

Flash Report (Six months ended September 30, 2004)

Selected Financial Data

Six months ended September 30, 2004 and 2003 / As of September 30, 2004 and 2003

| | | Consolidated Basis | | | Parent Co. Basis | | |
|---|-----------------|--------------------|----------|--------------|------------------|----------|--------------|
| | | 2004 | 2003 | Growth ratio | 2004 | 2003 | Growth ratio |
| Net sales | Millions of yen | 218,333 | 198,713 | 9.9 | 185,042 | 160,937 | 15.0 |
| | <*> | <17.5> | <13.1> | | <7.0> | <4.1> | |
| Operating income | Millions of yen | 38,175 | 26,008 | 46.8 | 12,875 | 6,653 | 93.5 |
| Income before income taxes (and extraordinary item) *1 | Millions of yen | 39,638 | 28,549 | 38.8 | 21,969 | 17,504 | 25.5 |
| | <*> | <11.4> | <9.1> | | <8.6> | <8.6> | |
| Net income | Millions of yen | 24,859 | 18,001 | 38.1 | 15,892 | 13,900 | 14.3 |
| Total assets | Millions of yen | 855,290 | 834,660 | 2.5 | 466,511 | 478,942 | (2.6) |
| Shareholders' equity | Millions of yen | 706,885 | 696,828 | 1.4 | 392,010 | 403,855 | (2.9) |
| Shareholders' equity ratio | % | 82.6 | 83.5 | - | 84.0 | 84.3 | - |
| Basic earnings per share | Yen | 108.67 | 76.85 | - | 69.47 | 59.34 | - |
| Diluted earnings per share | Yen | 108.67 | 76.85 | - | 69.47 | 59.34 | - |
| Return on equity (ROE) | % | 7.1 | 5.2 | - | 8.0 | 6.9 | - |
| Shareholders' equity per share | Yen | 3,119.23 | 2,983.66 | - | 1,729.80 | 1,729.22 | - |
| Capital investment | Millions of yen | 27,650 | 12,346 | 124.0 | 5,085 | 2,690 | 89.0 |
| Depreciation and amortization | Millions of yen | 19,649 | 20,840 | (5.7) | 5,367 | 5,535 | (3.0) |
| | <*> | <7.5> | <8.2> | | <8.1> | <9.1> | |
| R & D expenses | Millions of yen | 16,326 | 16,397 | (0.4) | 14,494 | 14,267 | 1.6 |
| | *4 | <8,836> | <8,619> | | | | |
| Number of employees | | 26,718 | 26,604 | 0.4 | 5,155 | 5,156 | (0.0) |
| Average exchange rates | | | | | | | |
| Yen/US\$ | Yen | 109.86 | 118.04 | - | | | |
| Yen/EURO | Yen | 133.32 | 133.46 | - | | | |

*1 Consolidated Basis : Income before income taxes, Parent Co. Basis : Income before income taxes and extraordinary item

*2 Ratio to net sales

*3 Ratio to net sales excluding revenue from services.

*4 Figures in parentheses show the number of employees in overseas countries.

Projected Financial Data

The following projections were prepared based on estimates using information currently available. Actual results may differ from the projections.

Year ending March 31, 2005 and year ended March 31, 2004

| | | Consolidated Basis | | | Parent Co. Basis | | |
|---|-----------------|----------------------|------------------|-----------------|----------------------|------------------|-----------------|
| | | 2005 (Projection) | 2004 (Actual) | Growth ratio | 2005 (Projection) | 2004 (Actual) | Growth ratio |
| Net sales | Millions of yen | 430,000 | 414,247 | 3.8 | 361,500 | 343,374 | 5.3 |
| | <%>*2 | <17.0> | <17.9> | | <6.6> | <6.2> | |
| Operating income | Millions of yen | 73,000 | 74,210 | (1.6) | 24,000 | 21,348 | 12.4 |
| Income before income taxes (and extraordinary item) *1 | Millions of yen | 75,000 | 78,685 | (4.7) | 42,500 | 42,396 | 0.2 |
| | <%>*2 | <17.4> | <19.0> | | <11.8> | <12.3> | |
| Net income | Millions of yen | 48,500 | 48,540 | (0.1) | 32,000 | 36,756 | (12.9) |
| | <%>*2 | <11.3> | <11.7> | | <8.9> | <10.7> | |
| Basic earnings per share | Yen | 214.01 | 208.46 | - | 141.20 | 157.38 | - |
| Cash dividends per share *4 | Interim | Yen | - | - | 25.00 | 25.00 | - |
| | Year-end | Yen | - | - | 25.00 | 25.00 | - |
| | Total | Yen | - | - | 50.00 | 50.00 | - |
| Capital investment | Millions of yen | 50,000 | 33,088 | 51.1 | 11,000 | 6,444 | 70.7 |
| Depreciation and amortization | Millions of yen | 42,500 | 44,649 | (4.8) | 11,500 | 12,105 | (5.0) |
| | <%> | <9.9>*2 | <10.8>*2 | | <3.3>*3 | <3.6>*3 | |
| R & D expenses | Millions of yen | 33,000 | 34,163 | (3.4) | 29,500 | 28,686 | 2.8 |
| | <%> | <7.7>*2 | <8.2>*2 | | <8.4>*3 | <8.6>*3 | |

*1 Consolidated Basis : Income before income taxes, Parent Co. Basis : Income before income taxes and extraordinary item

*2 Ratio to net sales

*3 Ratio to net sales excluding revenue from services.

*4 The Company has projected an annual dividend of Yen 50.00 per share of common stock for the year ending March 31, 2005. This dividend is assumed based on the current business conditions and the projected financial data. As a part of the annual dividend, an interim dividend of Yen 25.00 per share of common stock was approved at the meeting of the Company's board of directors on November 9, 2004.

*5 The projections above are based on the assumed average exchange rates of Yen 105 per US\$ and Yen 130 per Euro for October 1, 2004 through March 31, 2005.

