

July 2006 Information Meeting Speech

1. Opening Remarks

2. Business Environment

First, I would like to talk about the general environment in the electronic equipment market, and Murata's business performance.

Please refer to the performance figures projected on the screen or shown in the documents provided.

(Business Performance Overview)

Murata's business performance grew stronger in fiscal 2005 due to the vigorous demand for electronic components for mobile phones, personal computers and digital AV (Audio Visual) equipment since the summer of last year. Net sales for fiscal 2005 amounted to 490.8 billion yen, up 16% over the previous term. Income

before income taxes was 91.7 billion yen, up 26%, and net income came to 58.4 billion yen, also up 26%.

Murata is expecting continued growth in fiscal 2006, with net sales forecast at 540 billion yen, up 10% over the previous term. Income before income taxes is estimated at 105 billion yen, up 15%, with net income expected to reach 66 billion yen, up 13%.

(Demand growth driven by rising production of electronic equipment)

Demand for electronic equipment continues to expand in markets around the world. In fiscal 2006, worldwide demand of electronic components for mobile phones is expected to reach 950 million sets, up 15% over the previous term, while demand of components used in PCs is estimated at 240 million sets, up 9%.

In the AV equipment market, sales of flat-screen televisions are expected to double over the year before,

with sales of LCD and plasma TVs set to reach 42 million units and 11 million units, respectively.

Additionally, production of HDDs (Hard Disk Drives) is expected to expand, due to their growing use in portable music players such as the iPod, new models of gaming devices to be released in 2006, DVD recorders, and various mobile devices outside PC applications.

(Growing component demand and changing demand patterns due to functional sophistication and digitalization of electronic equipment)

The continued digitalization and incorporation of more advanced functions into electronic equipment are generating new demand for Murata electronic components. For example, the use of Murata components in the new 3G mobile phones, which is now set for full-scale diffusion, is 1.5 to 2 times higher per unit than in earlier phones. Starting from features such as color displays and built-in cameras, the inclusion of

functions such as Bluetooth^{®(*)} connectivity and terrestrial digital broadcast reception in more and more mobile phones is also driving up demand for Murata components.

Another noteworthy shift is the growing use of dual-core MPUs in PCs, which means that sales of ceramic capacitors (MLCCs) per MPU will approximately double, compared with conventional single-core MPUs.

The explosion of the flat-screen TV market is spurring vigorous growth in demand for Murata components. While a conventional 15-inch CRT TV typically contains only 200 ceramic capacitors, a single 32-inch or larger LCD or other flat-screen TV contains 700 to 1,400 capacitors.

(High-growth areas of the electronic equipment market)

Rapid growth is expected in numerous fields of the electronic equipment market.

The wireless telecommunication market is expanding significantly in line with the development of a “ubiquitous network society” that extends beyond mobile equipment, to automobiles and home electrical appliances. While the market for Murata products in the wireless telecommunication equipment market is already very large—for mobile phones, wireless LANs, and Bluetooth[®] functions—this market is expected to grow further with the introduction of new wireless telecommunication technologies such as UWB, Zigbee and WiMax.

In Japan it is now possible to receive the recently introduced digital terrestrial broadcasts with mobile devices. The use of mobile phones to receive digital broadcasts is expected to grow in overseas markets too, through use of the DVB-H (Digital Video Broadcasting for Handheld) standard. We expect to see a worldwide adoption of this technology.

Electronification will also continue to advance in the

automobile market, as typified by the diffusion of hybrid cars. More and more electronic components are being used in automobiles, for functions such as automotive LAN, RKE (Remote Keyless Entry), and TPMS (Tire Pressure Monitoring System). Other factors expected to drive growth in the automobile electronics market are the widespread use of car navigation systems and ETC (Electronic Toll Collection), and the launch of DSRC (Dedicated Short Range Communication) services.

(Medium-term demand growth, capital expenditure planning and enhanced production capacity)

We forecast that demand for Murata components will grow by over 10% per year for the next two to three years, due to rising production in the electronic equipment market, and our active cultivation of opportunities in new and emerging fields of the electronic equipment market.

By maintaining a high level of spending on R&D—seven to eight percent of net sales—Murata has managed to

generate as much as 37% of its net sales from new products.

