Murata Manufacturing Co., Ltd.

2009 Annual Report

Year Ended March 31, 2009

Innovator in Electronics

Evolution of Electronics

Our daily life is supported by many kinds of electronic equipment, such as PCs, mobile phones and appliances. They are continuously evolving to become more compact and more effective.

The driving force behind their evolution is countless ever-changing electronic components. Murata, as an “Innovator in Electronics”, supports the infrastructure of our electronic society by developing new electronic components and technologies.

Contents

MURATA BOY is a bicycle-riding robot that can stop without falling over. MURATA BOY is built from and equipped with many high-caliber Murata products, and makes use of our state-of-the-art manufacturing technologies and expertise.

MURATA GIRL is an unicycle-riding robot. One of the reasons that we built MURATA GIRL is that the robot will help fulfill the dreams of children who want to see a robot riding an unicycle.

Visit the following web pages to learn more about these two robots:

MURATA BOY: *http://www.murataboy.com/en/index.html*

MURATA GIRL: *http://www.murataboy.com/ssk-3/en/*

Cautionary Statement on Forward-looking Statements

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 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 equipment 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.

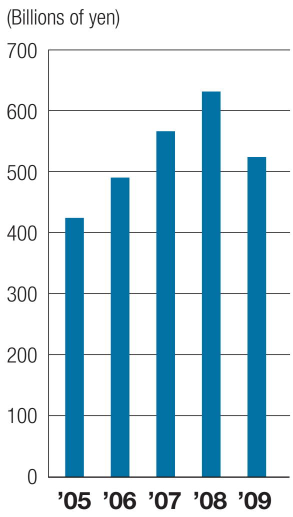
Five-Year Consolidated Financial Highlights

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2005-2009

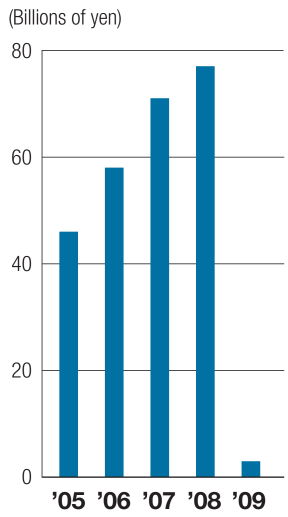
	Millions of yen except per share amounts					Thousands of U.S. dollars except per share amounts (Note)
	2009	2008	2007	2006	2005	**2009**
Net sales	**¥523,946**	¥ 631,655	¥ 566,805	¥490,784	¥424,468	**$5,346,388**
Operating costs and expenses	**540,233**	515,903	453,440	400,945	354,953	**5,512,582**
Operating income (loss)	**(16,287)**	115,752	113,365	89,839	69,515	**(166,194)**
Other income (expenses)-net	**5,968**	6,078	4,638	1,841	3,390	**60,898**
Income (loss) before income taxes	**(10,319)**	121,830	118,003	91,680	72,905	**(105,296)**
Net income	**3,588**	77,413	71,309	58,448	46,578	**36,612**
Amounts per share:						
Earnings per share						
Basic	**¥16.48**	¥349.09	¥321.29	¥262.49	¥204.99	**$0.17**
Diluted	**16.48**	349.05	321.22	262.47	204.99	**0.17**
Cash dividends	**100.00**	100.00	80.00	55.00	50.00	**1.02**
Current assets	**523,453**	627,555	672,912	641,387	592,836	**5,341,357**
Net property, plant and equipment	**328,282**	346,149	283,944	232,877	225,735	**3,349,816**
Total assets	**909,327**	1,030,349	1,014,965	909,641	850,748	**9,278,847**
Shareholders' equity	**784,342**	844,230	822,893	755,394	712,309	**8,003,490**
Capital investment	**65,427**	125,557	99,651	51,040	48,033	**667,622**
Number of employees	**33,431**	34,067	29,392	26,956	25,924	

Note: The U.S. dollar amounts in this report represent translation of Japanese yen for convenience only at the rate of ¥98=U.S.$1.

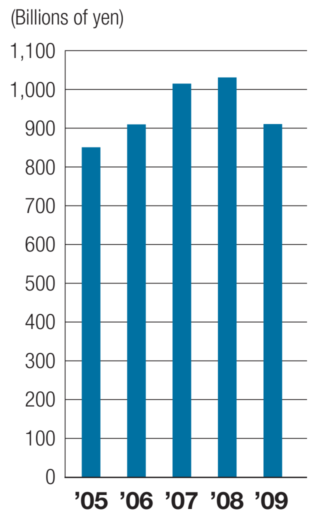
Net sales



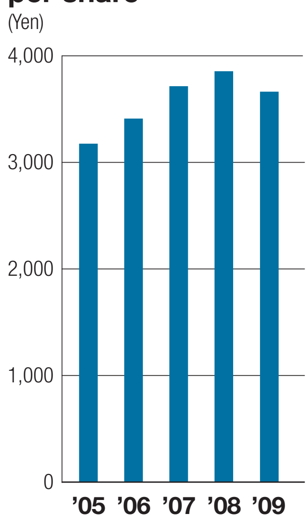
Net income



Total assets



Shareholders' equity per share*1



*1 Based on the number of common shares outstanding at term-end.

To Our Shareholders

Tsuneo Murata
President
Statutory Representative Director

I am pleased to report the results of operations of the Murata Group for the fiscal year ended March 31, 2009.

Performance for the fiscal year ended March 31, 2009

During the period under review, from the start of the fiscal year, the worldwide electronic equipment market was sluggish as production growth of key products such as mobile phones, personal computers, and digital audio/video (AV) equipment was weaker than in the previous fiscal year. From fall 2008 onwards, demand slowed substantially, reflecting the rapid slowdown of the global economy; as a result, growth in production volume of key products during the year was significantly down. Most notably, the second half decline in demand imposed sharp inventory adjustments for both equipment and components, and caused orders for components from customers to decrease abruptly. Alongside these trends, significant weakness in demand for sophisticated electronic equipment, continuing product price declines, and the appreciation of the yen against the U.S. dollar – an average appreciation of ¥13.74 compared to the previous fiscal year – resulted in sluggish demand for electronic components in terms of monetary value.

In this market environment, consolidated net sales for the period declined 17.1% year-on-year to ¥523,946 million. The consolidated operating loss was ¥16,287 million, and the loss before income taxes was ¥10,319 million. Initiatives such as cost-cutting measures and the ongoing introduction of new products were overshadowed by the drop in capacity utilization, continuous product price declines, increases in depreciation expenses, and the effects of exchange rate movements. Net income was ¥3,588 million, a decline of 95.4% from the year earlier. This was mainly because in fiscal 2009 revisions to the Japanese tax system, a measure to treat the dividends received from overseas subsidiaries as non-taxable income was introduced, causing the Group to reverse the deferred tax liabilities recorded in the past fiscal years.

Outlook for the fiscal year ending March 31, 2010

For the year ending March 31, 2010, we project that consolidated net sales will drop 6.5% year-on-year to ¥490,000 million. Although the global economy is showing some signs of bottoming out, we expect to see a slow recovery of production of major products in the global electronic equipment market.

The projected loss is smaller than the loss for the previous year, as we work on the continuous introduction of new products, and promote activities to reduce the production cost. We will also focus on reduction of fixed costs and expenses, including labor costs. However, due to the anticipated additional average appreciation of the yen against the U.S. dollar of more than ¥5 compared to the fiscal year under review, and continuous price declines driven by fierce competition, we forecast an operating loss of ¥8,000 million, a loss before income taxes of ¥4,000 million, and a net loss of ¥2,000 million.

These projections are based on assumed exchange rates for the year to March 31, 2010 of ¥95 to the U.S. dollar and ¥125 to the euro.

In respect of capital expenditure, we plan investments of ¥22,000 million for the year ending March 31, 2010. Expenditure on buildings and production machinery will be reduced sharply.

Basic policy about returning profits to shareholders

Murata's basic policy of profit distribution to shareholders is to prioritize the sharing of profits through payment of dividends, and to steadily raise dividends by increasing the earnings per share, while increasing Murata's long-term corporate value and strengthening its corporate structure. In accordance with this policy, we return profits to shareholders through dividends after giving comprehensive consideration to our business performance and dividend payout ratio on a consolidated basis, and to the accumulation of the internal reserves necessary for the reinvestments that ensure future development. We also regard repurchasing our own shares as an alternative means of returning profit to shareholders, and as a timely way to improve capital efficiency.

For the year ended March 31, 2009, we paid a year-end dividend of ¥50 per share. Combined with the interim dividend previously paid, this will bring the annual dividend to ¥100, the same amount as for the year ended March 31, 2008. We also purchased ¥15,000 million, or 4,796,000 shares of Murata stock during the fiscal year ended March 31, 2009.

In view of the consolidated results forecasts and the accumulation of retained earnings, for the fiscal year ending March 31, 2010 we plan to pay an annual dividend of ¥70 per share (comprising interim and year-end dividends of ¥35 per share), a ¥30 decrease from the previous fiscal year. These per share dividend amounts are based on our view of the current business environment and our forecasts for operating results for the fiscal year ending March 31, 2010.

Finally, we look forward to your continued understanding and support.

July 2009

Tsuneo Murata
President
Statutory Representative Director

Note: For assumptions and other information regarding the forecast, please refer to our earnings report, the Financial Flash Report dated March 31, 2009. The earnings report can be viewed on our website.

Overall Performance

The Group results for the period under review are as follows:

The Murata Group Results

	Millions of yen					
Years ended March 31	**2009**		2008		Growth	
	Amount	**%*1**	Amount	%*1	Amount	%*2
Net sales	**¥523,946**	**100.0**	¥631,655	100.0	¥(107,709)	(17.1)
Cost of sales	**398,112**	**76.0**	387,842	61.4	10,270	2.6
Selling, general and administrative expenses	**95,289**	**18.2**	85,780	13.6	9,509	11.1
Research and development expenses	**46,832**	**8.9**	42,281	6.7	4,551	10.8
Operating income (loss)	**(16,287)**	**(3.1)**	115,752	18.3	(132,039)	–
Other income (expenses)-net	**5,968**	**1.1**	6,078	1.0	(110)	(1.8)
Income (loss) before income taxes	**(10,319)**	**(2.0)**	121,830	19.3	(132,149)	–
Income taxes	**(13,907)**	**(2.7)**	44,417	7.0	(58,324)	–
Net income	**¥ 3,588**	**0.7**	¥ 77,413	12.3	¥ (73,825)	(95.4)

*1 Ratio to net sales
*2 Ratio against the previous year

Review of Operations by Product Category

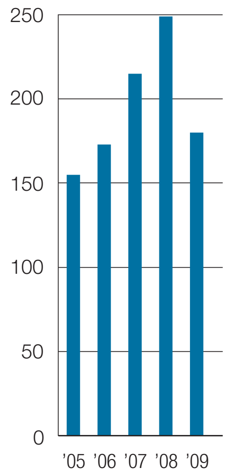
Sales by Product Category

Years ended March 31	2009		2008		Growth	
	Millions of yen					
	Amount	**%*1**	Amount	%*1	Amount	%*2
Capacitors	**¥180,588**	**34.6**	¥249,388	39.6	¥ (68,800)	(27.6)
Piezoelectric Components	**76,294**	**14.6**	92,736	14.7	(16,442)	(17.7)
Microwave Devices	**110,258**	**21.1**	105,421	16.7	4,837	4.6
Module Products	**64,906**	**12.5**	79,072	12.6	(14,166)	(17.9)
Other Products	**89,726**	**17.2**	102,917	16.4	(13,191)	(12.8)
Net sales	**¥521,772**	**100.0**	¥629,534	100.0	¥(107,762)	(17.1)

Note: The figures show the sales by product of electronics components and related products.
*1 Composition ratio
*2 Ratio against the previous year

Capacitors

Sales
(Billions of yen)

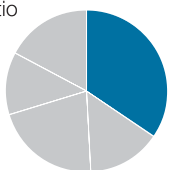


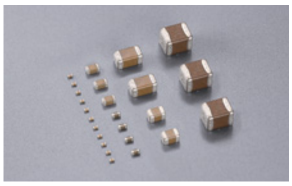
This capacitor category includes monolithic ceramic capacitors, ceramic disc capacitors, and trimmer capacitors.

In the period under review, sales of chip monolithic ceramic capacitors, the main product in this category, decreased significantly. Application-specific capacitors for computers and peripheral equipment also dropped heavily.

As a result, overall net sales decreased 27.6% from a year earlier, to ¥180,588 million.

Composition ratio
34.6%

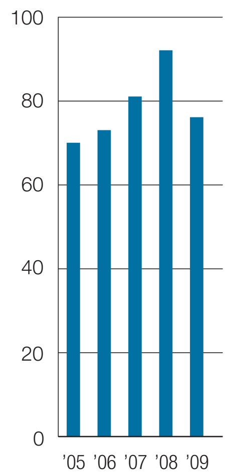




Chip Monolithic Ceramic Capacitors

Piezoelectric Components

Sales
(Billions of yen)

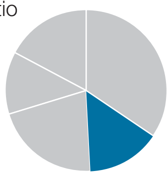


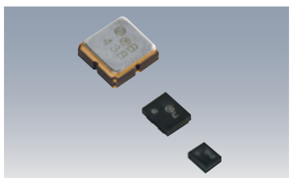
The piezoelectric components category includes SAW (Surface Acoustic Wave) filters, ceramic resonators, piezoelectric sensors, ceramic filters and piezoelectric buzzers.

In the period under review, sales of piezoelectric buzzers for AV equipment grew sharply, but SAW filters for use in communication equipment decreased significantly. Ceramic resonators, ceramic filters and piezoelectric sensors also dropped substantially in sales.

As a result, overall net sales decreased 17.7% year on year to ¥76,294 million.

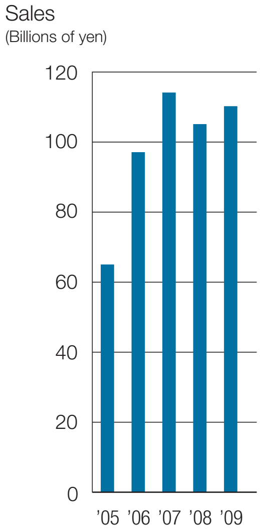
Composition ratio
14.6%





SAW Filters

Microwave Devices

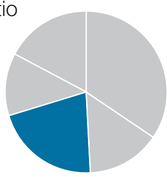


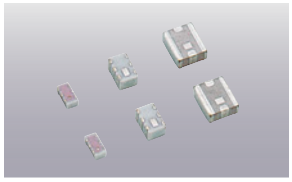
These devices include short-range wireless communication modules, multilayer ceramic devices, connectors and isolators.

In the period under review, sales of short-range wireless communication modules greatly exceeded the figures for the previous fiscal year. Although the sales of modules for Bluetooth®* dropped, there was a sharp increase in the sales of modules for wireless LAN. Multilayer ceramic devices for use in communication equipment decreased, and isolators dropped in sales.