Consolidated Financial Flash Report (September 30, 2004)

Date: November 9, 2004

Company Name : Murata Manufacturing Co., Ltd.
Listing Code : 6981
(URL <http://www.murata.co.jp/>)
Phone : (075) 955-6511

Stock Exchange Listings:
Tokyo Stock Exchange
Osaka Securities Exchange
Stock Exchange of Singapore (DRSs)

1. Financial results for the six months ended September 30, 2004

(1) Operating results

| | Net sales | | Operating income | | Income before income taxes | | Net income | |
|--------------------------------|-----------------|-----|------------------|--------|----------------------------|-------|-----------------|-------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended Sep. 30, 2004 | 218,333 | 9.9 | 38,175 | 46.8 | 39,638 | 38.8 | 24,859 | 38.1 |
| Six months ended Sep. 30, 2003 | 198,713 | 0.5 | 26,008 | (10.6) | 28,549 | (4.9) | 18,001 | (5.3) |
| Year ended Mar. 31, 2004 | 414,247 | | 74,210 | | 78,685 | | 48,540 | |

| | Basic earnings per share | Diluted earnings per share |
|--------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Six months ended Sep. 30, 2004 | 108.67 | 108.67 |
| Six months ended Sep. 30, 2003 | 76.85 | 76.85 |
| Year ended Mar. 31, 2004 | 208.46 | 208.46 |

*1 Equity in net income (loss) of affiliated companies: Yen 1 million for the six months ended September 30, 2004, Yen (1) million for the six months ended September 30, 2003 and Yen (1) million for the year ended March 31, 2004

*2 Average number of shares outstanding (consolidated): 228,763,628 shares for the six months ended September 30, 2004, 234,248,075 shares for the six months ended September 30, 2003 and 232,853,787 shares for the year ended March 31, 2004

*3 Change in accounting method: None

*4 Percentages in the fields of Net sales, Operating income, Income before income taxes, and Net income are the growth ratios against the previous term.

(2) Financial position

| | Total assets | Shareholders' equity | Shareholders' equity ratio | Shareholders' equity per share |
|---------------------|-----------------|----------------------|----------------------------|--------------------------------|
| | Millions of yen | Millions of yen | % | Yen |
| As of Sep. 30, 2004 | 855,290 | 706,885 | 82.6 | 3,119.23 |
| As of Sep. 30, 2003 | 834,660 | 696,828 | 83.5 | 2,983.66 |
| As of Mar. 31, 2004 | 844,115 | 700,937 | 83.0 | 3,052.25 |

*1 Number of shares outstanding (consolidated): 226,621,873 shares as of September 30, 2004, 233,547,975 shares as of September 30, 2003 and 229,646,371 shares as of March 31, 2004

(3) Cash flows

| | Net cash from operating activities | Net cash from investing activities | Net cash from financing activities | Cash and cash equivalents at end of period |
|--------------------------------|------------------------------------|------------------------------------|------------------------------------|--|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| Six months ended Sep. 30, 2004 | 50,844 | (31,117) | (22,933) | 61,157 |
| Six months ended Sep. 30, 2003 | 26,183 | (18,049) | (13,343) | 69,951 |
| Year ended Mar. 31, 2004 | 80,749 | (51,271) | (41,189) | 61,904 |

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries : 53

Number of affiliated companies : 1 (Equity method is applied)

(5) Changes in scope of consolidation and application of the equity method

One company was newly consolidated.

Two companies were excluded from consolidated subsidiaries.

2. Projected financial results for the year ending March 31, 2005

(Millions of yen)

| Net sales | Income before income taxes | Net income |
|-----------|----------------------------|------------|
| 430,000 | 75,000 | 48,500 |

*1 Projected basic earnings per share: Yen 214.01

*2 These projections were prepared based on estimates using information currently available. Actual results may differ from the projections.

Consolidated Balance Sheets (Assets)

| | Millions of yen | | | | | | | | |
|---|---------------------|----------------|--------------|---------------------|----------------|--------------|---------------------|----------------|--------------|
| | As of Sep. 30, 2004 | | | As of Sep. 30, 2003 | | | As of Mar. 31, 2004 | | |
| | | | % | | | % | | | % |
| Assets | | | | | | | | | |
| Current assets : | | | | | | | | | |
| Cash | 23,297 | | | 17,073 | | | 24,383 | | |
| Time deposits | 37,860 | | | 52,878 | | | 37,521 | | |
| Marketable securities | 361,176 | | | 348,801 | | | 357,098 | | |
| Trade notes receivable | 13,359 | | | 16,951 | | | 19,659 | | |
| Trade accounts receivable | 79,380 | | | 75,118 | | | 74,139 | | |
| Allowance for doubtful notes and accounts | (843) | | | (865) | | | (867) | | |
| Inventories | 58,994 | | | 51,717 | | | 54,785 | | |
| Prepaid expenses and other | 4,811 | | | 4,429 | | | 7,952 | | |
| Deferred income taxes | 17,143 | | | 16,443 | | | 15,685 | | |
| Total current assets | | 595,177 | 69.6 | | 582,545 | 69.8 | | 590,355 | 69.9 |
| Property, plant and equipment : | | | | | | | | | |
| Land | 41,176 | | | 42,986 | | | 42,981 | | |
| Buildings | 197,933 | | | 185,448 | | | 185,187 | | |
| Machinery and equipment | 419,021 | | | 417,271 | | | 414,124 | | |
| Construction in progress | 9,586 | | | 4,195 | | | 12,266 | | |
| Accumulated depreciation | (438,425) | | | (424,856) | | | (432,594) | | |
| Net property, plant and equipment | | 229,291 | 26.8 | | 225,044 | 27.0 | | 221,964 | 26.3 |
| Investments and other assets : | | | | | | | | | |
| Investments | 12,417 | | | 11,169 | | | 13,863 | | |
| Long-term receivables, advances and other | 8,712 | | | 6,041 | | | 8,905 | | |
| Deferred income taxes | 9,693 | | | 9,861 | | | 9,028 | | |
| Total investments and other assets | | 30,822 | 3.6 | | 27,071 | 3.2 | | 31,796 | 3.8 |
| Total assets | | 855,290 | 100.0 | | 834,660 | 100.0 | | 844,115 | 100.0 |

