Representative Directors, the Company shall establish a management execution committee composed of executive Members of the Board of Directors and Members of the Board of Directors who concurrently serve as Vice Presidents. The management execution committee shall receive reports and deliberate on matters that are defined in the internal regulations of the Company.
  - 5) Various information regarding the status of business execution shall be periodically and as required provided to concerned Members of the Board of Directors, Vice Presidents, and employees, and a system to share information shall be established via the use of IT.
- (5) System to secure appropriate business in the corporate group, composed of the Company and its subsidiaries
- 1) The Group, shall share corporate policy that acts as a fundamental management policy, in addition to strictly enforcing and sharing regulations regarding the corporate ethical standards, action guidelines, and compliance.
  - 2) The Group shall establish regulations and procedures regarding decision making. Based on these, deliberations will be made with subsidiaries regarding the business operations of subsidiaries, in addition to sharing various information regarding business operations of the Group.
  - 3) Divisions that supervise the various business functions of the Company shall define frameworks, processing procedures, and judgment standards for duties to ensure that duties within the 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 Group are conducted appropriately and efficiently, adhering to laws and regulations and the internal regulations of the Company, etc.
  - 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 employees in the event that Statutory Auditors request employees to assist in their duties, matters regarding the independence of these employees from Members of the Board of Directors, and matters regarding securing the ability to execute orders from Statutory Auditors given to these employees
- 1) The Company shall establish a Statutory Auditor Office to assist the duties of Statutory Auditors, and station an appropriate number of dedicated employees.
  - 2) Employees of the Statutory Auditor Office shall not receive supervision or orders from Members of the Board of Directors. Additionally, for matters regarding human resources of employees of the Statutory Auditor Office, Members of the Board of Directors must consult with and obtain permission from Statutory Auditors.
- (7) System for reporting to Statutory Auditors and system to ensure that parties that report to Statutory Auditors do not receive detrimental treatment as a result of reporting
- 1) Members of the Board of Directors, Vice Presidents, and employees shall submit to Statutory Auditors minutes and materials from management execution meetings, etc., group approval documents of the Group, and periodic reports of business reports, etc., and also report on facts that may conflict with the corporate ethical standards and action guidelines, 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 Group that conflict with laws and regulations, the corporate ethical standards, action guidelines, or other internal regulations of the Company, or may cause significant harm to the Group, Members of the Board of Directors, Vice Presidents, and employees shall immediately report to the Statutory Auditors.
  - 3) In the event that facts are discovered regarding the business execution of the Group that conflict with laws and regulations, the corporate ethical standards, action guidelines, or other internal regulations of the Company, or may cause significant harm to the Group, Members of the Board of Directors, Vice Presidents, and employees or parties that received such reports shall report to the Statutory Auditors.
  - 4) Apart from the previous items, if requested by Statutory Auditors, Members of the Board of Directors, 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 Statutory Auditors
- 1) Members of the Board of Directors shall maintain an environment that allows for Statutory Auditors to attend important meetings.
  - 2) Members of the Board of Directors and employees shall conform to the "Audit Plan" as formulated on a yearly basis by the Board of Statutory Auditors, and cooperate to allow for effective audits.
  - 3) Members of the Board of Directors and employees shall cooperate with and fulfill the requests of Statutory Auditors in the event that evaluation hearings are required with lawyers or the Independent Auditor.
  - 4) Fees, etc., incurred as a result of the execution of duties by Statutory Auditors shall be borne by the Company.
  - 5) Members of the Board of Directors and employees shall cooperate with and fulfill the requests of Statutory Auditors during the course of cooperation between the Statutory Auditors and the Independent Auditor.
  - 6) The Internal Audit Department shall work to cooperate with the Statutory Auditors.
  - 7) Statutory Representative Directors, etc., shall hold periodic meetings with Statutory Auditors and work to exchange information.

(Note) Due to the promulgation of the "Act to Partially Amend the Companies Act" (Act No. 90 of 2014) and the "Ministerial Ordinance to Partially Amend Enforcement Regulation, etc., of the Companies Act" (Ordinance of the Ministry of Justice No. 6 of 2015), contents have been partially amended upon resolution at a meeting of the Board of Directors on April 30, 2015, and the above basic policy reflects these changes.

Additionally, the changes were made to reflect the current state of the Group regarding systems to ensure appropriateness of operations of the Group and systems regarding auditing, and to modify expressions to be more specific and clear in line with revisions to laws and regulations.