As a result, overall net sales increased 4.6% year-on-year, to ¥110,258 million.

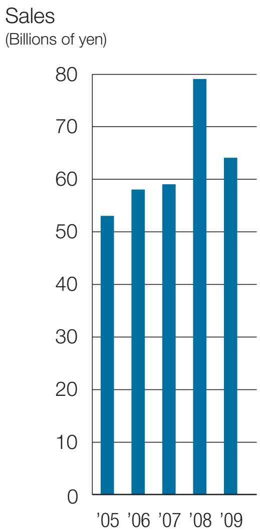
Composition ratio
21.1%





Multilayer Ceramic Devices

Module Products

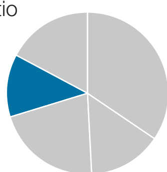


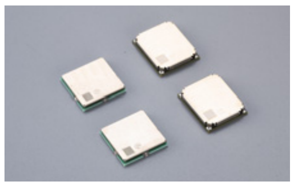
This product category includes power supplies and circuit modules.

In the period under review, in the circuit module product line, while sales of terrestrial digital tuners for mobile phones increased significantly, sales of modules for communication equipment dropped sharply. Sales of power supplies fell below the figures for the previous period in spite of the contribution of Murata Power Solutions, Inc. of the United States and its group companies, which were acquired and consolidated on August 31, 2007.

As a result, overall sales posted a year-on-year decrease of 17.9%, to ¥64,906 million.

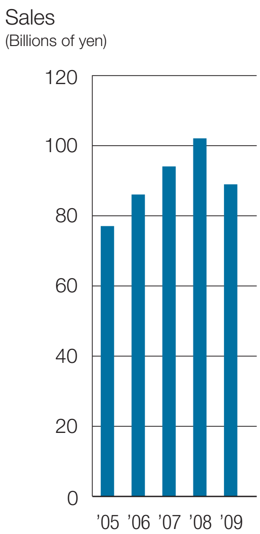
Composition ratio
12.5%





Terrestrial Digital Tuners for Mobile Phones

Other Products

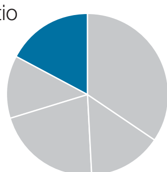


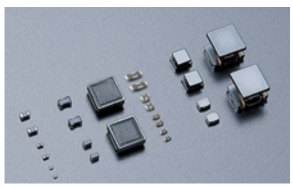
Other products include EMI suppression filters, coils, sensors, and resistors.

In the period under review, sales of EMI suppression filters for AV equipment and computers and peripheral equipment decreased significantly. Gyro sensors dropped sharply for AV equipment, and chip coils decreased in sales.

As a result, overall net sales posted a 12.8% year-on-year decline to ¥89,726 million.

Composition ratio
17.2%





Chip Ferrite Beads/
Chip Common Mode Choke Coils/
EMIFIL®/Chip Coils

*Note: Bluetooth® is a registered trademark of Bluetooth SIG, Inc. of the United States.

Review of Operations by Application

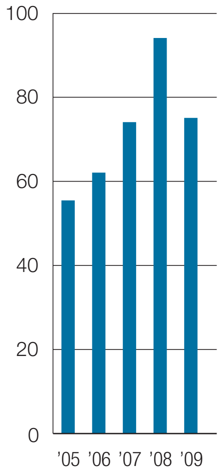
Sales by Application (based on the Company's estimate)

	Millions of yen					
Years ended March 31	**2009**		2008		Growth	
	Amount	**%*1**	Amount	%*1	Amount	%*2
AV	**¥ 75,541**	**14.5**	¥ 94,275	15.0	¥ (18,734)	(19.9)
Communications	**227,088**	**43.5**	252,261	40.1	(25,173)	(10.0)
Computers and Peripherals	**101,058**	**19.4**	136,679	21.7	(35,621)	(26.1)
Automotive Electronics	**53,987**	**10.3**	67,358	10.7	(13,371)	(19.9)
Home and Others	**64,098**	**12.3**	78,961	12.5	(14,863)	(18.8)
Net sales	**¥521,772**	**100.0**	¥629,534	100.0	¥(107,762)	(17.1)

Note: The figures show the sales by application of electronics components and related products.
*1 Composition ratio
*2 Ratio against the previous year

Products for Audio and Video Devices

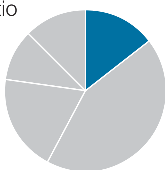
Sales
(Billions of yen)

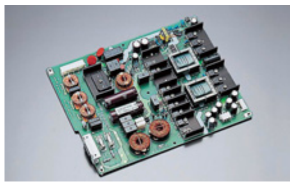


Sales of products for mobile media players increased significantly, but power supplies for flat-screen televisions, gyros for digital cameras and game consoles, capacitors and other products declined substantially.

As a result, sales of products for audio and video devices decreased 19.9% over the previous year, to ¥75,541 million.

Composition ratio
14.5%

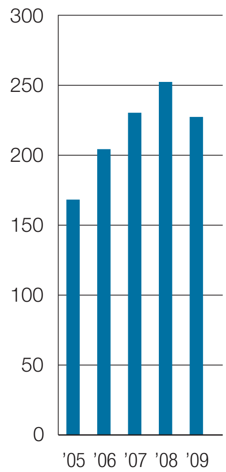




Switching Power Supplies for Flat Panel Displays

Products for Communication Devices

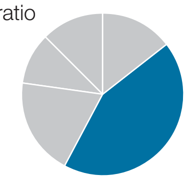
Sales
(Billions of yen)

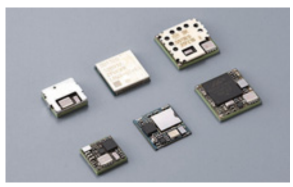


Sales of products for mobile phones, a key market, decreased by approximately 10% from the previous fiscal year. In terms of specific products, sales of modules for wireless LAN increased substantially, but sales of Bluetooth®* modules recorded a marked decline. Sales of SAW (Surface Acoustic Wave) filters, capacitors, multilayer devices and other products for mobile phones also declined, due to lower demand for mobile phones and inventory adjustments in the market.

As a result, overall sales of products for communication devices decreased 10.0% over the previous fiscal year, to ¥227,088 million.

Composition ratio
43.5%



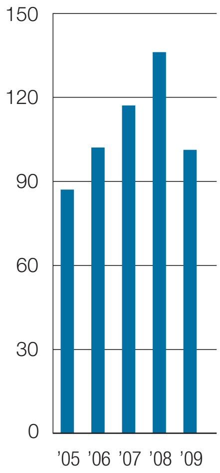


Wi-Fi Modules

Note: Bluetooth® is a registered trademark of Bluetooth SIG, Inc. of the United States.

Products for Computers and Peripherals

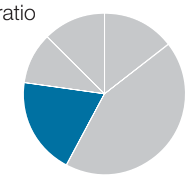
Sales
(Billions of yen)

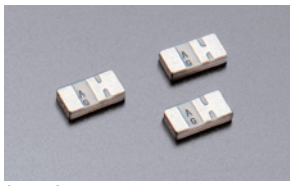


Sales of capacitors for personal computers and MPUs declined substantially due to a significant downturn in growth in production units of personal computers and inventory adjustments of machinery and components. In peripheral devices, sales of shock sensors and capacitors for hard-disk drives fell, and power supplies for printers also decreased over the previous fiscal year.

As a result, sales of products used in computers and peripheral devices decreased 26.1% over the previous year, to ¥101,058 million.

Composition ratio
19.4%

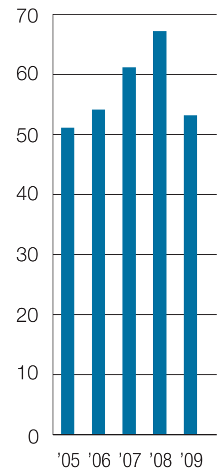




Shock Sensors

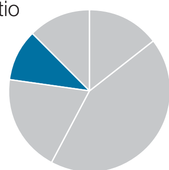
Products for Automotive Electronics

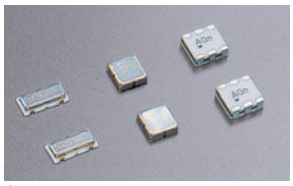
Sales
(Billions of yen)



Sales of products for car audio equipment, sonar devices, remote keyless entry and other applications decreased. Overall, sales in this segment declined 19.9% over the previous fiscal year, to ¥53,987 million.

Composition ratio
10.3%

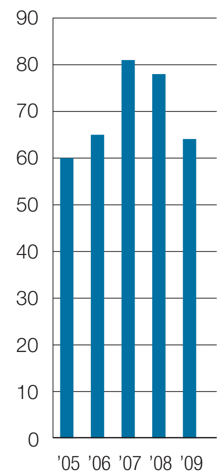




Ceramic Discriminators
SAW Resonators
Ceramic Filters (CERAFIL®) for TPMS

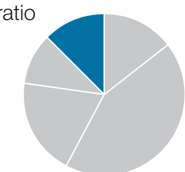
Products for Home Electronics and Others

Sales
(Billions of yen)



As sales of products for distributors and other applications declined, sales in this segment decreased 18.8% from the previous fiscal year, to ¥64,098 million.

Composition ratio
12.3%



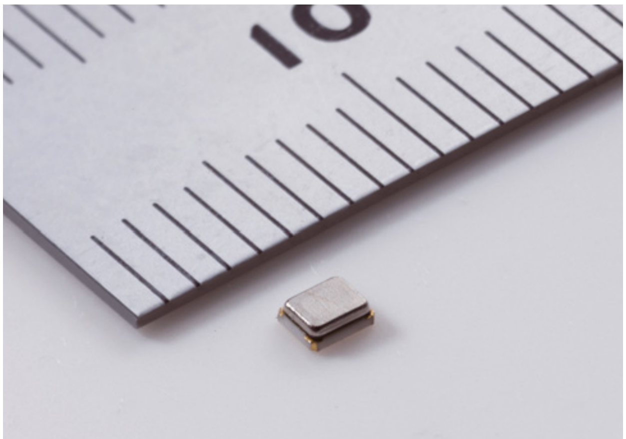
Research & Development

The Murata Group firmly believes that new quality electronic equipment begins with new quality components, and new quality components begin with new quality materials. Guided by this principle, we employ an integrated production system that encompasses every stage of the manufacturing process, from materials to finished products. In support of this production system, we conduct R&D activities with an emphasis on the vertical integration of technologies for materials, process, design, and production engineering.

In recent years, as evidenced in mobile phones and flat-screen TVs, there has been rapid progress in the development of smaller and thinner electronic devices featuring more sophisticated and diverse capabilities. Meanwhile, environmental measures, such as reduction of CO_2 emissions that cause global warming, environmentally harmful materials that cause global pollution, and rare metal usage, are becoming ever more important. In response to these trends, the Murata Group has built frameworks and systems for environmental management and is also directing efforts to adhere to the RoHS Directive, and to meet REACH, EuP, and other standards. Aiming to supply smaller products and products that use microwave technologies and functional technologies, Murata is also providing for the needs of our customers by developing high-frequency and noise suppression components as well as circuit modules and other products. This will significantly help reduce the energy consumed as well as the volume of raw materials used in manufacturing.

The Murata Group's mainstay business consists of the development, manufacture and sale of electronic components and related products. All the products in this business are similar in terms of applications, production methods, processing, markets and sales methods. Due to these similarities, R&D activities for electronic components and related products are discussed collectively in this report. Research and development expenditure during the fiscal year under review totaled ¥46,832 million. Major R&D achievements for the term are summarized below.

Commercialization of Compact Low-priced Hybrid Quartz Crystal Resonator (HCR®[*1])

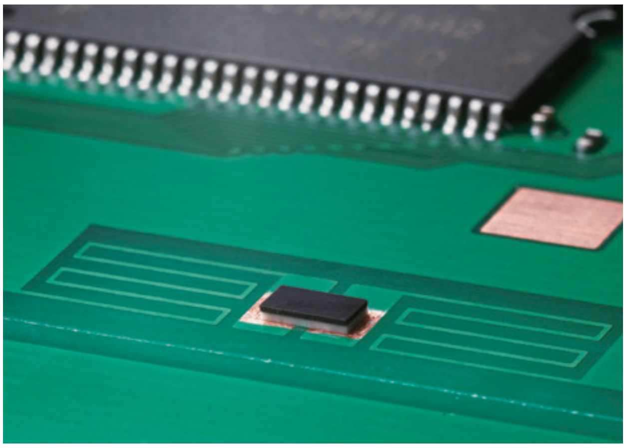


Hybrid Quartz Crystal Resonator

Murata has developed and commenced mass production of a compact low-priced hybrid quartz crystal resonator, HCR®[*1], jointly developed through a business alliance with Tokyo Denpa Co., Ltd. Accompanying the spread of SATA[*2] specifications, resonators used for HDD, ODD and USB products are increasingly required to possess high precision of frequency. Murata has combined the quartz crystal element supplied by Tokyo Denpa with our production technology built up in the course of developing our ceramic resonators (CERALOCK®[*3]) to commercialize a price-competitive compact quartz crystal resonator. In addition to our ceramic resonator's stronghold markets, we can now aim at expanding our share in the HDD and other markets.

*1 HCR® (hybrid quartz crystal resonator) is a registered trademark of Murata Manufacturing Co., Ltd.
*2 SATA is one of the extended specifications for IDE (ATA) standards used in the connection between computers and storage devices such as HDDs.
*3 CERALOCK® is a registered trademark of Murata Manufacturing Co., Ltd.

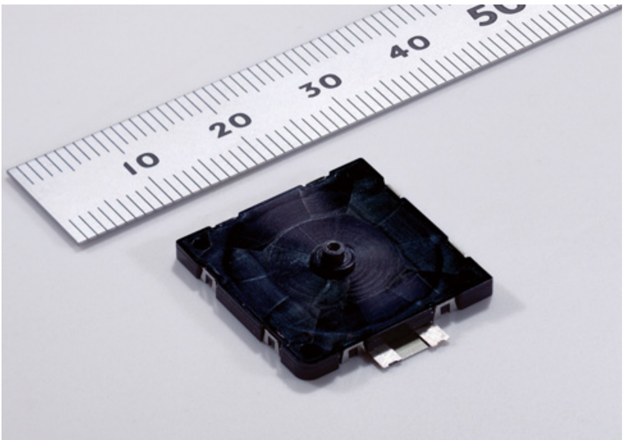
Commercialization of MagicStrap® for RFID Tags


MagicStrap®

Murata has commercialized its MagicStrap®* for high-frequency applications that makes it easy to realize a RFID tag. MagicStrap® is a high-frequency device that can be deployed by widening the application of Murata's high-frequency filter technology, and leveraging our multilayer technology to achieve embedded LC filters or inductors. Up to now, a strict position accuracy with the assembly was important for the conduction of antennas and ICs. With MagicStrap®, however, strict position accuracy is no longer required, and electronic tags can be incorporated using an insulating adhesive or suchlike. MagicStrap® can improve many administrative activities for electronic equipment life-cycle, production process history control, distribution management, and traceability.