Consolidated Balance Sheets (Liabilities and Shareholders' Equity)

| | Millions of yen | | | | | | | | |
|---|---------------------|----------|-------|---------------------|----------|-------|---------------------|----------|-------|
| | As of Sep. 30, 2004 | | | As of Sep. 30, 2003 | | | As of Mar. 31, 2004 | | |
| | | | % | | | % | | | % |
| Liabilities | | | | | | | | | |
| Current liabilities : | | | | | | | | | |
| Short-term borrowings | 4,869 | | | 4,547 | | | 5,144 | | |
| Trade notes payable | 1,262 | | | 924 | | | 1,185 | | |
| Trade accounts payable | 17,262 | | | 15,288 | | | 18,458 | | |
| Accrued payroll and bonuses | 17,788 | | | 16,536 | | | 17,739 | | |
| Income taxes payable | 17,423 | | | 12,389 | | | 15,657 | | |
| Accrued expenses and other | 30,439 | | | 22,529 | | | 27,268 | | |
| Total current liabilities | | 89,043 | 10.4 | | 72,213 | 8.6 | | 85,451 | 10.1 |
| Long-term liabilities : | | | | | | | | | |
| Long-term debt | 1,030 | | | 34 | | | 1,033 | | |
| Termination and retirement benefits | 45,839 | | | 58,904 | | | 43,401 | | |
| Other | 784 | | | 714 | | | 775 | | |
| Deferred income taxes | 11,709 | | | 5,967 | | | 12,518 | | |
| Total long-term liabilities | | 59,362 | 7.0 | | 65,619 | 7.9 | | 57,727 | 6.9 |
| Total liabilities | | 148,405 | 17.4 | | 137,832 | 16.5 | | 143,178 | 17.0 |
| Shareholders' equity | | | | | | | | | |
| Common stock | | 69,377 | 8.1 | | 69,377 | 8.3 | | 69,377 | 8.2 |
| Additional paid-in capital | | 102,222 | 12.0 | | 102,222 | 12.3 | | 102,222 | 12.1 |
| Retained earnings | | 590,596 | 69.0 | | 546,778 | 65.5 | | 571,478 | 67.7 |
| Accumulated other comprehensive income (loss) : | | | | | | | | | |
| Unrealized gains on securities | 3,040 | | | 1,718 | | | 3,605 | | |
| Minimum pension liability adjustments | (1,141) | | | (5,507) | | | (1,037) | | |
| Unrealized gains (losses) on derivative instruments | (6) | | | 49 | | | 102 | | |
| Foreign currency translation adjustments | (13,266) | | | (13,999) | | | (17,727) | | |
| Total accumulated other comprehensive loss | | (11,373) | (1.3) | | (17,739) | (2.1) | | (15,057) | (1.8) |
| Treasury stock, at cost | | (43,937) | (5.2) | | (3,810) | (0.5) | | (27,083) | (3.2) |
| Total shareholders' equity | | 706,885 | 82.6 | | 696,828 | 83.5 | | 700,937 | 83.0 |
| Total liabilities and shareholders' equity | | 855,290 | 100.0 | | 834,660 | 100.0 | | 844,115 | 100.0 |

Consolidated Statements of Income

| | Millions of yen | | | | | | | | |
|--|-----------------------------------|---------|-------|-----------------------------------|---------|-------|-----------------------------|---------|-------|
| | Six months ended Sep. 30, 2004 | | | Six months ended Sep. 30, 2003 | | | Year ended Mar. 31, 2004 | | |
| | | | % | | | % | | | % |
| Net sales | | 218,333 | 100.0 | | 198,713 | 100.0 | | 414,247 | 100.0 |
| Operating costs and expenses (income) : | | | | | | | | | |
| Cost of sales | 129,765 | | | 123,736 | | | 257,402 | | |
| Selling, general and administrative | 34,067 | | | 32,572 | | | 66,472 | | |
| Research and development | 16,326 | | | 16,397 | | | 34,163 | | |
| Subsidy from the government related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government | - | | | - | | | (18,000) | | |
| Total operating costs and expenses | | 180,158 | 82.5 | | 172,705 | 86.9 | | 340,037 | 82.1 |
| Operating income | | 38,175 | 17.5 | | 26,008 | 13.1 | | 74,210 | 17.9 |
| Other income (expenses) : | | | | | | | | | |
| Interest and dividend income | 844 | | | 966 | | | 1,643 | | |
| Interest expense | (71) | | | (41) | | | (94) | | |
| Foreign currency exchange gain (loss) | (494) | | | 744 | | | 1,654 | | |
| Other-net | 1,184 | | | 872 | | | 1,272 | | |
| Other income - net | | 1,463 | 0.7 | | 2,541 | 1.3 | | 4,475 | 1.1 |
| Income before income taxes | | 39,638 | 18.2 | | 28,549 | 14.4 | | 78,685 | 19.0 |
| Income taxes | | | | | | | | | |
| Current income tax | 17,958 | | | 13,136 | | | 28,587 | | |
| Deferred income tax | (3,179) | | | (2,588) | | | 1,558 | | |
| Total income taxes | | 14,779 | 6.8 | | 10,548 | 5.3 | | 30,145 | 7.3 |
| Net income | | 24,859 | 11.4 | | 18,001 | 9.1 | | 48,540 | 11.7 |
| Amounts per share : | | | Yen | | | Yen | | | Yen |
| Basic earnings per share | | 108.67 | | | 76.85 | | | 208.46 | |
| Diluted earnings per share | | 108.67 | | | 76.85 | | | 208.46 | |
| Cash dividends per share | | 25.00 | | | 25.00 | | | 50.00 | |

* The operating income for the year ended March 31, 2004 includes gain amounting to Yen 11,693 million related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government.
The net amount of settlement loss and derecognition of previously accrued salary progression related to the transfer is Yen 6,307 million, which is included in Cost of sales, Selling, general and administrative expenses, and Research and development expenses in the amount of Yen 2,489 million, Yen 2,405 million, and Yen 1,413 million, respectively.

