

## Flash Report (Six months ended September 30, 2006)

### Selected Financial Data

Six months ended September 30, 2006 and 2005 / As of September 30, 2006 and 2005

		Consolidated Basis			Parent Co. Basis		
		2006	2005	Growth ratio	2006	2005	Growth ratio
Net sales	Millions of yen	277,155	228,937	21.1	241,436	198,256	21.8
	<%>*3	<19.5>	<16.5>		<7.7>	<6.3>	
Operating income	Millions of yen	54,118	37,884	42.9	18,555	12,538	48.0
Income before income taxes (and extraordinary item) *2	Millions of yen	56,884	39,330	44.6	29,487	20,436	44.3
	<%>*3	<20.5>	<17.2>		<12.2>	<10.3>	
Net income	Millions of yen	33,843	24,794	36.5	21,459	15,667	37.0
	<%>*3	<12.2>	<10.8>		<8.9>	<7.9>	
Total assets	Millions of yen	952,827	857,531	11.1	521,783	472,402	10.5
Shareholders' equity	Millions of yen	780,799	719,980	8.4	414,298	386,412	7.2
Shareholders' equity ratio	%	81.9	84.0	-	79.4	81.8	-
Basic earnings per share	Yen	152.50	110.97	37.4	96.70	70.12	37.9
Diluted earnings per share	Yen	152.47	110.97	37.4	96.68	70.12	37.9
Return on equity (ROE)	%	8.8	6.9	-	10.5	8.1	-
Shareholders' equity per share	Yen	3,518.08	3,244.59	-	1,866.73	1,741.37	-
Capital expenditures	Millions of yen	41,910	21,624	93.8	10,044	6,347	58.2
	<%>	<7.9>*3	<8.9>*3		<2.2>*4	<2.4>*4	
Depreciation and amortization	Millions of yen	21,871	20,435	7.0	5,143	4,658	10.4
	<%>	<7.3>*3	<7.5>*3		<6.7>*4	<7.7>*4	
R & D expenses	Millions of yen	20,309	17,227	17.9	15,663	14,797	5.9
	*5	<9,659>	<8,769>				
Number of employees		28,426	26,719	6.4	5,668	5,357	5.8
Average exchange rates							
Yen/US\$	Yen	115.38	109.48	-			
Yen/EURO	Yen	145.97	135.65	-			

\*1 The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

\*2 Consolidated Basis : Income before income taxes, Parent Co. Basis : Income before income taxes and extraordinary item

\*3 Ratio to net sales

\*4 Ratio to net sales excluding revenue from services

\*5 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, 2007 and year ended March 31, 2006

		Consolidated Basis			Parent Co. Basis		
		2007 (Projection)	2006 (Actual)	Growth ratio	2007 (Projection)	2006 (Actual)	Growth ratio
Net sales	Millions of yen	565,000	490,784	15.1	495,000	422,578	17.1
Operating income	Millions of yen	111,000	89,839	23.6	39,000	30,019	29.9
Income before income taxes (and extraordinary item) *1	Millions of yen	116,000	91,680	26.5	61,000	48,328	26.2
Net income	Millions of yen	70,000	58,448	19.8	45,500	36,817	23.6
Basic earnings per share	Yen	315.40	262.49	20.2	205.01	164.80	24.4
Capital expenditures	Millions of yen	100,000	51,040	95.9	20,000	14,649	36.5
Depreciation and amortization	Millions of yen	50,000	45,139	10.8	12,000	10,618	13.0
R & D expenses	Millions of yen	39,000	34,696	12.4	32,000	30,412	5.2

\*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 projections above are based on the assumed average exchange rates of Yen 115 per US\$ and Yen 147 per Euro for October 1, 2006 through March 31, 2007.

**Consolidated Financial Flash Report (September 30, 2006)**

Date: October 31, 2006

Company Name : Murata Manufacturing Co., Ltd.

Stock Exchange Listings:

Listing Code : 6981

Tokyo Stock Exchange

(URL <http://www.murata.com/>)

Osaka Securities Exchange

Phone : (075) 955-6511

Stock Exchange of Singapore

**1. Financial results for the six months ended September 30, 2006**

(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, 2006	277,155	21.1	54,118	42.9	56,884	44.6	33,843	36.5
Six months ended Sep. 30, 2005	228,937	4.9	37,884	(0.8)	39,330	(0.8)	24,794	(0.3)
Year ended Mar. 31, 2006	490,784		89,839		91,680		58,448	

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended Sep. 30, 2006	152.50	152.47
Six months ended Sep. 30, 2005	110.97	110.97
Year ended Mar. 31, 2006	262.49	262.47

\*1 Equity in net income of affiliated companies: (0) million Yen for the six months ended September 30, 2006, 0 million Yen for the six months ended September 30, 2005 and 0 million Yen for the year ended March 31, 2006

\*2 Average number of shares outstanding (consolidated): 221,927,434 shares for the six months ended September 30, 2006, 223,431,626 shares for the six months ended September 30, 2005 and 222,669,988 shares for the year ended March 31, 2006

\*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, 2006	952,827	780,799	81.9	3,518.08
As of Sep. 30, 2005	857,531	719,980	84.0	3,244.59
As of Mar. 31, 2006	909,641	755,394	83.0	3,404.09

\*1 Number of shares outstanding (consolidated): 221,938,869 shares as of September 30, 2006, 221,901,481 shares as of September 30, 2005 and 221,907,501 shares as of March 31, 2006

(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, 2006	52,294	(75,612)	(8,705)	94,741
Six months ended Sep. 30, 2005	36,318	6,776	(21,407)	116,565
Year ended Mar. 31, 2006	92,004	(37,469)	(25,873)	126,383

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

Number of consolidated subsidiaries : 57

Number of unconsolidated subsidiaries : None

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

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

Two companies were newly consolidated.

