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Notice Regarding Revision of Director Remuneration System

Murata Manufacturing Co., Ltd. (the “Company”) hereby announces that it has resolved at the Board of Directors meeting held today to revise the director remuneration system as described below and to submit a proposal regarding this system revision to the 89th Annual General Meeting of Shareholders scheduled to be held on June 27, 2025.

1. Purpose of Director Remuneration System Revision

Within the Remuneration Advisory Committee, the Company has been discussing a director remuneration system that supports dramatic growth as it works toward Vision 2030, as well as sustainable value creation beyond that, through the practice of Shaze, which is the Company’s management philosophy .

As a result, the Board of Directors meeting held today resolved to implement a revision of the director remuneration system (hereinafter referred to as the “Revision”) for the Company’s internal directors who are not Audit and Supervisory Committee members (hereinafter referred to as “Eligible Directors”) in accordance with the following basic policy.

[Basic Policy for Director Remuneration System]

In order to create a remuneration system that supports the embodiment of “Innovator in Electronics” through the practice of the Company’s philosophy, which aims for creating shared value with stakeholders to contribute to sustainable corporate value enhancement, the following basic policy for the director remuneration system shall be established.

- The director remuneration system should share the values of its stakeholders, including shareholders, employees, customers, society, and communities, etc.
- Short-term incentive remuneration should maintain and deepen a corporate culture in which the Company’s officers and employees work together autonomously, cooperate and collaborate toward sustainable company development through the creation of innovation
- Medium- to long-term incentive remuneration should increase Directors’ morale and motivation toward the creation of medium- to long-term economic value and social value
- The remuneration system should have a structure in which a highly independent Remuneration Advisory Committee proactively verifies the appropriateness of the director remuneration system structure and remuneration amounts from the perspective of medium- to long-term value creation

2. Overview of the Revision

(1) Review of Remuneration Composition Ratio and Setting of Appropriate Remuneration Levels

The remuneration for the Company's Eligible Directors has consisted of basic remuneration (fixed remuneration) and variable remuneration, with variable remuneration comprising bonuses as short-term incentive remuneration and restricted stock remuneration (RS) as medium- to long-term incentive remuneration.

In this Revision, the Company aims to strengthen incentives for enhancing medium- to long-term corporate value by expanding the ratio of stock remuneration in the total remuneration for Eligible Directors through the introduction of performance-linked stock remuneration (performance share units; PSU) system as a new medium- to long-term incentive remuneration.

The remuneration levels and composition ratios were determined after conducting remuneration benchmarking with a group of companies similar to the Company in terms of industry or size, based on the "Executive Remuneration Database" operated by an external remuneration consulting company (Willis Towers Watson, or WTW), and after verifying consistency with the basic policy for the director remuneration system.

Specifically, for the President and Representative Director, the remuneration composition ratio (basic remuneration : bonus : stock remuneration) has been changed from approximately 2:2:1 to approximately 1:1:2. This remuneration composition ratio is based on the standard amount for bonuses and stock remuneration.

(2) Revision of Bonuses

The Company's bonuses have been intended to serve as incentives for creating economic value during each fiscal year.. They have been calculated by multiplying the standard amount for each position by a factor (0% to 200%) according to the achievement level of performance evaluation indicators, with consolidated operating profit and ROIC (pre-tax basis) as the performance evaluation indicators.

In this Revision, the company will change the calculation method and performance evaluation indicators to enhance the sense of unity between executives and employees, which is the source of the Company's value creation, and aim to further increase corporate value.

Specifically, the performance evaluation indicator will be limited to consolidated operating profit only, and bonuses will be calculated by multiplying the consolidated operating profit by predetermined position-specific multipliers. However, the range of variation in payment amounts will be 0% to 200% of the standard payment amount defined for each position. Furthermore, from the perspective of strengthening incentives for medium- to long-term corporate value enhancement, ROIC has been reorganized to be one of the performance evaluation indicators for performance-linked stock remuneration (PSU).