Consolidated Statements of Comprehensive Income

| | Millions of yen | | |
|---|-----------------------------------|-----------------------------------|-----------------------------|
| | Six months ended Sep. 30, 2004 | Six months ended Sep. 30, 2003 | Year ended Mar. 31, 2004 |
| Net income | 24,859 | 18,001 | 48,540 |
| Other comprehensive income (loss), net of tax : | | | |
| Unrealized gains (losses) on securities | (565) | 1,600 | 3,487 |
| Minimum pension liability adjustments | (104) | 4,548 | 9,018 |
| Unrealized gains (losses) on derivative instruments | (108) | 28 | 81 |
| Foreign currency translation adjustments | 4,461 | (4,697) | (8,425) |
| Other comprehensive income | 3,684 | 1,479 | 4,161 |
| Comprehensive income | 28,543 | 19,480 | 52,701 |

Consolidated Statements of Shareholders' Equity (Unaudited)
Murata Manufacturing Co., Ltd. and Subsidiaries

Consolidated Statements of Shareholders' Equity

(1) Six months ended September 30, 2004

| | Number of common shares issued | Millions of yen | | | | |
|--|--------------------------------|-----------------|----------------------------|-------------------|---|----------------|
| | | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
| Balance at March 31, 2004 | 234,263,592 | 69,377 | 102,222 | 571,478 | (15,057) | (27,083) |
| Purchases of treasury stock at cost | | | | | | (16,854) |
| Net income | | | | 24,859 | | |
| Cash dividends, Yen 25.0 per share | | | | (5,741) | | |
| Other comprehensive income, net of tax | | | | | 3,684 | |
| Balance at September 30, 2004 | 234,263,592 | 69,377 | 102,222 | 590,596 | (11,373) | (43,937) |

(2) Six months ended September 30, 2003

| | Number of common shares issued | Millions of yen | | | | |
|--|--------------------------------|-----------------|----------------------------|-------------------|---|----------------|
| | | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
| Balance at March 31, 2003 | 244,263,592 | 69,377 | 102,222 | 587,893 | (19,218) | (48,184) |
| Purchases of treasury stock at cost | | | | | | (8,856) |
| Retirement of treasury stock | (10,000,000) | | | (53,230) | | 53,230 |
| Net income | | | | 18,001 | | |
| Cash dividends, Yen 25.0 per share | | | | (5,886) | | |
| Other comprehensive income, net of tax | | | | | 1,479 | |
| Balance at September 30, 2003 | 234,263,592 | 69,377 | 102,222 | 546,778 | (17,739) | (3,810) |

(3) Year ended March 31, 2004

| | Number of common shares issued | Millions of yen | | | | |
|--|--------------------------------|-----------------|----------------------------|-------------------|---|----------------|
| | | Common stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income (loss) | Treasury stock |
| Balance at March 31, 2003 | 244,263,592 | 69,377 | 102,222 | 587,893 | (19,218) | (48,184) |
| Purchases of treasury stock at cost | | | | | | (32,129) |
| Retirement of treasury stock | (10,000,000) | | | (53,230) | | 53,230 |
| Net income | | | | 48,540 | | |
| Cash dividends, Yen 50.0 per share | | | | (11,725) | | |
| Other comprehensive income, net of tax | | | | | 4,161 | |
| Balance at March 31, 2004 | 234,263,592 | 69,377 | 102,222 | 571,478 | (15,057) | (27,083) |

Consolidated Statements of Cash Flows

| | Millions of yen | | | | | |
|--|-----------------------------------|----------|-----------------------------------|----------|-----------------------------|----------|
| | Six months ended Sep. 30, 2004 | | Six months ended Sep. 30, 2003 | | Year ended Mar. 31, 2004 | |
| Operating activities: | | | | | | |
| Net income | | 24,859 | | 18,001 | | 48,540 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | |
| Depreciation and amortization | 19,649 | | 20,840 | | 44,649 | |
| Losses on sales and disposals of property, plant and equipment | 603 | | 317 | | 848 | |
| Gains on sales of investments | (466) | | (74) | | (79) | |
| Subsidy from the government related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government | - | | - | | (18,000) | |
| Provision for termination and retirement benefits, less payments | 2,256 | | 3,029 | | 13,410 | |
| Deferred income taxes | (3,179) | | (2,588) | | 1,558 | |
| Changes in assets and liabilities: | | | | | | |
| Decrease (increase) in trade notes and accounts receivable | 2,574 | | (9,083) | | (11,966) | |
| Decrease (increase) in inventories | (3,469) | | 898 | | (2,674) | |
| Decrease (increase) in prepaid expenses and other | 3,014 | | (619) | | (4,031) | |
| Increase (decrease) in trade notes and accounts payable | (1,174) | | 1,395 | | 4,658 | |
| Increase in accrued payroll and bonuses | 33 | | 199 | | 1,393 | |
| Increase (decrease) in income taxes payable | 1,724 | | (7,762) | | (4,548) | |
| Increase in accrued expenses and other | 2,917 | | 3,000 | | 8,037 | |
| Other-net | 1,503 | 25,985 | (1,370) | 8,182 | (1,046) | 32,209 |
| Net cash provided by operating activities | | 50,844 | | 26,183 | | 80,749 |
| Investing activities: | | | | | | |
| Capital expenditures | | (27,650) | | (12,346) | | (33,088) |
| Payment for purchases of investments and other | | (380) | | (8) | | (4,841) |
| Net increase in marketable securities | | (3,725) | | (5,860) | | (13,722) |
| Proceeds from sales of property, plant and equipment | | 61 | | 57 | | 185 |
| Proceeds from sales of investments and other | | 573 | | 109 | | 187 |
| Other | | 4 | | (1) | | 8 |
| Net cash used in investing activities | | (31,117) | | (18,049) | | (51,271) |
| Financing activities: | | | | | | |
| Net increase (decrease) in short-term borrowings | | (334) | | 1,404 | | 1,669 |
| Proceeds from long-term debt | | - | | - | | 1,000 |
| Dividends paid | | (5,741) | | (5,886) | | (11,725) |
| Payment for purchases of treasury stock | | (16,854) | | (8,856) | | (32,129) |
| Other | | (4) | | (5) | | (4) |
| Net cash used in financing activities | | (22,933) | | (13,343) | | (41,189) |
| Effect of exchange rate changes on cash and cash equivalents | | 2,459 | | (2,613) | | (4,158) |
| Net decrease in cash and cash equivalents | | (747) | | (7,822) | | (15,869) |
| Cash and cash equivalents at beginning of period | | 61,904 | | 77,773 | | 77,773 |
| Cash and cash equivalents at end of period | | 61,157 | | 69,951 | | 61,904 |
| Additional cash flow information: | | | | | | |
| Interest paid | | 72 | | 40 | | 90 |
| Income taxes paid, net of refunds | | 16,192 | | 20,979 | | 33,162 |
| Non-cash financing activities: | | | | | | |
| Decrease in retained earnings due to retirement of treasury stock | | - | | 53,230 | | 53,230 |