**2. Projected financial results for the year ending March 31, 2007**

(Millions of yen)

Net sales	Income before income taxes	Net income
565,000	116,000	70,000

\*1 Projected basic earnings per share: Yen 315.40

\*2 These projections were prepared based on estimates using information currently available.

Actual results may differ from the projections.

## Murata Manufacturing Co., Ltd. and Subsidiaries

The main business of Murata Manufacturing Co., Ltd. (the Company) and its subsidiaries (together the Companies) is the development, manufacturing and sales of electronic components and related products, such as capacitors, piezoelectric components, microwave devices and module products.

Net sales, Operating income, and Assets in the main business comprise almost 100% of the corresponding amounts in the Consolidated Financial Statements.

The relationships among the Companies in the segment of "manufacturing and sales of electronic components" as of September 30, 2006 are as follows.

[Manufacturing and sales of electronic components]

### Murata Manufacturing Co., Ltd. (the Company)

The Company manufactures semi-finished products for various electronic components and supplies them to its manufacturing subsidiaries in Japan and abroad.

The Company also sells finished products, which are manufactured by the Companies, to customers in Japan and abroad, and to its sales subsidiaries.

### Subsidiaries in Japan

The Company's manufacturing subsidiaries in Japan purchase semi-finished products from the Company, complete the manufacturing into finished products, and resell them to the Company, who sells them to its customers.

The Company's sales subsidiary in Japan sells finished products, which are manufactured by the Companies, to customers in Japan with small lot orders.

### Overseas subsidiaries

The Company's overseas manufacturing subsidiaries purchase semi-finished products from the Company, complete the manufacturing into finished products and sells the products mainly to overseas customers and overseas sales subsidiaries.

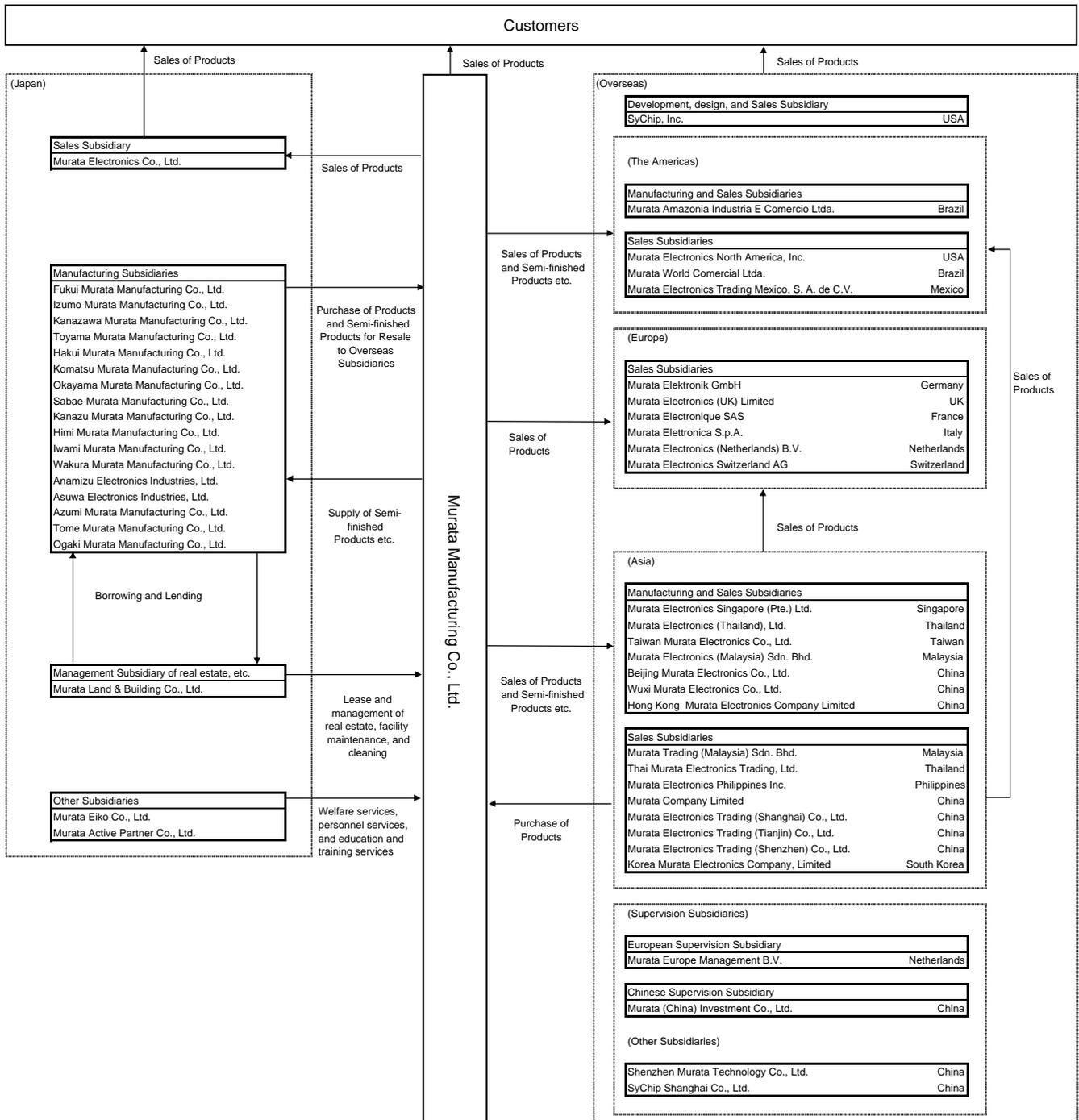
The Company's overseas sales subsidiaries sell finished products, which are manufactured by the Companies.