We also have a policy of making active use of intellectual properties. The number of our patent applications ranks among the top class within the industry, and in 2005, the number of patent registration in the U.S. was the highest among Japanese component manufacturers. We place emphasis not only on the number of patents but also on the quality of patents.

In the face of the structural change in demands in the electronic components market, due to digitalization and increasing functional sophistication, our new products with advanced functions will enable us to achieve a higher rate of growth than the market as a whole.

In view of this, Murata is planning to meet this rising demand through actively increasing its production capacity.

We are planning to increase capital expenditures in fiscal 2006 to a massive 80 billion yen, up 57% over the previous term.

Of the 80 billion yen budgeted for capital expenditures, 45 billion yen is targeted to production facilities, to enhance production capacity for products for which demand is expected to grow—such as capacitors, noise suppression components, microwave devices, and Bluetooth[®] modules. A sum of 20 billion yen is set aside for investment in new buildings, for products such as MLCCs, microwave devices, power supplies, and raw materials, in preparation for business expansion in two to three years time.

3. Product Trends and Marketing Strategies

Next, I would like to explain some market trends and discuss our strategies for our major products.

① Capacitors, noise suppression components, and sensor-related products

(Capacitors, piezoelectric products, and noise suppression components, made with ceramic materials)

Murata's capacitors, piezoelectric products and noise suppression components hold a high market share, due to the efforts we have made to utilize the characteristics of ceramic materials in developing new products with advanced functions. Manufacturing our own ceramic materials has contributed to these products as being some of the most profitable within our product portfolio.

(1) Capacitors

(Large-capacitance ceramic capacitors whose sales are growing rapidly, through miniaturization and larger

capacitance)

Firstly, sales of large-capacitance MLCCs are growing rapidly with the shift of electronic equipment to higher frequency and more advanced functions. Year-on-year sales of large-capacitance MLCCs of capacitance over 1 μF in fiscal 2005 increased more than 20% for the second straight year. Sales of such capacitors in fiscal 2006 are expected to grow by approximately 15%.

Murata was the first company to establish a mass-production system for large-capacitance MLCCs with 1 μm thin-layer dielectrics, which represents the state-of-the-art in the industry. With this, sales of compact large-capacitance MLCCs such as the 1608-size 10- μF and 2012-size 22- μF products grew significantly. In addition, Murata has commercialized 3216-size 100- μF capacitors for power circuits and other applications, and is currently working towards bringing 2012-size 100- μF product into the market.

Through these approaches, Murata has enhanced its range of compact large-capacitance MLCCs. We are also promoting the replacement of electrolytic capacitors, such as tantalum based products, with ceramic capacitors. Already in use at capacities of 4.7 μ F or less, ceramic capacitors are rapidly replacing tantalums by progressing to 10 μ F and beyond.

We foresee that demand for large-capacitance MLCCs will grow rapidly in the fields of mobile phones, PCs, digital AV equipment, and gaming devices, in line with the trend towards smaller size and more advanced functions.

(Expansion of application-specific capacitors with advanced MPU functionality)

Murata enjoys a large share of the market for low-ESL type capacitors, which are application-specific capacitors used as components for MPUs in PCs.

The proportion of MPUs with multiple cores—in which

more than two processor cores are integrated into a single package—is growing sharply. In view of this, demand for low-ESL type and large-capacitance capacitors is expected to rise. The shift to more advanced functions and multi-core MPUs is progressing not only in the PC and server markets as before, but also in the gaming device and automobile electronics markets. We expect that net sales of low-ESL type capacitors will continue to grow greatly.

(Small capacitors that contribute to functional sophistication of electronics equipment)

The market for 0603-size capacitors, of which Murata holds a large share, continues to expand in line with the shift to smaller and more advanced electronic equipment. Net sales have grown by some 50% per year over the past several years. These 0603-size capacitors are used not only in power amplifier modules for mobile phones but also for the main boards of mobile phones, digital still cameras, and portable gaming devices.

In addition, Murata became the first company in the industry to commercialize 0402-size capacitors. These capacitors are starting to be used in the power amplifier modules for mobile phones.

