Annual Report 2015

Year Ended March 31, 2015

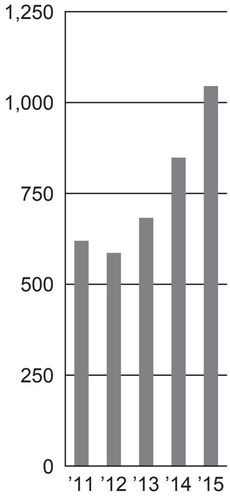
muRata
INNOVATOR IN ELECTRONICS

Index

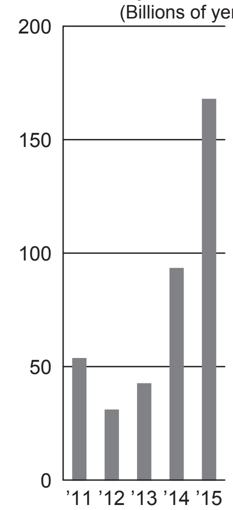
Financial Data

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2011–2015

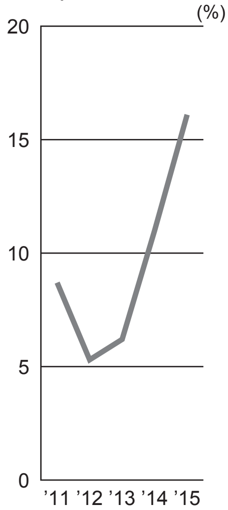
Net sales
(Billions of yen)



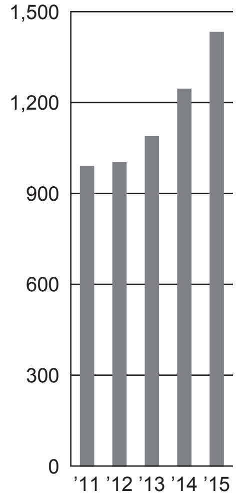
Net income attributable to Murata Corporation
(Billions of yen)



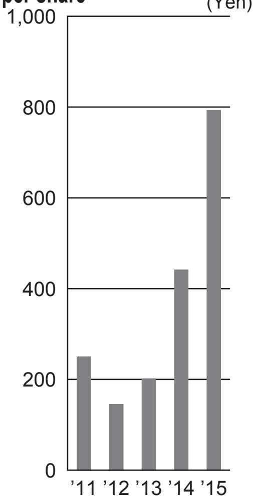
Net income attributable to Murata Corporation / Net sales
(%)



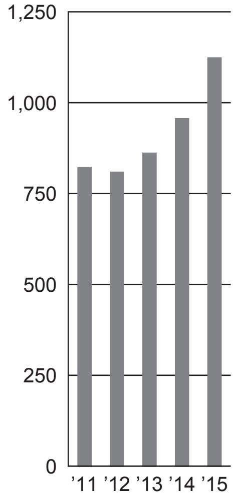
Total assets
(Billions of yen)



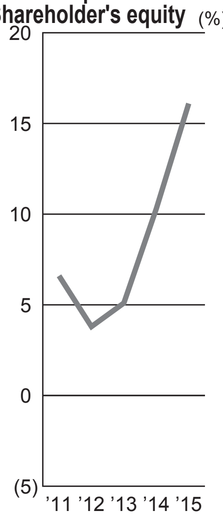
Basic earnings attributable to Murata Corporation per share[*1]
(Yen)



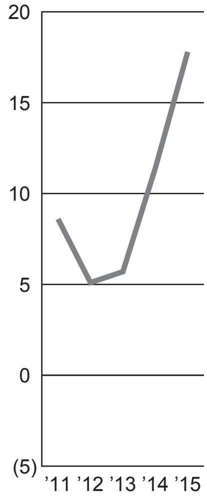
Shareholders’ equity
(Billions of yen)



Net income attributable to Murata Corporation / Shareholder's equity
(%)

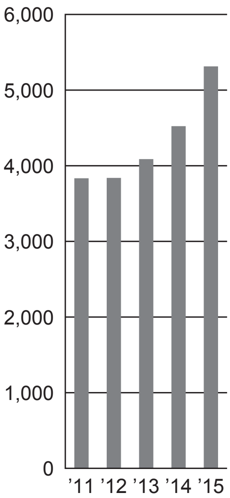


Income before income taxes / Total assets
(%)

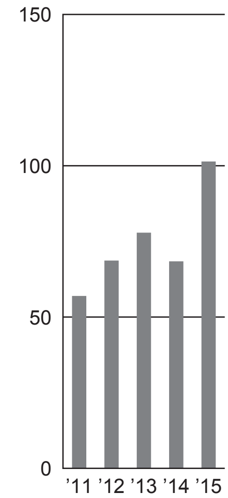


*1 Based on the average number of common shares outstanding. There are no dilutive potential securities.

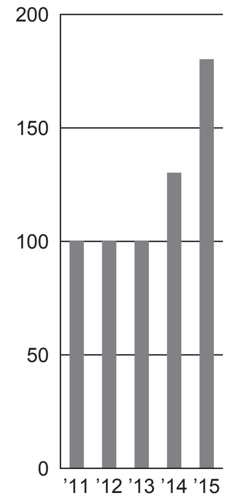
Shareholders’ equity per share[*2]
(Yen)



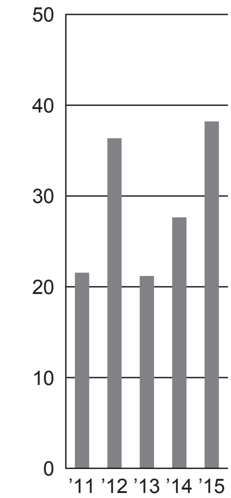
Capital investment
(Billions of yen)



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.

Production, Orders, and Backlog by Product

Murata Manufacturing Co., Ltd. and Subsidiaries
Year ended March 31, 2015

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
	2015			
Production by Product		%	%	
Capacitors	¥ 329,942	31.6	19.6	$2,749,517
Piezoelectric Components	126,773	12.1	30.9	1,056,442
Other Components	229,204	21.9	52.4	1,910,033
Components Total	685,919	65.6	31.1	5,715,992
Communication Modules	307,337	29.4	17.8	2,561,142
Power Supplies and Other Modules	52,429	5.0	(2.5)	436,908
Modules Total	359,766	34.4	14.3	2,998,050
Total	¥1,045,685	100.0	24.8	$8,714,042

*1 Figures are based on production quantity and sales price to customers.
*2 Exclusive of consumption taxes
*3 The tables by product indicate production, orders, and backlog of electronic components and related products.
*4 The production and backlog in Piezoelectric Components for this year have increased drastically compared to the previous year. This is because of the increased demand for smartphones.
*5 The production and orders in Other Components for this year have increased drastically compared to the previous year. This is because of the increased demand for smartphones and automotive electronics, and because the inductors (coils) of the TOKO Group were included in Other Components for this year.

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
	2015			
Orders by Product		%	%	
Capacitors	¥ 340,039	32.0	19.4	$2,833,658
Piezoelectric Components	127,829	12.0	27.4	1,065,242
Other Components	225,383	21.2	40.9	1,878,192
Components Total	693,251	65.2	27.2	5,777,092
Communication Modules	316,186	29.8	18.0	2,634,883
Power Supplies and Other Modules	53,020	5.0	(2.6)	441,833
Modules Total	369,206	34.8	14.5	3,076,716
Total	¥1,062,457	100.0	22.5	$8,853,808

*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
	2015			
Backlog by Product		%	%	
Capacitors	¥ 35,067	29.0	19.7	$ 292,225
Piezoelectric Components	18,033	14.9	49.2	150,275
Other Components	20,743	17.2	13.4	172,858
Components Total	73,843	61.1	23.7	615,358
Communication Modules	40,322	33.4	25.6	336,017
Power Supplies and Other Modules	6,631	5.5	1.0	55,258
Modules Total	46,953	38.9	21.5	391,275
Total	¥120,796	100.0	22.8	$1,006,633

*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, 2015

1) Capital investment for the fiscal year ended March 31, 2015 amounted to ¥101,184 million ($843,200 thousand).
Major capital investment included the expansion and rationalization of production facilities, construction of buildings and expansion of R&D facilities.

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

	Millions of yen				
2015	Land	Buildings	Machinery and equipment	Construction in progress	Total
Parent Company					
Plant, Office and other					
Head Office in Kyoto	¥ 292	¥ 1,221	¥2,882	¥ 148	¥ 4,545
Yokaichi Plant in Shiga	466	6,879	4,430	1,145	12,922
Yasu Plant in Shiga	7,341	15,942	7,447	1,239	31,971
Yokohama Technical Center in Kanagawa	1,797	1,413	769	3	3,983
Other	7,562	690	25	–	8,278

	Millions of yen				
2015	Land	Buildings	Machinery and equipment	Construction in progress	Total
Domestic Subsidiaries					
Company Name					
Fukui Murata Manufacturing Co., Ltd.	¥2,111	¥9,270	¥17,518	¥2,655	¥31,554
Izumo Murata Manufacturing Co., Ltd.	1,364	9,400	12,442	2,662	25,868
Kanazawa Murata Manufacturing Co., Ltd.	2,658	7,441	12,908	2,351	25,358
Okayama Murata Manufacturing Co., Ltd.	–	5,749	9,947	1,262	16,958
Toyama Murata Manufacturing Co., Ltd.	1,610	4,887	9,296	632	16,425
Murata Land & Building Co., Ltd.	4,745	8,165	3	–	12,913

	Millions of yen				
2015	Land	Buildings	Machinery and equipment	Construction in progress	Total
Foreign Subsidiaries					
Company Name					
Wuxi Murata Electronics Co., Ltd.	¥ –	¥9,103	¥30,593	¥5,580	¥45,276
Shenzhen Murata Technology Co., Ltd.	–	7,306	14,877	208	22,391
Murata Electronics (Thailand), Ltd.	359	4,141	6,145	738	11,383
Murata Electronics Oy	–	337	5,487	1,306	7,130
Philippine Manufacturing Co. of Murata, Inc.	–	1,858	2,325	2,346	6,529
VIET HOA ELECTRONICS CO., LTD.	–	366	5,988	9	6,363