The supervision subsidiaries conduct market research activities in their corresponding areas, and supervises the Company's subsidiaries located in the areas.

The Company acquired SyChip, Inc. on April 28, 2006(US time). SyChip, Inc. develops, designs, and sells module products.

[Others]

Ten subsidiaries provide the following services: welfare services, personnel services, education and training services, management of funds for the Companies, lease and management of real estate, facility maintenance and cleaning, etc.



\* Other than the companies shown above, there are six consolidated subsidiaries, and an affiliated company.

## Business Results and Financial Position

### (from April 1 through September 30, 2006)

#### (1) Business Results

##### 1. Overall market situation

During the six-month period under review, the global electronic market enjoyed a significant growth in demand for electronic components, due to vibrant developments in the production of major products such as mobile phones, personal computers, and digital AV equipment. The functional sophistication of electronic equipment also contributed to the upward trend.

Looking at the market environment segmented by application, the key mobile phone segment within the communication equipment market marked an increase in demand in advanced countries for sophisticated terminals such as third-generation phones and Bluetooth<sup>®</sup>-equipped models. Demand for mobile phones continued to run strong in China, India, and other emerging economies. In the market for computers and peripheral equipment, demand for notebook computers continued to ride high, while dual-core MPUs found an increasing use. In the AV equipment market, sales of flat-panel TVs using LCDs or plasma display panels (PDPs) were brisk. The automotive electronics market was highlighted by a growing use of electronics in automobiles.

The Murata Group responded to this market environment by aggressively increasing production capacity for key products to deal with growing demand, while focusing on improving customer service. To cope with falling product prices, we improved profitability and strengthened the business base by further developing cost reduction activities such as productivity improvement, while pushing forward with the commercialization of new, high-value added products.

##### 2. Overall performance

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

###### [Net sales]

Net sales increased 21.1% compared with the corresponding period of 2005 to 277,155 million Yen.

The contribution of electronic components, which represent the Group's core business, amounted to 276,241 million Yen. By region, our business in Asia was highlighted by a dramatic growth in the sales of components for communication equipment and computers and peripheral equipment in China, and a substantial increase in demand for AV equipment and communication equipment in the ASEAN countries. As a result, net sales in the Asia and Others market grew 32.6% year on year to 147,298 million Yen. Net sales in Japan rose 8.0% year on year to 69,693 million Yen, mainly due to the sales growth in components for communication equipment, computers and peripheral equipment, and automotive electronics. Sales of components for automotive electronics and distributors increased in the Americas, with net sales from this geographic segment rising 10.8% to 22,740 million Yen. In Europe, sales of components for communication equipment rose 14.2% from a year earlier to 36,510 million Yen.

[Operating income]

Operating income increased 42.9% from the same period of last year to 54,118 million Yen. The operating margin (the ratio of operating income to net sales) improved 3.0 percentage points from a year earlier to 19.5%. This is because the negative effects of product price declines were overshadowed by the positive effects of higher net sales, the ongoing introduction of new products, initiatives to reduce the cost of goods sold through cost cutting activities, and the weakening of the yen against the U.S. dollar—an average depreciation of 5.90 Yen compared with the same period of last year.

[Net income before income taxes and net income]

In the six months under review, income before income taxes increased 44.6% from a year earlier to 56,884 million Yen.

Net income increased 36.5% year on year to 33,843 million Yen.

### 3. Sales by Product Category

Net sales by product category for the six-month period under review compared with the figures for the same period of 2005 are as follows:

[Capacitors]

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

In the period under review, chip monolithic ceramic capacitors, the main product in this category, showed very strong sales, as large-capacitance products grew sharply in all applications including AV equipment, communication equipment and computers and peripheral equipment. Small-sized products also marked a significant sales growth in applications for communication equipment. The increasing use of dual-core MPUs led to a major sales gain in application-specific capacitors for computers and peripheral equipment.

As a result, overall net sales increased 26.2% from a year earlier, to 102,445 million Yen.

[Piezoelectric Components]

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

In the period under review, sales of SAW filters for use in communication equipment grew well above the figures for the same period of last year. Piezoelectric sensors achieved an increase in the sales of products for shock-detection use in HDDs. Ceramic resonators posted a gain in sales for car electronics, but sales of ceramic resonators for use in AV equipment and computers and peripheral products suffered a decline. Ceramic filters for use in AV equipment also dropped in sales.

As a result, overall sales posted a year-on-year growth of 9.9%, to 38,973 million Yen.

[Microwave Devices]

These devices include multilayer ceramic devices, Bluetooth<sup>®</sup> modules, dielectric filters, isolators and connectors.