## Consolidated Balance Sheets

(As of March 31, 2015)

(Millions of yen)

Item	Amount	Item	Amount
Assets	1,431,303	Liabilities	292,372
Current assets	815,849	Current liabilities	198,534
Cash	139,685	Short-term borrowings	11,154
Short-term investments	146,413	Trade accounts payable	54,535
Marketable securities	72,199	Accrued payroll and bonuses	36,256
Trade notes receivable	649	Income taxes payable	49,960
Trade accounts receivable	233,024	Accrued expenses and other	46,629
Allowance for doubtful notes and accounts	(1,010)	Long-term liabilities	93,838
Inventories	186,299	Long-term debt	9,652
Deferred tax assets	28,296	Termination and retirement benefits	68,679
Prepaid expenses and other	10,294	Deferred tax liabilities	13,957
Property, plant and equipment	385,986	Other	1,550
Land	50,170	Equity	1,138,931
Buildings	325,479	Murata Corporation's Shareholders' equity	1,123,090
Machinery and equipment	788,743	Common stock	69,377
Construction in progress	30,510	Capital surplus	103,864
Accumulated depreciation	(808,916)	Retained earnings	970,374
Investments and other assets	229,468	Accumulated other comprehensive income:	39,793
Investments	94,877	Unrealized gains on securities	7,114
Intangible assets	59,915	Pension liability adjustments	(5,511)
Goodwill	56,102	Foreign currency translation adjustments	38,190
Deferred tax assets	7,625	Treasury stock, at cost	(60,318)
Other	10,949	Noncontrolling interests	15,841
Total assets	1,431,303	Total liabilities and total equity	1,431,303

## Consolidated Statements of Income

( From April 1, 2014  
to March 31, 2015 )

(Millions of yen)

Item	Amount	
Net sales		1,043,542
Operating expenses		
Cost of sales	629,206	
Selling, general and administrative	134,811	
Research and development	64,990	829,007
Operating income		214,535
Other income		
Interest and dividend income	3,360	
Interest expense	(425)	
Foreign currency exchange gain	18,101	
Other - net	2,829	23,865
Income before income taxes		238,400
Income taxes		
Current income tax	77,558	
Deferred income tax	(6,463)	71,095
Net income		167,305
Less: Net loss attributable to noncontrolling interests		(406)
Net income attributable to Murata Corporation		167,711

## Consolidated Statements of Shareholders' Equity

( From April 1, 2014  
to March 31, 2015 )

(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	Treasury stock			
Balance at March 31, 2014	225,263,592	69,377	103,864	834,419	8,385	(60,285)	955,760	15,872	971,632
Purchases of treasury stock at cost						(33)	(33)		(33)
Net income				167,711			167,711	(406)	167,305
Cash dividends				(31,756)			(31,756)	(116)	(31,872)
Other comprehensive income, net of tax					31,408		31,408	798	32,206
Equity transaction with noncontrolling interests and other								(307)	(307)
Balance at March 31, 2015	225,263,592	69,377	103,864	970,374	39,793	(60,318)	1,123,090	15,841	1,138,931

## 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: 104

Major consolidated subsidiaries:

Fukui Murata Manufacturing Co., Ltd.  
Izumo Murata Manufacturing Co., Ltd.  
Toyama Murata Manufacturing Co., Ltd.  
Komatsu Murata Manufacturing Co., Ltd.  
Kanazawa Murata Manufacturing Co., Ltd.  
Okayama Murata Manufacturing Co., Ltd.  
TOKO, INC., Murata Electronics North America, Inc.  
Murata Company Limited  
Murata (China) Investment Co., Ltd.  
Murata Electronics Trading (Shanghai) Co., Ltd.  
Murata Electronics Europe B.V.

2) Number of unconsolidated subsidiaries

None

3) Number of affiliated companies

1 (All companies are accounted for by equity method.)

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

(Consolidated subsidiaries)

Six companies were newly consolidated.

Peregrine Semiconductor Corp., etc.

Two companies were excluded from consolidation.

Murata Electronics (Netherlands) B. V., etc.

### 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 120-2, 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 contained in the latter segment of the aforementioned Paragraph, 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 ASC 320, "Investments - Debt and Equity Securities", the Companies classify all debt securities and marketable equity securities as available-for-sale and carry 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. Gains and losses on sales of investments are computed on an average cost basis. Equity securities that do not have a readily determinable fair value are recorded at average cost.

(4) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment has been principally computed using the declining-balance method.

