

Earnings Release Conference Second Quarter of FY2017 (July 1, 2017 to September 30, 2017)

October 31, 2017

Murata Manufacturing Co., Ltd.



<http://www.murata.com/ir/library/index.html>

1. Second Quarter of FY2017

From July 1, 2017 to September 30, 2017
Consolidated Basis

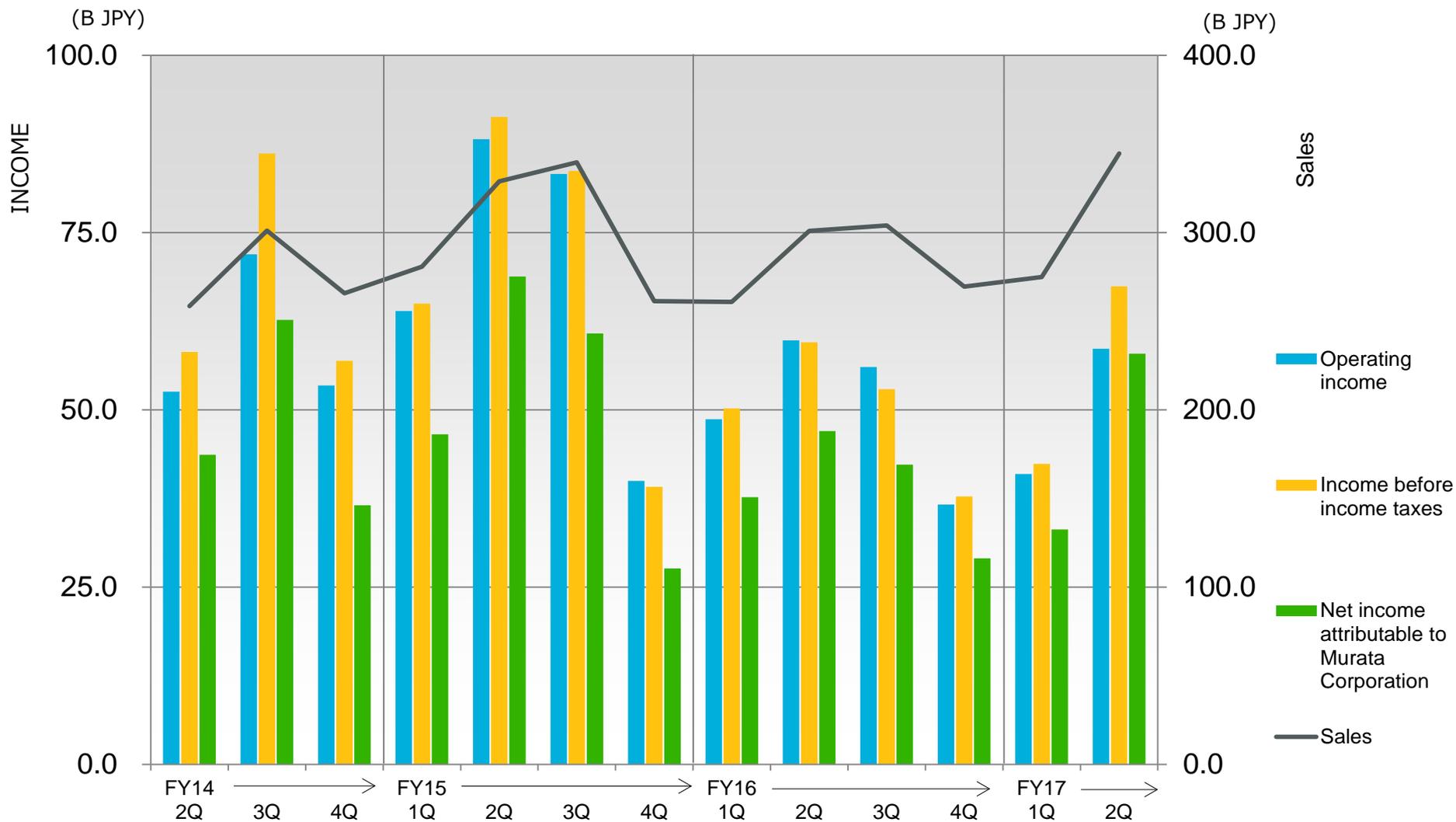
Topics of Financial Results for FY2017 Second Quarter

- In Q2, net sales reached the planned figure. Despite the postponement of the recognition for new communication products, products for car electronics, PCs, and AV equipment were successful.
- Net sales for H1 achieved a 10% year-on-year increase. Despite the slow recovery of smartphone production in China affecting products for communication equipment, demand for electronic components increased, with the greatest contribution coming from components such as capacitors used in a range of applications including car electronics, PCs, and AV equipment.
- Due to increases in depreciation and amortization and investments to expand production capacity for new products, operating income for H1 fell by 8% while H1 operating income ratio dipped by 3.2 percentage points to 16.1%.

Topics of Financial Results for FY2017 Second Quarter

- Full-year projections have been corrected. Reasons include a substantial increase in production costs due to slow progress in improving percent defective for new products, a less favorable product mix due a lower demand for profitable products, and an increase in investments. Operating income is expected to be 170.0 billion.