| | Millions of yen | | |
|---------------------------|---------------------|---------------------|---------------------|
| | As of Sep. 30, 2004 | As of Sep. 30, 2003 | As of Mar. 31, 2004 |
| Cash and cash equivalents | 61,157 | 69,951 | 61,904 |
| Marketable securities | 361,176 | 348,801 | 357,098 |
| Liquidity in hand | 422,333 | 418,752 | 419,002 |

Notes to Consolidated Financial Statements

1. Scope of consolidation and application of the equity method

(1) Number of consolidated subsidiaries: 53

Major consolidated subsidiaries:

Fukui Murata Manufacturing Co., Ltd.
Izumo Murata Manufacturing Co., Ltd.
Toyama Murata Manufacturing Co., Ltd.
Komatsu Murata Manufacturing Co., Ltd.
Kanazawa Murata Manufacturing Co., Ltd.
Okayama Murata Manufacturing Co., Ltd.
Murata Land & Building Co., Ltd.
Murata Electronics North America, Inc.
Murata Electronics Singapore (Pte.) Ltd.
Murata Company Limited

(2) Number of unconsolidated subsidiaries: None

(3) Number of affiliated companies: 1 (Equity method is applied.)

Murata Trading (Malaysia) Sdn. Bhd.

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

(Consolidated subsidiaries)

One company was newly consolidated.

Murata Europe Management B.V. : established on August 18, 2004.

Two companies were excluded from consolidation.

Sakai Electronics Industries, Ltd., Murata Finance Co., Ltd. : merged into Murata Land & Building Co., Ltd. on April 1, 2004.

3. Significant Accounting Policies

(1) Inventories

Inventories are stated at the lower of cost or market. The average cost method is principally used to determine cost.

(2) Marketable securities and investments

Under SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities," the Companies classify all debt securities and marketable equity securities as available-for-sale and carries 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.

(3) Depreciation of property, plant and equipment

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

(4) Termination and retirement benefits

Termination and retirement benefits, accounted for in accordance with SFAS No.87, "Employers' Accounting for Pensions", are provided at the amount incurred during the interim period, which is based on the estimated present value of the projected benefit obligation less the estimated fair value of plan assets at the end of the interim period. A minimum pension liability is recognized, if the accumulated benefit obligations exceed the fair value of plan assets.

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 ten percent of the larger of the projected benefit obligation or plan assets are being amortized over five years.

(5) Accounting for consumption taxes

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

(6) Reclassifications

Certain items in prior periods' financial statements have been reclassified to conform to the presentation for the six months ended September 30, 2004.

Segment Information

(1) Industry Segment Information

The Companies mainly develop, manufacture and sell electronic components. Sales, Operating income, and Assets for this segment represent almost 100% of the corresponding amounts in the Consolidated Financial Statements and, therefore, "Industry Segment Information" is not disclosed.

(2) Geographic Segment Information

1) Six months ended September 30, 2004

| | Millions of yen | | | | | | |
|------------------------|-----------------|--------------|--------|--------|---------|----------------------------|--------------|
| | Japan | The Americas | Europe | Asia | Total | Corporate and eliminations | Consolidated |
| Sales to : | | | | | | | |
| Unaffiliated customers | 104,489 | 18,959 | 25,142 | 69,743 | 218,333 | - | 218,333 |
| Intersegment | 72,235 | 39 | 2 | 9,784 | 82,060 | (82,060) | - |
| Total revenue | 176,724 | 18,998 | 25,144 | 79,527 | 300,393 | (82,060) | 218,333 |
| Operating expenses | 144,664 | 18,934 | 24,372 | 75,090 | 263,060 | (82,902) | 180,158 |
| <%> *1 | <18.1%> | <0.3%> | <3.1%> | <5.6%> | <12.4%> | | <17.5%> |
| Operating income | 32,060 | 64 | 772 | 4,437 | 37,333 | 842 | 38,175 |