(5) Goodwill and other intangible assets

The Companies account for goodwill and other intangible assets in accordance with ASC 350, "Intangibles - Goodwill and Other".

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

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

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

(6) Termination and retirement benefits

Termination and retirement benefits, accounted for in accordance with ASC 715, "Compensation - Retirement benefits", are provided at the amount incurred during the period, which is based on the estimated present value of the projected benefit obligation less the fair value of plan assets at the end of the period.

The Company and certain domestic subsidiaries converted part of their retirement plans to defined contribution pension plans in January 2015.

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.

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) Accounting for consumption taxes

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

(Notes to Consolidated Balance Sheet)

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

2. Notes discounted 13 million yen

(Marketable securities and investment securities)

The cost and amortized cost, gross unrealized gains, gross unrealized losses and fair value for available-for sale securities by major security type  
(Millions of yen)

Type	Cost and amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
Governmental debt securities	2,822	7	-	2,829
Private debt securities	141,816	487	115	142,188
Equity securities	7,408	9,332	0	16,740
Investment trusts	3,015	-	24	2,991
Total	155,061	9,826	139	164,748

The aggregate carrying amount of non-listed shares that do not have a readily determinable fair value that are valued at cost is 2,328 million yen. Of this, 2,316 million yen is not subject to events or environmental changes that would have a significant effect on the fair value, and as the fair value is not readily determinable from a practical standpoint, impairment evaluations have not been made.

Maturity dates of fair value of available-for-sale securities (governmental debt securities, private debt securities, and investment trusts)  
(Millions of yen)

Maturity date	Available-for-sale securities Governmental debt securities, private debt securities, and investment trusts
Within 1 year	72,199
Over 1 year, within 5 years	75,809
Over 5 years	-
Total	148,008

Sales amount, realized gains, and realized losses for available-for-sale securities  
(Millions of yen)

	Amount
Sale amount	1,490
Realized gains	402
Realized losses	357



(Financial instruments and concentration of risk)

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

1. Assets and liabilities

(1) Financial instruments, short-term borrowings, trade accounts payable, and long-term debt contained within cash, short-term investments, trade notes receivable, and other noncurrent assets

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

(2) Marketable securities and investment securities

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

2. Financial derivatives

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

The Group records changes in fair value of forward exchange contracts and interest rate swap transactions as gains or losses upon their occurrence.

Estimated principal on forward exchange contracts and interest rate swap transactions

(Millions of yen)

	Estimated principal
Forward exchange contracts	96,336
Interest rate swap contracts	5,300

Fair value of forward exchange contracts and interest rate swap transactions

(Millions of yen)

	Assets		Liabilities	
	Item	Fair value	Item	Fair value
Forward exchange contracts	Prepaid expenses and other current assets	228	Accrued expenses and other current liabilities	655
Interest rate swap contracts	Prepaid expenses and other current assets	—	Accrued expenses and other current liabilities	87

3. Concentration of credit risk

The Group conducts sales in the global electronic device market.

In general, the Group grants credit to its customers, and the recovery possibility of these trade receivables is affected by conditions in the electronics industry. However, the 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	5,304.98 yen
2. Basic earnings attributable to Murata Corporation per share	792.19 yen

(Other)

On November 13, 2007 (local time), US-based SynQor, Inc. (hereinafter "SynQor") alleged that certain power supply products sold by the Group infringed on US patents it held, and filed a patent infringement lawsuit in the Eastern District of Texas Federal Court (hereinafter "Federal Court"). On November 18, 2013 (local time), a judgment was reached, ordering the Company and its subsidiaries to pay approximately 20,980 thousand US dollars in damages.

As expenses related to the litigation, the Group recorded 25,291 thousand US dollars during the year ended March 31, 2012, and completed payment during the year ended March 31, 2013.

Additionally, on October 6, 2011 (local time), SynQor filed a lawsuit for damages in the Federal Court regarding shipments of these items after the injunction had been put into place (January 24, 2011 [local time]). On March 31, 2014 (local time), the Federal Court reached first judgment, ordering the payment of 1,327 thousand US dollars in damages by a subsidiary of the Company. SynQor filed an appeal with the United States Federal Court of Appeals. Furthermore, concerning this matter, it is possible to claim damages from a third party via contract, and as such, the Company has not recorded any allowances.