Quarterly Financial Results

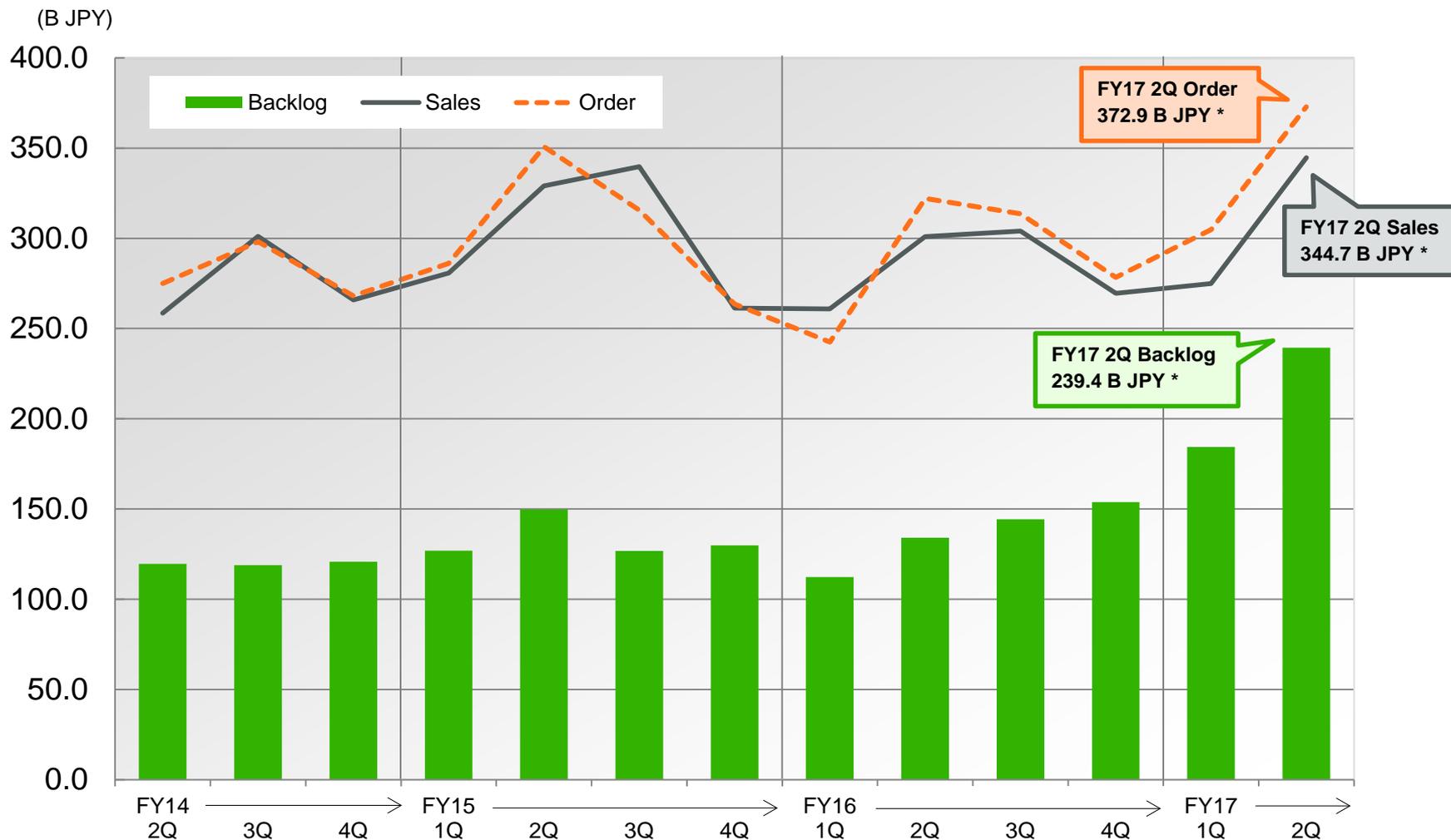


Financial Results Overview

	FY2016 First Half		FY2017 First Half				Q on Q Change		Y on Y Change			
	(a)	(b)	(c)		(d)		(c) vs. (b)		(d) vs. (a)			
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)		
Net sales	561.9	100.0	275.0	100.0	344.7	100.0	619.6	100.0	+69.7	+25.3	+57.7	+10.3
Operating income	108.5	19.3	40.9	14.9	58.6	17.0	99.6	16.1	+17.7	+43.2	(8.9)	(8.2)
Income before income taxes	109.7	19.5	42.4	15.4	67.4	19.6	109.8	17.7	+25.0	+59.1	+0.1	+0.1
Net income attributable to Murata Corporation	84.7	15.1	33.1	12.1	57.9	16.8	91.1	14.7	+24.8	+74.8	+6.4	+7.5