In the period under review, Bluetooth<sup>®</sup> modules grew dramatically in sales, far surpassing the figures for the same period of 2005. This is due to strong demand for mobile phones. Sales of isolators and connectors for communication equipment also increased sharply. In contrast,

there was a decline in the sales of multilayer ceramic devices and dielectric filters for communication equipment.

As a result, overall net sales increased 42.3% year on year, to 59,930 million Yen.

[Module Products]

This product category includes circuit modules and power supplies.

In the period under review, sales of power supplies grew substantially, primarily in those for AV equipment such as flat-panel TVs and computers and peripheral equipment. In the circuit modules product line, sales of terrestrial digital tuners for mobile phones increased. But sales of VCOs (voltage controlled oscillators) for communication equipment fell steeply. Submodules for communication equipment also suffered a loss.

As a result, overall net sales increased 0.9% year on year to 28,059 million Yen.

[Other Products]

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

In the period under review, EMI suppression filters for AV and communication equipment posted a significant increase over the same period in 2005, while chip coils for communication equipment also grew sharply. Among resistors, thermistors for use in communication equipment posted an increase in sales.

As a result, overall net sales posted a 12.7% year on year increase to 46,834 million Yen.

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

(2) Financial position

Total assets as of September 30, 2006 increased 43,186 million Yen from March 31, 2006 to 952,827 million Yen. Liquidity in hand (cash, cash equivalents, and marketable securities in current assets) declined 12,928 million Yen from the end of the previous fiscal year to 426,636 million Yen. Notes and accounts receivable rose 13,374 million Yen and inventories increased 9,384 million Yen. Property, plant and equipment climbed 19,747 million Yen. In addition, long-term receivables, advances and other assets increased by 11,951 million Yen due to the acquisition of SyChip, Inc.

Shareholders' equity increased 25,405 million Yen compared to the end of last year. However, due to the large increase in total assets, the ratio of shareholders' equity to total assets dropped 1.1 percentage points from March 31, 2006 to 81.9%.

[Net cash provided by operating activities]

Funds provided by operating activities increased 15,976 million Yen from the six months ended September 30, 2005 to 52,294 million Yen.

In the six-month period under review, net income, the major source of cash flow, increased 9,049 million Yen to 33,843 million Yen, while depreciation and amortization also grew, by 1,436 million Yen to 21,871 million Yen. Due to the expansion of business, cash outflow related to trade notes and account receivables and inventories increased 7,790 million Yen, while cash inflow from trade notes and accounts payables, income taxes payable, and accrued expenses and other rose 13,671 million Yen.

[Net cash used in investing activities]

Net cash used in investing activities, which represented a gain of 6,776 million Yen a year

earlier, plunged into a loss of 75,612 million Yen for the six-month period under review. For the six-month period, capital expenditures rose 20,286 million Yen to 41,910 million Yen. Due to the shift of funds not in immediate use from time deposits to marketable securities, investment funds related to marketable securities increased 46,447 million Yen. The payment of 15,387 million Yen for the purchase of SyChip, Inc. during the period also accounts for the increase in expenditure.

[Net cash used in financing activities]

Funds spent on financing activities declined 12,702 million Yen from a year earlier to 8,705 million Yen.

In the six-month period under review, a higher dividend payment increased our dividend payments by 3,258 million Yen from a year earlier to 8,876 million Yen, while payment for purchases of treasury stock (including purchases of odd stock) fell 15,570 million Yen.

(3) Projected results for the year ending March 31, 2007

In the second half of the year ending March 31, 2007, we expect the production of major electronic equipment to remain high, resulting to the robust growth in demand for electronic components. The increase in demand of components is also driven by the further sophistication of the functions of electronic products. In order to cope with the growing demand, we are aggressively reinforcing our production capacity, and plan to increase our sales of chip monolithic ceramic capacitors and high frequency related products.

Based on this outlook, for the year ending March 31, 2007, we project the consolidated net sales to increase 15.1% year on year to 565,000 million Yen, operating income to rise 23.6% to 111,000 million Yen, income before income taxes to increase 26.5% to 116,000 million Yen, and net income to grow 19.8% to 70,000 million yen.

The projections are based on the assumed exchange rates of Yen 115 per US\$ and Yen 147 per Euro for the second half of the year ending March 31, 2007.

As for the capital expenditure, we originally planned 80,000 million Yen for the year ending March 31, 2007. However, to strengthen our production capacity even more, we are revising our capital expenditure plan to 100,000 million Yen. The major purposes of our capital expenditure are the bolstering of production capacity of new products and products expecting rising demands, construction of production facilities, and cost reduction.

(4) Dividends

In light of the operating results and earnings retention for the six-month period under review, we will follow through with the plans at the beginning of the year to pay an interim dividend of 40 Yen per share.

The year-end dividend per share will be the same as the interim amount. This means that the total annual dividend payment per share will be 80 Yen, an increase of 10 Yen compared with the previous year. These figures reflect our view of the current business environment and our projections for the present term.