*1 Ratio to total revenue

2) Six months ended September 30, 2003

| | Millions of yen | | | | | | |
|-------------------------|-----------------|--------------|--------|--------|---------|----------------------------|--------------|
| | Japan | The Americas | Europe | Asia | Total | Corporate and eliminations | Consolidated |
| Sales to : | | | | | | | |
| Unaffiliated customers | 102,775 | 18,528 | 21,799 | 55,611 | 198,713 | - | 198,713 |
| Intersegment | 52,996 | 84 | 1 | 8,428 | 61,509 | (61,509) | - |
| Total revenue | 155,771 | 18,612 | 21,800 | 64,039 | 260,222 | (61,509) | 198,713 |
| Operating expenses | 133,716 | 19,263 | 20,441 | 61,219 | 234,639 | (61,934) | 172,705 |
| <%> *1 | <14.2%> | <(3.5)%> | <6.2%> | <4.4%> | <9.8%> | | <13.1%> |
| Operating income (loss) | 22,055 | (651) | 1,359 | 2,820 | 25,583 | 425 | 26,008 |

*1 Ratio to total revenue

3) Year ended March 31, 2004

| | Millions of yen | | | | | | |
|-------------------------|-----------------|--------------|--------|---------|---------|----------------------------|--------------|
| | Japan | The Americas | Europe | Asia | Total | Corporate and eliminations | Consolidated |
| Sales to : | | | | | | | |
| Unaffiliated customers | 213,941 | 37,063 | 46,372 | 116,871 | 414,247 | - | 414,247 |
| Intersegment | 118,214 | 169 | 4 | 18,037 | 136,424 | (136,424) | - |
| Total revenue | 332,155 | 37,232 | 46,376 | 134,908 | 550,671 | (136,424) | 414,247 |
| Operating expenses | 263,380 | 39,606 | 44,148 | 130,200 | 477,334 | (137,297) | 340,037 |
| <%> *1 | <20.7%> | <(6.4)%> | <4.8%> | <3.5%> | <13.3%> | | <17.9%> |
| Operating income (loss) | 68,775 | (2,374) | 2,228 | 4,708 | 73,337 | 873 | 74,210 |

*1 Ratio to total revenue

*2 The effect of the transfer of the substitutional portion of the Contributory Termination and Retirement Plans Yen 11,693 million was included in Operating income in Japan for the year ended March 31, 2004.

Segment Information (Unaudited)
Murata Manufacturing Co., Ltd. and Subsidiaries

(3) Overseas sales

1) Six months ended September 30, 2004

| | Millions of yen | | | |
|--|-----------------|--------|-----------------|---------|
| | The Americas | Europe | Asia and others | Total |
| 1. Overseas sales | 21,101 | 33,232 | 94,824 | 149,157 |
| 2. Consolidated sales | | | | 218,333 |
| 3. Ratio of overseas sales to consolidated sales | 9.7% | 15.2% | 43.4% | 68.3% |

2) Six months ended September 30, 2003

| | Millions of yen | | | |
|--|-----------------|--------|-----------------|---------|
| | The Americas | Europe | Asia and others | Total |
| 1. Overseas sales | 20,646 | 29,035 | 76,051 | 125,732 |
| 2. Consolidated sales | | | | 198,713 |
| 3. Ratio of overseas sales to consolidated sales | 10.4% | 14.6% | 38.3% | 63.3% |

3) Year ended March 31, 2004

| | Millions of yen | | | |
|--|-----------------|--------|-----------------|---------|
| | The Americas | Europe | Asia and others | Total |
| 1. Overseas sales | 40,092 | 62,294 | 162,438 | 264,824 |
| 2. Consolidated sales | | | | 414,247 |
| 3. Ratio of overseas sales to consolidated sales | 9.7% | 15.0% | 39.2% | 63.9% |

Production, Order, Backlog and Sales by Product

(1) Production by Product

| | Millions of yen | | | | | | |
|--------------------------|-----------------------------------|--------------|-------------|-----------------------------------|--------------|-----------------------------|--------------|
| | Six months ended Sep. 30, 2004 | | | Six months ended Sep. 30, 2003 | | Year ended Mar. 31, 2004 | |
| | | % *1 | % *2 | | % *1 | | % *1 |
| Capacitors | 84,187 | 37.6 | 28.0 | 65,796 | 33.5 | 142,023 | 34.1 |
| Piezoelectric Components | 36,890 | 16.5 | 0.2 | 36,834 | 18.8 | 75,631 | 18.2 |
| Microwave Devices | 32,766 | 14.7 | 4.0 | 31,515 | 16.1 | 65,486 | 15.7 |
| Module Products | 28,577 | 12.8 | 0.7 | 28,385 | 14.5 | 60,988 | 14.7 |
| Other Products | 41,265 | 18.4 | 22.8 | 33,611 | 17.1 | 72,055 | 17.3 |
| Total | 223,685 | 100.0 | 14.0 | 196,141 | 100.0 | 416,183 | 100.0 |

*1 Component ratio

*2 Growth ratio against the six months ended September 30, 2003

*3 Figures are based on production quantity and sales prices to customers.

*4 Exclusive of consumption taxes

*5 Production amounts of the foreign subsidiaries were translated into Japanese yen at average exchange rates for the periods.

*6 The tables by product indicate production, order, backlog, and sales of electronics components and related products.

"Resistors" are included in "Other Products" from the six months ended September 30, 2004, due to the decrease in the significance of its figures. The figures for the six months ended September 30, 2003 and the year ended March 31, 2004 have been reclassified for comparison.

(2) Order and Backlog by Product

<Order>

| | Millions of yen | | | | | | |
|--------------------------|-----------------------------------|--------------|------------|-----------------------------------|--------------|-----------------------------|--------------|
| | Six months ended Sep. 30, 2004 | | | Six months ended Sep. 30, 2003 | | Year ended Mar. 31, 2004 | |
| | | % *1 | % *2 | | % *1 | | % *1 |
| Capacitors | 78,219 | 36.7 | 9.8 | 71,229 | 35.0 | 150,070 | 35.3 |
| Piezoelectric Components | 35,552 | 16.7 | (8.4) | 38,833 | 19.1 | 76,182 | 17.9 |
| Microwave Devices | 31,610 | 14.8 | 1.4 | 31,179 | 15.3 | 65,192 | 15.3 |
| Module Products | 28,656 | 13.4 | 2.9 | 27,854 | 13.7 | 60,895 | 14.3 |
| Other Products | 39,314 | 18.4 | 13.5 | 34,627 | 16.9 | 73,277 | 17.2 |
| Total | 213,351 | 100.0 | 4.7 | 203,722 | 100.0 | 425,616 | 100.0 |

*1 Component ratio

*2 Growth ratio against the six months ended September 30, 2003

*3 Figures are based on order quantity and sales prices to customers.