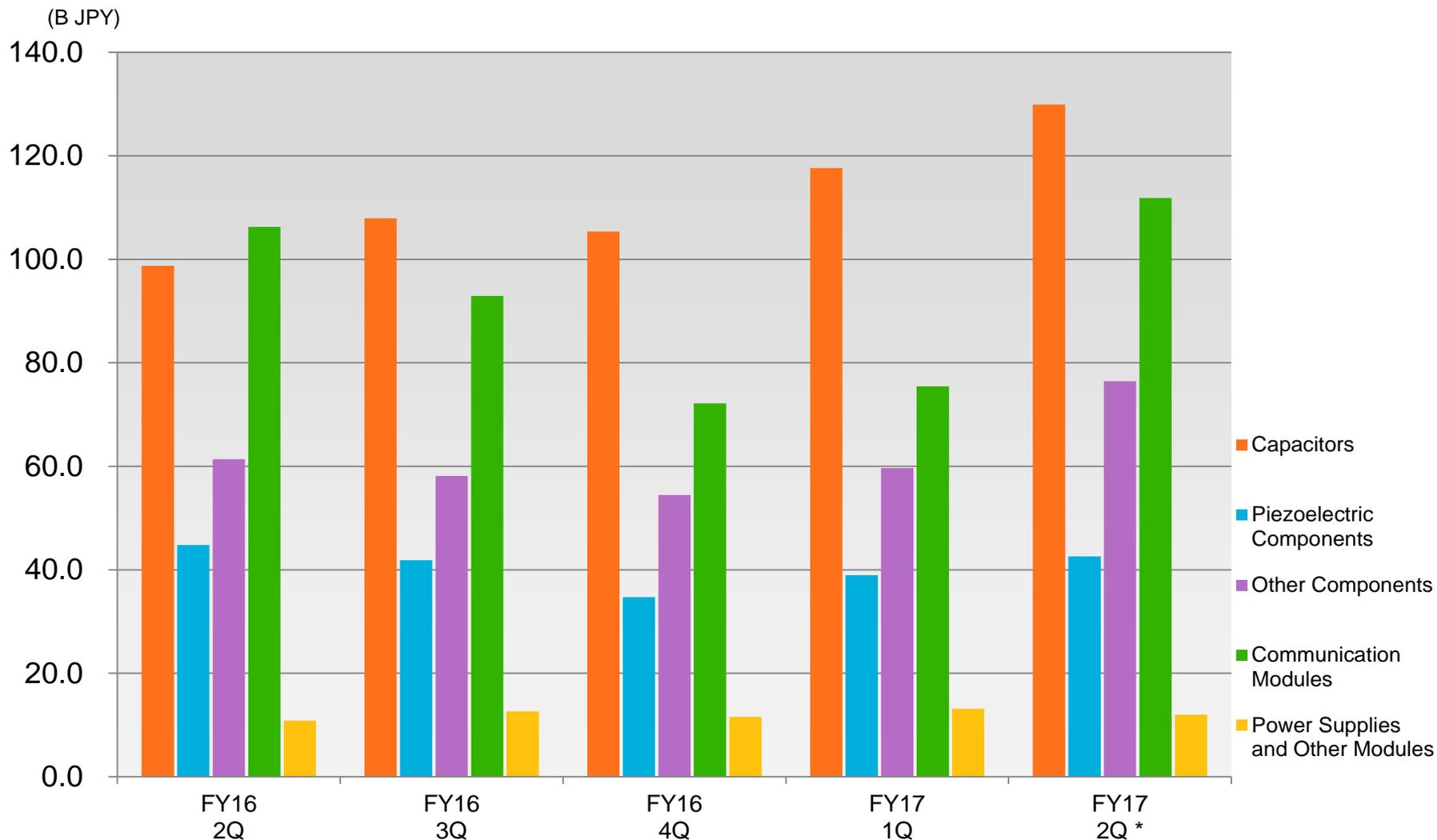
Average exchange rates Yen/US dollar	105.35	111.1	111.04	111.07
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Quarterly Sales, Order and Backlog



* The battery business transferred from Sony Corporation's Sales, Order and Backlog were included.

Orders by Product



* The orders of the battery business transferred from Sony Corporation were included in Other Components since September 1, 2017.

Sales by Product

	FY2016 First Half		FY2017 First Half				Q on Q Change		Y on Y Change	
	(a)		(b)	(c)	(d)		(c) vs. (b)		(d) vs. (a)	
	(B JPY)	(%)	(B JPY)	(B JPY)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Capacitors	177.4	31.7	96.3	112.7	209.0	33.8	+16.4	+17.0	+31.6	+17.8
Piezoelectric Components	89.2	15.9	37.5	41.0	78.5	12.7	+3.5	+9.3	(10.6)	(11.9)
Other Components	110.1	19.6	54.6	73.0	127.7	20.7	+18.4	+33.6	+17.6	+16.0
Communication Modules	161.2	28.8	73.7	104.6	178.3	28.8	+30.9	+41.9	+17.2	+10.7
Power Supplies and Other Modules	22.6	4.0	12.1	12.5	24.6	4.0	+0.4	+3.5	+2.0	+8.9
Net sales	560.4	100.0	274.3	343.9	618.2	100.0	+69.6	+25.4	+57.8	+10.3