[Cautionary Statement on Forward-looking Statements]

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

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

Consolidated Balance Sheets (Unaudited)  
Murata Manufacturing Co., Ltd. and Subsidiaries

**Consolidated Balance Sheets (Assets)**

	Millions of Yen					
	As of Sep. 30, 2006		As of Sep. 30, 2005		As of Mar. 31, 2006	
		%		%		%
Assets	952,827	100.0	857,531	100.0	909,641	100.0
Current assets	653,393	68.6	601,428	70.1	641,387	70.5
Cash	25,986		30,917		33,877	
Time deposits	68,755		85,648		92,506	
Marketable securities	331,895		302,401		313,181	
Trade notes receivable	8,067		10,717		9,036	
Trade accounts receivable	117,462		90,058		103,119	
Allowance for doubtful notes and accounts	(1,464)		(982)		(1,156)	
Inventories	75,803		61,662		66,419	
Deferred income taxes	19,729		16,516		18,627	
Prepaid expenses and other	7,160		4,491		5,778	
Property, plant and equipment	252,624	26.5	226,849	26.5	232,877	25.6
Land	40,909		41,016		40,909	
Buildings	210,418		206,155		205,752	
Machinery and equipment	451,882		427,636		437,714	
Construction in progress	22,077		6,287		13,992	
Accumulated depreciation	(472,662)		(454,245)		(465,490)	
Investments and other assets	46,810	4.9	29,254	3.4	35,377	3.9
Investments	18,193		15,351		19,674	
Deferred income taxes	5,620		4,284		4,657	
Long - term receivables, advances and other	22,997		9,619		11,046	
<b>Total assets</b>	<b>952,827</b>	<b>100.0</b>	<b>857,531</b>	<b>100.0</b>	<b>909,641</b>	<b>100.0</b>

**Consolidated Balance Sheets (Liabilities and Shareholders' Equity)**

	Millions of Yen					
	As of Sep. 30, 2006		As of Sep. 30, 2005		As of Mar. 31, 2006	
		%		%		%
Liabilities	172,028	18.1	137,551	16.0	154,247	17.0
Current liabilities	114,064	12.0	80,604	9.4	95,114	10.5
Short-term borrowings	8,900		5,173		8,556	
Trade notes payable	5,452		807		1,794	
Trade accounts payable	29,205		22,095		27,089	
Accrued payroll and bonuses	19,930		18,054		19,225	
Income taxes payable	22,242		13,672		17,863	
Accrued expenses and other	28,335		20,803		20,587	
Long-term liabilities	57,964	6.1	56,947	6.6	59,133	6.5
Long-term debt	25		1,028		526	
Termination and retirement benefits	46,804		47,777		47,296	
Deferred income taxes	10,456		7,462		10,631	
Other	679		680		680	
Shareholders' equity	780,799	81.9	719,980	84.0	755,394	83.0
Common stock	69,377		69,377		69,377	
Capital surplus	102,306		102,222		102,228	
Retained earnings	626,652		574,688		601,685	
Accumulated other comprehensive income (loss) :	972		(7,601)		781	
<Unrealized gains on securities>	< 5,552 >		< 4,787 >		< 5,992 >	
<Minimum pension liability adjustments>	<(571)>		<(873)>		<(529)>	
<Unrealized losses on derivative instruments>	<(194)>		<(159)>		<(33)>	
<Foreign currency translation adjustments>	<(3,815)>		<(11,356)>		<(4,649)>	
Treasury stock, at cost	(18,508)		(18,706)		(18,677)	
Total liabilities and shareholders' equity	952,827	100.0	857,531	100.0	909,641	100.0

### Consolidated Statements of Income

	Millions of Yen					
	Six months ended Sep. 30, 2006		Six months ended Sep. 30, 2005		Year ended Mar. 31, 2006	
		%		%		%
Net sales	277,155	100.0	228,937	100.0	490,784	100.0
Cost of sales	164,380	59.3	139,057	60.8	295,958	60.3
Selling, general and administrative	38,348	13.9	34,769	15.2	70,291	14.3
Research and development	20,309	7.3	17,227	7.5	34,696	7.1
Operating income	54,118	19.5	37,884	16.5	89,839	18.3
Interest and dividend income	1,803	0.7	1,103	0.5	2,326	0.5
Interest expense	(130)	(0.0)	(67)	(0.0)	(201)	(0.0)
Foreign currency exchange gain (loss)	(320)	(0.1)	10	0.0	(1,730)	(0.4)
Other - net	1,413	0.4	400	0.2	1,446	0.3
Income before income taxes	56,884	20.5	39,330	17.2	91,680	18.7
Income taxes	23,041	8.3	14,536	6.4	33,232	6.8
<Current>	< 23,840 >		< 14,285 >		< 34,579 >	
<Deferred>	<(799)>		< 251 >		<(1,347)>	
Net income	33,843	12.2	24,794	10.8	58,448	11.9

### Consolidated Statements of Comprehensive Income

	Millions of Yen		
	Six months ended Sep. 30, 2006	Six months ended Sep. 30, 2005	Year ended Mar. 31, 2006
Net income	33,843	24,794	58,448
Other comprehensive income (loss), net of tax :			
<Unrealized gains (losses) on securities>	<(440)>	< 1,133 >	< 2,338 >
<Minimum pension liability adjustments>	<(42)>	< 90 >	< 434 >
<Unrealized gains (losses) on derivative instruments>	<(161)>	< 27 >	< 153 >
<Foreign currency translation adjustments>	< 834 >	< 2,834 >	< 9,541 >
Other comprehensive income	191	4,084	12,466
Comprehensive income	34,034	28,878	70,914