Consolidated Balance Sheets

Murata Manufacturing Co., Ltd. and Subsidiaries
As of March 31, 2015 and 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	**2015**
Current assets:			
Cash	**¥ 139,685**	¥ 104,467	**$ 1,164,042**
Short-term investments	**146,413**	77,531	**1,220,108**
Marketable securities (Note 3)	**72,199**	100,403	**601,658**
Notes and accounts receivable:			
Trade notes	**649**	775	**5,408**
Trade accounts	**233,024**	188,044	**1,941,867**
Allowance for doubtful notes and accounts	**(1,010)**	(948)	**(8,417)**
Inventories (Note 4)	**186,299**	170,603	**1,552,492**
Deferred income taxes (Note 8)	**28,296**	22,566	**235,800**
Prepaid expenses and other	**10,294**	9,540	**85,784**
Total current assets	**815,849**	672,981	**6,798,742**
Property, plant and equipment:			
Land	**50,170**	50,153	**418,083**
Buildings	**325,479**	308,576	**2,712,325**
Machinery and equipment	**788,743**	727,280	**6,572,858**
Construction in progress	**30,510**	18,251	**254,251**
Total	**1,194,902**	1,104,260	**9,957,517**
Accumulated depreciation	**(808,916)**	(757,787)	**(6,740,967)**
Net property, plant and equipment	**385,986**	346,473	**3,216,550**
Investments and other assets:			
Investments (Note 3)	**94,877**	126,600	**790,642**
Intangible assets (Note 16)	**59,915**	51,319	**499,292**
Goodwill (Note 16)	**56,102**	23,257	**467,517**
Deferred income taxes (Note 8)	**7,625**	9,496	**63,541**
Other (Notes 6)	**10,949**	13,561	**91,241**
Total investments and other assets	**229,468**	224,233	**1,912,233**
Total assets	**¥1,431,303**	¥1,243,687	**$11,927,525**

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2015	Millions of yen 2014	Thousands of U.S. dollars (Note 2) 2015
Current liabilities:			
Short-term borrowings (Note 5)	**¥ 11,154**	¥ 37,885	**$ 92,950**
Trade accounts payable	**54,535**	43,387	**454,458**
Accrued payroll and bonuses	**36,256**	30,078	**302,133**
Income taxes payable	**49,960**	27,909	**416,333**
Accrued expenses and other (Note 6)	**46,629**	34,454	**388,576**
Total current liabilities	**198,534**	173,713	**1,654,450**
Long-term liabilities:			
Long-term debt (Note 5)	**9,652**	16,312	**80,433**
Termination and retirement benefits (Note 6)	**68,679**	70,346	**572,325**
Deferred income taxes (Note 8)	**13,957**	9,673	**116,308**
Other	**1,550**	2,011	**12,917**
Total long-term liabilities	**93,838**	98,342	**781,983**
Commitments and contingent liabilities (Note 11)			
Murata Corporation's Shareholders' equity (Notes 7 and 18):			
Common stock (authorized 581,000,000 shares in 2015 and 2014; issued 225,263,592 shares in 2015 and 2014)	**69,377**	69,377	**578,142**
Capital surplus	**103,864**	103,864	**865,533**
Retained earnings	**970,374**	834,419	**8,086,450**
Accumulated other comprehensive income (loss) (Note 10):			
Unrealized gains on securities	**7,114**	5,511	**59,283**
Pension liability adjustments (Note 6)	**(5,511)**	(4,688)	**(45,925)**
Foreign currency translation adjustments	**38,190**	7,562	**318,250**
Total accumulated other comprehensive income	**39,793**	8,385	**331,608**
Treasury stock, at cost, 13,558,666 shares in 2015 and 13,555,870 shares in 2014	**(60,318)**	(60,285)	**(502,650)**
Total Murata Corporation's Shareholders' equity	**1,123,090**	955,760	**9,359,083**
Noncontrolling interests	**15,841**	15,872	**132,009**
Total equity	**1,138,931**	971,632	**9,491,092**
Total liabilities and total equity	**¥1,431,303**	¥1,243,687	**$11,927,525**

See notes to consolidated financial statements.

Consolidated Statements of Income

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2015	2014	2013	**2015**
Net sales	**¥1,043,542**	¥846,716	¥681,021	**$8,696,183**
Operating costs and expenses (Note 6):				
Cost of sales	**629,206**	554,278	478,824	**5,243,383**
Selling, general and administrative	**134,811**	111,898	94,795	**1,123,425**
Research and development	**64,990**	54,649	48,766	**541,583**
Total operating costs and expenses	**829,007**	720,825	622,385	**6,908,391**
Operating income	**214,535**	125,891	58,636	**1,787,792**
Other income (expenses):				
Interest and dividend income	**3,360**	4,149	3,531	**28,000**
Interest expense	**(425)**	(371)	(320)	**(3,542)**
Foreign currency exchange gain (loss)	**18,101**	(849)	(1,583)	**150,842**
Other-net	**2,829**	3,516	(730)	**23,575**
Other income-net	**23,865**	6,445	898	**198,875**
Income before income taxes	**238,400**	132,336	59,534	**1,986,667**
Income taxes (Note 8):				
Current	**77,558**	42,825	20,833	**646,317**
Deferred	**(6,463)**	(3,761)	(3,530)	**(53,858)**
Provision for income taxes	**71,095**	39,064	17,303	**592,459**
Equity in earnings (losses) of affiliates	—	(81)	155	—
Net income	**167,305**	93,191	42,386	**1,394,208**
Less: Net loss attributable to noncontrolling interests	**(406)**	—	—	**(3,384)**
Net income attributable to Murata Corporation	**¥ 167,711**	¥ 93,191	¥ 42,386	**$1,397,592**

	Yen			U.S. dollars (Note 2)
Amounts per share (Note 9):				
Basic earnings attributable to Murata Corporation per share	**¥792.19**	¥440.63	¥200.81	**$6.60**
Cash dividends per share	**¥150.00**	¥110.00	¥100.00	**$1.25**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2015	2014	2013	**2015**
Net income	**¥167,305**	¥ 93,191	¥42,386	**$1,394,208**
Other comprehensive income (loss), net of tax (Note 10):				
Unrealized gains (losses) on securities	**1,820**	(184)	4,651	**15,167**
Pension liability adjustments	**(1,205)**	(706)	705	**(10,042)**
Unrealized gains on derivative instruments	**—**	165	362	**—**
Foreign currency translation adjustments	**31,591**	21,331	25,434	**263,259**
Other comprehensive income	**32,206**	20,606	31,152	**268,384**
Comprehensive income	**199,511**	113,797	73,538	**1,662,592**
Less: Comprehensive income attributable to noncontrolling interests	**392**	—	—	**3,267**
Comprehensive income attributable to Murata Corporation	**¥199,119**	¥113,797	¥73,538	**$1,659,325**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2015, 2014 and 2013

		Millions of yen							
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Controlling interests	Noncontrolling interests	Total equity
Balance at March 31, 2012	225,263,592	¥69,377	¥102,396	¥743,206	¥(43,373)	¥(63,064)	¥ 808,542	¥ –	¥ 808,542
Purchases of treasury stock at cost						(10)	(10)		(10)
Net income				42,386			42,386		42,386
Cash dividends				(21,107)			(21,107)		(21,107)
Other comprehensive income, net of tax (Note 10)					31,152		31,152		31,152
Balance at March 31, 2013	225,263,592	69,377	102,396	764,485	(12,221)	(63,074)	860,963	–	860,963
Purchases of treasury stock at cost						(53)	(53)		(53)
Disposal of treasury stock			1			1	2		2
Net income				93,191			93,191		93,191
Cash dividends				(23,257)			(23,257)		(23,257)
Other comprehensive income, net of tax (Note 10)					20,606		20,606		20,606
Subsidiary acquired through share exchanges			1,467			2,841	4,308		4,308
Acquisition of businesses								15,872	15,872
Balance at March 31, 2014	**225,263,592**	**69,377**	**103,864**	**834,419**	**8,385**	**(60,285)**	**955,760**	**15,872**	**971,632**
Purchases of treasury stock at cost						**(33)**	**(33)**		**(33)**
Net income				**167,711**			**167,711**	**(406)**	**167,305**
Cash dividends				**(31,756)**			**(31,756)**	**(116)**	**(31,872)**
Other comprehensive income, net of tax (Note 10)					**31,408**		**31,408**	**798**	**32,206**
Equity transaction with noncontrolling interests and other								**(307)**	**(307)**
Balance at March 31, 2015	**225,263,592**	**¥69,377**	**¥103,864**	**¥970,374**	**¥ 39,793**	**¥(60,318)**	**¥1,123,090**	**¥15,841**	**¥1,138,931**

	Thousands of U.S. dollars (Note 2)							
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Controlling interests	Noncontrolling interests	Total equity
Balance at March 31, 2014	**$578,142**	**$865,533**	**$ 6,953,492**	**$ 69,875**	**$ (502,375)**	**$7,964,667**	**$132,266**	**$8,096,933**
Purchases of treasury stock at cost					**(275)**	**(275)**		**(275)**
Net income			**1,397,592**			**1,397,592**	**(3,384)**	**1,394,208**
Cash dividends			**(264,634)**			**(264,634)**	**(966)**	**(265,600)**
Other comprehensive income, net of tax (Note 10)				**261,733**		**261,733**	**6,651**	**268,384**
Equity transaction with noncontrolling interests and other							**(2,558)**	**(2,558)**
Balance at March 31, 2015	**$578,142**	**$865,533**	**$ 8,086,450**	**$ 331,608**	**$ (502,650)**	**$9,359,083**	**$132,009**	**$9,491,092**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Murata Manufacturing Co., Ltd. and Subsidiaries
Years ended March 31, 2015, 2014 and 2013