(Improved profit structure of capacitors)

High added-value products such as large-capacitance MLCCs, application-specific capacitors and 0603-size capacitors, account over half of Murata's total net sales of capacitors.

Furthermore, Murata has been working on the development and commercialization of thin-layer dielectrics of less than 1.0 μm , in order to create new high added-value products. Murata is differentiating itself from other manufacturers in the industry and improving its profitability by utilizing its technological expertise to continue creating new products offering advanced functions.

(2) Noise suppression components (EMIFIL, chip coils)
(High profitability of noise suppression components and sensor-related products)

Murata's noise suppression components and sensor-related products are produced using the company's own ceramic materials and production technologies. Like our capacitors, these are highly profitable products.

(Demand growth driven by digitalization and increasing functional sophistication in equipment)

Demand for noise suppression products is growing, as the trend to digitalization and the increasing functional sophistication of equipment has given rise to higher levels of electronic noise. Unit sales of our noise suppression components have grown steadily over the past few years, thereby offsetting the effect of price declines.

Noise suppression components are used in various kinds of electronic equipment. Our sales of chip ferrite bead EMI filters (BLM) and chip inductor coils (LCHIP) continue to grow, as mobile phones are equipped with more and more functions and higher frequency components. In addition, demand for chip three-terminal capacitors (NFM), used for noise suppression of power supply lines in digital AV equipment, and chip common-mode choke coils (DCC), which effectively remove noise generated by high-speed interfaces such as USB2.0, is growing for PCs, communications devices and digital AV equipment.

(3) Sensor-related products

(GYROSTAR[®] for image stabilization and shock sensors for HDD vibration detection)

Next up, let's look at sensor-related products. The use of GYROSTAR[®] components for image stabilization in digital still cameras is growing. Up to now, such components were used mainly in digital video cameras.

However, while worldwide production of digital video cameras amounts to only 15 million units per year, production of digital still cameras is projected to be some 100 million units per year. In view of this fact, demand for GYROSTAR[®] is increasing sharply.

Sales of shock sensors are rising too, mainly for vibration detection in HDDs. Most of the 2.5-inch and smaller HDDs that are used in portable devices have shock sensors built in, but shock sensors are now increasingly finding their way into 3.5-inch HDDs too, because of their higher capacity and higher density of data storage.

Murata holds a very high share of the market for these sensor-related products. Net sales of these products for fiscal 2005 were up more than 30% over the previous year.

(Expanding application of sensor-related products)

In addition to those just mentioned, the application of

sensor-related products is expected to expand in various other fields too. For example, Murata has addressed the automobile electronics market by commercializing the gyroscopes using the MEMS (Micro Electro Mechanical Systems) technology for car navigation systems. We also produce various sensors including shock sensors for air bags. Since our sensor-related products are also expected to find use in gaming devices and other equipment, we forecast substantial sales growth for these products.

② Microwave Devices (SAW filters)

Murata has been focusing its attention on the mobile phone market and has been producing microwave devices since the early stage of the market.

These products include SAW filters, which are key components in the RF circuits of mobile phones. Demand for these has soared with the rise in production of mobile phones. The advent of multi-band phones has also led to

the need for higher numbers of SAW filters per phone. While conventional mobile phones required two to three SAW filters, multi-band 3G phones use up to six to seven filters per unit.

To meet the demand for smaller and more complex SAW filters, Murata is applying chip-size packaging technology to dual-type SAW filters and SAW duplexers.

At the same time, to keep ahead of our competitors, we have been improving our delivery times and service standards. Murata's market share for the SAW filters used for high-frequency bands is growing rapidly, almost overtaking the market leader.

(Production of other high-frequency products)

Aside from SAW filters, Murata's other microwave devices include switch connectors for mobile phones; antennas for multi-band devices; and small isolators used in the transmitters of 3G mobile phones. Demand for all

these products is also rising.

③ Module products

(Expansion of module business through design-in for prime customers)

Next up, we turn our attention to the business of wireless module products. Sales are expected to grow, as our customers increasingly seek to purchase components in the form of modules. In addition, our use of chip components in modules is causing a synergy effect for the Murata group as a whole. Since module products are highly customized and application-specific, electronic component manufacturers are required to advance business through collaboration with prime customers from the development and design stage. Murata is pursuing growth in its module business by constructing close ties with the leading mobile phone manufacturers and furthering its design-in activities.