* MagicStrap® is a registered trademark of Murata Manufacturing Co., Ltd.

Development of Ultra-small and Low-profile Micro-blower



Ultra-small and Low-profile Micro-blower

Murata has developed a Micro-blower, a small size air cooling device that fused piezoelectric ceramic technology, mechanism design technology and fluid simulation technology. Applying the ultrasonic vibration of piezoelectric ceramics as the driving force achieves high air discharge pressure by an extremely small and low-profile device. Making use of these features the micro-blower can be used as a countermeasure against heat in small-sized equipment such as notebook PCs and mobile devices, which have conventionally been unable to be fitted with a cooling fan type system. In the future, we plan to develop applications in air-blowing pumps for fuel cell batteries and non-cooling applications such as particle diffusion.

Corporate Governance

1. Basic Approach to Corporate Governance

Corporate governance is one of the highest priorities of the management of the Murata Group. Taking into consideration the interests of all stakeholders, we have addressed this priority by building a sound corporate management structure and system. Concrete actions include improving management efficiency, strengthening management-monitoring functions, and ensuring thorough compliance with all relevant laws and regulations.

2. Implementation of Measures for Corporate Governance

1) Basic explanation of Company Mechanisms

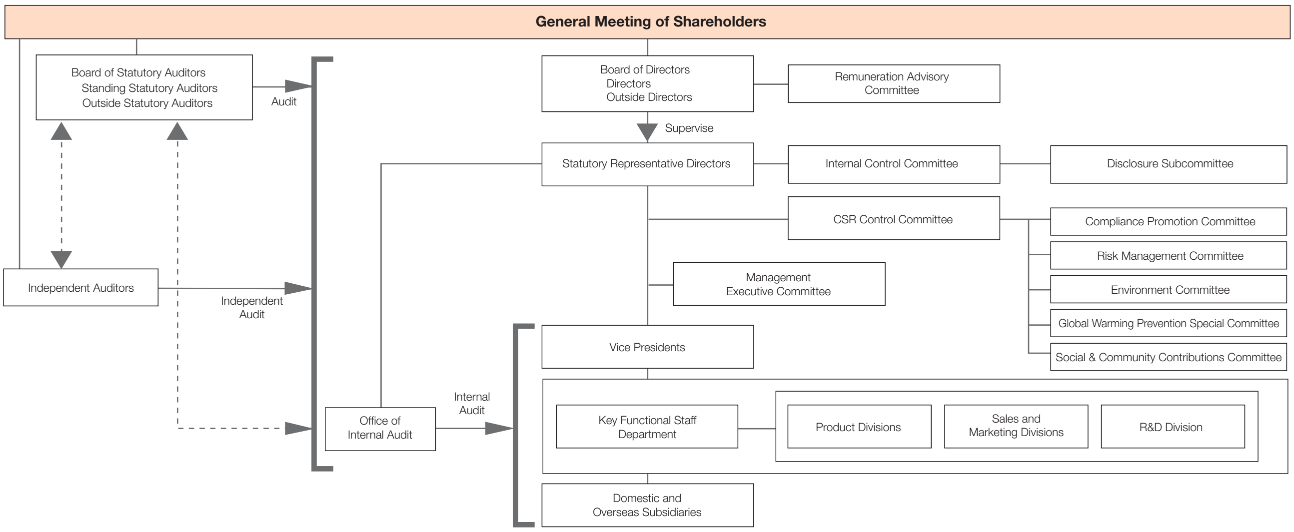
The Company has adopted the board of statutory auditors system. As of June 26, 2009, the Company's Board of Directors was comprised of 8 Directors, 2 of whom are from outside the Company. The Company has 5 Statutory Auditors, 3 of whom are Outside Statutory Auditors. The Company has also introduced a system of vice presidents, under which it has separated corporate decision-making on management policies and important corporate activities from management of day-to-day business operations to further reinforce supervisory and operational functions. The Board focuses on its primary responsibilities of making decisions on management policies and critical business operations, as well as monitoring the performance of duties by Directors. In addition, the Management Executive Committee functions as a deliberative body to assist the Board of Directors and Statutory Representative Directors in their decision-making. Comprised of Statutory Representative Directors, and other directors who occupy Executive Vice President positions or above, the conference deliberates and receives reports concerning matters stipulated by internal company regulations. Regarding compensation for Directors and Vice Presidents, the Company also has a Remuneration Advisory Committee as an advisory body of the Board of Directors. The committee, which includes Outside Directors, is responsible for evaluating, reviewing and revising the remuneration system for Directors and Vice Presidents.

Auditing policies and plans are set by the Board of Statutory Auditors. Based on these guidelines, Statutory Auditors attend Board of Directors' meetings and other important meetings. Statutory Auditors are further responsible for conducting detailed audits of the performance of Directors from the standpoint of legal compliance and adequacy, including inspections of the operations and finances of the Company.

In addition, we have the Internal Control Committee for the purpose of the maintenance and continuous improvement of the system for assuring appropriateness of operations (internal control system). We also have the Compliance Promotion Committee to fulfill the corporate social responsibilities of the Company, and the Risk Management Committee and other organizations, together with the CSR Control Committee that controls these organizations to continuously and systematically promote CSR company-wide in an integrated manner.

2) Details of Company Mechanisms

Framework of Business Execution, Supervision and Internal Control



3) Development of Internal Control System

The Company shares the "Murata Philosophy" as the basic management philosophy of the Murata Group. Furthermore, we have specified regulations and procedures for decision-making, and based on these we discuss business management of subsidiaries with subsidiaries. At the same time, a multitude of information is shared regarding the business management of the Murata Group. Moreover, each core operational division and department (General Administration, Personnel & Industrial Relations, and Accounting & Controller Department, etc.) specifies the framework, procedures and decision-making standards for all operational tasks so that operations are conducted appropriately and efficiently. These divisions and departments also provide appropriate guidance to subsidiaries as necessary. Our independent internal audit department (the Office of Internal Audit) evaluates and monitors whether operations in the Murata Group are being conducted appropriately and efficiently in accordance with laws and regulations and the Company's internal regulations.

The Internal Control Committee evaluates the status of development and operation of the internal control system to ensure appropriate Company operations. Furthermore, regarding the internal control reporting system required by the Financial Instruments and Exchange Law, the Committee is working with relevant divisions to evaluate the internal control system and, based on this, to maintain and constantly improve the internal control system so as to ensure the reliability of financial reporting. In addition, the Disclosure Subcommittee, established under the Internal Control Committee, discusses the necessity and details of timely disclosures of corporate information. The Company therefore has a management system in place for the timely and appropriate disclosure of corporate information.

In respect of compliance, the Company has enacted the "Murata Corporate Ethics Policy and Code of Conduct" and compliance-related regulations so that Directors, Vice Presidents and employees base their business activities on higher ethical principles and in accordance with laws and regulations, and the Articles of Incorporation of each Group company. The code, which is thoroughly disseminated throughout the Group, outlines corporate ethical standards and specific codes of conduct from legal and ethical standpoints. The Compliance Promotion Committee was established to ensure compliance with these codes of conduct, and to prevent violations of ethics, laws, and regulations. Moreover, in order to deal with compliance-related problems appropriately, report acceptance points are established internally and externally, and measures are taken to ensure no disadvantage to persons who make reports.

In terms of risk management, each core operational division and department conducts risk management. Furthermore, the Risk Management Committee discusses Group-wide risk management systems and policies. This committee evaluates, implements and develops responses to the various risks related to conducting business activities. In addition, the company has set up an organization in charge of Group-wide risk management. This organization establishes regulations pertaining to risk management, including the identification, assessment and response to risks. Through monitoring and other means, this organization also instructs and makes recommendations regarding progress made to each core operational division and department.

Murata also promotes CSR-oriented management on a Group-wide basis both inside and outside the Company as unified responses. We have an organizational body that is responsible for developing CSR activities and this body coordinates its efforts in cooperation with the Compliance Promotion Committee, the Risk Management Committee and other organizations.

4) Collaboration Between the Statutory Auditors and the Office of Internal Audit

The organizationally independent internal auditing department (the Office of Internal Audit) evaluates risk together with each core operational division (e.g., General Administration, Personnel & Industrial Relations, and Accounting & Controller Department). The office also audits the effectiveness of the Group's internal control system.

As examples of the regular and close cooperation between the Statutory Auditors and the Office of Internal Audit, the Statutory Auditors and the Board of Statutory Auditors present the Board of Statutory Auditors' auditing policies and plans to the Office of Internal Audit to ensure the effectiveness of audits conducted by Statutory Auditors. The Statutory Auditors and the Board of Statutory Auditors also receive reports from the Office of Internal Audit on internal audit plans, implementation, and other matters concerning the internal auditing system. The Statutory Auditors and the Board of Statutory Auditors maintain regular and close links with the Office of Internal Audit as regards holding discussions about the adequacy of the audits performed by both the Statutory Auditors and the Board of Statutory Auditors.

5) Collaboration Between the Statutory Auditors and the Independent Auditors

The Company has signed an agreement with Deloitte Touche Tohmatsu, under which Akira Ishida, Designated Partner and Engagement Partner, Koichiro Tsukuda, Designated Partner and Engagement Partner, and Kentaro Kurosawa, Designated Partner and Engagement Partner, all of whom are certified public accountants, take charge of the audit, along with 8 certified public accountants, 11 assistant certified public accountants, and 11 other assistants. The Company is audited pursuant to the Financial Instruments and Exchange Act and the Corporate Law. The Company also clarifies various issues related to accounting procedures and auditing whenever necessary. The independent auditors also closely collaborate with the Statutory Auditors and the Board of Statutory Auditors by holding regular meetings and reporting on the plan for audits and progress. Finally, to ensure effective auditing, the Statutory Auditors accompany the independent auditors when they conduct on-site audits at the Company.

6) Relationship Between Outside Directors and Outside Statutory Auditors

The Company has no conflict of interests with the 2 Outside Directors and 3 Outside Statutory Auditors.

3. Compensation to Directors and Statutory Auditors

Compensation paid to directors and statutory auditors during the period under review (April 1, 2008 to March 31, 2009) was as follows:

Item	Compensation (millions of yen)
Directors (incl. Outside Directors)	380 (20)
Statutory auditors (incl. Outside Statutory Auditors)	68 (22)
Total (incl. Outside Directors and Statutory Auditors)	448 (43)

Notes:
1. The figures in the table includes compensation paid to one Director (one Outside Director) and one Statutory Auditor (one Outside Statutory Auditor) who retired at the 72nd General Meeting of Shareholders held on June 27, 2008.
2. The figures in the table exclude employee salaries and bonuses received by Directors who concurrently serve as Vice Presidents.
3. Based on resolutions at shareholders' meetings, the upper limit for (annual) compensation is ¥600 million for Directors (resolution at General Meeting of Shareholders held in June 2007 and ¥80 million for Statutory Auditors (resolution at General Meeting of Shareholders held in June 1998). However, this compensation excludes employee salaries and bonuses received by Directors who concurrently serve as Vice Presidents. In the case that a Director or Statutory Auditor must change their place of residence due to the necessity of their business duties, the Company shall bear costs to an upper limit of ¥20 million (resolution at General Meeting of Shareholders held in June 2003) for the provision of company housing at a commutable distance from the branch office or other workplace where the Director or Statutory Auditor will execute their duties, after collecting fees for the company housing based on the Company's prescribed rules.

4. Compensation to Independent Auditors

The details of the compensation paid to the Company's independent auditors, Deloitte Touche Tohmatsu, are as follows.

Item	Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009	
	Compensation paid for audit certification activities (millions of yen)	Compensation paid for non-audit activities (millions of yen)	Compensation paid for audit certification activities (millions of yen)	Compensation paid for non-audit activities (millions of yen)
Filing company	–	–	104	3
Consolidated subsidiaries	–	–	8	1
Total	–	–	112	4

Notes:
1. The audit contract between the Company and the independent auditors does not distinguish between compensation for audits based on the Corporate Law and compensation for audits based on the Financial Instruments and Exchange Act, etc. Accordingly, the figure for "Compensation paid for audit certification activities" in the above table includes the sum of these amounts.
2. Details of other important compensation
In the fiscal year ended March 31, 2009, the Company's consolidated subsidiaries paid ¥179 million as compensation for audit certification activities and ¥51 million as compensation for non-audit activities to auditors of Deloitte Touche Tohmatsu belonging to the Deloitte Touche Tohmatsu Group.
3. Details of non-audit activities for filing company by independent auditors
The Company pays compensation to certified public accountants and other independent auditors for non-audit activities, namely, the simulated evaluation of internal control over financial reporting and other services.
4. Policy for determining audit compensation
Not applicable.

5. Summary of Limited Liability Agreements

For the liabilities for damages prescribed in Article 423, Paragraph 1 of the Corporate Law, the Company has concluded limited liability agreements with its Outside Directors and Outside Statutory Auditors. The upper limit of liability the agreements set is equivalent to the minimum prescribed in Article 425, Paragraph 1 of the Corporate Law.

6. Prescribed Number of Directors

The Company has prescribed in the Articles of Incorporation that the number of Directors shall be no more than 15.

7. Resolution Regarding Repurchase of the Company's Own Shares

In accordance with the provisions of Paragraph 2 of Article 165 of the Corporate Law, the Company has prescribed in the Articles of Incorporation that it may repurchase its own shares through market transactions or other methods pursuant to Paragraph 2 of the said Article by a resolution of the Board of Directors. The purpose of this provision is to enable execution of flexible management that responds to changes in the business environment.

8. Interim Dividends

The Company's Articles of Incorporation stipulate that the Company may, by a resolution of the Board of Directors, pay interim dividends to the shareholders or registered share pledgees whose names appear or are recorded as such on the register of shareholders as of the end of September 30 each year, in accordance with the provisions of Paragraph 5 of Article 454 of the Corporate Law. This allows the Company flexibility in returning profits to shareholders.

9. Requirements for Special Resolutions at the General Meeting of Shareholders

Resolutions stipulated in Paragraph 2 of Article 309 of the Corporate Law shall be adopted by at least two-thirds of the votes of shareholders present at the meeting, where those shareholders have at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights. Similarly, in accordance with the provisions of Article 341 of the Corporate Law, the Company has prescribed in the Articles of Incorporation that resolutions for the appointment of directors and statutory auditors shall be adopted by a simple majority of the votes of shareholders present at the meeting, where those shareholders have at least one-third of the voting rights of the shareholders who are entitled to exercise their voting rights. The purpose of these provisions is to ensure a quorum.