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2015	2014	2013	**2015**
Operating activities:				
Net income	**¥ 167,305**	¥ 93,191	¥ 42,386	**$1,394,208**
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	**84,935**	76,884	72,323	**707,792**
Losses on sales and disposals of property, plant and equipment	**1,443**	595	1,507	**12,025**
Impairment losses	**3,959**	3,450	–	**32,992**
Increase (Decrease) in provision for termination and retirement benefits	**(4,636)**	931	1,801	**(38,633)**
Deferred income taxes	**(6,463)**	(3,761)	(3,530)	**(53,858)**
Changes in assets and liabilities:				
Increase in trade notes and accounts receivable	**(19,295)**	(2,545)	(25,801)	**(160,792)**
Decrease (Increase) in inventories	**(3,431)**	3,649	(22,161)	**(28,592)**
Decrease in prepaid expenses and other	**24**	1,782	7,835	**200**
Increase in trade notes and accounts payable	**7,133**	819	403	**59,442**
Increase in accrued payroll and bonuses	**921**	4,580	1,697	**7,675**
Increase in income taxes payable	**21,528**	15,762	8,678	**179,400**
Increase (Decrease) in accrued expenses and other	**7,749**	(4,920)	150	**64,575**
Other-net	**(1,236)**	(4,666)	3,249	**(10,301)**
Net cash provided by operating activities	**259,936**	185,751	88,537	**2,166,133**
Investing activities:				
Capital expenditures	**(101,184)**	(68,197)	(77,662)	**(843,200)**
Payment for purchases of marketable securities, investments and other	**(42,381)**	(78,341)	(38,576)	**(353,175)**
Maturities and sales of marketable securities, investments and other	**102,105**	63,800	80,254	**850,875**
Increase in short-term investments	**(1,738)**	(29,217)	(19,348)	**(14,483)**
Acquisition of businesses, net of cash acquired	**(50,219)**	(12,665)	(1,860)	**(418,492)**
Cash balances of subsidiary acquired through share exchanges (Note 15)	–	3,316	–	—
Other	**2,038**	4,154	1,019	**16,983**
Net cash used in investing activities	**(91,379)**	(117,150)	(56,173)	**(761,492)**
Financing activities:				
Net increase (decrease) in short-term borrowings	**(28,847)**	(17,964)	10,865	**(240,392)**
Proceeds from long-term debt	**1,055**	1,517	672	**8,792**
Repayments of long-term debt	**(6,907)**	(1,339)	(67)	**(57,558)**
Dividends paid	**(31,756)**	(23,257)	(21,107)	**(264,634)**
Other	**(511)**	144	(18)	**(4,258)**
Net cash used in financing activities	**(66,966)**	(40,899)	(9,655)	**(558,050)**
Effect of exchange rate changes on cash and cash equivalents	**(7,539)**	1,114	2,057	**(62,824)**
Net increase in cash and cash equivalents	**94,052**	28,816	24,766	**783,767**
Cash and cash equivalents at beginning of year	**118,884**	90,068	65,302	**990,700**
Cash and cash equivalents at end of year	**¥ 212,936**	¥ 118,884	¥ 90,068	**$1,774,467**
Additional cash flow information:				
Interest paid	**¥ 411**	¥ 379	¥ 317	**$ 3,425**
Income taxes paid	**55,933**	26,616	12,164	**466,108**
Additional cash and cash equivalents information:				
Cash	**¥ 139,685**	¥ 104,467	¥ 77,444	**$1,164,042**
Short-term investments	**146,413**	77,531	46,521	**1,220,108**
Short-term investments with the original maturities over 3 months	**(73,162)**	(63,114)	(33,897)	**(609,683)**
Cash and cash equivalents at end of year	**¥ 212,936**	¥ 118,884	¥ 90,068	**$1,774,467**
Additional noncash investing activities information:				
Acquisition of businesses through share exchange (Note 15)	¥ –	¥ 6,331	¥ –	$ —

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 (Components and Modules) in numerous countries, including Japan, North America, Greater China, certain other Asian countries, and European countries as its primary markets. Components consist of Capacitors, Piezoelectric Components, and Other Components. Modules consist of Communication Modules, Power Supplies, and Other Modules. The Companies' products 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.

The Companies adopt Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 105, "Generally Accepted Accounting Principles" in the United States of America.

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. Investments in 20% to 50% owned companies are accounted for by the equity method.

(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 3 months or less as cash and cash equivalents.

(e) Marketable securities and investments

Under ASC 320, "Investment - 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 or amortized cost and if such decline is other-than-temporary. A determination of whether a decline in fair 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' requirement and intent to sell 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 are 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 17 years for machinery and equipment.

(h) Termination and retirement benefits

Termination and retirement benefits are accounted for in accordance with ASC 715, “Compensation - Retirement Benefits”.

(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, 2015, 2014, and 2013 were ¥4,051 million ($33,758 thousand), ¥3,431 million, and ¥2,733 million, respectively.

(k) Taxes on income

The Companies follow the provisions of ASC 740, “Income Taxes” to account for income taxes. Under ASC 740, 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 amount that is more likely than not 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.

Regarding undistributed earnings of subsidiaries, the Companies recognize deferred tax liabilities for the taxable portion of future dividends receivable under the current tax system. The Companies recognize no deferred tax liability for the non-taxable portion because of the tax system which treats almost all dividends receivable the Company received from subsidiaries as non-taxable for tax calculation.

The Companies account for uncertainty in income taxes in accordance with ASC 740. ASC 740 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. Benefits from tax positions that meet the more likely than not recognition threshold are measured at the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority.

(l) Earnings per share

The Companies account for earnings per share in accordance with ASC 260, “Earnings Per Share”. Diluted earnings attributable to Murata Corporation 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 9.

(m) Fair value measurements

The Companies account for fair value measurements in accordance with ASC 820, “Fair Value Measurement”. ASC 820 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

(n) Derivatives

The Companies account for their derivative instruments and hedging activities in accordance with ASC 815, “Derivatives and Hedging”. 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.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a foreign currency and material procurement 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) Shipping and handling costs

Shipping and handling costs which are included in selling, general and administrative expenses for the years ended March 31, 2015, 2014, and 2013 were ¥9,146 million ($76,217 thousand), ¥8,049 million, and ¥6,739 million, respectively.

(p) 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 ASC 605-50, “Customer Payments and Incentives”. ASC 605-50 defines the income statement classification of consideration given by a vendor to a customer or reseller of the vendor’s products.

(q) Impairment or disposal of long-lived assets

The Companies account for impairment or disposal of long-lived assets and discontinued operations in accordance with ASC 360,“Property, plant, and equipment”. 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 assets 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.

(r) Acquisitions

The Companies account for business acquisitions in accordance with ASC 805, “Business Combinations”. In accordance with this statement, the Companies use the acquisition method of accounting, which requires the measurement of the fair value of all of the assets and liabilities of an acquired company, including noncontrolling interests. The Companies recognize goodwill as of the acquisition date, measured as the excess of the total acquisition price over the net identifiable assets acquired. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and the services are received.

(s) Goodwill and other intangible assets

The Companies account for goodwill and other intangible assets in accordance with ASC 350, “Intangibles - Goodwill and Other”. In accordance with this statement, goodwill is not amortized and is instead tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives.

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

(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) New accounting standards

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers. The ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The ASU requires entities to disclose both quantitative and qualitative information that enables “users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.” The ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2016. The Companies will adopt the ASU from the fiscal year beginning April 1, 2017. The Companies are currently evaluating the effect that the adoption of this guidance will have on their consolidated financial statements.

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 ¥120 to $1, the approximate rate of exchange at March 31, 2015. 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 and amortized cost, gross unrealized gains, gross unrealized losses, and fair value for available-for-sale securities by major security type, at March 31, 2015 and 2014 are as follows:

	Millions of yen			
	2015			
	Cost and Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	¥ 2,822	¥ 7	¥ –	¥ 2,829
Private debt securities	141,816	487	115	142,188
Equity securities	7,408	9,332	0	16,740
Investment trusts	3,015	–	24	2,991
Total available-for-sale securities	¥155,061	¥9,826	¥139	¥164,748

	Millions of yen			
	2014			
	Cost and Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	¥ 1,000	¥ 1	¥ –	¥ 1,001
Private debt securities	204,374	1,683	351	205,706
Equity securities	8,907	6,215	–	15,122
Investment trusts	3,015	47	–	3,062
Total available-for-sale securities	¥217,296	¥7,946	¥351	¥224,891

	Thousands of U.S. dollars			
	2015			
	Cost and Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	$ 23,517	$ 58	$ –	$ 23,575
Private debt securities	1,181,800	4,058	958	1,184,900
Equity securities	61,733	77,767	0	139,500
Investment trusts	25,125	–	200	24,925
Total available-for-sale securities	$1,292,175	$81,883	$1,158	$1,372,900

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, 2015 and 2014 are as follows:

	Millions of yen			
	2015			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities	¥23,606	¥49	¥11,528	¥66
Equity securities	11	0	–	–
Investment trusts	2,991	24	–	–
Total	¥26,608	¥73	¥11,528	¥66

	Millions of yen			
	2014			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities	¥50,580	¥284	¥10,450	¥67
Equity securities	–	–	–	–
Total	¥50,580	¥284	¥10,450	¥67

	Thousands of U.S. dollars			
	2015			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities	$196,716	$408	$96,067	$550
Equity securities	92	0	–	–
Investment trusts	24,925	200	–	–
Total	$221,733	$608	$96,067	$550

The Companies do not recognize other-than-temporary impairment loss on the above debt securities which have a fair value below amortized cost as of March 31, 2015, (1) as the Companies do not intend to and (2) it is more likely than not that the Companies will not be required to sell such securities before the recovery of amortized cost and (3) as the issuers of the securities have favorable credit ratings.

The aggregate carrying amounts of equity securities at March 31, 2015 and 2014, which are valued at cost, are ¥2,328 million ($19,400 thousand) and ¥2,112 million, respectively.

Of these, at March 31, 2015 and 2014, equity securities of ¥2,316 million ($19,300 thousand) and ¥2,079 million, respectively, are not evaluated for impairment because (a) the Companies do 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 determine that it is not practicable to estimate the fair value of the securities.