(1) Bluetooth[®] modules

(Growth in sales of Bluetooth® modules)

The proportion of mobile phones equipped with Bluetooth –for which Murata supplies module products– is growing, mainly in the U.S. and Europe. The ratio of Bluetooth®-equipped mobile phones will rise from about 25% in fiscal 2005 to 35% in fiscal 2006, and is expected to reach 50% within the next several years.

Murata holds a large share in the market for Bluetooth® modules used in mobile phones. A strong demand for miniaturization, and the rise in Bluetooth®-equipped phones are significant contributors toward increasing demand for Murata technology. Net sales of Bluetooth® modules tripled in fiscal 2005 to 45 billion yen. In fiscal 2006 this figure is expected to rise to 64 billion yen.

(Development of LTCC technology)

The high cost of the components mounted on substrates erodes the profitability of Bluetooth modules and other

types of wireless modules. To boost the added value of modules, Murata is working to expand sales of modules made using low temperature co-fired ceramics (LTCC) technology, which enables multiple functions to be incorporated on a single ceramic substrate. The raw materials for the substrates are manufactured internally.

Our use of LTCC technology over the years has generated very substantial sales growth, initially from chip-type LC filters and then later from RF modules and Bluetooth[®] modules. This has enabled us to establish a solid standing as a manufacturer of electronic components in the market for short-distance wireless communications.

(2) Effective utilization of external resources - Buyout of SyChip Inc. -
(Buyout of SyChip Inc.)

In April 2006, Murata concluded the buyout of the U.S. venture company SyChip Inc., for a price of

approximately 137 million U.S. dollars. With the effective utilization of SyChip's business in wireless telecommunication modules for VoIP applications and its software technology, and the acquisition of new IPD (integrated passive device) technology for forming components on the surface of module substrates using silicon, Murata can expect to expand further in the business and technology of wireless telecommunication modules.

(Dealing with the diversity of the wireless market)

Along with developing the LTCC technology it has cultivated in the wireless telecommunication market for the new field of wireless modules, and utilizing the IPD and software technology it has now acquired through the acquisition, Murata is set to further consolidate its standing as the top electronic component manufacturer in the wireless telecommunication market, which is seeing a growth of new technologies—such as wireless LAN and Bluetooth[®], as well as UWB, WiMax, and

Zigbee.

4. Financial Strategy (dividend, share buy-back)

Finally, I would like to explain Murata's financial strategy.

(Dividend strategy, share buy-back and return to shareholders)

Our basic policy on returns to shareholders is to steadily increase the share dividend. In fiscal 2005 Murata increased the annual dividend per share to 70 yen, up 20 yen over the previous term. In fiscal 2006, we plan to increase the annual dividend per share by 10 yen, to 80 yen.

In addition, we have been buying back our shares on the stock market. In fiscal 2005, we bought back a total of 2.81 million shares for a sum of 15.6 billion yen. In the four years since July 2002, we have repurchased a total of 22.33 million shares for 122.9 billion yen. Most of the shares repurchased have already been retired.

The rate of return to shareholders, which is the sum of the dividend and the value of repurchased stock, divided by the net income for the year, was 90% for fiscal 2003, 82% for fiscal 2004, and 53% for fiscal 2005. This shows that Murata is actively returning the company's earnings to its shareholders.

(Cash utilization)

On the other hand, our surplus funds are at a high level of approximately 440 billion yen. Given the rapid changes in supply and demand and technological innovation in the electronic components industry, Murata intends to respond to these changes flexibly by utilizing its own capital. The 80 billion yen planned for this year's capital expenditure, and the approximate amount of 137 million U.S. dollars for the buyout of SyChip Inc. are both financed internally.

It is our policy to avoid accumulating surplus funds over

the current level. That is, aside from necessary investment capital, the cash earned from the business will be returned to shareholders, through dividend payouts and share buy-backs.

5. Closing Remarks

(*) The Bluetooth Trademark is owned by Bluetooth SIG, Inc., USA.