(3) The Introduction of Performance-linked Stock Remuneration System

As incentives for creating mid-term corporate value over three consecutive fiscal years, the Company will newly introduce a post-delivery performance-linked stock remuneration (performance share units) system (hereinafter referred to as "PSU") that varies the number of shares to be delivered according to the achievement level of predetermined performance evaluation indicators, creating a two-tier stock remuneration system together with the restricted stock remuneration system (hereinafter referred to as "RS") introduced at the 81st Annual General Meeting of Shareholders held on June 29, 2017. The performance evaluation indicators for PSU will be average ROIC (after-tax basis), relative TSR, and sustainability indicators during the target period (please refer to Appendix 1 for details about the stock remuneration system).

Furthermore, the Company intends to make a portion of the performance-linked stock remuneration (the portion linked to average ROIC [after-tax basis] and relative TSR) performance-linked remuneration under the Corporation Tax Act, and the performance evaluation indicators and calculation method will be disclosed in the Securities Report.

(4) Revision of the Share Ownership Guidelines

From the perspective of further strengthening value sharing with stakeholders, ~~on~~ the Company previous target required the President and Representative Director to hold shares equivalent to 2.0 times their fixed remuneration within five years of appointment to their position, and other Executive Directors to hold shares equivalent to 1.5 times their fixed remuneration within five years of appointment to their respective positions.

Under this Revision, the President and Representative Director will be required to hold shares equivalent to 3.0 times their fixed remuneration within five years of appointment to their position, and other Executive Directors will be required to hold shares equivalent to 1.5 times their fixed remuneration within five years of appointment to their position as before. Additionally, ~~we~~ the Company will explicitly stipulate that the President and Representative Director and other Executive Directors must continue to hold, at minimum, shares at or above the required level after reaching the standard.

(5) Repayment of Remuneration, etc. (Malus and Clawback Provisions)

Before the Revision, to ensure the soundness of the directors' remuneration system, the Company established a provision whereby, based on the decision of the Board of Directors following deliberations by the Remuneration Advisory Committee, the right to receive a bonus before it was paid and the stock remuneration before the lifting of transfer restrictions were fully or partially forfeited under certain circumstances, such as misconduct or retrospective adjustments to financial statements due to fraudulent accounting.

Under this Revision, remuneration types to which this provision apply will be expand, and all or part of variable remuneration (bonuses, PSU, RS) will be forfeited or repaid regardless of whether it has been paid or delivered.

This provision will apply to variable remuneration paid or delivered from fiscal 2025 onward, and the target period will be the fiscal year in which the relevant event occurred and the three preceding fiscal years.

Table 1: Overview of Executive Directors' Remuneration System and Variable Remuneration Mechanism

Remuneration types			Overview and reasons for selection of performance-linked remuneration indicators
Fixed	Basic remuneration		• Determined according to representative rights and position • Paid monthly
Variable	Short-term	Bonuses	• Cash remuneration intended to serve as an incentive for creating economic value during each fiscal year • The performance evaluation indicator is consolidated operating profit, which is the same calculation indicator as for employee bonuses and contributes to the growth of sales and revenue with the appropriate profit margins that the Company emphasizes. • The payment amount is calculated by multiplying the performance value of the performance evaluation indicator by a predetermined position-specific multiplier as described below. However, the range of variation in the payment amount shall be 0% to 200% of the standard amount determined by position. Bonus payment amount = Consolidated operating profit x Position-specific multiplier • In principle, bonuses are paid in June after the end of the fiscal year.

	Medium-term	Performance-linked stock remuneration (PSU)	• Stock remuneration intended to serve as an incentive for medium-term corporate value enhancement over three consecutive fiscal years • The performance evaluation indicators and the reasons for their selection are as shown in Table 2. • In each year of service, standard share units (1 unit = 1 share of the Company's stock) equivalent to a predetermined standard amount by position are granted, and three years after these are granted, the number of Confirmed Stock Units to be delivered is determined by multiplying by a payment rate (varying from 0% to 200%) according to the achievement status of performance evaluation indicator targets. 50% of the Confirmed Stock Units will be delivered as shares, and the remainder will be paid in cash for the purpose of covering tax expenses. $\text{Number of shares delivered} = \text{Standard share units} \times \text{Payment rate} \times 50\%$ $\text{Cash payment amount} = (\text{Standard share units} \times \text{Payment rate} - \text{Number of shares delivered}) \times \text{Share price at time of delivery}$ • In principle, standard share units are granted in July.
	Long-term	Restricted stock remuneration (RS)	• Stock remuneration intended to enhance long-term value sharing between directors and shareholders and to increase motivation to contribute to the sustainable enhancement of corporate value • The transfer restriction on the granted RS will be lifted when directors and executive officers retire from both positions due to expiration of term or mandatory retirement, etc. • The grant value of RS is determined according to the standard amount for each position. • In principle, RS is granted in July.