Sales by Product

FY17 First Half vs. FY16 First Half

<p>Capacitors +17.8%</p>	<p>Multilayer ceramic capacitors : Sales of Ultra-compact MLCCs and High-capacitance MLCCs significantly increased for wide range products for car electronics, gaming hardware and PC.</p>
<p>Piezoelectric Components (11.9%)</p>	<p>SAW filters : Sharp decline due to inventory adjustment for Chinese smartphones.</p>
<p>Other Components +16.0%</p>	<p>Inductor (Coil) : Sales of high frequency coils increased for Smartphones and EDP.</p> <p>EMI suppression filter : Sales increased for car electronics and gaming hardware.</p> <p>Lithium Ion Batteries : Net sales first recognized following the completion of the acquisition process during Q2.</p>
<p>Communication Modules +10.7%</p>	<p>Wireless modules : Increased sales due to an increase in the production of high-end smartphones and tablet PCs featuring Murata components.</p> <p>Multilayer resin substrates : More products used in high-end smartphones.</p> <p>RF sub module : Lower sales due to a reduction of the Murata share of the market for components used in high-end smartphones.</p>
<p>Power Supplies and Other Modules +8.9%</p>	<p>Power Supplies : Sales increased for industry.</p>

Sales by Product

FY17 Second Quarter vs. FY17 First Quarter

<p>Capacitors +17.0%</p>	<p>Multilayer ceramic Capacitors : Sales of Ultra-compact MLCCs and High-capacitance MLCCs significantly increased for wide range products for communication, gaming hardware and car electronics.</p>
<p>Piezoelectric Components +9.3%</p>	<p>SAW filters : Slow recovery due to an improved inventory cycle for Chinese.</p>
<p>Other Components +33.6%</p>	<p>Inductors (Coil)/ EMI suppression filter : Sales increased for Smartphones, EDP, Automotive.</p> <p>Connector : Sales increased for high-end smartphones.</p> <p>Lithium Ion Batteries : Net sales first recognized following the completion of the acquisition process during Q2.</p>
<p>Communication Modules +41.9%</p>	<p>Wireless modules / Multilayer resin substrates / RF sub module : Sales increased for high-end smartphone.</p>
<p>Power Supplies and Other Modules +3.5%</p>	<p>Power Supplies : Sales increased for industry.</p>

Sales by Application

	FY2016 First Half		FY2017 First Half				Q on Q Change		Y on Y Change	
	(a)	(b)	(c)	(d)	(e)	(f)	(g) vs. (b)	(h) vs. (a)	(i) vs. (a)	(j) vs. (a)
	(B JPY)	(%)	(B JPY)	(B JPY)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
AV	22.6	4.0	13.7	17.2	30.9	5.0	+3.5	+25.4	+8.3	+36.9
Communication	323.9	57.8	136.7	190.0	326.7	52.8	+53.3	+39.0	+2.7	+0.8
Computers and Peripherals	79.0	14.1	46.4	51.9	98.3	15.9	+5.5	+11.9	+19.3	+24.4
Automotive Electronics	79.8	14.2	44.6	47.5	92.1	14.9	+3.0	+6.6	+12.4	+15.5
Home Electronics and Others	55.1	9.9	32.9	37.2	70.1	11.4	+4.3	+13.1	+15.0	+27.3
Net sales	560.4	100.0	274.3	343.9	618.2	100.0	+69.6	+25.4	+57.8	+10.3