Members of the Board (as of July 1, 2009)

Statutory Representative Directors

President
Tsuneo Murata

Executive Deputy President
Yoshitaka Fujita

Board of Directors

Tsuneo Murata
Yoshitaka Fujita
Seiichi Arai
Atsushi Inoue
Hideharu Ieki
Koji Makino
Yasuro Tanahashi (Outside Director)
Hiroaki Yoshihara (Outside Director)

Statutory Auditors

Standing Statutory Auditors
Motohiko Nakayama
Kunisaburo Tomono

Statutory Auditors
Tetsuya Hiraoka (Outside Auditor)
Go Kawada (Outside Auditor)
Hideki Yamada (Outside Auditor)

Vice Presidents

Senior Executive Vice President
Seiichi Arai

Executive Vice Presidents
Atsushi Inoue
Shinji Ushiro
Hideharu Ieki
Hideo Sakamoto
Koji Makino
Kiminori Yamauchi

Vice Presidents
Nobuo Tanaka
Hiroshi Takagi
Masao Nishimura
Masaro Ito
Yukio Hamaji
Yuichi Kojima
Toru Inoue

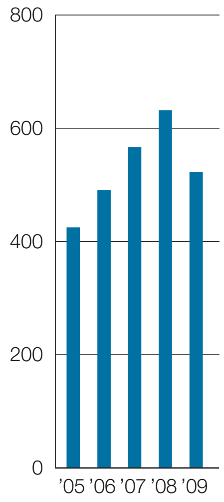
Financial Data Section

Contents

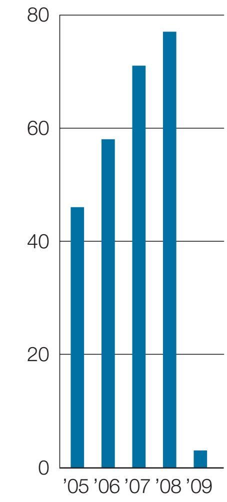
Financial Data

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2005–2009

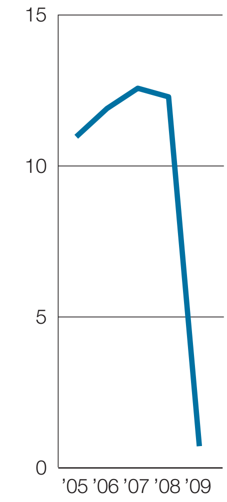
Net sales
(Billions of yen)



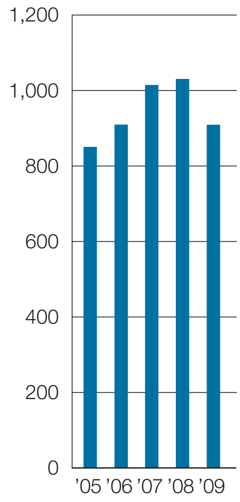
Net income
(Billions of yen)



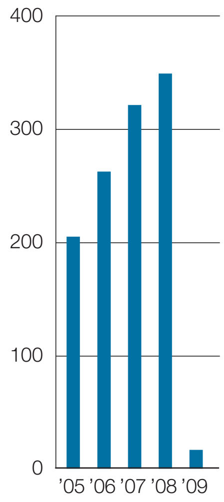
Return on net sales
(%)



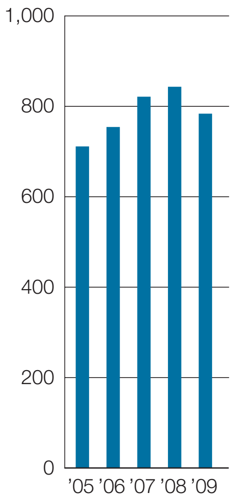
Total assets
(Billions of yen)



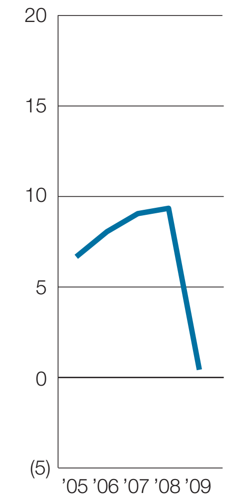
Diluted earnings per share*1 (Yen)



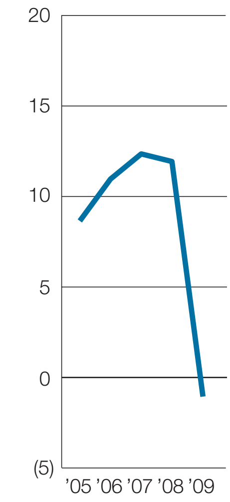
Shareholders' equity
(Billions of yen)



Return on equity (ROE) (%)

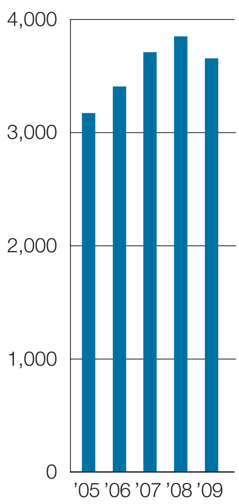


Income (loss) before Tax on total assets (ROA) (%)

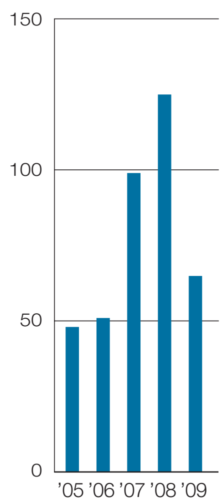


*1 Based on the average number of common shares outstanding and common equivalent shares outstanding such as those related to stock options.

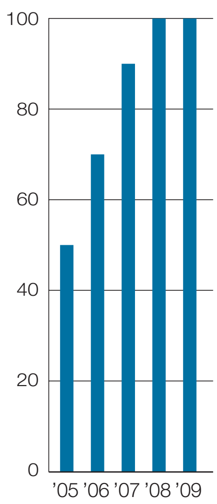
Shareholders' equity per share*2 (Yen)



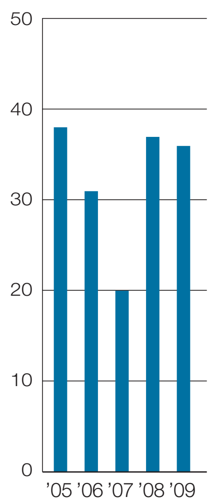
Capital investment
(Billions of yen)



Dividend per share
(Yen)



Total return*3
(Billions of yen)



*2 Based on the number of common shares outstanding at term-end.
*3 Total of Dividend payments and Share buyback.

Segment Information

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2009 and 2008

Geographic Segment Information

2009	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
	Millions of yen					
Unaffiliated customers	¥184,131	¥46,970	¥51,499	¥241,346	–	¥523,946
Intersegment	236,794	1,102	683	19,169	¥(257,748)	–
Total revenue	420,925	48,072	52,182	260,515	(257,748)	523,946
Operating costs and expenses	432,308	58,004	48,011	259,658	(257,748)	540,233
Operating income (loss)	(11,383)	(9,932)	4,171	857	–	(16,287)
Assets	503,146	18,879	22,029	116,493	248,780	909,327

2008	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
	Millions of yen					
Unaffiliated customers	¥243,349	¥55,376	¥58,099	¥274,831	–	¥ 631,655
Intersegment	262,452	635	519	27,265	¥(290,871)	–
Total revenue	505,801	56,011	58,618	302,096	(290,871)	631,655
Operating costs and expenses	412,205	54,469	53,553	286,547	(290,871)	515,903
Operating income	93,596	1,542	5,065	15,549	–	115,752
Assets	529,023	34,030	27,931	134,809	304,556	1,030,349

2009	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
	Thousands of U.S. dollars					
Unaffiliated customers	$1,878,888	$ 479,286	$525,500	$2,462,714	–	$5,346,388
Intersegment	2,416,265	11,245	6,970	195,602	$(2,630,082)	–
Total revenue	4,295,153	490,531	532,470	2,658,316	(2,630,082)	5,346,388
Operating costs and expenses	4,411,306	591,878	489,908	2,649,572	(2,630,082)	5,512,582
Operating income (loss)	(116,153)	(101,347)	42,562	8,744	–	(166,194)
Assets	5,134,143	192,643	224,786	1,188,704	2,538,571	9,278,847

Overseas Sales

2009	The Americas	Europe	Asia and Others	Total
	Millions of yen			
Overseas sales	¥43,918	¥58,013	¥305,091	¥407,022
Consolidated sales				523,946
Percentage	8.4%	11.1%	58.2%	77.7%

2008	The Americas	Europe	Asia and Others	Total
	Millions of yen			
Overseas sales	¥53,688	¥72,860	¥349,154	¥475,702
Consolidated sales				631,655
Percentage	8.5%	11.5%	55.3%	75.3%

2009	The Americas	Europe	Asia and Others	Total
	Thousands of U.S. dollars			
Overseas sales	$448,143	$591,969	$3,113,174	$4,153,286
Consolidated sales				5,346,388

Note: The segment information is based on accounting principles generally accepted in Japan.

Production, Order and Backlog by Product

Murata Manufacturing Co., Ltd. and Subsidiaries
Year ended March 31, 2009

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
	2009			
Production by Product		%	%	
Capacitors	¥161,715	32.9	(39.7)	$1,650,153
Piezoelectric Components	72,639	14.8	(25.7)	741,214
Microwave Devices	106,956	21.8	1.0	1,091,388
Module Products	64,154	13.0	(19.5)	654,633
Other Products	86,247	17.5	(21.1)	880,071
Total	¥491,711	100.0	(25.6)	$5,017,459

*1 Figures are based on production quantity and sales price to customers.
*2 Exclusive of consumption taxes
*3 The tables by product indicate production, order and backlog of electronics components and related products.
*4 The total production, order and backlog in Capacitors, Piezoelectric Components, Module Products and Other Products for this year have decreased drastically compared to the previous year. This is because the order performed badly in the Companies' main market such as AV, communication, computers and peripherals equipment market, and car electronics market with the worldwide economy declining at the term end in the latter half of the year.

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
	2009			
Order by Product		%	%	
Capacitors	¥168,586	33.8	(29.9)	$1,720,265
Piezoelectric Components	73,636	14.8	(20.5)	751,388
Microwave Devices	111,550	22.3	1.3	1,138,265
Module Products	60,393	12.1	(24.5)	616,255
Other Products	84,914	17.0	(18.1)	866,470
Total	¥499,079	100.0	(20.4)	$5,092,643

*1 Figures are based on order quantity and sales price to customers.
*2 Exclusive of consumption taxes

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
	2009			
Backlog by Product		%	%	
Capacitors	¥ 9,035	25.8	(57.1)	$ 92,194
Piezoelectric Components	4,683	13.4	(36.2)	47,786
Microwave Devices	11,815	33.8	12.3	120,561
Module Products	3,924	11.2	(53.5)	40,041
Other Products	5,544	15.8	(46.5)	56,571
Total	¥35,001	100.0	(39.3)	$357,153

*1 Figures are based on backlog quantity and sales price to customers.
*2 Exclusive of consumption taxes

Capital Investment

Murata Manufacturing Co., Ltd. and Subsidiaries
Year ended March 31, 2009

1) Capital Investment for the fiscal year ended March 2009 amounted to ¥65,427 million ($667,622 thousand). Major capital investment included expansion and rationalization of production facilities, construction of buildings and expansion of R&D facilities.

2) Major property, plant and equipment on book value basis

	Millions of yen				
2009	Land	Buildings	Machinery and equipment	Construction in progress	Total
Parent Company					
Plant, Office and other					
Head Office in Kyoto	¥ 168	¥ 1,628	¥ 2,090	¥ 373	¥ 4,260
Yokaichi Plant in Shiga	468	6,431	8,151	924	15,977
Yasu Plant in Shiga	7,018	22,759	13,793	3,048	46,620
Yokohama Technical Center in Kanagawa	2,733	2,201	627	3	5,565
Other	7,239	1,674	69	24	9,007

	Millions of yen				
2009	Land	Buildings	Machinery and equipment	Construction in progress	Total
Domestic subsidiaries					
Company Name					
Fukui Murata Manufacturing Co., Ltd.	¥2,025	¥12,064	¥22,541	¥2,075	¥38,705
Kanazawa Murata Manufacturing Co., Ltd.	3,505	13,174	18,697	1,848	37,224
Izumo Murata Manufacturing Co., Ltd.	1,385	12,912	18,768	2,093	35,158
Okayama Murata Manufacturing Co., Ltd.	–	8,317	8,836	3,323	20,476
Murata Land & Building Co., Ltd.	4,734	12,161	14	–	16,909
Toyama Murata Manufacturing Co., Ltd.	1,610	3,572	6,134	788	12,104

	Millions of yen				
2009	Land	Buildings	Machinery and equipment	Construction in progress	Total
Foreign subsidiaries					
Company Name					
Wuxi Murata Electronics Co., Ltd.	–	¥3,484	¥7,177	¥1,442	¥12,103
Murata Electronics Singapore (Pte.) Ltd.	–	3,585	4,866	–	8,451
Shenzhen Murata Technology Co., Ltd.	–	2,532	1,216	–	3,748
Murata Electronics (Thailand), Ltd.	¥213	690	1,602	185	2,690
Murata (China) Investment Co., Ltd.	–	7	143	1,546	1,696

Consolidated Balance Sheets

Murata Manufacturing Co., Ltd. and Subsidiaries
March 31, 2009 and 2008

ASSETS	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 2) 2009
Current assets:			
Cash	**¥ 46,296**	¥ 36,783	**$ 472,408**
Short-term investments	**93,790**	76,599	**957,041**
Marketable securities (Note 3)	**165,545**	241,177	**1,689,235**
Notes and accounts receivable:			
Trade notes	**3,494**	7,059	**35,653**
Trade accounts	**80,578**	121,537	**822,224**
Allowance for doubtful notes and accounts	**(1,013)**	(1,125)	**(10,337)**
Inventories (Note 4)	**94,104**	114,647	**960,245**
Deferred income taxes (Note 9)	**16,906**	21,169	**172,510**
Prepaid expenses and other	**23,753**	9,709	**242,378**
Total current assets	**523,453**	627,555	**5,341,357**
Property, plant and equipment:			
Land	**43,899**	41,284	**447,949**
Buildings	**267,737**	258,588	**2,732,010**
Machinery and equipment	**567,299**	536,292	**5,788,765**
Construction in progress	**20,979**	33,511	**214,072**
Total	**899,914**	869,675	**9,182,796**
Accumulated depreciation	**(571,632)**	(523,526)	**(5,832,980)**
Net property, plant and equipment	**328,282**	346,149	**3,349,816**
Investments and other assets:			
Investments (Note 3)	**7,935**	11,493	**80,969**
Deferred income taxes (Note 9)	**19,953**	7,713	**203,602**
Long-term receivables, advances and other (Notes 6 and 16)	**29,704**	37,439	**303,103**
Total investments and other assets	**57,592**	56,645	**587,674**
Total assets	**¥909,327**	¥1,030,349	**$9,278,847**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2009	Millions of yen 2008	Thousands of U.S. dollars (Note 2) 2009
Current liabilities:			
Short-term borrowings (Note 5)	**¥ 9,240**	¥ 17,999	**$ 94,286**
Trade notes payable	**2,472**	6,426	**25,224**
Trade accounts payable	**17,939**	37,315	**183,051**
Accrued payroll and bonuses	**17,417**	22,527	**177,724**
Income taxes payable	**1,405**	12,612	**14,337**
Accrued expenses and other (Note 6)	**20,982**	28,031	**214,102**
Total current liabilities	**69,455**	124,910	**708,724**
Long-term liabilities:			
Long-term debt (Note 5)	**17**	19	**174**
Termination and retirement benefits (Note 6)	**53,593**	44,820	**546,867**
Deferred income taxes (Note 9)	**889**	15,748	**9,072**
Other	**1,031**	622	**10,520**
Total long-term liabilities	**55,530**	61,209	**566,633**
Commitments and contingent liabilities (Note 13)			
Shareholders' equity (Notes 8 and 17):			
Common stock (authorized 581,000,000 shares in 2009 and 2008; issued 225,263,592 shares in 2009 and 2008)	**69,377**	69,377	**707,929**
Capital surplus	**102,388**	102,403	**1,044,776**
Retained earnings	**692,099**	710,453	**7,062,235**
Accumulated other comprehensive income (loss):			
Unrealized gains on securities	**344**	2,954	**3,510**
Pension liability adjustments (Note 6)	**(4,928)**	645	**(50,286)**
Unrealized gains (losses) on derivative instruments	**(590)**	16	**(6,020)**
Foreign currency translation adjustments	**(26,288)**	(8,517)	**(268,245)**
Total accumulated other comprehensive loss	**(31,462)**	(4,902)	**(321,041)**
Treasury stock, at cost 10,630,495 shares in 2009 and 5,842,969 shares in 2008	**(48,060)**	(33,101)	**(490,409)**
Total shareholders' equity	**784,342**	844,230	**8,003,490**
Total liabilities and shareholders' equity	**¥909,327**	¥1,030,349	**$9,278,847**