**Consolidated Statements of Shareholders' Equity**

(1) Six months ended September 30, 2006

	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, 2006	225,263,592	69,377	102,228	601,685	781	(18,677)
Purchases of treasury stock at cost						(19)
Exercise of stock options			25			188
Stock-based compensation expense			53			
Net income				33,843		
Cash dividends, Yen 40.00 per share				(8,876)		
Other comprehensive income, net of tax					191	
Balance at September 30, 2006	225,263,592	69,377	102,306	626,652	972	(18,508)

(2) Six months ended September 30, 2005

	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, 2005	225,263,592	69,377	102,222	555,512	(11,685)	(3,117)
Purchases of treasury stock at cost						(15,589)
Net income				24,794		
Cash dividends, Yen 25.00 per share				(5,618)		
Other comprehensive income, net of tax					4,084	
Balance at September 30, 2005	225,263,592	69,377	102,222	574,688	(7,601)	(18,706)

(3) Year ended March 31, 2006

	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, 2005	225,263,592	69,377	102,222	555,512	(11,685)	(3,117)
Purchases of treasury stock at cost						(15,609)
Exercise of stock options			6			49
Net income				58,448		
Cash dividends, Yen 55.00 per share				(12,275)		
Other comprehensive income, net of tax					12,466	
Balance at March 31, 2006	225,263,592	69,377	102,228	601,685	781	(18,677)

### Consolidated Statements of Cash Flows

	Millions of Yen					
	Six months ended Sep. 30, 2006		Six months ended Sep. 30, 2005		Year ended Mar. 31, 2006	
Operating activities:						
Net income		33,843		24,794		58,448
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	21,871		20,435		45,139	
Losses on sales and disposals of property, plant and equipment	204		254		315	
Impairment losses on long-lived assets	-		360		639	
Gains on sales of securities	-		(70)		(71)	
Provision for termination and retirement benefits, less payments	(575)		623		704	
Deferred income taxes	(799)		251		(1,347)	
Changes in assets and liabilities:						
Increase in trade notes and accounts receivable	(12,235)		(11,489)		(19,895)	
Increase in inventories	(9,021)		(1,977)		(5,302)	
Increase in prepaid expenses and other	(1,287)		(267)		(1,447)	
Increase in trade notes and accounts payable	5,343		4,167		10,001	
Increase in accrued payroll and bonuses	687		605		1,698	
Increase (decrease) in income taxes payable	4,333		(2,039)		2,058	
Increase in accrued expenses and other	6,917		794		633	
Other-net	3,013	18,451	(123)	11,524	431	33,556
Net cash provided by operating activities		52,294		36,318		92,004
Investing activities:						
Capital expenditures		(41,910)		(21,624)		(51,040)
Payment for purchases of investments and other		(2,034)		(2,442)		(4,299)
Net decrease (increase) in marketable securities		(16,499)		29,948		17,929
Increase in long-term deposits		-		-		(1,000)
Proceeds from sales of property, plant and equipment		207		776		817
Proceeds from sales of investments and other		10		116		119
Acquisition of subsidiaries, net of cash acquired		(15,387)		-		-
Other		1		2		5
Net cash provided by (used in) investing activities		(75,612)		6,776		(37,469)
Financing activities:						
Net increase (decrease) in short-term borrowings		478		(199)		2,458
Repayment of long-term debt		(500)		-		(500)
Dividends paid		(8,876)		(5,618)		(12,275)
Payment for purchases of treasury stock		(19)		(15,589)		(15,609)
Other		212		(1)		53
Net cash used in financing activities		(8,705)		(21,407)		(25,873)
Effect of exchange rate changes on cash and cash equivalents		381		1,207		4,050
Net increase (decrease) in cash and cash equivalents		(31,642)		22,894		32,712
Cash and cash equivalents at beginning of period		126,383		93,671		93,671
Cash and cash equivalents at end of period		94,741		116,565		126,383
Additional cash flow information:						
Interest paid		124		66		192
Income taxes paid		19,497		16,332		32,503

	Millions of Yen		
	As of Sep. 30, 2006	As of Sep. 30, 2005	As of Mar. 31, 2006
Cash and cash equivalents at end of period	94,741	116,565	126,383
Marketable securities	331,895	302,401	313,181
Liquidity in hand	426,636	418,966	439,564

## **Notes to Consolidated Financial Statements**

### 1. Scope of consolidation and application of the equity method

#### (1) Number of consolidated subsidiaries: 57

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)

MTC Solutions Co., Ltd.

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

(Consolidated subsidiaries)

Two companies were newly consolidated.

SyChip, Inc., SyChip Shanghai Co., Ltd. : Aquired on April 28, 2006 (US time)

### 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 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.

#### (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, 2006.

## Segment Information

### (1) Industry Segment Information

The Companies mainly develop, manufacture and sell electronic components. Sales and Operating income (loss) 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, 2006

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Corporate and eliminations	Consolidated
Sales to :							
Unaffiliated customers	118,356	22,130	25,804	110,865	277,155	-	277,155
Intersegment	110,581	4	0	11,612	122,197	(122,197)	-
Total revenue	228,937	22,134	25,804	122,477	399,352	(122,197)	277,155
Operating expenses	184,523	23,843	24,722	114,523	347,611	(124,574)	223,037
<%> *1	<19.4%>	<(7.7%)>	<4.2%>	<6.5%>	<13.0%>		<19.5%>
Operating income (loss)	44,414	(1,709)	1,082	7,954	51,741	2,377	54,118