## Balance Sheets

(As of March 31, 2015)

Item	Amount	Item	Amount
Assets	855,498	Liabilities	356,142
Current assets	467,229	Current liabilities	315,596
Cash	99,755	Trade accounts payable	59,352
Trade notes receivable	145	Short-term borrowings	97,980
Trade accounts receivable	212,613	Current portion of long-term borrowings	100,941
Marketable securities	69,670	Other accounts payable	9,538
Merchandise and finished goods	6,522	Accrued expenses	14,089
Raw materials and supplies	17,280	Accrued income tax	32,001
Work in process	12,744	Other	1,693
Accounts receivable	38,009	Long-term liabilities	40,545
Deferred tax assets	7,298	Long-term borrowings	6,804
Other	3,206	Termination and retirement benefits	33,219
Allowance for doubtful notes and accounts	(18)	Other	522
Noncurrent assets	388,269	Net assets	499,356
Property, plant and equipment	61,702	Murata Corporation's Shareholders' equity	492,293
Buildings	23,351	Common stock	69,376
Structures	2,796	Capital surplus	109,202
Machinery	11,787	Legal capital surplus	107,666
Vehicles	34	Other capital surplus	1,536
Equipment	3,734	Retained earnings	374,031
Land	17,460	Legal retained earnings	7,899
Construction in progress	2,537	Other retained earnings	366,132
Intangible assets	19,569	Reserve for reduction entry of land	13
Investments and other assets	306,997	Reserve for special depreciation	530
Investment securities	92,308	Reserve for reduction entry of replaced property	51
Shares of subsidiaries and associates	173,478	General reserve	162,707
Investments in capital of subsidiaries and associates	13,745	Retained earnings brought forward	202,828
Long-term loans receivable	11,609	Treasury stock	(60,317)
Deferred tax assets	9,245	Valuation and translation adjustments	7,063
Other	6,636	Valuation difference on other marketable securities	7,063
Allowance for doubtful notes and accounts	(25)		
Total assets	855,498	Total liabilities and total net assets	855,498

## Income Statements

( From April 1, 2014  
to March 31, 2015 )

(Millions of yen)

Description	Amount	
Net sales		752,660
Cost of sales		569,807
Gross profit		182,852
Selling, general and administrative		122,677
Operating income		60,174
Non-operating income		
Interest and dividend income	47,223	
Foreign currency exchange gain	13,533	
Other	2,237	62,994
Non-operating expenses		
Interest expense	406	
Other	1,922	2,329
Ordinary income		120,840
Extraordinary losses		
Impairment loss	1,884	1,884
Income before income taxes		118,955
Current income tax	20,077	
Deferred income tax	183	20,261
Net income		98,694

## Statements of Shareholders' Equity

( From April 1, 2014  
to March 31, 2015 )

(Millions of yen)

	Murata Corporation's Shareholders' equity							
	Common stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						Reserve for reduction entry of land	Reserve for special depreciation	Reserve for reduction entry of replaced property
Balance at April 1, 2014	69,376	107,666	1,536	109,202	7,899	12	615	48
Changes of items during period								
Cash dividends								
Net income								
Purchases of treasury stock at cost								
Disposal of treasury stock			0	0				
Reversal of reserve for special depreciation							(138)	
Provision of reserve for special depreciation							31	
Change in reserve due to change in statutory tax rate						0	23	2
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	0	0	—	0	(84)	2
Balance at March 31, 2015	69,376	107,666	1,536	109,202	7,899	13	530	51

	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, 2014	162,707	135,809	307,093	(60,284)	425,388	5,283	5,283	430,671	
Changes of items during period									
Cash dividends		(31,756)	(31,756)		(31,756)			(31,756)	
Net income		98,694	98,694		98,694			98,694	
Purchases of treasury stock at cost				(33)	(33)			(33)	
Disposal of treasury stock				0	0			0	
Reversal of reserve for special depreciation		138	—		—			—	
Provision of reserve for special depreciation		(31)	—		—			—	
Change in reserve due to change in statutory tax rate		(26)	—		—			—	
Net changes of items other than shareholders' equity						1,780	1,780	1,780	
Total changes of items during period	—	67,019	66,938	(33)	66,905	1,780	1,780	68,685	
Balance at March 31, 2015	162,707	202,828	374,031	(60,317)	492,293	7,063	7,063	499,356	

## Notes to Unconsolidated Financial Statements

(Notes to significant accounting policies)

### 1. Valuation standards and valuation methods of assets

#### (1) Valuation standards and valuation methods of marketable securities

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

#### (2) Valuations standards and valuation methods of derivatives

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

#### (3) Valuation standards and valuation methods of inventories

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

### 2. Depreciation method for noncurrent assets

#### (1) Property, plant and equipment

Declining balance 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  
Furthermore, software for internal use is amortized by the straight-line method based on an estimated useful life of 3 to 10 years.