Consolidated Statements of Income

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	**2009**
Net sales	**¥523,946**	¥631,655	¥566,805	**$5,346,388**
Operating costs and expenses:				
Cost of sales	**398,112**	387,842	335,869	**4,062,367**
Selling, general and administrative	**95,289**	85,780	78,901	**972,337**
Research and development	**46,832**	42,281	38,670	**477,878**
Total operating costs and expenses	**540,233**	515,903	453,440	**5,512,582**
Operating income (loss)	**(16,287)**	115,752	113,365	**(166,194)**
Other income (expenses):				
Interest and dividend income	**4,061**	4,866	3,898	**41,439**
Interest expense	**(478)**	(537)	(342)	**(4,878)**
Foreign currency exchange gain (loss)	**1,396**	(32)	(1,908)	**14,245**
Other-net	**989**	1,781	2,990	**10,092**
Other income (expenses)-net	**5,968**	6,078	4,638	**60,898**
Income (loss) before income taxes	**(10,319)**	121,830	118,003	**(105,296)**
Income taxes (Note 9)	**(13,907)**	44,417	46,694	**(141,908)**
Net income	**¥ 3,588**	¥ 77,413	¥ 71,309	**$ 36,612**

	Yen			U.S. dollars (Note 2)
Amounts per share (Note 11):				
Basic earnings per share	**¥ 16.48**	¥349.09	¥321.29	**$0.17**
Diluted earnings per share	**¥ 16.48**	¥349.05	¥321.22	**$0.17**
Cash dividends per share	**¥100.00**	¥100.00	¥ 80.00	**$1.02**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	**2009**
Net income	**¥ 3,588**	¥ 77,413	¥71,309	**$ 36,612**
Other comprehensive income (loss), net of tax (Note 12):				
Unrealized losses on securities	**(2,610)**	(2,414)	(624)	**(26,632)**
Minimum pension liability adjustments	**–**	–	(31)	**–**
Pension liability adjustments	**(5,573)**	(7,821)	–	**(56,867)**
Unrealized gains (losses) on derivative instruments	**(606)**	45	4	**(6,184)**
Foreign currency translation adjustments	**(17,771)**	(8,901)	5,033	**(181,337)**
Other comprehensive income (loss)	**(26,560)**	(19,091)	4,382	**(271,020)**
Comprehensive income (loss)	**¥(22,972)**	¥ 58,322	¥75,691	**$(234,408)**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Number of common shares issued	Millions of yen				
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance at March 31, 2006	225,263,592	¥69,377	¥102,228	¥601,685	¥ 781	¥(18,677)
Purchases of treasury stock at cost						(53)
Exercise of stock options			54			454
Stock-based compensation expense			81			
Net income				71,309		
Cash dividends, ¥80.00 per share				(17,754)		
Other comprehensive income, net of tax					4,382	
Adjustment to initially apply FASB Statement No. 158, net of tax					9,026	
Balance at March 31, 2007	225,263,592	69,377	102,363	655,240	14,189	(18,276)
Purchases of treasury stock at cost						(15,035)
Exercise of stock options			21			210
Stock-based compensation expense			19			
Net income				77,413		
Cash dividends, ¥100.00 per share				(22,200)		
Other comprehensive loss, net of tax					(19,091)	
Balance at March 31, 2008	**225,263,592**	**69,377**	**102,403**	**710,453**	**(4,902)**	**(33,101)**
Purchases of treasury stock at cost						**(15,025)**
Disposal of treasury stock			**(15)**			**66**
Net income				**3,588**		
Cash dividends, ¥100.00 per share				**(21,942)**		
Other comprehensive loss, net of tax					**(26,560)**	
Balance at March 31, 2009	**225,263,592**	**¥69,377**	**¥102,388**	**¥692,099**	**¥(31,462)**	**¥(48,060)**

	Thousands of U.S. dollars (Note 2)				
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance at March 31, 2008	**$707,929**	**$1,044,929**	**$7,249,521**	**$ (50,020)**	**$(337,765)**
Purchases of treasury stock at cost					**(153,317)**
Disposal of treasury stock		**(153)**			**673**
Net income			**36,612**		
Cash dividends, $1.02 per share			**(223,898)**		
Other comprehensive loss, net of tax				**(271,021)**	
Balance at March 31, 2009	**$707,929**	**$1,044,776**	**$7,062,235**	**$(321,041)**	**$(490,409)**

Consolidated Statements of Cash Flows

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2009, 2008, and 2007

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2009	2008	2007	**2009**
Operating activities:				
Net income	**¥ 3,588**	¥ 77,413	¥ 71,309	**$ 36,612**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**80,978**	65,134	49,817	**826,306**
Losses on sales and disposals of property, plant and equipment	**411**	740	461	**4,194**
Impairment losses on long-lived assets	**506**	–	428	**5,163**
Impairment losses on goodwill	**9,777**	–	–	**99,765**
Gains on sales of securities	**(47)**	(8)	(143)	**(480)**
Provision for termination and retirement benefits, less payments	**1,039**	(1,650)	(792)	**10,602**
Deferred income taxes	**(18,341)**	4,895	(2,179)	**(187,153)**
Changes in assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable	**39,183**	(280)	(14,186)	**399,827**
Decrease (increase) in inventories	**18,189**	(25,628)	(18,584)	**185,602**
Increase in prepaid expenses and other	**(14,540)**	(61)	(3,024)	**(148,367)**
Increase (decrease) in trade notes and accounts payable	**(23,012)**	3,730	8,620	**(234,816)**
Increase (decrease) in accrued payroll and bonuses	**(4,953)**	1,518	1,498	**(50,541)**
Increase (decrease) in income taxes payable	**(10,973)**	(16,704)	11,490	**(111,969)**
Increase (decrease) in accrued expenses and other	**(7,528)**	(2,856)	9,116	**(76,816)**
Other–net	**2,244**	114	2,280	**22,898**
Net cash provided by operating activities	**76,521**	106,357	116,111	**780,827**
Investing activities:				
Capital expenditures	**(65,427)**	(125,557)	(99,651)	**(667,622)**
Payment for purchases of investments and other	**(10,883)**	(7,435)	(4,437)	**(111,051)**
Net decrease (increase) in marketable securities	**73,972**	79,731	(5,072)	**754,816**
Increase in long–term deposits	**–**	(4,000)	(1,000)	**–**
Decrease in long-term deposits	**3,000**	2,000	–	**30,612**
Acquisition of subsidiaries, net of cash acquired	**–**	(9,623)	(15,390)	**–**
Increase in short-term investments	**(19,338)**	(2,365)	(881)	**(197,326)**
Other	**570**	1,658	1,589	**5,816**
Net cash used in investing activities	**(18,106)**	(65,591)	(124,842)	**(184,755)**
Financing activities:				
Net increase (decrease) in short-term borrowings	**(6,821)**	4,517	4,025	**(69,602)**
Repayment of long–term debt	**–**	–	(500)	**–**
Dividends paid	**(21,942)**	(22,200)	(17,754)	**(223,898)**
Payment for purchases of treasury stock	**(15,025)**	(15,035)	(53)	**(153,317)**
Other	**(26)**	226	505	**(265)**
Net cash used in financing activities	**(43,814)**	(32,492)	(13,777)	**(447,082)**
Effect of exchange rate changes on cash and cash equivalents	**(7,235)**	(4,293)	2,280	**(73,827)**
Net increase (decrease) in cash and cash equivalents	**7,366**	3,981	(20,228)	**75,163**
Cash and cash equivalents at beginning of year	**110,136**	106,155	126,383	**1,123,837**
Cash and cash equivalents at end of year	**¥117,502**	¥110,136	¥106,155	**$1,199,000**
Additional cash flow information:				
Interest paid	**¥ 534**	¥ 505	¥ 331	**$ 5,449**
Income taxes paid	**32,571**	56,611	37,335	**332,357**
Additional cash and cash equivalents information:				
Cash	**¥ 46,296**	¥ 36,783	¥ 29,133	**$ 472,408**
Short-term investments	**93,790**	76,599	77,903	**957,041**
Short-term investments with the original maturities over three months	**(22,584)**	(3,246)	(881)	**(230,449)**
Cash and cash equivalents at end of year	**¥117,502**	¥110,136	¥106,155	**$1,199,000**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Murata Manufacturing Co., Ltd. and
Subsidiaries

1. Summary of Significant Accounting Policies

(a) Nature of operations

Murata Manufacturing Co., Ltd. (the "Company") and subsidiaries (together the "Companies") are engaged in the development, manufacture and sale of electronic components in numerous countries, with Japan, North America and certain other Asian and European countries as its primary markets. The Companies' major product groups are ceramic capacitors, piezoelectric components, microwave devices and module products, which are sold mainly to electronics companies for use as components in telecommunication, computer, audio, video, automotive electronics and other electronic products.

(b) Basis of financial statements

The consolidated financial statements, stated in Japanese yen, reflect certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles generally accepted in the United States, except for the omission of a certain presentation of segment information required by Statement of Financial Accounting Standards ("SFAS") No. 131, "Disclosures about Segments of an Enterprise and Related Information."

The principal adjustments to amounts recorded in the Companies' books of account include the measurement of net periodic cost for defined benefit retirement plans, the accrual of compensated absences, accounting for derivatives, and the provision for deferred income taxes relating to these adjustments.

(c) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany items have been eliminated in consolidation.

(d) Short-term investments, cash and cash equivalents

Short-term investments include time deposits which may be withdrawn on demand without diminution of principal, and commercial paper which is a highly-liquid investment.

The Companies consider cash and short-term investments with original maturities of three months or less as cash and cash equivalents.

(e) Marketable securities and investments

Under SFAS No. 115, "Accounting for Certain Investments in 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 (See Note 3). The Companies review the fair value of their marketable securities and investments on a regular basis to determine if the fair value of any individual investment has declined below its cost and if such decline is other than temporary. A determination of whether a decline in value represents an other than temporary impairment is based on criteria that include the extent to which the securities' carrying value exceeds its fair value, the duration of the market decline, and the Companies' ability and intent to hold the investment. Losses from other-than-temporary impairments, if any, are charged to income as incurred.

(f) Inventories

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

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment has been principally computed using the declining-balance method (straight-line method for certain overseas subsidiaries) based upon the estimated useful lives of the assets. The range of useful lives is principally from 10 to 50 years for buildings and from 4 to 8 years for machinery and equipment.

From April 1, 2008, the Company and its domestic subsidiaries changed estimated residual value and useful lives of certain property, plant and equipment. In accordance with SFAS No. 154, "Accounting Changes and Error Corrections – a replacement of APB No. 20 and FASB Statement No. 3", this change in estimated residual value and useful lives is accounted for as a change in accounting estimate.

As a result of this change, loss before income taxes for the year ended March 31, 2009 was increased by ¥5,470 million and net income for the year ended March 31, 2009 was decreased by ¥3,260 million. In addition, basic earnings per share declined ¥14.97.

(h) Termination and retirement benefits

Termination and retirement benefits are accounted for in accordance with SFAS No.87, "Employers' Accounting for Pensions" and SFAS No.158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R)."

(i) Revenue recognition

The Companies recognize revenue when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured.

(j) Advertising expenses

Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2009, 2008 and 2007 were ¥2,536 million ($25,878 thousand), ¥2,354 million and ¥2,050 million, respectively.

(k) Taxes on Income

The Companies follow the provisions of SFAS No. 109, "Accounting for Income Taxes" to account for income taxes. Under SFAS No. 109, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax bases of assets and liabilities using the enacted tax rates. Deferred income tax expenses and credits are based on the change in the deferred tax assets and liabilities from period to period. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Previously provisions were made for deferred taxes on undistributed earnings of all foreign subsidiaries as such earnings were not deemed to be permanently invested. A revised income tax act was enacted during this period, and it treats dividends received from foreign subsidiaries after April 1, 2009 as non - taxable income for tax calculation.

Effective April 1, 2007, the Companies account for uncertainty in income taxes in accordance with FASB Interpretation ("FIN") No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109." FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return.

(l) Earnings per share

The Companies account for earnings per share in accordance with SFAS No. 128, "Earnings per Share." Diluted earnings per share reflects the potential dilution from potential shares outstanding such as shares issuable upon the exercise of stock options. A reconciliation of the numerator and denominator of the basic and diluted earnings per share computation is included in Note 11.

(m) Fair value measurements

Effective April 1, 2008, the Companies account for fair value measurements in accordance with SFAS No. 157, "Fair value measurements." SFAS No. 157 clarifies the definitions of fair value, which are different among the many accounting pronouncements that require or permit fair value measurements. SFAS No. 157 also expands disclosures about the use of fair value to measure assets and liabilities. The adoption of SFAS No. 157 had no impact on consolidated financial statements.