* Based on our estimate

Sales by Application FY17 First Half vs. FY16 First Half

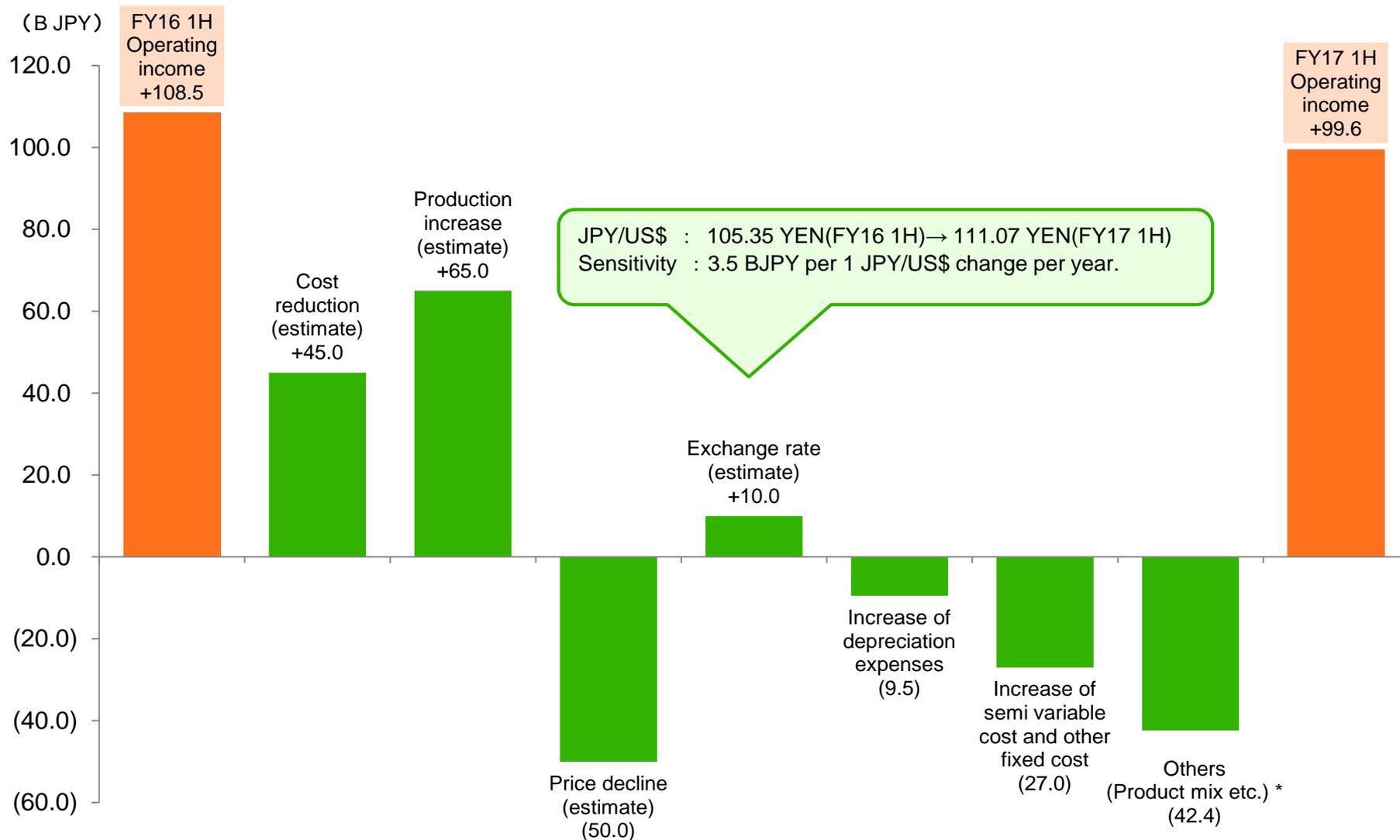
<p>AV +36.9%</p>	<p>Sales of MLCCs, inductor, EMI suppression filter and Wireless modules for STB and gaming hardware increased.</p>
<p>Communication +0.8%</p>	<p>Sales of wireless modules, Multilayer resin substrates and ultra-compact and high-capacitance MLCCs increased for High-end smartphone.</p> <p>Sales of MLCCs for medium voltage increased for base-stations.</p> <p>Communication modules posted lower sales due to a reduction in the Murata share.</p> <p>Sales of SAW filters significantly decreased due to inventory adjustment for Chinese smartphone.</p>
<p>Computers and Peripherals +24.4%</p>	<p>Sales of wireless modules and ultra-compact and high-capacitance MLCCs increased for PC.</p> <p>Sales of shock sensors and actuators for HDD decreased.</p>
<p>Automotive Electronics +15.5%</p>	<p>Sales of MLCCs for automotive and EMI suppression filter increased thanks to advanced automotive electrification.</p> <p>Sales of wireless modules increased for car navigation device.</p>

Sales by Application FY17 Second Quarter vs. FY17 First Quarter

<p>AV +25.4%</p>	<p>Sales of MLCCs, inductor and EMI suppression filter significantly increased for gaming hardware.</p> <p>Sales of wireless modules increased for set-top boxes.</p>
<p>Communication +39.0%</p>	<p>Substantial growth for many components, such as capacitors, short-range wireless communication modules, and multilayer resin substrates, used mainly for new smartphone models</p> <p>SAW filters followed a recovery path following the completion of a round of inventory adjustment for products for Chinese smartphones.</p>
<p>Computers and Peripherals +11.9%</p>	<p>Sales of Wireless modules and MLCCs increased for tablet PC and note PC.</p> <p>Sales of MLCCs increased for server.</p>
<p>Automotive Electronics +6.6%</p>	<p>Sales of MLCCs and EMI suppression filters increased thanks to advanced automotive electrification.</p> <p>Sales of Ultra-sonic sensors increased for safety devices.</p>