Contractual maturities of debt securities (governmental, private debt securities, and investment trusts) as of March 31, 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	¥ 72,037	¥ 72,199	$ 600,308	$ 601,658
After 1 year through 5 years	75,616	75,809	630,134	631,742
After 5 years	–	–	–	–
Total	¥147,653	¥148,008	$1,230,442	$1,233,400

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

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Proceeds from sales	**¥1,490**	¥2,200	¥1,634	**$12,417**
Gross realized gains	**402**	116	34	**3,350**
Gross realized losses	**357**	5	–	**2,975**

4. Inventories

Inventories at March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Finished products	**¥ 86,330**	¥ 79,891	**$ 719,417**
Work in process	**55,209**	48,214	**460,075**
Materials and supplies	**44,760**	42,498	**373,000**
Total	**¥186,299**	¥170,603	**$1,552,492**

5. Short-Term Borrowings and Long-Term Debt

Short-Term Borrowings at March 31, 2015 and 2014 consist of the following:

	Millions of yen	Weighted -Average Interest Rate	Millions of yen	Weighted -Average Interest Rate	Thousands of U.S. dollars
	2015		2014		**2015**
Unsecured bank loans	**¥ 7,792**	**1.0%**	¥34,654	0.6%	**$64,933**
Secured bank loans	**3,362**	**0.8**	3,231	1.2	**28,017**
Total	**¥11,154**	**0.9%**	¥37,885	0.6%	**$92,950**

Long-term debt at March 31, 2015 and 2014 consist of the following:

	Millions of yen	Weighted -Average Interest Rate	Millions of yen	Weighted -Average Interest Rate	Thousands of U.S. dollars
	2015		2014		**2015**
Unsecured bank loans,due 2019	**¥ 9,891**	**1.0%**	¥12,442	1.0%	**$ 82,425**
Secured bank loans, due 2019	**4,822**	**1.2**	6,800	1.3	**40,184**
Other	**1**	**3.4**	2	3.5	**8**
Total	**14,714**	**1.1**	19,244	1.1	**122,617**
Less: Portion due within one year	**(5,062)**	**1.1**	(2,932)	1.2	**(42,184)**
Total	**¥ 9,652**	**1.0%**	¥16,312	1.1%	**$ 80,433**

The aggregate future maturities of long-term debt outstanding at March 31, 2015 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 5,062	$ 42,184
2017	5,129	42,742
2018	3,133	26,108
2019	1,390	11,583
2020	–	–
2021 and thereafter	–	–
Total	¥ 14,714	$122,617

Property, plant and equipment having a net book value of ¥2,397 million ($19,975 thousand) and ¥1,997 million was pledged as a collateral for short-term borrowings and long-term debt at the year ended March 31, 2015 and 2014, respectively.

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 Company and certain domestic subsidiaries converted part of their retirement plans to defined contribution pension plans in January 2015. As a result of these amendments, the projected benefit obligation decreased by ¥3,738 million ($31,150 thousand) in the year ended March 31, 2015.

Certain domestic subsidiaries converted part of their retirement plans to defined contribution pension plans in January 2014. As a result of these amendments, the projected benefit obligation decreased by ¥1,671 million in the year ended March 31, 2014.

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
	2015	2014	**2015**
Change in benefit obligation:			
Benefit obligation at beginning of year	**¥162,796**	¥139,718	**$1,356,633**
Service cost	**9,110**	7,733	**75,917**
Interest cost	**2,037**	2,168	**16,975**
Amendments	**(3,738)**	(1,671)	**(31,150)**
Actuarial loss	**10,546**	7,126	**87,883**
Benefits paid	**(2,172)**	(1,631)	**(18,100)**
Settlement paid to retirees	**(2,548)**	(2,083)	**(21,233)**
Settlement paid by transfer to defined contribution pension plan	**(1,041)**	—	**(8,675)**
Acquisition of businesses	**—**	11,436	**—**
Benefit obligation at end of year	**¥174,990**	¥162,796	**$1,458,250**
Change in plan assets:			
Fair value of plan assets at beginning of year	**¥ 93,710**	¥ 77,313	**$ 780,917**
Actual return on plan assets	**8,740**	6,469	**72,833**
Employer contribution	**9,699**	5,031	**80,825**
Benefits paid	**(2,172)**	(1,631)	**(18,100)**
Settlement paid to retirees	**(828)**	(491)	**(6,900)**
Acquisition of businesses	**—**	7,019	**—**
Fair value of plan assets at end of year	**¥109,149**	¥ 93,710	**$ 909,575**
Funded status at end of year	**¥ (65,841)**	¥ (69,086)	**$ (548,675)**
Amounts recognized in the consolidated balance sheet consist of:			
Long-term receivables, advances and other	**¥ 4,887**	¥ 2,606	**$ 40,725**
Accrued expenses and other	**(2,049)**	(1,346)	**(17,075)**
Termination and retirement benefits	**(68,679)**	(70,346)	**(572,325)**
Net amount recognized	**¥ (65,841)**	¥ (69,086)	**$ (548,675)**
Accumulated benefit obligation at end of year	**¥165,791**	¥156,077	**$1,381,592**

Accumulated benefit obligations for all of the Companies' termination and retirement plans are in excess of their plan assets at March 31, 2015 and 2014.

Amounts recognized in accumulated other comprehensive loss (income) at March 31, 2015 and 2014 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Actuarial loss	**¥ 25,285**	¥ 22,808	**$ 210,708**
Prior service benefit	**(16,542)**	(15,161)	**(137,850)**
Pension liability adjustments, before tax	**¥ 8,743**	¥ 7,647	**$ 72,858**

Net periodic benefit cost for the years ended March 31:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Service cost	**¥ 9,110**	¥ 7,733	¥ 7,107	**$ 75,917**
Interest cost	**2,037**	2,168	2,248	**16,975**
Expected return on plan assets	**(2,361)**	(1,913)	(1,674)	**(19,675)**
Amortization of prior service benefit	**(2,357)**	(2,242)	(2,224)	**(19,642)**
Recognized actuarial loss	**1,738**	1,943	2,727	**14,483**
Settlement loss	**224**	—	—	**1,867**
Net periodic benefit cost	**¥ 8,391**	¥ 7,689	¥ 8,184	**$ 69,925**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Prior service benefit due to amendments	**¥(3,738)**	¥(1,671)	**$(31,150)**
Actuarial loss	**4,439**	2,503	**36,992**
Amortization of prior service benefit	**2,357**	2,242	**19,642**
Recognized actuarial loss	**(1,738)**	(1,943)	**(14,483)**
Settlement loss	**(224)**	—	**(1,867)**
Total recognized in other comprehensive loss (income), before tax	**¥ 1,096**	¥ 1,131	**$ 9,134**

The estimated prior service benefit 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 ¥2,467 million ($20,558 thousand) and a loss of ¥1,814 million ($15,117 thousand), respectively.

Termination and retirement benefits, accounted for in accordance with ASC 715, "Compensation - Retirement Benefits" are provided at the amount incurred during the period, which is based on the estimated present value of the projected benefit obligation less the fair value of plan assets at the end of the period. The 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. 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 5 years.

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

	2015	2014
Discount rate	**1.1%**	1.4%

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

	2015	2014	2013
Discount rate	**1.4%**	1.6%	1.8%
Expected long-term rate of return on plan assets	**2.5%**	2.5%	2.5%

The Companies determine the discount rate considering the long-term rate of return on Japanese government bonds. The Companies determine 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.

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 midterm 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, 2015 consists of 17% of equity securities, 58% of debt securities and life insurance company general accounts, and 25% of other.

The 3 broad levels of input used to measure fair value are more fully described in Note 13.

The fair values of the Companies' plan assets at March 31, 2015 are as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Equity securities				
Stocks	¥2,425	¥ –	¥ –	¥ 2,425
Pooled funds	–	25,790	–	25,790
Debt Securities				
Governmental debt securities	3,422	–	–	3,422
Private debt securities	–	3,023	–	3,023
Pooled funds	–	30,796	–	30,796
Life insurance company general accounts	–	26,332	–	26,332
Other				
Pooled funds	–	2,532	12,250	14,782
Other	–	2,579	–	2,579
Total	¥5,847	¥91,052	¥12,250	¥109,149

	Thousands of U.S. dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Equity securities				
Stocks	$20,208	$ –	$ –	$ 20,208
Pooled funds	–	214,917	–	214,917
Debt Securities				
Governmental debt securities	28,517	–	–	28,517
Private debt securities	–	25,192	–	25,192
Pooled funds	–	256,633	–	256,633
Life insurance company general accounts	–	219,433	–	219,433
Other				
Pooled funds	–	21,100	102,083	123,183
Other	–	21,492	–	21,492
Total	$48,725	$758,767	$102,083	$909,575

The fair values of the Companies' plan assets in Level 3 for the year ended March 31, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
	Other Pooled funds	Other Pooled funds
Beginning balance	¥11,606	$ 96,717
Actual Return on Plan Assets		
Relating to assets still held at the reporting date	841	7,008
Relating to assets sold during the period	6	50
Purchases, maturities and sales	(203)	(1,692)
Transfers in and/or out of Level 3	—	—
Ending balance	¥12,250	$102,083

The fair values of the Companies' plan assets at March 31, 2014 are as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Equity securities				
Stocks	¥1,833	¥ –	¥ –	¥ 1,833
Pooled funds	–	20,827	–	20,827
Debt Securities				
Governmental debt securities	5,866	—	–	5,866
Private debt securities	–	94	–	94
Pooled funds	–	29,095	–	29,095
Life insurance company general accounts	–	20,574	–	20,574
Other				
Pooled funds	–	2,208	11,606	13,814
Other	–	1,607	–	1,607
Total	¥7,699	¥74,405	¥11,606	¥93,710

The fair values of the Companies' plan assets of Level 3 for the year ended March 31, 2014 are as follows:

	Millions of yen
	Other Pooled funds
Beginning balance	¥ 4,046
Actual Return on Plan Assets	
Relating to assets still held at the reporting date	618
Relating to assets sold during the period	0
Purchases, maturities and sales	6,942
Transfers in and/or out of Level 3	–
Ending balance	¥11,606

Stocks

Stocks contain marketable equity securities and nonmarketable equity securities. Marketable equity securities are measured by the market approach using quoted prices in active markets; they are classified within Level 1. At March 31, 2015 and 2014, this class consists of 100% Japanese stocks.

Stocks include no common stock of the Company at March 31, 2015, and at March 31, 2014.

Governmental debt securities

Governmental debt securities contain government bonds. Government bonds are measured by the market approach using quoted prices in active markets; they are classified within Level 1. At March 31, 2015, this class consists of 67% Japanese governmental debt securities and 33% foreign governmental debt securities. At March 31, 2014, this class consists of 83% Japanese governmental debt securities and 17% foreign governmental debt securities.