*4 Exclusive of consumption taxes

<Backlog>

| | Millions of yen | | | | | | |
|--------------------------|---------------------|--------------|------------|---------------------|--------------|---------------------|--------------|
| | As of Sep. 30, 2004 | | | As of Sep. 30, 2003 | | As of Mar. 31, 2004 | |
| | | % *1 | % *2 | | % *1 | | % *1 |
| Capacitors | 14,679 | 33.1 | 14.9 | 12,781 | 30.8 | 16,750 | 34.5 |
| Piezoelectric Components | 6,815 | 15.4 | (11.2) | 7,674 | 18.5 | 7,728 | 15.9 |
| Microwave Devices | 5,858 | 13.2 | (9.6) | 6,482 | 15.6 | 6,825 | 14.0 |
| Module Products | 8,061 | 18.2 | 14.6 | 7,037 | 16.9 | 7,673 | 15.8 |
| Other Products | 8,933 | 20.1 | 18.6 | 7,535 | 18.2 | 9,630 | 19.8 |
| Total | 44,346 | 100.0 | 6.8 | 41,509 | 100.0 | 48,606 | 100.0 |

*1 Component ratio

*2 Growth ratio against the figures as of September 30, 2003

*3 Figures are based on backlog quantity and sales prices to customers.

*4 Exclusive of consumption taxes

(3) Sales by Product, Application and Area

1. Sales by Product

| | Millions of yen | | | | | | |
|--------------------------|-----------------------------------|-------|-------|-----------------------------------|-------|-----------------------------|-------|
| | Six months ended Sep. 30, 2004 | | | Six months ended Sep. 30, 2003 | | Year ended Mar. 31, 2004 | |
| | | % *1 | % *2 | | % *1 | | % *1 |
| Capacitors | 80,290 | 36.9 | 15.8 | 69,319 | 35.0 | 144,191 | 34.9 |
| Piezoelectric Components | 36,465 | 16.7 | (3.1) | 37,631 | 19.0 | 74,926 | 18.2 |
| Microwave Devices | 32,577 | 15.0 | 11.4 | 29,240 | 14.8 | 62,910 | 15.2 |
| Module Products | 28,268 | 13.0 | 1.9 | 27,754 | 14.0 | 60,159 | 14.6 |
| Other Products | 40,011 | 18.4 | 17.3 | 34,111 | 17.2 | 70,666 | 17.1 |
| Net sales | 217,611 | 100.0 | 9.9 | 198,055 | 100.0 | 412,852 | 100.0 |

*1 Component ratio

*2 Growth ratio against the six months ended September 30, 2003

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

| | Millions of yen | | | | | | |
|---------------------------|-----------------------------------|-------|------|-----------------------------------|-------|-----------------------------|-------|
| | Six months ended Sep. 30, 2004 | | | Six months ended Sep. 30, 2003 | | Year ended Mar. 31, 2004 | |
| | | % *1 | % *2 | | % *1 | | % *1 |
| AV | 29,306 | 13.5 | 5.9 | 27,683 | 14.0 | 55,827 | 13.5 |
| Communication | 86,535 | 39.8 | 7.0 | 80,863 | 40.8 | 170,293 | 41.3 |
| Computers and Peripherals | 43,540 | 20.0 | 10.9 | 39,268 | 19.8 | 81,201 | 19.7 |
| Automotive Electronics | 25,665 | 11.8 | 23.3 | 20,813 | 10.5 | 44,275 | 10.7 |
| Home and Others | 32,565 | 14.9 | 10.7 | 29,428 | 14.9 | 61,256 | 14.8 |
| Net sales | 217,611 | 100.0 | 9.9 | 198,055 | 100.0 | 412,852 | 100.0 |

*1 Component ratio

*2 Growth ratio against the six months ended September 30, 2003

*3 Due to the change of sales by application, the classification of application has been changed from the six months ended September 30, 2004.

Sales of products for automotive electronics, previously included in "Audio" and "Home and Others", have been separated from these applications and indicated as "Automotive Electronics".

Sales of products for consumer electronics market, which are the total of sales for audio equipment and video equipment, are indicated as "AV".

The figures for the six months ended September 30, 2003 and the year ended March 31, 2004 have been reclassified for comparison.

3. Sales by Area

| | Millions of yen | | | | | | |
|-----------------|-----------------------------------|-------|-------|-----------------------------------|-------|-----------------------------|-------|
| | Six months ended Sep. 30, 2004 | | | Six months ended Sep. 30, 2003 | | Year ended Mar. 31, 2004 | |
| | | % *1 | % *2 | | % *1 | | % *1 |
| The Americas | 21,101 | 9.7 | 2.2 | 20,646 | 10.4 | 40,092 | 9.7 |
| Europe | 33,232 | 15.2 | 14.5 | 29,035 | 14.7 | 62,294 | 15.1 |
| Asia and Others | 94,824 | 43.6 | 24.7 | 76,051 | 38.4 | 162,438 | 39.3 |
| Overseas total | 149,157 | 68.5 | 18.6 | 125,732 | 63.5 | 264,824 | 64.1 |
| Japan | 68,454 | 31.5 | (5.3) | 72,323 | 36.5 | 148,028 | 35.9 |
| Net sales | 217,611 | 100.0 | 9.9 | 198,055 | 100.0 | 412,852 | 100.0 |