(n) Derivatives

The Companies account for their derivative instruments and hedging activities in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities – an amendment of FASB Statement No. 133," SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140," and SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133." These standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

On the date the derivative contract is entered into, the Companies designate the derivative as a hedge of forecasted foreign currency cash flows. The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as foreign currency cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific forecasted transactions. The Companies consider all hedges to be highly effective in offsetting changes in cash flows of hedged items, because the currencies and terms of the derivatives correspond to those of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a foreign currency cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

(o) Stock-based Compensation

The Company accounts for stock-based awards to employees in accordance with SFAS No. 123 (revised 2004), “Share-Based Payment” (“SFAS No. 123R”), using the modified prospective application. SFAS No. 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized over the period during which an employee is required to provide service in exchange for the award on or after the effective date. Stock-based compensation for the year ended March 31, 2008 was ¥19 million. There is no tax effect on the stock-based compensation. There was no stock-based compensation for the year ended March 31, 2009.

(p) Shipping and Handling costs

Shipping and Handling costs which were included in selling, general and administrative expenses for the years ended March 31, 2009, 2008 and 2007 were ¥5,086 million ($51,898 thousand), ¥5,953 million and ¥5,895 million, respectively.

(q) Consideration given by a vendor to a customer

The Companies account for consideration given to a customer as a reduction of revenue in accordance with Emerging Issues Task Force (“EITF”) No. 01-9, “Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor’s Products.” EITF No. 01-9 defines the income statement classification of consideration given by a vendor to a customer or reseller of the vendor’s products.

(r) Impairment or Disposal of Long-Lived Assets

The Companies account for impairment or disposal of long-lived assets and discontinued operations in accordance with SFAS No.144, “Accounting for the Impairment or Disposal of Long-Lived Assets.” This statement applies to all long-lived assets. The Companies’ long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. If the Companies determine to dispose of assets, depreciation estimates for the assets shall be revised to reflect those remaining useful lives. Assets classified as held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell.

Except for idle long-lived assets and long-lived assets to be disposed of by sale, long-lived assets are aggregated into asset groups based on product category.

The Companies recognized ¥506 million ($5,163 thousand) and ¥428 million of impairment losses in selling, general and administrative expenses for the years ended March 31, 2009 and 2007, respectively.

In the year ended March 31, 2009, the Company entered into sales agreement of certain idle long-lived assets located in Japan and recognized ¥506 million ($5,163 thousand) of impairment losses. Impairment losses consist of ¥237 million ($2,418 thousand) for building and ¥269 million ($2,745 thousand) for land. Net realizable values of these long-lived assets were determined at fair value less cost to sell, which were equal with the price contracted by the sales agreement.

In the year ended March 31, 2007, the Companies reviewed certain long-lived asset for impairment. As a result, certain land of a subsidiary, which was not expected to be used due to the change of certain business plans, was considered to be impaired. The fair value of this asset was determined by considering the estimate of future cash flow.

(s) Goodwill and other intangible assets

The Companies account for goodwill and other intangible assets in accordance with SFAS No. 142, “Goodwill and Other Intangible Assets.” 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.

And also this statement requires that an intangible asset that is determined to have 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.

(t) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(u) Reclassifications

Certain items in prior years’ financial statements have been reclassified to conform to the 2009 presentation.

(v) New accounting standards

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS No. 141R”). SFAS No. 141R establishes principles and requirements for how the acquirer recognizes and measures the assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree, and the goodwill acquired. SFAS No. 141R is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2008, and the Companies will adopt this statement as of April 1, 2009. The Companies are currently evaluating the impact of adoption of this statement on the Companies’ consolidated financial statement as of the required effective date.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51.” SFAS No. 160 establishes accounting and reporting standards for the ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent’s ownership interest, and the measurement at fair value of any retained noncontrolling equity investment when a subsidiary is deconsolidated. SFAS No. 160 is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2008, and the Companies will adopt this statement as of April 1, 2009. The Companies are currently evaluating the impact of adoption of this statement on the Companies’ consolidated financial statement as of the required effective date.

In May 2009, the FASB issued SFAS No. 165, “Subsequent Events.” SFAS No. 165 requires to disclose the date through which subsequent events have been evaluated, the nature of nonrecognized subsequent events and an estimate of its financial effect. SFAS No. 165 is effective for interim or annual financial periods ending after June 15, 2009, and the Companies will adopt this statement as of April 1, 2009.

2. Translation of Japanese Yen Amounts into U.S. Dollar Amounts

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience of readers outside of Japan and have been made at the rate of ¥98 to $1, the approximate rate of exchange at March 31, 2009. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Marketable Securities and Investments

The cost, gross unrealized gains, gross unrealized losses and fair value for available-for-sale securities by major security type, at March 31, 2009 and 2008 were as follows:

	Millions of yen			
	2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	¥ 6,558	¥ 79	¥ 0	¥ 6,637
Private debt securities	159,878	435	1,405	158,908
Total	¥166,436	¥ 514	¥1,405	¥165,545
Non-current:				
Equity securities	¥ 4,606	¥1,764	–	¥ 6,370
Investment trusts	600	5	–	605
Total	¥ 5,206	¥1,769	–	¥ 6,975

	Millions of yen			
	2008			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	¥ 17,335	¥ 88	¥ 0	¥ 17,423
Private debt securities	223,565	957	768	223,754
Total	¥240,900	¥1,045	¥ 768	¥241,177
Non-current:				
Equity securities	¥ 4,616	¥5,020	¥ 40	¥ 9,596
Investment trusts	600	4	–	604
Total	¥ 5,216	¥5,024	¥ 40	¥ 10,200

	Thousands of U.S. dollars			
	2009			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	$ 66,919	$ 806	$ 0	$ 67,725
Private debt securities	1,631,408	4,439	14,337	1,621,510
Total	$1,698,327	$ 5,245	$14,337	$1,689,235
Non-current:				
Equity securities	$ 47,000	$18,000	–	$ 65,000
Investment trusts	6,122	51	–	6,173
Total	$ 53,122	$18,051	–	$ 71,173

The fair value and gross unrealized losses for available-for-sale securities by major security type and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2009 and 2008 were as follows:

	Millions of yen			
	2009			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Current:				
Governmental debt securities	–	–	¥ 14	¥ 0
Private debt securities	¥28,445	¥287	31,978	1,118
Total	¥28,445	¥287	¥31,992	¥1,118

	Millions of yen			
	2008			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Current:				
Governmental debt securities	¥ 14	¥ 0	–	–
Private debt securities	20,970	523	¥73,729	¥ 245
Total	¥20,984	¥ 523	¥73,729	¥ 245
Non-current:				
Equity securities	¥ 384	¥ 40	–	–
Total	¥ 384	¥ 40	–	–

	Thousands of U.S. dollars			
	2009			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Current:				
Governmental debt securities	–	–	$ 143	$ 0
Private debt securities	$290,255	$2,929	326,306	11,408
Total	$290,255	$2,929	$326,449	$11,408

The Companies did not recognize other-than-temporary impairment loss on debt securities which have a fair value below original cost as of March 31, 2009, as the Companies have the intention and ability to hold such securities until the maturity dates and as the issuers of the securities have favorable credit ratings.

The aggregate carrying amounts of equity securities that do not have a readily determinable fair value at March 31, 2009 and 2008, which were valued at cost, were ¥960 million ($9,796 thousand) and ¥1,293 million, respectively. For the year ended 2009, equity securities of ¥934 million ($9,531 thousand) were not evaluated for impairment because (a) the Companies did not identify any events or changes in circumstances that might have a significant adverse effect on the fair value of the securities and (b) the Companies determined that it was not practicable to estimate the fair value of the securities.

Contractual maturities of debt securities as of March 31, 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair Value	Cost	Fair Value
Within one year	¥ 83,425	¥ 83,342	$ 851,276	$ 850,429
After one year through five years	83,011	82,203	847,051	838,806
After five years	–	–	–	–
Total	¥166,436	¥165,545	$1,698,327	$1,689,235

Information related to sales of available-for-sale securities was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Proceeds from sales	**¥4,526**	¥997	¥ 2,401	**$46,184**
Gross realized gains	**47**	8	143	**480**
Gross realized losses	**–**	14	8	**–**

4. Inventories

Inventories at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Finished products	**¥41,903**	¥ 54,330	**$427,582**
Work-in-process	**31,119**	37,748	**317,541**
Materials and supplies	**21,082**	22,569	**215,122**
Total	**¥94,104**	¥114,647	**$960,245**

5. Short-Term Borrowings and Long-Term Debt

Short-Term Borrowings at March 31, 2009 and 2008 consisted of the following:

	Millions of yen	Weighted-Average Interest Rate	Millions of yen	Weighted-Average Interest Rate	Thousands of U.S. dollars
	2009		2008		**2009**
Bank loans	**¥9,240**	**1.4%**	¥ 17,999	4.2%	**$94,286**

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen	Weighted-Average Interest Rate	Millions of yen	Weighted-Average Interest Rate	Thousands of U.S. dollars
	2009		2008		**2009**
Long-term loan payable	**¥19**	**3.4%**	¥21	3.4%	**$194**
Total	**19**	**3.4**	21	3.4	**194**
Less: Portion due within one year	**2**	**3.6**	2	3.8	**20**
Total	**¥17**	**3.4%**	¥19	3.4%	**$174**

The aggregate future maturities of long-term debt outstanding at March 31, 2009 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 2	$ 20
2011	2	20
2012	2	20
2013	1	11
2014	1	11
2015 and thereafter	11	112
Total	¥19	$194

6. Termination and Retirement Benefits

The Companies sponsor termination and retirement benefit plans which cover most employees. Benefits are primarily based on the employee’s position and assessment of performance or the employee’s years of service, with some plans also considering compensation and other factors. If the termination is involuntary or caused by death, the employee or their beneficiary is usually entitled to greater payments than in the case of voluntary termination.

The Companies fund a portion of the obligation under these plans. The general funding policy is to contribute amounts computed in accordance with accepted actuarial methods.

The Companies have several termination and retirement plans, some partially funded and administered by independent trustees, others unfunded and administered by the Companies. These plans usually provide lump sum termination and retirement benefits and are paid at the earlier of the employee’s termination or the mandatory retirement age although periodic payments are available under certain conditions.

The following table summarizes the financial status of the termination and retirement plans and the amounts recognized in the financial statements at March 31:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥102,644**	¥ 96,795	**$1,047,388**
Service cost	**6,528**	5,606	**66,612**
Interest cost	**1,973**	1,862	**20,133**
Amendments	**(2,108)**	–	**(21,510)**
Actuarial loss	**483**	1,798	**4,928**
Benefits paid	**(1,305)**	(1,172)	**(13,316)**
Settlement paid	**(3,209)**	(2,370)	**(32,745)**
Acquisition	**–**	125	**–**
Benefit obligation at end of year	**105,006**	102,644	**1,071,490**
Change in plan assets:			
Fair value of plan assets at beginning of year	**58,495**	64,013	**596,888**
Actual return on plan assets	**(9,874)**	(8,015)	**(100,756)**
Employer contribution	**3,755**	4,260	**38,316**
Benefits paid	**(1,305)**	(1,172)	**(13,316)**
Settlement paid	**(604)**	(591)	**(6,163)**
Fair value of plan assets at end of year	**50,467**	58,495	**514,969**
Funded status at end of year	**¥ (54,539)**	¥(44,149)	**$ (556,521)**
Amounts recognized in the consolidated balance sheet consist of:			
Long-term receivables, advances and other	**–**	¥ 2,145	**–**
Accrued expenses and other	**¥ (946)**	(1,474)	**$ (9,654)**
Termination and retirement benefits	**(53,593)**	(44,820)	**(546,867)**
Net amount recognized	**¥ (54,539)**	¥(44,149)	**$ (556,521)**
Accumulated benefit obligation at end of year	**¥100,615**	¥ 98,459	**$1,026,684**

Accumulated benefit obligations for all of the Companies' termination and retirement plans were in excess of their plan assets at March 31, 2009 and 2008.

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Actuarial loss	**¥ 30,269**	¥ 20,797	**$ 308,867**
Prior service benefit	**(21,943)**	(21,823)	**(223,908)**
Pension liability adjustments, before tax	**¥ 8,326**	¥ (1,026)	**$ 84,959**

Net periodic benefit cost for the years ended March 31:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Service cost	**¥ 6,528**	¥ 5,606	¥ 5,296	**$ 66,612**
Interest cost	**1,973**	1,862	1,786	**20,133**
Expected return on plan assets	**(1,163)**	(1,274)	(1,193)	**(11,867)**
Amortization of prior service benefit	**(1,988)**	(1,988)	(1,938)	**(20,286)**
Recognized actuarial loss	**2,134**	255	853	**21,776**
Net periodic benefit cost	**¥ 7,484**	¥ 4,461	¥ 4,804	**$ 76,368**

Other amounts recognized in other comprehensive income for the years ended March 31:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Prior service benefit due to amendments	**¥ (2,108)**	–	**$ (21,510)**
Actuarial loss	**11,606**	¥11,403	**118,429**
Amortization of prior service benefit	**1,988**	1,988	**20,286**
Recognized actuarial loss	**(2,134)**	(255)	**(21,776)**
Total recognized in other comprehensive income, before tax	**¥ 9,352**	¥13,136	**$ 95,429**

The estimated prior service cost and net loss for the termination and retirement benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year are a gain of ¥2,116 million ($21,592 thousand) and a loss of ¥3,949 million ($40,296 thousand), respectively.

Termination and retirement benefits, accounted for in accordance with SFAS No.87, "Employers' Accounting for Pensions" and SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106, and 132(R), " 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 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 (loss).

The unrecognized prior service benefit due to certain plan amendments is being amortized on a straight-line basis over the average remaining service period of employees. In the year ended March 31, 2009, the Company and a domestic subsidiary amended their termination and retirement benefit plans. As a result of these amendments, the benefit obligation decreased by ¥2,108 million ($21,510 thousand) during the year ended March 31, 2009.

The unrecognized actuarial gains and losses in excess of 10% of the larger of the projected benefit obligation or plan assets are being amortized over five years.

The following assumptions were utilized to calculate the actuarial present value of the benefit obligation as of March 31:

	2009	2008
Discount rate	**2.0%**	2.0%

The following assumptions were utilized to calculate net periodic benefit cost for the years ended March 31:

	2009	2008	2007
Discount rate	**2.0%**	2.0%	2.0%
Expected long-term rate of return on plan assets...............................	**2.0%**	2.0%	2.0%

The Companies determined the discount rate based on a risk-free rate estimated considering the long-term rate of return on Japanese Government Bonds and the rate of returns on other high-quality fixed-income investments. The Companies determined the expected long-term rate of return on plan assets, based on the historical performance of various invested asset categories, as well as the long-term rate of return on Japanese Government Bonds.

Compensation increase rate is not used in the calculation of benefit obligation and net periodic benefit cost under the point system.

The Companies' benefit plan weighted-average asset allocations at March 31, 2009 and 2008 by asset category were as follows:

	2009	2008
Equity securities	**27.9%**	39.1%
Debt securities	**38.5**	33.6
Life insurance company general accounts	**25.2**	19.5
Other..	**8.4**	7.8
	100.0%	100.0%

Equity securities include common stock of the Company in the amounts of ¥22 million ($224 thousand) (0.04% of total plan assets) and ¥31 million (0.05% of total plan assets) at March 31, 2009 and 2008, respectively.