\*1 Ratio to total revenue

#### 2) Six months ended September 30, 2005

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Corporate and eliminations	Consolidated
Sales to :							
Unaffiliated customers	110,946	17,990	23,294	76,707	228,937	-	228,937
Intersegment	78,540	5	9	9,322	87,876	(87,876)	-
Total revenue	189,486	17,995	23,303	86,029	316,813	(87,876)	228,937
Operating expenses	158,969	17,369	22,280	81,838	280,456	(89,403)	191,053
<%> *1	<16.1%>	<3.5%>	<4.4%>	<4.9%>	<11.5%>		<16.5%>
Operating income	30,517	626	1,023	4,191	36,357	1,527	37,884

\*1 Ratio to total revenue

#### 3) Year ended March 31, 2006

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Corporate and eliminations	Consolidated
Sales to :							
Unaffiliated customers	223,893	37,565	48,431	180,895	490,784	-	490,784
Intersegment	182,222	8	13	19,621	201,864	(201,864)	-
Total revenue	406,115	37,573	48,444	200,516	692,648	(201,864)	490,784
Operating expenses	335,244	35,027	46,164	189,583	606,018	(205,073)	400,945
<%> *1	<17.5%>	<6.8%>	<4.7%>	<5.5%>	<12.5%>		<18.3%>
Operating income	70,871	2,546	2,280	10,933	86,630	3,209	89,839

\*1 Ratio to total revenue

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

(3) Overseas sales

1) Six months ended September 30, 2006

	Millions of yen			
	The Americas	Europe	Asia and Others	Total
1. Overseas sales	22,740	36,510	147,298	206,548
2. Consolidated sales				277,155
3. Ratio of overseas sales to consolidated sales	8.2%	13.2%	53.1%	74.5%

2) Six months ended September 30, 2005

	Millions of yen			
	The Americas	Europe	Asia and Others	Total
1. Overseas sales	20,517	31,982	111,106	163,605
2. Consolidated sales				228,937
3. Ratio of overseas sales to consolidated sales	9.0%	14.0%	48.5%	71.5%

3) Year ended March 31, 2006

	Millions of yen			
	The Americas	Europe	Asia and Others	Total
1. Overseas sales	41,665	65,944	247,995	355,604
2. Consolidated sales				490,784
3. Ratio of overseas sales to consolidated sales	8.5%	13.5%	50.5%	72.5%

## Order, Backlog and Sales

### (1) Order and Backlog by Product

#### <Order>

	Millions of yen							
	Six months ended Sep. 30, 2006			Six months ended Sep. 30, 2005			Year ended Mar. 31, 2006	
		% *1	% *2		% *1		% *1	
Capacitors	109,327	38.3	28.1	85,350	36.3	181,349	36.3	
Piezoelectric Components	39,692	13.9	11.4	35,646	15.2	74,365	14.9	
Microwave Devices	61,255	21.5	45.7	42,039	17.9	96,819	19.3	
Module Products	27,708	9.7	(5.3)	29,258	12.4	58,721	11.7	
Other Products	47,513	16.6	11.3	42,700	18.2	88,852	17.8	
Total	285,495	100.0	21.5	234,993	100.0	500,106	100.0	

\*1 Component ratio

\*2 Growth ratio against the six months ended September 30, 2005

\*3 Figures are based on sales prices to customers.

\*4 Exclusive of consumption taxes

\*5 The tables by product indicate order, backlog, and sales of electronics components and related products.

#### <Backlog>

	Millions of yen							
	As of Sep. 30, 2006			As of Sep. 30, 2005			As of Mar. 31, 2006	
		% *1	% *2		% *1		% *1	
Capacitors	27,541	45.2	61.4	17,067	35.9	20,659	40.0	
Piezoelectric Components	7,997	13.2	26.0	6,345	13.3	7,278	14.1	
Microwave Devices	7,507	12.3	16.1	6,464	13.6	6,182	12.0	
Module Products	7,021	11.5	(16.4)	8,401	17.7	7,372	14.3	
Other Products	10,825	17.8	17.1	9,245	19.5	10,146	19.6	
Total	60,891	100.0	28.1	47,522	100.0	51,637	100.0	

\*1 Component ratio

\*2 Growth ratio against the figures as of September 30, 2005

\*3 Figures are based on sales prices to customers.

\*4 Exclusive of consumption taxes

## (2) Sales by Product, Application and Area

### 1. Sales by Product

	Millions of yen						
	Six months ended Sep. 30, 2006			Six months ended Sep. 30, 2005		Year ended Mar. 31, 2006	
		% *1	% *2		% *1		% *1
Capacitors	102,445	37.1	26.2	81,191	35.6	173,598	35.5
Piezoelectric Components	38,973	14.1	9.9	35,456	15.5	73,242	15.0
Microwave Devices	59,930	21.7	42.3	42,116	18.5	97,178	19.9
Module Products	28,059	10.2	0.9	27,811	12.2	58,303	11.9
Other Products	46,834	16.9	12.7	41,557	18.2	86,808	17.7
Net sales	276,241	100.0	21.1	228,131	100.0	489,129	100.0