*1 Component ratio

*2 Growth ratio against the six months ended September 30, 2003

Marketable Securities and Investments

The cost, gross unrealized gains, gross unrealized losses and fair value for available-for-sale securities by major security type at September 30, 2004, September 30, 2003 and March 31, 2004 were as follows:

| | Millions of yen | | | | | | | | | | | |
|---------------------------------|--------------------|------------------------------|-------------------------------|---------------|--------------------|------------------------------|-------------------------------|---------------|----------------|------------------------------|-------------------------------|---------------|
| | September 30, 2004 | | | | September 30, 2003 | | | | March 31, 2004 | | | |
| | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Governmental debt securities | 103,274 | 182 | 7 | 103,449 | 157,898 | 37 | 27 | 157,908 | 147,283 | 117 | 19 | 147,381 |
| Private debt securities | 257,587 | 274 | 134 | 257,727 | 191,375 | 144 | 626 | 190,893 | 209,853 | 174 | 310 | 209,717 |
| Current | 360,861 | 456 | 141 | 361,176 | 349,273 | 181 | 653 | 348,801 | 357,136 | 291 | 329 | 357,098 |
| Private debt securities | - | - | - | - | 8 | 2 | - | 10 | - | - | - | - |
| Equity securities | 5,029 | 5,046 | 1 | 10,074 | 5,189 | 3,608 | 4 | 8,793 | 5,124 | 6,350 | - | 11,474 |
| Non-current | 5,029 | 5,046 | 1 | 10,074 | 5,197 | 3,610 | 4 | 8,803 | 5,124 | 6,350 | - | 11,474 |
| Total | 365,890 | 5,502 | 142 | 371,250 | 354,470 | 3,791 | 657 | 357,604 | 362,260 | 6,641 | 329 | 368,572 |

* The aggregate carrying amounts of equity securities that do not have a readily determinable fair value at September 30, 2004, September 30, 2003 and March 31, 2004, which were valued at cost, were Yen 2,343 million, Yen 2,366 million and Yen 2,389 million, respectively. They were not included in the above schedule.

[Reference] Quarterly Consolidated Performance

(1) Consolidated Financial Results

| | Millions of yen | | | | | | | |
|----------------------------|-------------------------------------|------|-------------------------------------|------|-------------------------------------|------|-------------------------------------|------|
| | Three months ended Jun. 30, 2003 | | Three months ended Sep. 30, 2003 | | Three months ended Dec. 31, 2003 | | Three months ended Mar. 31, 2004 | |
| Net sales | 93,503 | % *1 | 105,210 | % *1 | 107,290 | % *1 | 108,244 | % *1 |
| Operating income | 11,588 | 12.4 | 14,420 | 13.7 | 16,428 | 15.3 | 31,774 | 29.4 |
| Income before income taxes | 12,480 | 13.3 | 16,069 | 15.3 | 17,054 | 15.9 | 33,082 | 30.6 |
| Net income | 7,847 | 8.4 | 10,154 | 9.7 | 10,820 | 10.1 | 19,719 | 18.2 |

| | Millions of yen | | | |
|----------------------------|-------------------------------------|------|-------------------------------------|------|
| | Three months ended Jun. 30, 2004 | | Three months ended Sep. 30, 2004 | |
| Net sales | 109,332 | % *1 | 109,001 | % *1 |
| Operating income | 19,490 | 17.8 | 18,685 | 17.1 |
| Income before income taxes | 20,418 | 18.7 | 19,220 | 17.6 |
| Net income | 12,859 | 11.8 | 12,000 | 11.0 |

*1 Ratio to net sales

*2 Quarterly figures are unaudited.

*3 The figures for the three months ended September 30, 2003 and 2004, and the three months ended March 31, 2004 are calculated by deduction from the semiannual and annual figures.

*4 The operating income and Income before income taxes for the three months ended March 31, 2004 includes gain amounting to Yen 11,693 million related to the transfer of the substitutional portion of the Contributory Termination and Retirement Plans to the government.

(2) Sales by Product

| | Millions of yen | | | | | | | |
|--------------------------|-------------------------------------|-------|-------------------------------------|-------|-------------------------------------|-------|-------------------------------------|-------|
| | Three months ended Jun. 30, 2003 | | Three months ended Sep. 30, 2003 | | Three months ended Dec. 31, 2003 | | Three months ended Mar. 31, 2004 | |
| Capacitors | 33,069 | % *1 | 36,250 | % *1 | 36,369 | % *1 | 38,503 | % *1 |
| Piezoelectric Components | 18,084 | 19.4 | 19,547 | 18.7 | 19,182 | 17.9 | 18,113 | 16.8 |
| Microwave Devices | 13,584 | 14.6 | 15,656 | 14.9 | 17,721 | 16.6 | 15,949 | 14.8 |
| Module Products | 12,322 | 13.2 | 15,432 | 14.7 | 16,156 | 15.1 | 16,249 | 15.0 |
| Other Products | 16,129 | 17.3 | 17,982 | 17.1 | 17,485 | 16.4 | 19,070 | 17.7 |
| Net sales | 93,188 | 100.0 | 104,867 | 100.0 | 106,913 | 100.0 | 107,884 | 100.0 |

| | Millions of yen | | | |
|--------------------------|-------------------------------------|-------|-------------------------------------|-------|
| | Three months ended Jun. 30, 2004 | | Three months ended Sep. 30, 2004 | |
| Capacitors | 39,450 | % *1 | 40,840 | % *1 |
| Piezoelectric Components | 18,507 | 17.0 | 17,958 | 16.5 |
| Microwave Devices | 16,896 | 15.5 | 15,681 | 14.4 |
| Module Products | 13,845 | 12.7 | 14,423 | 13.3 |
| Other Products | 20,282 | 18.6 | 19,729 | 18.2 |
| Net sales | 108,980 | 100.0 | 108,631 | 100.0 |

*1 Component ratio