Plan assets are invested for the purpose of achieving a sufficient rate of return to maintain pension plan assets for future payment of benefits to plan participants. Considering the expected rate of return on invested assets, a related standard deviation, and a related correlation coefficient, the Companies believe the current asset allocation is adequate for purposes of meeting investment objectives. For achieving the expected rate of return on plan assets on a mid-term to long-term basis, the Companies select optimal investing institutions by invested asset category and entrust the investment of plan assets to them. The Companies revise the asset allocation when and to the extent considered necessary. The asset allocation of the Company's plan assets which account for most of plan assets at March 31, 2009 consists of 42% of equity securities, 50% of debt securities and life insurance company general accounts, and 8% of other.

The Companies expect to contribute ¥3,454 million ($35,245 thousand) to their defined benefit plans in the year ending March 31, 2009.

The future benefit payments are expected as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥ 3,337	$ 34,051
2011	3,432	35,020
2012	3,521	35,929
2013	3,593	36,663
2014	3,646	37,204
2015-2019	23,618	241,000

7. Stock-based Compensation

For the year ended March 31, 2006, the Company authorized the grant of options to purchase common stock of the Company to employees of the Company and its subsidiaries under a fixed stock option plan.

Under the above plan, the exercise price of the option exceeds the market price of the Company's common stock on the date of grant and the options expire six years after the date of grant.

Generally, the options granted become fully vested and exercisable after two years.

A summary of the Company's fixed stock option plan activity and related information for the year ended March 31, 2009 was as follows:

		Yen	Years	Millions of yen
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Fixed Options				
Outstanding at beginning of year	157,600	¥6,110		
Granted	–	–		
Exercised	–	–		
Forfeited	(500)	5,686		
Expired	(37,800)	7,264		
Outstanding at end of year	119,300	5,746	1.71	–
Options exercisable at end of year	119,300	¥5,746	1.71	–

	U.S. dollars	Thousands of U.S. dollars
	Weighted-Average Exercise Price	Aggregate Intrinsic Value
Fixed Options		
Outstanding at beginning of year	$62.35	
Granted	–	
Exercised	–	
Forfeited	58.02	
Expired	74.12	
Outstanding at end of year	58.63	–
Options exercisable at end of year	$58.63	–

The Company has not granted any options during the years ended March 31, 2009 and 2008, respectively.

The total intrinsic value of options exercised during the year ended March 31, 2008 was ¥86 million. Cash proceeds from option exercises under the Company's stock option plans for the year ended March 31, 2008 was ¥231 million.

No options were exercised during the year ended March 31, 2009. As of March 31, 2009, there was no unrealized compensation expense.

8. Shareholders' Equity

On and after May 1, 2006, Japanese companies are subject to a new corporate law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan (the "Code") with various revisions that are, for the most part, applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting, if companies meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The amount available for dividends under the Corporate Law was ¥213,392 million ($2,177,469 thousand) as of March 31, 2009, based on the amount recorded in the parent company's general books of account.

(b) Increases / decreases and transfer of common stock, reserve and surplus

The Corporate Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

9. Income Taxes

The provision for income taxes for the years ended March 31, 2009, 2008 and 2007, consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Current	**¥ 4,434**	¥ 39,522	¥ 48,873	**$ 45,245**
Deferred	**(18,341)**	4,895	(2,179)	**(187,153)**
Provision for income taxes	**¥(13,907)**	¥ 44,417	¥ 46,694	**$(141,908)**

A revised income tax act was enacted during this period, and it treats dividends received from foreign subsidiaries after April 1, 2009 as non - taxable income for tax calculation. The provision for income tax - deferred for the year ended March 31, 2009 includes a credit of ¥19,736 million ($201,388 thousand) for the effect of the change on deferred income taxes (non - current liability).

The effective income tax rates of the Company and subsidiaries differ from the normal Japanese statutory rates as follows for the years ended March 31:

	2009	2008	2007
Normal Japanese statutory rates	**(40.4)%**	40.4%	40.4%
Increase (decrease) in taxes resulting from:			
Tax credits	**(2.1)**	(3.1)	(2.6)
Permanently non-deductible items	**5.9**	0.0	0.7
Impairment loss on goodwill	**34.2**	–	–
Foreign earnings taxed at different rates	**2.7**	–	–
Net change in valuation allowance for deferred tax assets	**53.5**	(0.2)	0.6
Effect of reversal of deferred tax liabilities by a change in tax laws	**(191.3)**	–	–
Other-net	**2.7**	(0.6)	0.5
Effective tax rates	**(134.8)%**	36.5%	39.6%

The approximate effects of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Intercompany profits	**–**	¥ 4,353	**–**
Termination and retirement benefits	**¥21,099**	16,844	**$215,296**
Enterprise taxes	**97**	1,173	**990**
Compensated absences	**1,788**	1,867	**18,245**
Inventory valuation	**6,996**	2,305	**71,388**
Marketable securities and investments adjustments	**1,530**	–	**15,612**
Tangible and intangible assets	**9,026**	8,600	**92,102**
Accrued bonuses	**4,373**	6,088	**44,622**
Other temporary differences	**9,377**	9,211	**95,684**
Tax loss carryforwards	**8,972**	2,883	**91,551**
Total	**63,258**	53,324	**645,490**
Valuation allowance	**(7,205)**	(1,670)	**(73,521)**
Total	**¥56,053**	¥51,654	**$571,969**
Deferred tax liabilities:			
Intercompany losses	**¥ 683**	–	**$ 6,969**
Enterprise taxes	**1,116**	–	**11,388**
Undistributed earnings of foreign subsidiaries	**7,517**	¥25,438	**76,704**
Marketable securities and investments adjustments	**–**	1,458	**–**
Tangible and intangible assets	**4,459**	3,920	**45,500**
Other temporary differences	**6,447**	7,872	**65,786**
Total	**¥20,222**	¥38,688	**$206,347**

The total valuation allowance increased ¥5,535 million ($56,480 thousand) for the year ended March 31, 2009 and decreased ¥297 million for the year ended March 31, 2008.

Based upon the level of historical taxable income and projections for future taxable income over the periods which the net deductible temporary differences are expected to reverse, management believes it is more likely than not that the Companies will realize the benefits of these deferred tax assets, net of existing valuation allowances at March 31, 2009 and 2008.

The Company and subsidiaries have tax loss carryforwards for each of the corporate and local taxes approximating ¥22,025 million ($224,745 thousand) and ¥25,884 million ($264,122 thousand), respectively, available to reduce future taxable income at March 31, 2009, which will expire substantially in the period from 2010 to 2027.

The Companies adopted FIN No. 48 on April 1, 2007. A reconciliation of the beginning and ending amount of unrecognized tax benefits at March 31 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Balance at beginning of year	**¥206**	¥148	**$2,102**
Additions based on tax positions related to the current year	**4**	35	**41**
Additions for tax positions of prior years	**–**	57	**–**
Reductions for tax positions of prior years	**(38)**	–	**(388)**
Settlements	**(73)**	–	**(745)**
Other	**(2)**	(34)	**(20)**
Balance at end of year	**¥ 97**	¥206	**$990**

Total amount of unrecognized tax benefits, if recognized, would reduce the effective tax rate.

The Japanese tax authority completed the audit of the consolidated income tax of the Company and the domestic subsidiaries which adopt the consolidated taxation system for the years before 2006. And the tax authorities completed the tax audit of the major foreign subsidiaries for the years before 2002. The Companies believe unrecognized tax benefits are reasonably estimated, but unrecognized tax benefits will change as a result of the tax examination. As of March 31, 2009, the Companies did not anticipate the material change of unrecognized tax benefits in the next 12 months.

The Companies classify interest and penalties related to unrecognized tax benefits in income taxes in the consolidated statement of income. Accrued interest and penalties in the consolidated balance sheet as of March 31, 2009, and interest and penalties in the consolidated statement of income for the year ended March 31, 2009 is not material.

10. Foreign Operations

Net sales and Shareholders' equity of foreign subsidiaries were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net sales	**¥339,815**	¥388,696	¥333,521	**$3,467,500**
Shareholders' equity	**151,495**	166,284	156,638	**1,545,867**

11. Amounts per Share

A reconciliation of the basic and diluted earnings per share computation was as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net income	**¥3,588**	¥77,413	¥71,309	**$36,612**
	Numbers of shares			
	2009	2008	2007	
Average common shares outstanding	**217,761,262**	221,754,208	221,948,319	
Dilutive effect of stock options	**–**	29,227	46,480	
Diluted common shares outstanding	**217,761,262**	221,783,435	221,994,799	
	Yen			U.S. dollars
	2009	2008	2007	**2009**
Earnings per share:				
Basic	**¥16.48**	¥349.09	¥321.29	**$0.17**
Diluted	**16.48**	349.05	321.22	**0.17**

12. Comprehensive Income

The changes in the components of accumulated other comprehensive income (loss), including the before- and net-of-tax components of other comprehensive income (loss), were as follows:

	Millions of yen		
	2009		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period	¥ (6,878)	¥ 2,778	¥ (4,100)
Reclassification adjustment for losses included in net income	2,499	(1,009)	1,490
	(4,379)	1,769	(2,610)
Pension liability adjustment:			
Pension liability adjustment arising during period	(9,498)	3,838	(5,660)
Reclassification adjustment for losses included in net income	146	(59)	87
	(9,352)	3,779	(5,573)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period	(300)	118	(182)
Reclassification adjustment for gains included in net income	(711)	287	(424)
	(1,011)	405	(606)
Foreign currency translation adjustments	(16,715)	(1,056)	(17,771)
Other comprehensive loss	¥(31,457)	¥ 4,897	¥(26,560)

	Millions of yen		
	2008		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period	¥ (4,075)	¥1,646	¥ (2,429)
Reclassification adjustment for losses included in net income	25	(10)	15
	(4,050)	1,636	(2,414)
Pension liability adjustment:			
Pension liability adjustment arising during period	(11,403)	4,615	(6,788)
Reclassification adjustment for gains included in net income	(1,733)	700	(1,033)
	(13,136)	5,315	(7,821)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding gains arising during period	2,100	(848)	1,252
Reclassification adjustment for gains included in net income	(2,025)	818	(1,207)
	75	(30)	45
Foreign currency translation adjustments	(10,842)	1,941	(8,901)
Other comprehensive loss	¥(27,953)	¥8,862	¥(19,091)

	Millions of yen		
	2007		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period	¥ (945)	¥ 382	¥ (563)
Reclassification adjustment for gains included in net income	(103)	42	(61)
	(1,048)	424	(624)
Minimum pension liability adjustments	(51)	20	(31)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period	(1,438)	586	(852)
Reclassification adjustment for losses included in net income	1,437	(581)	856
	(1)	5	4
Foreign currency translation adjustments	5,377	(344)	5,033
Other comprehensive income	¥ 4,277	¥ 105	¥4,382

	Thousands of U.S. dollars		
	2009		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding losses arising during period ...	$ (70,184)	$ 28,348	$ (41,836)
Reclassification adjustment for losses included in net income..........	25,500	(10,296)	15,204
	(44,684)	18,052	(26,632)
Pension liability adjustment:			
Pension liability adjustment arising during period.........................	(96,919)	39,164	(57,755)
Reclassification adjustment for losses included in net income	1,490	(602)	888
	(95,429)	38,562	(56,867)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period ...	(3,061)	1,204	(1,857)
Reclassification adjustment for gains included in net income...............	(7,255)	2,928	(4,327)
	(10,316)	4,132	(6,184)
Foreign currency translation adjustments	(170,561)	(10,776)	(181,337)
Other comprehensive loss	$(320,990)	$ 49,970	$(271,020)

13. Commitments and Contingent Liabilities

Outstanding commitments at March 31, 2009 and 2008 for the purchase of property, plant and equipment approximated ¥6,648 million ($67,837 thousand) and ¥13,331 million, respectively.

At March 31, 2009 and 2008, the Companies were contingently liable for trade accounts receivable discounted and transferred to banks of ¥159 million ($1,622 thousand) and ¥276 million, respectively, which were accounted for as sales when discounted and transferred.

14. Fair value measurements

Effective April 1, 2008, the Companies account for fair value measurements in accordance with SFAS No. 157, "Fair value measurements. " SFAS No. 157 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

SFAS No. 157 prioritizes the inputs used to measure fair value into the three broad levels, and classifies the fair value hierarchy.

Level 1: Quoted prices for identical assets or liabilities in active markets

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the assets or liabilities

Level 3: Inputs that are unobservable for the assets or liabilities

The Companies adopts FSP FAS 157-2, "Effective date of FASB statement No. 157." FSP FAS 157-2 delays the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in financial statements on a recurring basis, for fiscal years beginning after November 15, 2008.

Assets and liabilities measured at fair value on a recurring basis at March 31, 2009 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments.....	–	¥ 19,565	–	¥ 19,565
Marketable securities and investments......................	¥11,482	159,817	¥1,221	172,520
Derivatives........................	–	129	–	129
Liabilities				
Derivatives........................	–	1,390	–	1,390

	Thousands of U.S. dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Short-term investments.....	–	$ 199,643	–	$ 199,643
Marketable securities and investments......................	$117,163	1,630,786	$12,459	1,760,408
Derivatives.........................	–	1,316	–	1,316
Liabilities				
Derivatives.........................	–	14,184	–	14,184

Assets measured at fair value of level 3 on a recurring basis for the year ended March 31, 2009 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Marketable securities and investments	Marketable securities and investments
Beginning balance..	¥1,780	$18,163
Total gains and losses (realized/unrealized)		
Included in consolidated statements of income as other income (expenses)	(538)	(5,490)
Included in other comprehensive income (loss), before tax...	(21)	(214)
Purchases, sales, and settlements....................................	–	–
Transfers in and/or out of Level 3......................................	–	–
Ending balance...	¥1,221	$12,459
The amount of unrealized gains or losses relating to assets still held at the reporting date, included in consolidated statements of income as other income (expenses)	¥ (538)	$ (5,490)

Short-term investments

Short-term investments contain commercial paper. Commercial paper is measured using inputs other than quoted prices that are observable for the assets; it is classified within level 2.

Marketable securities and investments

Japanese government bonds and marketable equity securities are measured using quoted prices in active markets; they are classified within level 1. Governmental debt securities other than Japanese government bonds, private debt securities, and investment trusts are measured using quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or inputs other than quoted prices that are observable for the assets; they are classified within level 2. Certain of private debt securities are measured using inputs that are unobservable for the assets; they are classified within level 3.

Derivatives

Derivatives contain forward exchange contracts. Forward exchange contracts are measured using marketable data of observable foreign exchange rates, swap rates and others, which are classified within level 2.