Private debt securities

Private debt securities are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within Level 2. At March 31, 2015, this class consists of 100% foreign private debt securities. At March 31, 2014, this class consists of 100% foreign private debt securities.

Pooled funds

Pooled funds are measured to distribute the fair values of pooled fund assets by units of shares.

Pooled funds (equity securities) mainly contain marketable equity securities. Pooled funds (equity securities) are measured by the market approach using inputs other than quoted prices that are observable for the assets; they are classified within Level 2. At March 31, 2015, this class consists of 24% Japanese pooled funds (equity securities) and 76% foreign pooled funds (equity securities). At March 31, 2014, this class consists of 22% Japanese pooled funds (equity securities) and 78% foreign pooled funds (equity securities).

Pooled funds (debt securities) mainly contain government bonds and local government bonds. Pooled funds (debt securities) are measured by the market approach using inputs other than quoted prices that are observable for the assets; they are classified within Level 2. At March 31, 2015, this class consists of 34% Japanese pooled funds (debt securities) and 66% foreign pooled funds (debt securities). At March 31, 2014, this class consists of 36% Japanese pooled funds (debt securities) and 64% foreign pooled funds (debt securities).

Pooled funds (other) are measured by the income approach using inputs that are not unobservable for the assets; they are classified within Level 3.

Life insurance company general accounts

Life insurance company general accounts are investments in general accounts of life insurance companies. Life insurance company general accounts guarantee principal and certain rates of return, and they are measured by the market approach using inputs other than quoted prices that are observable for the assets; they are classified within Level 2.

The Companies expect to contribute ¥5,829 million ($48,575 thousand) to their defined benefit plans in the year ended March 31, 2016.

The future benefit payments are expected as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥ 4,174	$ 34,783
2017	4,245	35,375
2018	4,402	36,683
2019	5,028	41,900
2020	4,975	41,458
2021-2025	27,730	231,083

In connection with the above-mentioned amendments occurred in the year ended March 31,2015, the amount of benefit obligations to be transferred to the defined contribution plans was determined as ¥9,170 million ($76,417 thousand) which will be settled in four annual installments from June 2015. As of March 31, 2015, the amount of benefit obligations including the effect of the previous amendments, which has not been settled was ¥11,984 million ($99,867 thousand) .

The Companies recognized the cost of ¥326 million ($2,717 thousand) related to annual contributions to the defined contribution plans.

7. Shareholders' Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act 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 a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as 1 year rather than 2 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 is ¥307,350 million ($2,561,250 thousand) as of March 31, 2015, 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 a 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.

8. Income Taxes

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

	2015	2014	2013
Normal Japanese statutory tax rates	**35.4%**	37.8%	37.8%
Increase (decrease) in taxes resulting from:			
Tax credits	**(4.5)**	(5.7)	(8.2)
Permanently non-deductible items	**0.2**	(2.0)	0.5
Foreign earnings taxed at different rates	**(2.2)**	(2.1)	(5.1)
Effect of enacted future tax rate reduction on deferred taxes	**1.3**	0.9	0.4
Net change in valuation allowance for deferred tax assets	**(2.0)**	(1.7)	3.4
Income taxes on undistributed earnings of foreign subsidiaries	**0.8**	1.1	(1.1)
Other-net	**0.8**	1.2	1.4
Effective tax rates	**29.8%**	29.5%	29.1%

The Companies follow the provisions of ASC 740, “Income Taxes” to account for enacted future tax rates. Under the provisions of ASC 740, the effect of a change in tax laws or rates is included in income in the period the change is enacted and the provisions require recalculation of deferred tax assets and liabilities based on the new tax laws or rates.

Such change occurred at March 31, 2015, which decreased the normal statutory tax rate from 35.4% to 32.8% effective from the year beginning April 1, 2015, and to 32.1% effective from the year beginning April 1, 2016 thereafter. As a result, deferred tax assets (after the deduction of deferred tax liabilities) decreased by ¥3,031 million ($25,258 thousand), and deferred income tax provision increased by ¥3,031 million ($25,258 thousand).

Such change occurred at March 20, 2014, which decreased the normal statutory tax rate from 37.8% to 35.4% effective from the year beginning April 1, 2014. As a result, deferred tax assets (after the deduction of deferred tax liabilities) decreased by ¥1,247 million, and deferred income tax provision increased by ¥1,247 million.

The approximate effects of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Intercompany profits	**¥ 6,979**	¥ 4,217	**$ 58,158**
Termination and retirement benefits	**20,879**	24,462	**173,992**
Enterprise taxes	**4,094**	2,255	**34,117**
Compensated absences	**2,376**	2,486	**19,800**
Inventory valuation	**3,455**	3,124	**28,792**
Tangible and intangible assets	**9,180**	10,450	**76,500**
Accrued bonuses	**7,323**	6,292	**61,025**
Goodwill	**295**	635	**2,458**
Other temporary differences	**9,983**	4,599	**83,192**
Tax loss carryforwards	**19,783**	16,124	**164,858**
Total	**84,347**	74,644	**702,892**
Valuation allowance	**(28,667)**	(23,791)	**(238,892)**
Total	**¥ 55,680**	¥ 50,853	**$ 464,000**
Deferred tax liabilities:			
Undistributed earnings of foreign subsidiaries	**¥ 10,989**	¥ 8,349	**$ 91,575**
Marketable securities and investments adjustments	**1,798**	1,082	**14,983**
Tangible and intangible assets	**18,585**	14,870	**154,875**
Goodwill	**202**	321	**1,683**
Other temporary differences	**2,406**	4,099	**20,051**
Total	**¥ 33,980**	¥ 28,721	**$ 283,167**

The total valuation allowance increased by ¥4,876 million ($40,633 thousand) for the year ended March 31, 2015 and increased by ¥14,016 million for the year ended March 31, 2014.

Based upon the level of historical taxable income and projections for future taxable income over the periods in 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, 2015 and 2014.

The Company and subsidiaries have tax loss carryforwards for each of the corporate and local taxes approximating ¥57,862 million ($482,183 thousand) and ¥4,580 million ($38,167 thousand), respectively, available to reduce future taxable income at March 31, 2015, which will expire substantially in the period from 2016 to 2036.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at March 31 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 78**	¥66	**$650**
Additions based on tax positions related to the current year	**10**	10	**83**
Additions for tax positions of prior years	**1**	—	**8**
Reductions for tax positions of prior years	—	(4)	—
Other	**14**	6	**117**
Balance at end of year	**¥103**	¥78	**$858**

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 domestic subsidiaries which adopt the consolidated taxation system for the years before 2010. Further, the tax authorities completed the tax audit of the major foreign subsidiaries for the years before 2003. The Companies believe unrecognized tax benefits are reasonably estimated, but unrecognized tax benefits may change as a result of the tax examination. As of March 31, 2015, the Companies do not anticipate a material change of unrecognized tax benefits in the next 12 months.

The Companies classify interest and penalties related to unrecognized tax benefits as income taxes in the consolidated statements of income. Accrued interest and penalties in the consolidated balance sheet as of March 31, 2015, and interest and penalties in the consolidated statement of income for the year ended March 31, 2015 are not material.

9. Amounts per Share

A reconciliation of the basic and diluted earnings attributable to Murata Corporation per share computation is as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Net income attributable to Murata Corporation	**¥167,711**	¥93,191	¥42,386	**$1,397,592**
	Numbers of shares			
	2015	2014	2013	
Weighted-average common shares outstanding	**211,706,421**	211,497,197	211,076,326	
	Yen			U.S. dollars
	2015	2014	2013	**2015**
Earnings attributable to Murata Corporation per share:				
Basic	**¥792.19**	¥440.63	¥200.81	**$6.60**

Diluted earnings attributable to Murata Corporation per share is not stated since there were no dilutive potential securities.

10. Comprehensive Income

The changes in the components of accumulated other comprehensive income (loss) are as follows:

	Millions of yen			
	2015			
	Unrealized gains (losses) on securities	Pension liability adjustment	Foreign currency translation adjustments	Total
Beginning balance	¥5,511	¥(4,688)	¥ 7,562	¥ 8,385
Other comprehensive income (loss), net of tax before reclassification	2,801	(950)	31,591	33,442
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	(981)	(255)	–	(1,236)
Net changes	1,820	(1,205)	31,591	32,206
Comprehensive income (loss) attributable to noncontrolling interests	217	(382)	963	798
Ending balance	¥7,114	¥(5,511)	¥38,190	¥39,793

	Millions of yen				
	2014				
	Unrealized gains (losses) on securities	Pension liability adjustment	Unrealized gains (losses) on derivative instruments	Foreign currency translation adjustments	Total
Beginning balance	¥ 5,695	¥(3,982)	¥ (165)	¥(13,769)	¥(12,221)
Other comprehensive income (loss), net of tax before reclassification	3,275	(519)	(908)	22,617	24,465
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	(3,459)	(187)	1,073	(1,286)	(3,859)
Net changes	(184)	(706)	165	21,331	20,606
Ending balance	¥ 5,511	¥(4,688)	¥ –	¥ 7,562	¥ 8,385

	Thousands of U.S. dollars			
	2015			
	Unrealized gains (losses) on securities	Pension liability adjustment	Foreign currency translation adjustments	Total
Beginning balance	$45,924	$(39,066)	$ 63,017	$ 69,875
Other comprehensive income (loss), net of tax before reclassification	23,342	(7,917)	263,259	278,684
Amounts reclassified from accumulated other comprehensive income (loss), net of tax	(8,175)	(2,125)	–	(10,300)
Net changes	15,167	(10,042)	263,259	268,384
Comprehensive income (loss) attributable to noncontrolling interests	1,808	(3,183)	8,026	6,651
Ending balance	$59,283	$(45,925)	$318,250	$331,608

Amounts recognized in the consolidated statements of income reclassified from accumulated other comprehensive income (loss) are as follows:

	Millions of yen	
	2015	
	Amounts reclassified from accumulated other comprefensive income (loss)	Account
Unrealized gains (losses) on securities:	¥(1,100)	Interest and dividend income, and Other - net
	119	Income Taxes
	(981)	Total
Pension liability adjustment:	(395)	Net periodic benefit cost
	140	Income Taxes
	(255)	Total
Total reclassification amounts	¥(1,236)	