(Note) 1. PSU is an abbreviation for Performance Share Unit.

2. RS is an abbreviation for Restricted Stock.

Table 2: Reasons for Selection of PSU Performance Evaluation Indicators, Evaluation Weights, and Payment Rates

Performance evaluation indicators	Reasons for selection	Evaluation weight	Range of payment rate	Each evaluation period
Average ROIC (after-tax basis)	Creation of economic value with emphasis on capital efficiency	50%	0%–200%	3 years
Relative TSR	Sustainable enhancement of corporate value	30%	0%–200%	3 years
Sustainability Indicators	Creation of social value	20%	0%–200%	1 year

(Note) For Sustainability Indicators, the Company has set an individual evaluation period of one year (the first year of the performance evaluation period) from the perspective of evaluating measures for each fiscal year the social value targets set forth in the Company's Mid-term Direction 2027. Therefore, although it will be evaluated on a single fiscal year, The Company's shares will be delivered after end of the three consecutive fiscal years, which is the performance evaluation period.

Table 3: Remuneration Composition Ratio for President and Representative Director

	Fixed remuneration	Variable remuneration		
		<-----Performance-linked----->		
Remuneration composition ratio	Basic remuneration Approx. 28%	[Short-term] Bonuses Approx. 25%	[Med-term] Performance-linked stock remuneration (PSU) Approx. 33%	[Long-term] Stock remuneration (RS) Approx. 14%
Payment format	Cash		Shares + Cash	Shares

- (Note) 1. This remuneration composition ratio is based on the standard amount for bonuses and stock remuneration.
2. 50% of the performance-linked stock remuneration will be paid in cash for the purpose of covering tax expenses.

Appendix 1: Performance-based Stock Remuneration (Performance Share Unit) System Overview

This system is a post-delivery performance-based stock remuneration (Performance Share Unit) program designed to serve as an incentive for mid-term corporate value enhancement over three consecutive fiscal years. Under this system, common shares of the Company (hereinafter referred to as “Company Shares”) will be delivered, along with cash payments intended to cover the resulting tax obligations.

The delivery of Company Shares will, in principle, take place after the performance evaluation period ends. Eligible Director for this program will be granted monetary remuneration claims, which will be contributed in full as in-kind contributions when the Company issues or disposes of shares, resulting in the delivery of Company Shares.

For the initial implementation of this system, the first grant period will be one year from the date of the Annual General Meeting of Shareholders for the fiscal year ended March 2025 to the day before the Annual General Meeting of Shareholders for the fiscal year ending March 2026. The first performance evaluation period will cover the three fiscal years from the fiscal year ending March 31, 2026 to the fiscal year ending March 31, 2028. In subsequent years, the Company plans to continue implementing this system within the scope approved in this proposal, with a one-year grant period based on the date of the Annual General Meeting of Shareholders and a performance evaluation period covering three consecutive fiscal years.

(1) Calculation Method for the Number of Company Shares to be Delivered and the Amount of Cash To Be Paid

Under this system, the number of Company Shares to be delivered and the amount of cash to be paid to each Eligible Director will be determined, by multiplying the number of units (hereinafter referred to as “Standard Stock Units”) granted to each Eligible Director according to their position for each year in office (1 unit = 1 Company Share) by a payment rate (ranging from 0% to 200%) based on the achievement of performance evaluation indicators. This determination will be made by resolution of the Board of Directors based on the deliberation and recommendation of the Remuneration Advisory Committee.

The number of the units (hereinafter referred to as “Confirmed Stock Units”) calculated by multiplying the Standard Stock Units allocated to each Eligible Director by the payment rate determined after the performance evaluation period, in principle, monetary remuneration claims for the purpose of delivering Company Shares will be provided for 50% of the units, while the remaining portion will be paid in cash for the purpose of covering tax obligations arising from the delivery of Company Shares.