15. Financial Instruments and Concentration of Credit Risk

In the normal course of its business, the Companies invest in various financial assets and incur various financial liabilities. The Companies also enter into agreements for derivative financial instruments to manage their exposure to fluctuations in foreign currency exchange rates. The fair value estimates of financial instruments presented below are not necessarily indicative of the amounts the Companies might pay or receive from actual market transactions. The Companies had the following financial assets and liabilities at March 31, 2009 and 2008:

Financial Assets and Liabilities

(1) Cash, short-term investments, notes and accounts receivable, short-term borrowings, notes and accounts payable and long-term debt
Fair value approximates carrying amounts indicated in the balance sheets at March 31, 2009 and 2008.

(2) Marketable securities and Investments
Fair value is primarily based on quoted market prices or estimated using discounted cash flow analysis, based on the market interest rates currently available to the Companies for instruments with similar terms and maturities. The fair values of marketable securities and investments are presented in Note 3.

(3) Long-term receivables, advances and other assets
Fair value is primarily based on dealer quotes for the same or similar instruments. The fair values of applicable long-term receivables, advances and other assets at March 31, 2009 and 2008 were ¥29,734 million ($303,408 thousand) and ¥37,493 million compared with carrying amounts of ¥29,704 million ($303,103 thousand) and ¥37,439 million, respectively.

Forward exchange contracts

The Companies had forward exchange contracts in order to hedge the foreign currency risk of various sales and supply transactions, accounts receivable and accounts payable, which transactions are expected to occur within the next three months, and designated as cash flow hedges.

Changes in the fair value of forward exchange contracts are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings through other income (expenses) in the same period that the hedged items affect earnings. Most reclassifications occur when the products related to hedged transaction are sold from overseas subsidiaries to their customers. Substantially all unrealized gains or losses on derivatives included in accumulated other comprehensive income (loss) at the end of the year are expected to be recognized in earnings within the next three months.

The exposure to credit risk is minimal since the counterparties are major financial institutions. The Companies do not anticipate nonperformance by any of the counterparties. The gains or losses arising from these contracts are applied to offset gains or losses on related hedged assets, liabilities or future commitments.

Notional amounts of forward exchange contract at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Notional amounts of forward exchange contracts	**¥28,435**	¥9,670	**$290,153**

The fair value of forward exchange contracts designated as hedges for the year ended March 31, 2009 was as follows. In addition, the Companies had no forward exchange contracts not designated as hedges.

	Millions of yen			
	2009			
	Account	Fair value	Account	Fair value
Forward exchange contracts	Prepaid expenses and other	¥129	Accrued expenses and other	¥1,390
	Thousands of U.S. dollars			
	2009			
	Account	Fair value	Account	Fair value
Forward exchange contracts	Prepaid expenses and other	$1,316	Accrued expenses and other	$14,184

Forward exchange contracts designated as hedges recognized in consolidated statements of income and other comprehensive income (loss) for the three months ended March 31, 2009 were as follows. In addition, the Companies had no forward exchange contracts not designated as hedges.

Cash flow hedges	Millions of yen		
	Three months ended March 31, 2009		
	Amounts recognized in other comprehensive income (loss), before tax (Effective Portion)	Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax (Effective Portion)	
	Before-Tax Amount	Account	Before-Tax Amount
Forward exchange contracts	¥(1,598)	Other income (expenses)	¥232

Cash flow hedges	Thousands of U.S. dollars		
	Three months ended March 31, 2009		
	Amounts recognized in other comprehensive income (loss), before tax (Effective Portion)	Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax (Effective Portion)	
	Before-Tax Amount	Account	Before-Tax Amount
Forward exchange contracts	$(16,306)	Other income (expenses)	$ 2,367

Concentration of Credit Risk

A significant portion of the Companies' sales is dependent upon and concentrated in the electronics industry, especially telecommunications equipment. The Companies generally extend credit to their customers, therefore, collection of receivables could be affected by developments in the electronics industry. However, the Companies closely monitor extensions of credit and have never experienced significant credit losses.

16. Goodwill and other intangible assets

Intangible assets other than goodwill acquired during the year ended March 31, 2009 totaled ¥13,735 million ($140,153 thousand) and primarily consist of software ¥7,928 million ($80,898 thousand). The weighted average useful life for software is 9.70 years.

Intangible assets other than goodwill, at March 31, 2009 and 2008 are as follows.

	Millions of yen		
	2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	¥20,948	¥4,524	¥16,424
Patents	3,145	1,335	1,810
Other	5,612	3,227	2,385
Total	¥29,705	¥9,086	¥20,619
Unamortized intangible assets			¥ 241

	Millions of yen		
	2008		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	¥14,028	¥3,706	¥10,322
Patents	2,213	1,053	1,160
Other	5,470	2,180	3,290
Total	¥21,711	¥6,939	¥14,772
Unamortized intangible assets			¥ 272

	Thousands of U.S. dollars		
	2009		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Amortized intangible assets			
Software	$213,755	$46,163	$167,592
Patents	32,092	13,623	18,469
Other	57,265	32,928	24,337
Total	$303,112	$92,714	$210,398
Unamortized intangible assets			$ 2,459

Software of amortized intangible assets includes software suspense account. Software suspense account at March 31, 2009 and 2008 were ¥8,131 million ($82,969 thousand) and ¥5,917 million, respectively.

Total amortization expenses of intangible assets during the years ended March 31, 2009 and 2008 amounted to ¥2,897 million ($29,561 thousand) and ¥2,621 million, respectively. The estimated amortization expenses for intangible assets for the next five years are as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2010	¥2,448	$24,980
2011	1,693	17,276
2012	1,198	12,224
2013	650	6,633
2014	242	2,469

The changes in the carrying amount of goodwill for the years ended March 31, 2009 and 2008 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Balance at beginning of year	**¥11,702**	¥ 9,777	**$119,408**
Acquisition	**–**	1,925	**–**
Impairment Loss	**9,777**	–	**99,765**
Balance at end of year	**¥ 1,925**	¥11,702	**$ 19,643**

For the year ended March 31, 2009, the Companies recognized impairment loss on goodwill mainly associated with microwave devices business. As a result of the impairment test, the fair values declined due to sluggish demand for electronic components, and the goodwill was considered to be impaired. The recognized impairment was measured at the amount that the carrying amount exceeded the fair value of the goodwill. The fair value of the goodwill was determined by considering the estimated future cash flows.

17. Subsequent Events

Subject to resolution of the ordinary general meeting of shareholders on June 26, 2009, the Board of Directors of the Company resolved to pay a cash dividend of ¥50 ($0.51) per share to shareholders of record as of March 31, 2009, or a total of ¥10,732 million ($109,510 thousand) on May 18, 2009.

Independent Auditors' Report

Deloitte.

Deloitte Touche Tohmatsu
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Japan

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To the Board of Directors and Shareholders of
Murata Manufacturing Co., Ltd.
Nagaokakyo-shi
Kyoto, Japan

We have audited the accompanying consolidated balance sheets of Murata Manufacturing Co., Ltd. and subsidiaries (the "Company") as of March 31, 2009 and 2008, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2009, all expressed in Japanese yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Certain information required by Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" has not been presented in the accompanying consolidated financial statements. In our opinion, presentation of various segment information regarding operations is required for a complete presentation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States of America.

In our opinion, except for the omission of certain segment information as discussed in the preceding paragraph, such consolidated financial statements present fairly, in all material respects, the financial position of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Japan.

Deloitte Touche Tohmatsu

June 11, 2009

Member of
Deloitte Touche Tohmatsu

Internal Control Section

NOTE TO READERS:

The Companies design and operate effective internal control over financial reporting, and prepare management's report on internal control over financial reporting under the Financial Instruments and Exchange Act of Japan.

The management's report on internal control over financial reporting of the Companies is audited in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, and an opinion on management's report on internal control over financial reporting is expressed by Deloitte Touche Tohmatsu.

Contents

Management’s Report on Internal Control

NOTE TO READERS:

Following is an English translation of management’s report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an assessment of internal control over financial reporting (“ICFR”) under the Financial Instruments and Exchange Act (“ICFR under FIEA”) and one conducted under the standards of the Public Company Accounting Oversight Board (United States) (“ICFR under PCAOB”);

- In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as “significant locations and/or business units.”

(TRANSLATION)

MANAGEMENT’S REPORT ON INTERNAL CONTROL

1. Matters relating to the basic framework for internal control over financial reporting

Tsuneo Murata, President and Statutory Representative Director and Yoshitaka Fujita, Executive Deputy President and Statutory Representative Director are responsible for designing and operating effective internal control over financial reporting of our company (the “Company”) and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in “The Standards and Practice Standards for Management Assessment and Audit of Internal Control Over Financial Reporting” published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

Tsuneo Murata, President and Statutory Representative Director and Yoshitaka Fujita, Executive Deputy President and Statutory Representative Director performed the assessment of internal control over financial reporting as of March 31, 2009, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidation basis (“entity-level controls”) and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company’s financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries, from the perspective of the materiality that may affect the reliability of their financial reporting. The procedures, methods and others to determine the scope are determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of assessment of entity-level controls conducted for all locations and business units except for insignificant ones, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as “significant locations and/or business units”. We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable, inventories, and property, plant and equipment as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected individually for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and the management’s judgment and/or (iii) a business dealing with high-risk transactions, taking into account their impact on the financial reporting.

3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company’s internal control over financial reporting of the consolidated financial statements was effectively maintained.

4. Additional matters

Not applicable.

5. Particular matters

Not applicable.

Tsuneo Murata
President
Statutory Representative Director
Murata Manufacturing Co., Ltd.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Independent Auditors’ Report (filed under the Financial Instruments and Exchange Act of Japan)

NOTE TO READERS:

Following is an English translation of the Independent Auditors’ Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an audit of internal control over financial reporting (“ICFR”) under the Financial Instruments and Exchange Act (“ICFR under FIEA”) and one conducted under the standards of the Public Company Accounting Oversight Board (United States) (“ICFR under PCAOB”);

- In an audit of ICFR under FIEA, the auditors express an opinion on management’s report on ICFR, and do not express an opinion on the Company’s ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company’s ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, the Company selected locations and business units to be tested, and the companies whose combined sales and others volume reaches two thirds of total sales and others for the prior year on a consolidation basis were selected as “significant locations and/or business units.

(TRANSLATION)

INDEPENDENT AUDITORS’ REPORT
(filed under the Financial Instruments and Exchange Act of Japan)

June 11, 2009

To the Board of Directors of Murata Manufacturing Co., Ltd.

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant: Akira Ishida

Designated Partner,
Engagement Partner,
Certified Public Accountant: Koichiro Tsukuda

Designated Partner,
Engagement Partner,
Certified Public Accountant: Kentaro Kurosawa

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, comprehensive income, shareholders’ equity and cash flows, and consolidated supplementary schedules of Murata Manufacturing Co., Ltd. and subsidiaries (the “Company”) for the fiscal year from April 1, 2008 to March 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Murata Manufacturing Co., Ltd. and consolidated subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. However, as described in notes to consolidated financial statements, certain segment information has been presented in conformity with Article 15-2 of “Regulation concerning Terminology, Forms and Method of Preparation of Consolidated Financial Statements”(Ordinance of the Ministry of Finance No. 28, 1976) in place of Statement of Financial Accounting Standards Board No. 131.

[Audit of Internal Control over Financial Reporting]

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management’s report on internal control over financial reporting of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2009. The Company’s management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management’s report on internal control over financial reporting based on our audit. There is a possibility that misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management’s report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management’s report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management’s report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Murata Manufacturing Co., Ltd. and subsidiaries as of March 31, 2009 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Law.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

Company Information

Trade Name
Murata Manufacturing Co., Ltd.

Date of Incorporation
December 23, 1950 (established in October 1944)

Common Stock
¥69,377 million (as of March 31, 2009)

President and Statutory Representative Director
Tsuneo Murata

Sales Amount (for the year ended March 31, 2009)
Consolidated Basis: ¥523,946 million
Parent Co. Basis: ¥436,625 million

Number of Employees (as of March 31, 2009)
Consolidated Basis: 33,431
Parent Co. Basis: 6,695

Stock Exchange Listings
In Japan: Tokyo, Osaka
Overseas: Singapore

Subsidiaries (as of March 31, 2009)

Number of Subsidiaries
Consolidated: 75 (25 in Japan and 50 overseas)

Main 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.
Murata Land and Building Co., Ltd.
Murata Electronics North America, Inc.
Murata Electronics Singapore (Pte.) Ltd.
Murata Company Limited
Murata (China) Investment Co., Ltd.

Products
Monolithic Ceramic Capacitors
SAW Filters
Ceramic Resonators
Piezoelectric Sensors
Ceramic Filters
Piezoelectric Buzzers
Short-range Wireless Communication Modules (including Bluetooth® Modules)
Multilayer Ceramic Devices
Connectors
Isolators
Power Supplies
Circuit Modules
EMI Suppression Filters
Coils
Sensors
Resistors and others

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Yokohama Technical Center
Midori-ku, Yokohama-shi, Kanagawa
Nagaoka Plant
Nagaokakyo-shi, Kyoto

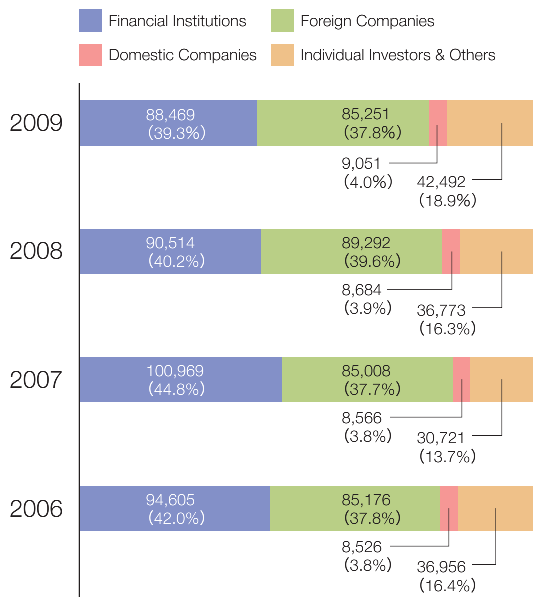
Stock Information

Major Shareholders (As of March 31, 2009)

Name	Number of Shares	Share of Voting Rights
	Thousands of Shares	%
JP Morgan Chase Bank 380055	21,113	9.8
Japan Trustee Services Bank, Ltd. (trust account 4G)	11,079	5.2
Nippon Life Insurance Company	9,685	4.5
Japan Trustee Services Bank, Ltd. (trust account)	9,189	4.3
State Street Bank and Trust Company	8,130	3.8
The Master Trust Bank of Japan, Ltd. (trust account)	6,455	3.0
Meiji Yasuda Life Insurance Company	5,610	2.6
The Bank of Kyoto, Ltd.	5,260	2.5
The Shiga Bank, Ltd.	3,551	1.7
Mitsui Sumitomo Insurance Co., Ltd.	3,015	1.4

Note: The Company holds 10,630,495 shares of its own stock.
As these shares do not confer voting rights, the shares have been excluded from the above table.

Number of Shares Outstanding (Thousands of Shares)
(As of March 31, 2006–2009)



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