\*1 Component ratio

\*2 Growth ratio against the six months ended September 30, 2005

\*3 Exclusive of consumption taxes

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

	Millions of yen						
	Six months ended Sep. 30, 2006			Six months ended Sep. 30, 2005		Year ended Mar. 31, 2006	
		% *1	% *2		% *1		% *1
AV	35,041	12.7	15.1	30,448	13.4	62,420	12.8
Communication	115,122	41.7	23.3	93,388	40.9	204,214	41.7
Computers and Peripherals	57,054	20.6	18.9	47,981	21.0	102,277	20.9
Automotive Electronics	30,319	11.0	15.4	26,274	11.5	54,870	11.2
Home and Others	38,705	14.0	28.8	30,040	13.2	65,348	13.4
Net sales	276,241	100.0	21.1	228,131	100.0	489,129	100.0

\*1 Component ratio

\*2 Growth ratio against the six months ended September 30, 2005

\*3 Exclusive of consumption taxes

### 3. Sales by Area

	Millions of yen						
	Six months ended Sep. 30, 2006			Six months ended Sep. 30, 2005		Year ended Mar. 31, 2006	
		% *1	% *2		% *1		% *1
The Americas	22,740	8.3	10.8	20,517	9.0	41,665	8.5
Europe	36,510	13.2	14.2	31,982	14.0	65,944	13.5
Asia and Others	147,298	53.3	32.6	111,106	48.7	247,995	50.7
Overseas total	206,548	74.8	26.2	163,605	71.7	355,604	72.7
Japan	69,693	25.2	8.0	64,526	28.3	133,525	27.3
Net sales	276,241	100.0	21.1	228,131	100.0	489,129	100.0

\*1 Component ratio

\*2 Growth ratio against the six months ended September 30, 2005

\*3 Exclusive of consumption taxes

Marketable Securities and Investments (Unaudited)  
Murata Manufacturing Co., Ltd. and Subsidiaries

**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, 2006, September 30, 2005 and March 31, 2006 were as follows:

		Millions of yen											
		September 30, 2006				September 30, 2005				March 31, 2006			
		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	25,539	36	10	25,565	33,479	148	1	33,626	31,628	15	56	31,587
	Private debt securities	306,513	406	589	306,330	268,713	238	176	268,775	282,583	91	1,080	281,594
Current		332,052	442	599	331,895	302,192	386	177	302,401	314,211	106	1,136	313,181
	Equity securities	4,734	9,724	24	14,434	4,739	8,087	12	12,814	4,738	11,322	-	16,060
	Investment trusts	600	3	-	603	-	-	-	-	600	-	0	600
Non-current		5,334	9,727	24	15,037	4,739	8,087	12	12,814	5,338	11,322	0	16,660
Total		337,386	10,169	623	346,932	306,931	8,473	189	315,215	319,549	11,428	1,136	329,841

\* The aggregate carrying amounts of the equity securities that do not have a readily determinable fair value at September 30, 2006, September 30, 2005, and March 31, 2006, which were valued at cost, were 3,156 million Yen, 2,537 million Yen and 3,014 million Yen, 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, 2005		Three months ended Sep. 30, 2005		Three months ended Dec. 31, 2005		Three months ended Mar. 31, 2006	
		% *1		% *1		% *1		% *1
Net sales	109,587	100.0	119,350	100.0	129,804	100.0	132,043	100.0
Operating income	17,371	15.9	20,513	17.2	25,766	19.8	26,189	19.8
Income before income taxes	18,340	16.7	20,990	17.6	24,929	19.2	27,421	20.8
Net income	11,527	10.5	13,267	11.1	15,574	12.0	18,080	13.7

	Millions of yen			
	Three months ended Jun. 30, 2006		Three months ended Sep. 30, 2006	
		% *1		% *1
Net sales	133,342	100.0	143,813	100.0
Operating income	25,256	18.9	28,862	20.1
Income before income taxes	27,382	20.5	29,502	20.5
Net income	15,794	11.8	18,049	12.6

\*1 Ratio to net sales

\*2 Quarterly figures are unaudited.

\*3 The figures for each quarter are calculated by subtracting from the aggregated amount of the previous quarter.

### (2) Sales by Product

	Millions of yen							
	Three months ended Jun. 30, 2005		Three months ended Sep. 30, 2005		Three months ended Dec. 31, 2005		Three months ended Mar. 31, 2006	
		% *1		% *1		% *1		% *1
Capacitors	38,796	35.5	42,395	35.7	46,144	35.7	46,263	35.1
Piezoelectric Components	17,687	16.2	17,769	14.9	18,973	14.6	18,813	14.3
Microwave Devices	19,595	18.0	22,521	18.9	26,486	20.5	28,576	21.7
Module Products	13,249	12.1	14,562	12.3	15,405	11.9	15,087	11.5
Other Products	19,874	18.2	21,683	18.2	22,359	17.3	22,892	17.4
Net sales	109,201	100.0	118,930	100.0	129,367	100.0	131,631	100.0

	Millions of yen			
	Three months ended Jun. 30, 2006		Three months ended Sep. 30, 2006	
		% *1		% *1
Capacitors	48,867	36.8	53,578	37.4
Piezoelectric Components	18,983	14.3	19,990	13.9
Microwave Devices	28,595	21.5	31,335	21.9
Module Products	13,892	10.4	14,167	9.9
Other Products	22,561	17.0	24,273	16.9
Net sales	132,898	100.0	143,343	100.0

\*1 Component ratio

\*2 Exclusive of consumption taxes.

\*3 The figures for each quarter are calculated by subtracting from the aggregated amount of the previous quarter.