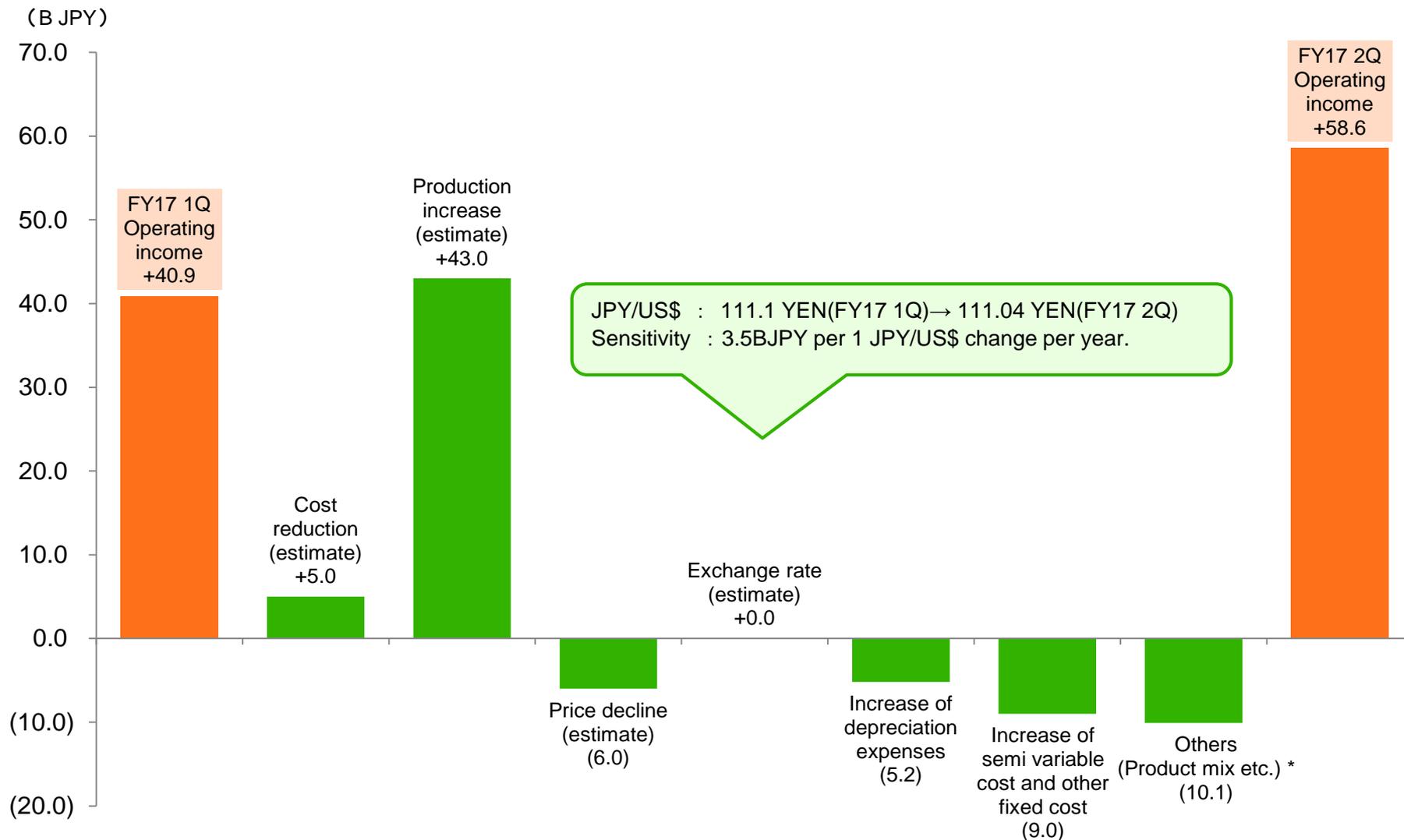
*Based on our estimate

Breakdown of Operating Income Changes FY16 First Half to FY17 First Half



* Breakdown of Operating Income Changes of the battery business transferred from Sony Corporation were included in Others (Product mix etc.).

Breakdown of Operating Income Changes FY17 First Quarter to FY17 Second Quarter



* Breakdown of Operating Income Changes of the battery business transferred from Sony Corporation were included in Others (Product mix etc.).

2. Projected Financial Results for FY2017

(From April 2017 to March 2018)

Projection of Demand (Communication)

	FY2016		FY2017 Projection		
Mobile Phones Total (units)	1,780 M	→	1,740 M	(2%)	
2G/3G	680 M	→	530 M	(20%)	
LTE	1,100 M	→	1,210 M	+10%	
Smartphones	1,560 M	→	1,570 M	+1%	

Projection of Demand (PC)

	FY2016		FY2017 Projection		
PCs (units)	450 M	→	430 M	▲ 5%	
Desktop	120 M	→	110 M	▲ 5%~▲ 10%	
Notebook	160 M	→	160 M	Flat	
Tablet	170 M	→	160 M	▲ 5%~▲ 10%	

Projected Sales by Product

	FY2017 Projections (Growth Ratio against FY2016)	FY2017 Second Half Projections (Growth Ratio against First Half)
Capacitors	+17%	+6%
Piezoelectric Components	(5%)	+5%
Other Components	+49%	+59%
Communication Modules	+19%	+18%
Power Supplies and Other Modules	+7%	(4%)
Total	+20%	+20%