	Millions of yen	
	2014	
	Amounts reclassified from accumulated other comprefensive income (loss)	Account
Unrealized gains (losses) on securities:	¥(4,166)	Interest and dividend income, and Other - net
	707	Income Taxes
	(3,459)	Total
Pension liability adjustment:	(299)	Net periodic benefit cost
	112	Income Taxes
	(187)	Total
Unrealized gains (losses) on derivative instruments:	1,724	Foreign currency exchange loss
	(651)	Income Taxes
	1,073	Total
Foreign currency translation adjustments:	(1,286)	Other - net
	–	Income Taxes
	(1,286)	Total
Total reclassification amounts	¥(3,859)	

	Thousands of U.S. dollars	
	2015	
	Amounts reclassified from accumulated other comprefensive income (loss)	Account
Unrealized gains (losses) on securities:	$ (9,167)	Interest and dividend income, and Other - net
	992	Income Taxes
	(8,175)	Total
Pension liability adjustment:	(3,292)	Net periodic benefit cost
	1,167	Income Taxes
	(2,125)	Total
Total reclassification amounts	$(10,300)	

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

	Millions of yen		
	2015		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period ...	¥ 3,348	¥ (547)	¥ 2,801
Reclassification adjustment for gains included in net income	(1,100)	119	(981)
	2,248	(428)	1,820
Pension liability adjustment:			
Pension liability adjustment arising during period	(701)	(249)	(950)
Reclassification adjustment for gains included in net income	(395)	140	(255)
	(1,096)	(109)	(1,205)
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	32,823	(1,232)	31,591
Other comprehensive income (loss)	¥33,975	¥ (1,769)	¥32,206

	Millions of yen		
	2014		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period ...	¥ 3,765	¥(490)	¥ 3,275
Reclassification adjustment for gains included in net income	(4,166)	707	(3,459)
	(401)	217	(184)
Pension liability adjustment:			
Pension liability adjustment arising during period	(832)	313	(519)
Reclassification adjustment for gains included in net income	(299)	112	(187)
	(1,131)	425	(706)
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period	(1,458)	550	(908)
Reclassification adjustment for gains included in net income	1,724	(651)	1,073
	266	(101)	165
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	23,050	(433)	22,617
Reclassification adjustment for gains included in net income	(1,286)	–	(1,286)
	21,764	(433)	21,331
Other comprehensive income (loss)	¥20,498	¥ 108	¥20,606

	Millions of yen		
	2013		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period	¥ 4,877	¥(1,560)	¥ 3,317
Reclassification adjustment for gains included in net income	1,738	(404)	1,334
	6,615	(1,964)	4,651
Pension liability adjustment:			
Pension liability adjustment arising during period	632	(240)	392
Reclassification adjustment for gains included in net income	503	(190)	313
	1,135	(430)	705
Unrealized gains (losses) on derivative instruments:			
Unrealized holding losses arising during period	(7,779)	2,936	(4,843)
Reclassification adjustment for gains included in net income	8,359	(3,154)	5,205
	580	(218)	362
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	26,210	(776)	25,434
Other comprehensive income (loss)	¥34,540	¥(3,388)	¥31,152

	Thousands of U.S. dollars		
	2015		
	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period	$ 27,900	$ (4,558)	$ 23,342
Reclassification adjustment for gains included in net income	(9,167)	992	(8,175)
	18,733	(3,566)	15,167
Pension liability adjustment:			
Pension liability adjustment arising during period	(5,842)	(2,075)	(7,917)
Reclassification adjustment for gains included in net income	(3,292)	1,167	(2,125)
	(9,134)	(908)	(10,042)
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period	273,526	(10,267)	263,259
Other comprehensive income (loss)	$283,125	$ (14,741)	$268,384

11. Commitments and Contingent Liabilities

Outstanding commitments at March 31, 2015 and 2014 for the purchase of property, plant, and equipment approximate ¥50,063 million ($417,192 thousand) and ¥13,616 million, respectively.

At March 31, 2015 and 2014, the Companies are contingently liable for trade accounts receivable discounted and transferred to banks of ¥13 million ($108 thousand) and ¥78 million, respectively, which are accounted for as sales when discounted and transferred.

12. Suit

In November 2007, SynQor, Inc. (“SynQor”) sued the Company and its wholly-owned subsidiaries, Murata Electronics North America, Inc. and Murata Power Solutions, Inc. (collectively, “Murata”) in the U.S. District Court for the Eastern District of Texas, Marshall Division (“EDTX”) and alleged that certain of Murata’s bus converters (the “Accused Bus Converters”) infringe four U.S. patents owned by SynQor. In November 2013, the judgment that SynQor was awarded damages of about $20,980 thousand against Murata became final.

Murata recorded costs and interest associated with this suit of $25,291 thousand for the year ended March 31, 2013 and paid out for the year ended March 31, 2014.

In October 2011, SynQor sued Murata for damages against a shipment, which occurred after the restraining order (in January 2011) involving the Accused Bus Converters in EDTX. In March 2014, EDTX issued a judgment awarding SynQor damages of $1,327 thousand against Murata. SynQor appealed to the United States Court Appeals for the Federal Circuit against the judgment. Murata does not record any costs or interest associated with this suit because any adverse claims are covered through an indemnification agreement with one of Murata’s customers.

13. Fair Value Measurements

The Companies account for fair value measurements in accordance with ASC 820, “Fair Value Measurement”. ASC 820 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 prioritizes the inputs used to measure fair value into the 3 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

Assets and liabilities measured at fair value on a recurring basis at March 31, 2015 are as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
Governmental debt securities	¥ –	¥ 2,829	¥ –	¥ 2,829
Private debt securities	–	142,188	–	142,188
Equity securities	16,740	–	–	16,740
Investment trusts	–	2,991	–	2,991
Derivatives				
Forward exchange contracts	–	228	–	228
Liabilities				
Derivatives				
Forward exchange contracts	¥ –	¥ 655	¥ –	¥ 655
Interest rate swap contracts	–	87	–	87

	Thousands of U.S. dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
Governmental debt securities ...	$ –	$ 23,575	$ –	$ 23,575
Private debt securities	–	1,184,900	–	1,184,900
Equity securities	139,500	–	–	139,500
Investment trusts	–	24,925	–	24,925
Derivatives				
Forward exchange contracts	–	1,900	–	1,900
Liabilities				
Derivatives				
Forward exchange contracts	$ –	$ 5,458	$ –	$ 5,458
Interest rate swap contracts	–	725	–	725

The Companies have no assets and liabilities measured at fair value of Level 3 on a recurring basis for the year ended March 31, 2015.

Assets and liabilities measured at fair value on a recurring basis at March 31, 2014 are as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale securities				
Governmental debt securities ...	¥ –	¥ 1,001	¥ –	¥ 1,001
Private debt securities	–	205,706	–	205,706
Equity securities	15,122	–	–	15,122
Investment trusts	–	3,062	–	3,062
Derivatives				
Forward exchange contracts	–	248	–	248
Liabilities				
Derivatives				
Forward exchange contracts	¥ –	¥ 346	¥ –	¥ 346
Interest rate swap contracts	–	50	–	50

The Companies have no assets and liabilites measured at fair value of Level 3 on a recurring basis for the year ended March 31,2014.

Available-for-sale securities
Marketable equity securities are measured by the market approach using quoted prices in active markets; they are classified within Level 1. Governmental debt securities, private debt securities, and investment trusts are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within Level 2.

Derivatives
Forward exchange contracts and Interest rate swap contracts are measured by the market approach using marketable data of observable foreign exchange rates, interest rates, and others; they are classified within Level 2.

Assets and liabilities measured at fair value on a nonrecurring basis at March 31, 2015 are as follows:

	Millions of yen				
	Total amount of income (loss)	Fair value measurements			
		Level 1	Level 2	Level 3	Total
Assets					
Property, plant and equipment, and Others	¥(2,623)	¥ –	¥ –	¥355	¥355
Goodwill	(1,336)	–	–	–	–

	Thousands of U.S. dollars				
	Total amount of income (loss)	Fair value measurements			
		Level 1	Level 2	Level 3	Total
Assets					
Property, plant and equipment, and Others	$ (21,858)	$ –	$ –	$2,958	$2,958
Goodwill	(11,133)	–	–	–	–

The Companies recognized impairment losses of ¥2,623 million ($21,858 thousand) in selling, general and administrative expenses for the year ended March 31, 2015 related to production facilities and related assets and idle long-lived assets mainly due to decreasing profitability, and the Companies' decision to sell certain idle long-lived assets in Components segment and in Modules segment, respectively. The fair value of production facilities and related assets are measured by estimated future cash flows and idle long-lived assets are measured by the selling price. The above assets are measured by the unobservable inputs; they are classified within Level 3.

Further, the Companies recognized impairment losses of ¥1,336 million ($11,133 thousand) in selling, general and administrative expenses for the year ended March 31, 2015 related to goodwill mainly due to decreasing profitability in Components segment. The fair value of goodwill is measured by estimated future cash flows. The above asset is measured by the unobservable inputs; they are classified within Level 3.

Assets and liabilities measured at fair value on a nonrecurring basis at March 31, 2014 are as follows:

	Millions of yen				
	Total amount of income (loss)	Fair value measurements			
		Level 1	Level 2	Level 3	Total
Assets					
Property, plant and equipment	¥(3,450)	¥ –	¥ –	¥ 370	¥ 370

The Companies recognized impairment losses of ¥3,450 million in selling, general and administrative expenses for the year ended March 31, 2014 related to production facilities and related assets and idle long-lived assets mainly due to decreasing profitability in Components segment and the Companies' decision to sell certain idle long-lived assets in Corporate and eliminations segments. The fair value of production facilities and related assets are measured by estimated future cash flows and idle long-lived assets are measured by the selling price. The above assets are measured by the unobservable inputs; they are classified within Level 3.

14. Financial Instruments and Concentration of Credit Risk

In the normal course of business, the Companies invest in various financial assets and incur various financial liabilities.