The total amount of such monetary remuneration claims and cash will be calculated by multiplying the number of Confirmed Stock Units by the closing price of the Company Shares on the Tokyo Stock Exchange (Prime Market) on the business day immediately preceding the date of the Board of Directors’ resolution concerning the allotment of Company Shares based on this system after the end of the performance evaluation period (if no closing price is published that day, the calculation will be made using the most recent day on which a closing price is available; this shall hereinafter be referred to as the “Delivery Time Stock Price”).

The total number of Confirmed Stock Units will be limited to 200,000 shares per year ^(Note 1), the total number of Company Shares to be delivered to Eligible Directors (hereinafter referred to as “Maximum Deliverable Shares”) will be limited to 100,000 shares per year ^(Note 1), and the annual upper limit of the total amount of monetary remuneration claims and tax-purpose cash to be paid to Eligible Directors will be the amount calculated by multiplying the upper limit of the total number of Confirmed Stock Units, which is 200,000 shares per year, by the Delivery Time Stock Price.

The percentage of this total Maximum Deliverable Shares among the total number of issued shares is effectively less than 0.0051% per fiscal year, representing a minimal dilution rate.

The calculation formula is as follows:

(A) Number of Company Shares to be delivered to each Eligible Director:

Standard Stock Units ^(Note 2) x payment rate x 50%

(B) Amount of tax-purpose cash to be paid to each Eligible Director:

{(Standard Stock Units x payment rate – number of Company Shares in (A) above)} x Delivery Time Stock Price

(C) Amount of monetary remuneration claims to be paid to each Eligible Director:

Number of Company Shares in (A) above x Delivery Time Stock Price

Note 1: After the date of approval of this proposal, if a stock split (including gratis allotment of the Company's common shares) or stock consolidation of the Company's common shares is conducted, or if any other circumstance arises requiring adjustment to the total number of the Company's common shares to be issued or disposed of, such total number will be adjusted within a reasonable range.

Note 2: This will be determined annually for each Eligible Director according to their position, after deliberation by the Remuneration Advisory Committee.

(2) Treatment in the Case of Retirement

For Eligible Directors who retire during the performance evaluation period due to expiration of their term of office or other legitimate reasons, Company Shares and cash reasonably calculated according to their period of service as a director, executive officer, or in any other position determined by the Board of Directors of the Company shall be delivered and paid at the time of retirement.

In the case that an Eligible Director retires due to death during the performance evaluation period, without requiring an in-kind contribution of monetary remuneration claims, a reasonable amount of cash calculated based on the total amount of monetary remuneration claims and cash that would have been reasonably calculated for the Eligible Director in question, taking into consideration the period of service of the Eligible Director in question, shall be paid to the heir who becomes the successor of the Eligible Director in question. No Company Shares shall be delivered to this heir.

Except in cases where the Board of Directors determines that there is expiration of the term of office, death, or another legitimate reason, the Company shall forfeit all granted Standard Stock Units.

(3) Treatment in the Case of Organizational Restructuring

If, during the performance evaluation period, a merger agreement in which the Company becomes an absorbed company, a share exchange agreement or share transfer plan in which the Company becomes a wholly owned subsidiary, or any other matter related to organizational restructuring is approved at a general meeting of shareholders of the Company (or by the Board of Directors of the Company in cases where such organizational restructuring does not require approval at a general meeting of shareholders of the Company), the Company may, without requiring an in-kind contribution of monetary remuneration claims, pay a reasonable amount of cash calculated based on the total amount of monetary remuneration claims and cash that would have been reasonably calculated for the Eligible Director in question, taking into consideration the period until the effective date of such organizational restructuring.

(4) Conditions for the Delivery of Company Shares and Payment of Cash under This System

- (1) The Eligible Director held the position of director or executive officer of the Company or any other position determined by the Board of Directors of the Company as of the start date of the grant period
- (2) The Eligible Director did not engage in certain misconduct as defined by the Board of Directors of the Company or other circumstances deemed by the Board of Directors to warrant forfeiture of granted units
- (3) The Eligible Director fulfills other requirements established by the Board of Directors of the Company as necessary to achieve the purpose of the performance-based stock remuneration

Reference:

If this proposal is approved as originally proposed, the Company plans to introduce a similar performance-based stock remuneration system for executive officers in addition to internal directors who are not Audit and Supervisory Committee Members.

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