Projected Sales by Application



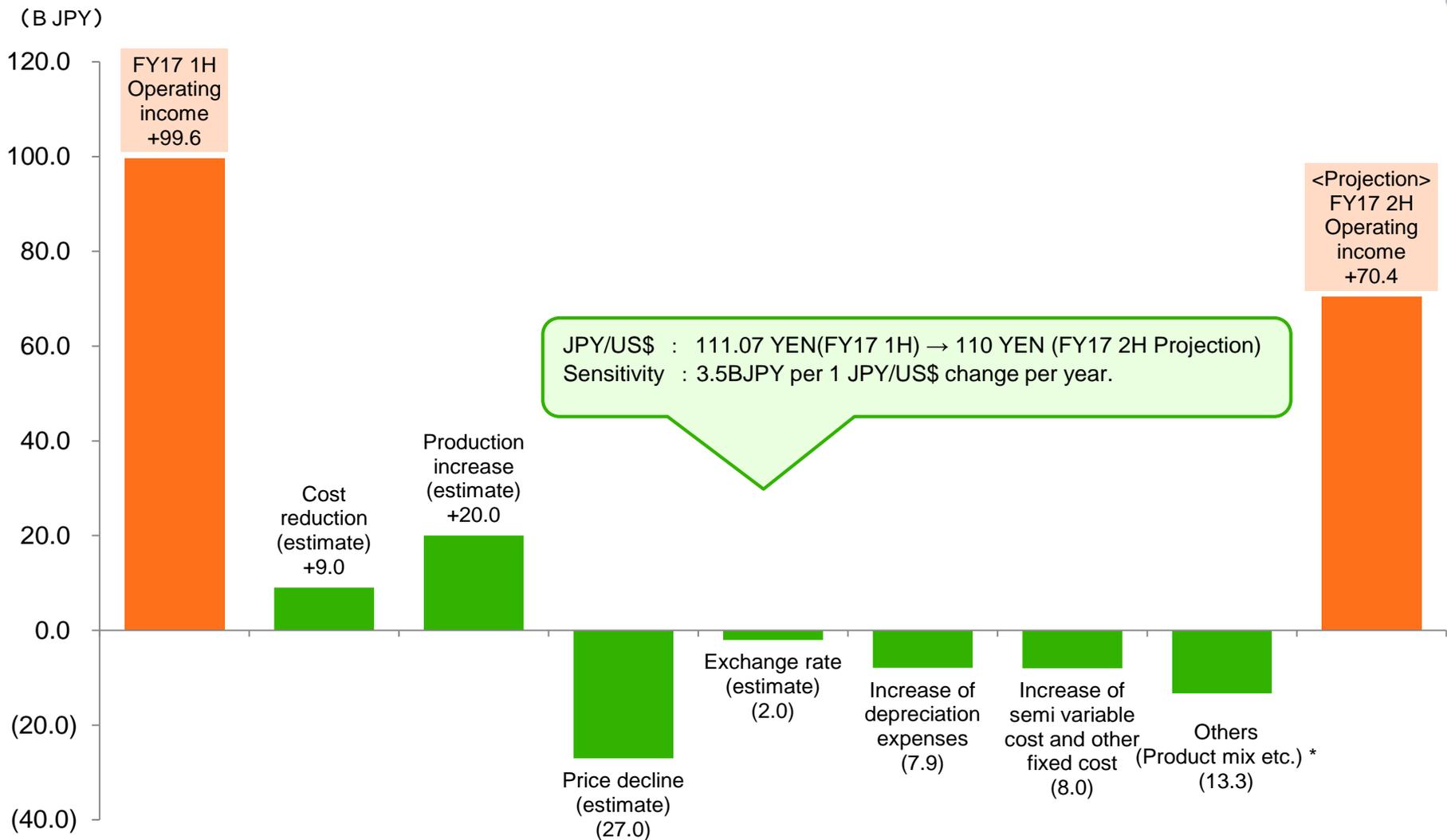
	FY2017 Projections (Growth Ratio against FY2016)	FY2017 Second Half Projections (Growth Ratio against First Half)
AV	+57%	Flat
Communication	+13%	+19%
Computers and Peripherals	+16%	+1%
Automotive Electronics	+16%	+13%
Home Electronics and Others	+58%	+55%
Total	+20%	+20%

* Based on our estimate

Projected Financial Results for FY2017

	Previous (April 2017)			Revised (October 2017)					
	1st Half	2nd Half	FY2017 Projections	First Half Results		Second Half Projections		FY2017 Projections	
				(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Net sales	600.0	625.0	1,225.0	619.6	100.0	742.4	100.0	1,362.0	100.0
Operating income	108.0	118.0	226.0	99.6	16.1	70.4	9.5	170.0	12.5
Income before income taxes	110.0	120.0	230.0	109.8	17.7	70.2	9.5	180.0	13.2
Net income attributable to Murata Corporation	84.0	90.0	174.0	91.1	14.7	52.9	7.1	144.0	10.6
Average exchange rates Yen/US dollar	108.00			111.07		110.00		110.54	

Breakdown of Operating Income Changes FY17 First Half to FY17 Second Half Projection



* Breakdown of Operating Income Changes of the battery business transferred from Sony Corporation were included in Others (Product mix etc.).

Projected Financial Results for FY2017

	FY2017 First Half Results	FY2017 Second Half Projections	FY2017 Projections
Depreciation and amortization	60.5 B JPY	73.5 B JPY	134.0 B JPY
R & D expenses	44.6 B JPY	47.4 B JPY	92.0 B JPY
Capital expenditures	132.8 B JPY	127.2 B JPY	260.0 B JPY
Average exchange rate (JPY/USD)	111.07	110.00	
Average exchange rate (JPY/EUR)	126.29	130.00	

Dividends per Share

FY2017 projected annual dividends per share

260 JPY per share

(Interim: 130 JPY per share, Year-end: 130 JPY per share)