Financial assets and liabilities

(1) Cash, short-term investments, notes and accounts receivable, financial instruments which are included in other assets, short-term borrowings, notes and accounts payable and long-term debt. The carrying amounts indicated in the balance sheets approximated fair values at March 31, 2015 and 2014.

(2) Marketable securities and Investments
Fair value is primarily based on quoted market prices or is estimated using the discounted cash flow method, 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.

Derivatives

The Companies enter into forward exchange contracts in order to manage foreign currency risk, and interest rate swap contracts in order to manage interest expense fluctuation risk caused by long-term debt. The Companies do not enter into forward exchange contracts or interest rate swap contracts for trading purposes. 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 Companies reclassified changes in the fair value as earnings in the same period since the Companies did not designate forward exchange contracts and interest rate swap contracts as cash flow hedges from April 1, 2013.

The notional amounts of forward exchange contracts and interest rate swap contracts for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Notional amounts:			
Forward exchange contracts	**¥96,336**	¥50,204	**$802,800**
Interest rate swap contracts	**5,300**	6,900	**44,167**

The fair values of forward exchange contracts, and interest rate swap contracts for the years ended March 31, 2015 and 2014 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2015	2014	**2015**
	Account		Fair values	
Forward exchange contracts	Prepaid expenses and other	**¥228**	¥248	**$1,900**
	Accrued expenses and other	**655**	346	**5,458**
Interest rate swap contracts	Accrued expenses and other	**87**	50	**725**

Forward exchange contracts designated as hedges recognized in the consolidated statements of income and other comprehensive income (loss) for the years ended March 31, 2015 and 2014 are as follows:

Cash flow hedges	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Amounts recognized in other comprehensive income (loss), before tax	¥ **–**	¥(1,458)	**$ –**
Reclassification adjustment from accumulated other comprehensive income (loss) to consolidated statements of income, before tax	**–**	1,724	**–**

Forward exchange contracts not designated as hedges recognized in the consolidated statements of income for the years ended March 31, 2015 and 2014 are as follows:

		Millions of yen		Thousands of U.S. dollars
		2015	2014	**2015**
	Accounts		Amounts	
Forward exchange contracts	Foreign currency exchange gain (loss)	**¥(14,231)**	¥(98)	**$(118,592)**
Interest rate swap contracts	Interest expense	**(77)**	–	**(642)**

While the Companies no longer apply hedge accounting to the forward exchange contracts and interest rate swap contracts, the Companies continue to utilize them and consider them to be effective economic hedges for managing foreign currency risk and for interest expense fluctuation risk caused by long-term debt.

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.

15. Acquisitions

Significant acquisitions for the year ended March 31, 2015 are as follows.

On December 12, 2014, Murata Electronics North America, Inc. (“MEA”), a wholly-owned subsidiary of the Company, completed the acquisition of Peregrine Semiconductor Corp. (“PSC”). PSC became a wholly-owned subsidiary of MEA. The total acquisition price was ¥50,127 million ($417,725 thousand). The amount of gain recognized as a result of remeasuring to fair value the equity interest held before the acquisition of ¥775 million ($6,458 thousand) is included in Other-net in the consolidated statements of income for the year ended March 31, 2015. The fair value was measured mainly based on the quoted price of PSC's shares. As a result of the acquisition, PSC and its 3 subsidiaries (collectively, the “PSC Group”) were newly consolidated into the Companies' consolidated financial statements.

PSC is a leading provider of RF components including RF switches for communications terminals such as mobile-phones or smartphones, wireless communication base stations, and satellite communications. UltraCMOS®, PSC’s proprietary process technology, can contribute to the provision of low-cost RF components with good high-frequency characteristics, and RF switches that employ the technology have been used in Murata’s RF modules for some time. PSC is one of the main suppliers of the Company’s RF front-end modules, and the Company has been able to supply a range of products through its collaboration with PSC. As a result of this acquisition, the Company will establish an integrated development system that encompasses all aspects from RF component semiconductor process development to semiconductor design, circuit design, and module design. This will enable the Company to reflect market requirements in product development more accurately and quickly and provide state-of-the-art products that meet customer needs to an even greater degree in a timely manner.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	Millions of yen	Thousands of U.S. dollars
Cash	¥ 1,030	$ 8,583
Current assets	9,891	82,425
Property, plant and equipment	2,202	18,350
Intangible assets	15,258	127,150
Goodwill	34,301	285,842
Other non-current assets	2,190	18,250
Total assets acquired	64,872	540,600
Current liabilities	8,485	70,709
Long-term liabilities	5,485	45,708
Total liabilities assumed	13,970	116,417
Cash paid for acquisition	50,127	417,725
Equity interest held before acquisition	775	6,458
Net assets acquired	¥50,902	$424,183

Intangible assets acquired are mainly technologies of ¥8,738 million ($72,817 thousand), which are subject to amortization. The Companies have estimated the amortization period for technologies to be 7 years. Goodwill recognized, which is assigned to Modules segment, is attributable primarily to expected synergies from combining operations of the PSC Group and the Companies. The recognized goodwill is not considered to be tax-deductible.

Acquisition-related costs of ¥915 million ($7,625 thousand) are included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2015.

The results of operations of the PSC Group from the acquisition date are included in the consolidated financial statements and are immaterial.

The pro forma results are immaterial.

Acquisitions for the year ended March 31, 2014 are as follows.

(1) To make Tokyo Denpa Co., Ltd. a wholly-owned subsidiary of the Company

On August 1, 2013, the Company implemented a share exchange with Tokyo Denpa Co., Ltd. ("TEW"). As a result of the share exchange, TEW and its 3 subsidiaries became wholly-owned subsidiaries of the Company. The Murata shares delivered in the share exchange were treasury stock. The total acquisition price and the fair value of the equity interests held before the

acquisition based on the Murata share were ¥4,309 million, ¥2,022 million, respectively.
The Companies acquired crystal device products and technologies, and going forward, the Companies will work to expand this product lineup and reinforce the development, production, and sale of crystal devices.
The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	Millions of yen
Cash	¥ 3,316
Current assets	3,912
Property, plant and equipment	3,588
Other assets	783
Total assets acquired	11,599
Current liabilities	3,264
Long-term liabilities	965
Total liabilities assumed	4,229
Net assets acquired	¥ 7,370

The pro forma results and the results of remeasuring the equity interest held before acquisition are not disclosed as the amounts are immaterial.

2) Tender offer for shares of Toko, Inc.
On March 26, 2014, the Company acquired 53.89% of the total outstanding shares of Toko, Inc. ("TOKO") through a tender offer. The consideration, all in cash, paid for the acquired shares of TOKO was ¥23,008 million and the acquisition-date fair value of the noncontrolling interest in TOKO was ¥15,669 million. The amount of gain recognized as a result of remeasuring to fair value the equity interest held before the acquisition of ¥2,230 million is included in Other - net in the consolidated statements of income for the year ended March 31, 2014. The fair value was measured mainly based on the quoted price of PSC's share. As a result of the tender offer, the Company's ownership increased from 9.9% to 63.8%, and TOKO and its 23 subsidiaries (collectively, the "TOKO Group") were newly consolidated into the Companies' consolidated financial statements.
The Companies acquired excellence in the field of metal alloy products, the possession of coil and magnetic materials technologies, and development capability based on a semiconductor roadmap, and going forward, the Companies will work to create electronic components with high functionality and high added value to increase sales.
The following table summarizes the estimated fair values of the assets acquired, liabilities assumed, and noncontrolling interest at the acquisition date.

	Millions of yen
Cash	¥ 9,020
Current assets	17,055
Property, plant and equipment	20,963
Intangible assets	20,598
Goodwill	8,671
Other non-current assets	3,062
Total assets acquired	79,369
Current liabilities	12,894
Long-term liabilities	23,565
Total liabilities assumed	36,459
Non controlling interest	15,669
Cash paid for acquisition	23,008
Equity interest held before acquisition	4,233
Net assets acquired	¥27,241

Intangible assets acquired are mainly customer relationships of ¥12,325 million, which are subject to amortization. The Companies have estimated the amortization period for customer relationships to be 8 years. Goodwill recognized, which is assigned to the Components segment, is attributable primarily to expected synergies from combining the operations of the TOKO Group and the Companies. The recognized goodwill is not considered to be tax-deductible.

Acquisition-related costs of ¥357 million are included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2014.

Only the consolidated balance sheet of the TOKO Group is consolidated at March 31, 2014. Therefore, the results of operations of the TOKO Group were not included in the consolidated statements of income for the year ended March 31, 2014.

The following table represents the unaudited pro forma results of operations of the Companies for the years ended March 31, 2013 and 2014, as if the acquisition of the TOKO Group had occurred on April 1, 2012 and 2013. The unaudited pro forma results of operations are presented for comparative purposes only and are not necessarily indicative of the results of operations that may occur in the future or that would have occurred had the acquisitions been in effect on the dates indicated.

	Millions of yen	
	2014	2013
Net sales	¥879,416	¥707,850
Operating Income	129,247	59,870

There are no significant acquisitions for the year ended March 31, 2013.

16. Goodwill and Other Intangible Assets

Intangible assets other than goodwill, at March 31, 2015 and 2014 are as follows:

	Millions of yen		
	2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets			
Software	¥28,374	¥12,534	¥15,840
Technology	27,184	6,836	20,348
Customer relationships	20,559	3,332	17,227
Patents	3,296	984	2,312
Other	10,553	6,620	3,933
Total	¥89,966	¥30,306	¥59,660
Unamortized intangible assets			¥ 255

	Millions of yen		
	2014		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets			
Software	¥27,369	¥12,109	¥15,260
Technology	19,161	3,822	15,339
Customer relationships	15,229	1,007	14,222
Patents	4,286	1,634	2,652
Other	8,459	4,868	3,591
Total	¥74,504	¥23,440	¥51,064
Unamortized intangible assets			¥ 255

	Thousands of U.S. dollars		
	2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Amortized intangible assets			
Software	$236,450	$104,450	$132,000
Technology	226,533	56,966	169,567
Customer relationships	171,325	27,767	143,558
Patents	27,467	8,200	19,267
Other	87,942	55,167	32,775
Total	$749,717	$252,550	$497,167
Unamortized intangible assets			$ 2,125

Intangible assets other than goodwill acquired during the year ended March 31, 2015 total ¥21,036 million ($175,300 thousand) and primarily consist of software of ¥4,511 million ($37,592 thousand) and technology of ¥8,738 million ($72,817 thousand). The weighted average useful life for software and technology is 5.01 years and 7 years, respectively.