### 3. Standards for recording of allowances

#### (1) Allowance for doubtful notes and accounts

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

#### (2) Termination and retirement benefits

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

Additionally, from April 2015, the Company has resolved to transition a portion of its lump-sum pension payment system to a defined contribution pension system.

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 five 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 tax, etc.

Amounts are exclusive of consumption tax.

#### (2) Application of consolidated taxation system

The consolidated taxation system is applied.

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

(Notes to unconsolidated balance sheets)

1. Accumulated depreciation of property, plant and equipment	174,521 million yen
2. Short-term monetary claims with affiliated companies	218,333 million yen
Long-term monetary claims with affiliated companies	13,337 million yen
Short-term monetary liabilities with affiliated companies	239,660 million yen
Long-term monetary liabilities with affiliated companies	6,803 million yen
3. Export bill discount value	3 million yen
4. Guarantee liabilities	1,400 million yen

(Millions of yen)

Guarantee	Guarantee amount	Content of guarantee
Philippines Murata Land and Building, Inc.	1,351	Borrowings
Murata Electronics (Malaysia) Sdn. Bhd.	38	Borrowings, etc.
Other	10	Borrowings
Total	1,400	

(Notes to the unconsolidated income statements)

1. Transactions with affiliated companies	
Business transactions	
Net sales	622,914 million yen
Purchase turnover	530,178 million yen
Non-business transactions	
Interest income	100 million yen
Dividend income	44,831 million yen
Asset transfer	769 million yen
Interest expense	399 million yen
Asset purchase	262 million yen
2. Research and development expenses	60,609 million yen

(Notes to statements of shareholders' equity)

1. Type and total number of issued shares as of March 31, 2015

    Common stock           225,263,592 shares

2. Type and number of treasury stock as of March 31, 2015

    Common stock           13,558,666 shares

3. Matters concerning dividends

(1) Amount of dividends paid

Resolution	Type of stock	Total amount of dividends (Millions of yen)	Dividends per share (yen)	Record date	Effective date
June 27, 2014 Ordinary General Meeting of Shareholders	Common stock	14,819	70	March 31, 2014	June 30, 2014
October 31, 2014 Meeting of the Board of Directors	Common stock	16,936	80	September 30, 2014	December 1, 2014

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

As a proposal at the Ordinary General Meeting of Shareholders on June 26, 2015, the Company plans to propose the following concerning dividends for common stock.

1) Total amount of dividends	21,170 million yen
2) Dividends per share	100 yen
3) Record date	March 31, 2015
4) Effective date	June 29, 2015

Source of funds for dividends are scheduled to be used as retained earnings.

(Notes to tax effect accounting)

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

(1) Current

Deferred tax assets		Deferred tax liabilities	
Accrued bonuses	3,021 million yen	Other marketable securities	
Accrued enterprise tax	1,545 million yen	Valuation adjustment	<u>51 million yen</u>
Inventories	1,445 million yen	Total deferred tax liabilities	51 million yen
Accrued expenses	487 million yen	Elimination with deferred tax assets	
Asset adjustment calculation	294 million yen	Net deferred tax liabilities	(51) million yen
Other	<u>554 million yen</u>		- million yen
Total deferred tax assets	7,350 million yen		
Elimination with deferred tax liabilities	(51) million yen		
Net deferred tax assets	7,298 million yen		

(2) Noncurrent

Deferred taxes		Deferred tax liabilities	
Termination and retirement benefits	10,666 million yen	Other marketable securities	
Tangible and intangible assets	2,396 million yen	Valuation adjustment	2,954 million yen
Stock of affiliated companies	1,314 million yen	Reserve for special depreciation	251 million yen
Investment securities	564 million yen	Other	36 million yen
Other	199 million yen	Total deferred tax liabilities	3,243 million yen
Deferred tax assets subtotal	15,142 million yen	Elimination with deferred tax assets	
Valuation allowance	<u>(2,653) million yen</u>	Net deferred tax liabilities	(3,243) million yen
Total deferred tax assets	12,489 million yen		- million yen
Elimination with deferred tax liabilities	(3,243) million yen		
Net deferred tax assets	9,245 million yen		