*40 yen increase of year-end dividend per share

FY2016 annual dividends per share

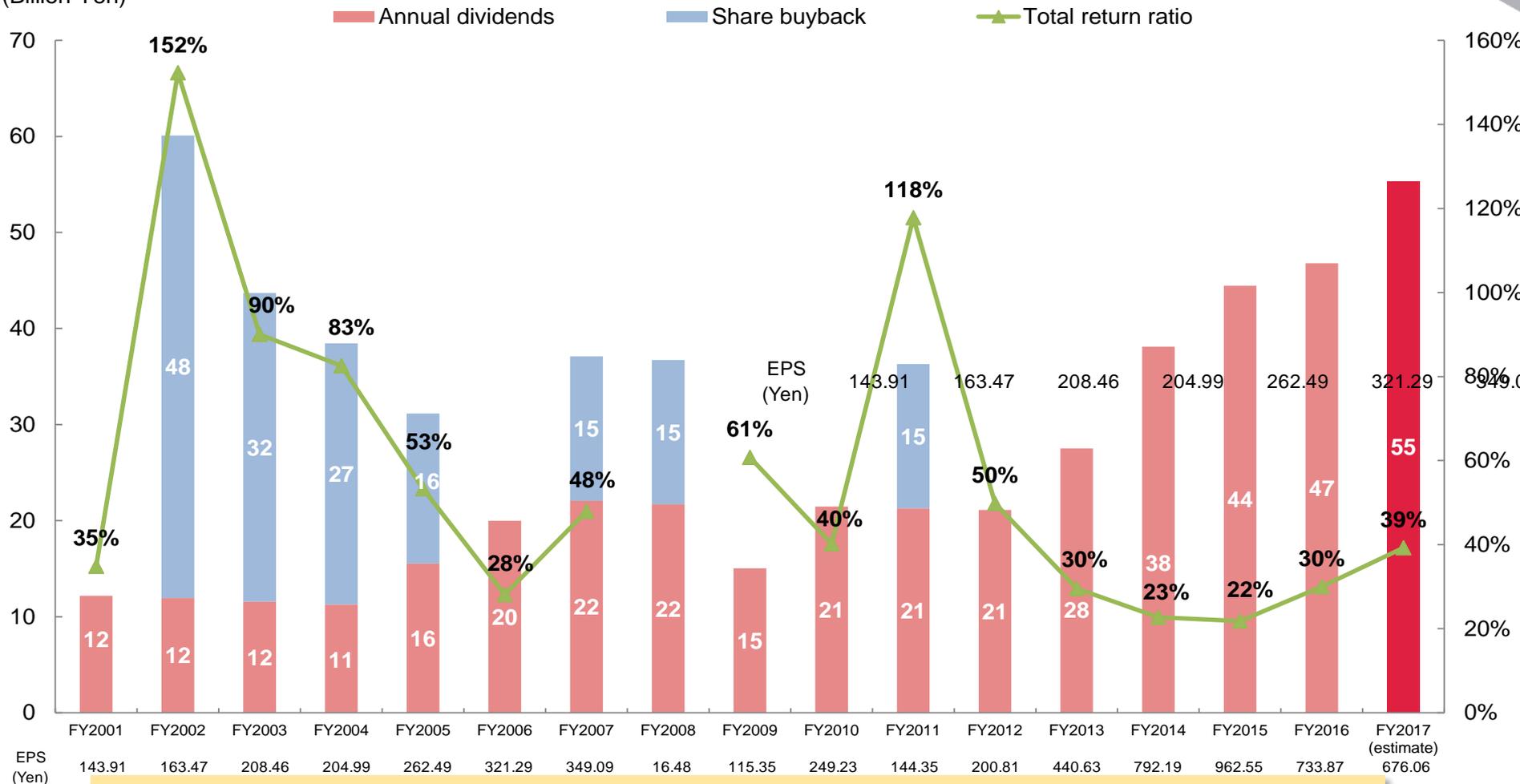
220 JPY per share

(Interim: 110 JPY per share, Year-end: 110 JPY per share)

Note: The above projections are based on our view of the current business environment and our projections for FY2017.

Return to Shareholders

(Billion Yen)



Our basic policy of profit distribution to shareholders is to prioritize the sharing of gains through payment of dividends, and to steadily raise them by increasing profit per share.

This report contains forward-looking statements concerning Murata Manufacturing Co., Ltd. and its group companies' projections, plans, policies, strategies, schedules, and decisions. These forward-looking statements are not historical facts; rather, they represent the assumptions of the Murata Group (the "Group") based on information currently available and certain assumptions we deem as reasonable. Actual results may differ materially from expectations due to various risks and uncertainties. Readers are therefore requested not to rely on these forward-looking statements as the sole basis for evaluating the Group. The Company has no obligation to revise any of the forward-looking statements as a result of new information, future events or otherwise.

Risks and uncertainties that may affect actual results include, but are not limited to, the following: (1) economic conditions of the Company's business environment, and trends, supply-demand balance, and price fluctuations in the markets for electronic devices and components; (2) price fluctuations and insufficient supply of raw materials; (3) exchange rate fluctuations; (4) the Group's ability to provide a stable supply of new products that are compatible with the rapid technical innovation of the electronic components market and to continue to design and develop products and services that satisfy customers; (5) changes in the market value of the Group's financial assets; (6) drastic legal, political, and social changes in the Group's business environment; and (7) other uncertainties and contingencies.

The Company undertakes no obligation to publicly update any forward-looking statements included in this report.

Thank you