Total amortization expenses of intangible assets during the years ended March 31, 2015 and 2014 amount to ¥13,139 million ($109,492 thousand) and ¥8,055 million, respectively. The estimated amortization expenses for intangible assets for the next 5 years are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥11,632	$ 96,933
2017	11,317	94,308
2018	9,733	81,108
2019	8,179	68,158
2020	6,269	52,242

The changes in the carrying amount of goodwill of each operating segment for the years ended March 31, 2015 and 2014 are as follows:

	Millions of yen		
	2015		
	Components	Modules	Total
Balance at beginning year			
Acquisition cost	¥19,415	¥ 15,015	¥ 34,430
Accumulated impairment losses	(760)	(10,413)	(11,173)
Net carrying amounts	18,655	4,602	23,257
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	–	34,301	34,301
Impairment losses	(1,336)	–	(1,336)
Translation Adjustments and other	(518)	398	(120)
Balance at ending year			
Acquisition cost	18,897	49,714	68,611
Accumulated impairment losses	(2,096)	(10,413)	(12,509)
Net carrying amounts	¥16,801	¥ 39,301	¥ 56,102

	Millions of yen		
	2014		
	Components	Modules	Total
Balance at beginning year			
Acquisition cost	¥ 8,923	¥ 15,015	¥ 23,938
Accumulated impairment losses	(760)	(10,413)	(11,173)
Net carrying amounts	8,163	4,602	12,765
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	8,671	–	8,671
Impairment losses	–	–	–
Translation Adjustments and other	1,821	0	1,821
Balance at ending year			
Acquisition cost	19,415	15,015	34,430
Accumulated impairment losses	(760)	(10,413)	(11,173)
Net carrying amounts	¥18,655	¥ 4,602	¥ 23,257

	Thousands of U.S. dollars		
	2015		
	Components	Modules	Total
Balance at beginning year			
Acquisition cost	$161,792	$ 125,125	$ 286,917
Accumulated impairment losses	(6,334)	(86,775)	(93,109)
Net carrying amounts	155,458	38,350	193,808
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year	–	285,842	285,842
Impairment losses	(11,133)	–	(11,133)
Translation Adjustments and other	(4,317)	3,317	(1,000)
Balance at ending year			
Acquisition cost	157,475	414,284	571,759
Accumulated impairment losses	(17,467)	(86,775)	(104,242)
Net carrying amounts	$140,008	$ 327,509	$ 467,517

17. Segment Information

1) Operating segment information
The Companies mainly develop, manufacture, and sell electronic components and related products. Operating segments of the Companies are classified based on the nature of products and the Companies recognized Components segment, Modules segment, and Others.

Operating segment information for the years ended March 31, 2015, 2014, and 2013 is as follows:

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Components				
Sales to:				
Unaffiliated customers	**¥679,081**	¥529,377	¥448,207	**$5,659,008**
Intersegment	**42,628**	32,411	18,557	**355,234**
Total revenue	**721,709**	561,788	466,764	**6,014,242**
Segment income	**205,974**	126,043	77,878	**1,716,450**
Assets	**457,142**	433,121	366,376	**3,809,517**
Depreciation and amortization	**61,141**	55,134	50,352	**509,508**
Expenditure for long-lived assets	**76,728**	51,902	47,405	**639,400**
Modules				
Sales to:				
Unaffiliated customers	**¥360,910**	¥314,249	¥230,151	**$3,007,583**
Intersegment	**61**	188	260	**509**
Total revenue	**360,971**	314,437	230,411	**3,008,092**
Segment income	**42,685**	35,257	11,615	**355,708**
Assets	**173,787**	111,664	109,141	**1,448,225**
Depreciation and amortization	**14,248**	13,069	12,048	**118,733**
Expenditure for long-lived assets	**18,708**	14,633	25,816	**155,900**
Others				
Sales to:				
Unaffiliated customers	**¥ 3,551**	¥ 3,090	¥ 2,663	**$ 29,592**
Intersegment	**43,333**	27,341	31,345	**361,108**
Total revenue	**46,884**	30,431	34,008	**390,700**
Segment income	**4,781**	3,119	3,966	**39,842**
Assets	**7,134**	6,992	6,535	**59,450**
Depreciation and amortization	**1,484**	1,191	1,181	**12,367**
Expenditure for long-lived assets	**1,334**	171	712	**11,117**
Corporate and eliminations				
Sales to:				
Unaffiliated customers	**–**	–	–	**–**
Intersegment	**¥ (86,022)**	¥ (59,940)	¥ (50,162)	**$ (716,851)**
Total revenue	**(86,022)**	(59,940)	(50,162)	**(716,851)**
Corporate expenses	**(38,905)**	(38,528)	(34,823)	**(324,208)**
Assets	**793,240**	691,910	605,092	**6,610,333**
Depreciation and amortization	**8,062**	7,490	8,742	**67,184**
Expenditure for long-lived assets	**6,984**	3,511	6,011	**58,200**

Consolidated				
Sales to:				
Unaffiliated customers	**¥1,043,542**	¥ 846,716	¥ 681,021	**$ 8,696,183**
Intersegment	**–**	–	–	**–**
Total revenue	**1,043,542**	846,716	681,021	**8,696,183**
Operating income	**214,535**	125,891	58,636	**1,787,792**
Assets	**1,431,303**	1,243,687	1,087,144	**11,927,525**
Depreciation and amortization	**84,935**	76,884	72,323	**707,792**
Expenditure for long-lived assets	**103,754**	70,217	79,944	**864,617**

*1 Major products and businesses included in the operating segments.
(1) Components : Capacitors, Piezoelectric Components
(2) Modules : Communication Modules, Power Supplies
(3) Others : Machinery manufacturing, welfare services, personnel services, education and training services, sales of software
*2 Intersegment transactions are based on market prices.
*3 Segment income for each operating segments represents net sales, less related costs. Corporate expenses represent expenses of headquarters functions and fundamental researches.
*4 Assets for operating segments are composed of inventories and fixed assets used in business. The other assets are included in Corporate and eliminations.
*5 Expenditure for long-lived assets is composed of that for property, plant, and equipment, and intangible assets, and does not include that by acquisition.

2) Geographic information
Net sales are attributed to countries or areas based on customer locations.
Long-lived assets are composed of property, plant and equipment based on physical location.

Net sales

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Japan	**¥ 84,702**	¥ 80,435	¥ 76,933	**$ 705,850**
The Americas	**87,135**	56,667	44,083	**726,125**
Europe	**82,362**	69,360	65,340	**686,350**
Greater China	**600,542**	459,600	371,377	**5,004,516**
Asia and Others	**188,801**	180,654	123,288	**1,573,342**
Total	**¥1,043,542**	¥846,716	¥681,021	**$8,696,183**

Notes : Major countries and areas included in the segments other than Japan:
*1 The Americas : USA, Mexico
*2 Europe : Germany, Hungary, United Kingdom
*3 Greater China : China, Taiwan
*4 Asia and Others : South Korea, Thailand, Vietnam

Long-lived assets

	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	**2015**
Japan	**¥258,862**	¥245,849	¥248,271	**$2,157,183**
The Americas	**3,882**	1,853	1,592	**32,350**
Europe	**8,477**	8,147	5,660	**70,642**
Greater China	**81,642**	64,227	46,793	**680,350**
Asia and Others	**33,123**	26,397	21,606	**276,025**
Total	**¥385,986**	¥346,473	¥323,922	**$3,216,550**

Notes : Major countries and areas included in the segments other than Japan:
*1 The Americas : USA
*2 Europe : Finland, United Kingdom, Germany
*3 Greater Asia : China, Taiwan
*4 Asia and Others : Thailand, Vietnam, Philippines

3) Information about major customers
There is one customer group which accounts for more than 10% to consolidated sales for the years ended March 31, 2015, 2014, and 2013. Consolidated sales to the customer group for the years ended March 31, 2015, 2014, and 2013 are ¥227,360 million ($1,894,667 thousand), ¥185,581 million, and ¥146,548 million, respectively. There is another customer group which accounts for more than 10% to consolidated sales for the year ended March 31, 2014. Consolidated sales to the customer group for the year ended March 31, 2014 are ¥95,750 million. Sales to such customer groups are included in Components segment and Modules segment.

18. Subsequent Events

1.The Companies evaluated subsequent events as of June 26, 2015, which is the presentation date of this financial report.

2.The ordinary general meeting of shareholders on June 26, 2015 resolved to pay a cash dividend of ¥100 ($0.83) per share to shareholders of record as of March 31, 2015, or a total of ¥21,170 million ($176,417 thousand).

Independent Auditors' Report

Deloitte.

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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 financial statements of Murata Manufacturing Co., Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2015 and 2014, 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, 2015, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 its subsidiaries as of March 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Convenience Translation

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 accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Japan.

Deloitte Touche Tohmatsu LLC

June 26, 2015

Member of
Deloitte Touche Tohmatsu Limited

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 LLC.

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 other balances reaches two thirds of total sales and other balances 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 “On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)” 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, 2015, 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 and subsidiaries accounted for by the equity method, 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 other balances reaches two thirds of total sales and other balances 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 and inventories 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.

NOTE TO READERS:

Following is an English translation of the Independent Auditor's 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 other balances reaches two thirds of total sales and other balances for the prior year on a consolidation basis were selected as "significant locations and/or business units."

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT
(filed under the Financial Instruments and Exchange Act of Japan)

June 26, 2015

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

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Taizo Ando

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

[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 of Murata Manufacturing Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the fiscal year from April 1, 2014 to March 31, 2015, and the related notes, and consolidated supplementary schedules.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Ordinance for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit 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 its consolidated subsidiaries as of March 31, 2015, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

[Audit of Internal Control]

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. as of March 31, 2015.

Independent Auditor's Report (filed under the Financial Instruments and Exchange Act of Japan)

Management's Responsibility for the Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control 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 is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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. as of March 31, 2015 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Interest

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

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "consolidated supplementary schedules" referred to in this report are not included in the attached financial documents.

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Printed in Japan '15/7/0.7K