2. Effective statutory tax rate and difference in income tax, etc., after application of tax effect accounting

Effective statutory tax rate	35.4 %
(Adjustments)	
Exemption for dividend income	(13.4) %
Tax exemption for R&D promotion tax system	(6.5) %
Downward adjustment in year-end deferred tax assets due to changes in tax rate	1.5 %
Other	<u>0.0 %</u>
Income tax rate after application of tax effect accounting	<u>17.0 %</u>



(Notes to transactions with related parties)

1. Subsidiaries and affiliated companies, etc.

(Millions of yen)

Type	Name of company, etc.	Percentage ownership of voting rights held	Relationship with related parties	Summary of transactions	Transaction amount	Item	Balance at period end
Subsidiary	Fukui Murata Manufacturing Co., Ltd.	Direct holdings 100%	Production of the Company's products Concurrently serving officers	Procurement of products, etc. (Note 1)	106,644 (Note 2)	Trade accounts payable	8,885 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	51,754 157	Short-term borrowings Current portion of long-term borrowings Long-term borrowings	66,580
Subsidiary	Izumo Murata Manufacturing Co., Ltd.	Direct holdings 100%	Production of the Company's products Concurrently serving officers	Procurement of products, etc. (Note 1)	99,714 (Note 2)	Trade accounts payable	2,812 (Note 2)
				Borrowing of funds Payment of interest (Note 3)	20,508 40	Short-term borrowings Current portion of long-term borrowings	18,833
Subsidiary	Toyama Murata Manufacturing Co., Ltd.	Direct holdings 100%	Production of the Company's products Concurrently serving officers	Borrowing of funds Payment of interest (Note 3)	11,127 17	Short-term borrowings Current portion of long-term borrowings	11,679
Subsidiary	Kanazawa Murata Manufacturing Co., Ltd.	Direct holdings 100%	Production of the Company's products Concurrently serving officers	Borrowing of funds Payment of interest (Note 3)	25,637 65	Short-term borrowings Current portion of long-term borrowings	33,702
Subsidiary	Okayama Murata Manufacturing Co., Ltd.	Direct holdings 100%	Production of the Company's products Concurrently serving officers	Borrowing of funds Payment of interest (Note 3)	13,142 18	Short-term borrowings Current portion of long-term borrowings	17,384
Subsidiary	Murata Company Limited	Direct holdings 100%	Sales of products of the Company and subsidiaries	Sales of products, etc. (Note 1)	211,896	Trade accounts receivable	77,030
Subsidiary	Murata Electronics Trading (Shanghai) Co., Ltd.	Indirect holdings 100%	Sales of products of the Company and subsidiaries Concurrently serving officers	Sales of products, etc. (Note 1)	100,268	Trade accounts receivable	49,476
Subsidiary	Murata Electronics North America, Inc.	Indirect holdings 100%	Sales of products of the Company and subsidiaries Concurrently serving officers	Undertaking of capital increase	72,289	-	-

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 tax. Balance at period end includes consumption tax.

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

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

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

2. Officers and primary shareholders, etc.

(Millions of yen)

Type	Name of company, etc. or person	Percentage ownership of voting rights held	Relationship with related parties	Summary of transactions	Transaction amount	Item	Balance at period end
Officer and related parties	Tsuneo Murata	Direct holdings 0.7%	Statutory Representative Director, President of the Company	Transactions with the Murata Science Foundation, for which he serves as Chairman *Donation of cash	300	-	-

\*For a third party.

(Notes to amounts per share)

Net assets per share 2,358.74 yen  
Net income per share 466.18 yen

(Other notes)

1. 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.

(2) Matters concerning termination and retirement benefit liabilities (As of March 31, 2015)

a. Termination and retirement benefit liabilities	91,396 million yen
b. Pension assets	62,273 million yen
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c. Termination and retirement benefit liabilities in excess of pension assets (a – b)	29,122 million yen
d. Unrecognized actuarial differences	3,098 million yen
e. Unrecognized prior service cost	(7,195) million yen
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f. Termination and retirement benefits (c – d – e)	33,219 million yen

(3) Matters concerning termination and retirement expenses

a. Service cost	4,045 million yen
b. Interest expenses	1,165 million yen
c. Expected operational profit	(1,380) million yen
d. Recorded amount of actuarial difference expenses	228 million yen
e. Recorded amount of prior service cost	(1,520) million yen
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f. Termination and retirement expenses (a + b + c + d + e)	2,539 million yen

(4) Matters concerning calculation of termination and retirement benefits

a. Distribution period method for expected termination and retirement benefits	Benefit formula standard
b. Discount rate	1.1 %
c. Expected operational profit rate	2.5 %
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.)