

# Earnings Release Conference FY2019 (April 2019 to March 2020)

April 30, 2020

Murata Manufacturing Co., Ltd.



- Net sales for FY2019 decreased 2.6% year-on-year, due to the adjustment of electronic equipment production and electronic component inventory. The sales result exceeded the previously announced forecast by 1.6%, due to the increased demand for products related to 5G.
- Operating income in FY2019 declined 5.1% year-on-year, due to negative factors such as lower factory operating rates and product price declines. The result is 10.1% higher than the forecast.

- For FY2020, we forecast a decrease in net sales and operating income from the previous year, due to a drop in demand for electronic components resulting from the impact of COVID-19.

Net sales: a 6.8% year-on-year decrease

Operating income: a 17.1% year-on-year decrease

- In FY2020, Murata is spending 200 billion yen in capital investments, mainly to boost production capacity and to construct production plants and R&D facilities.
- The Company changed its policy regarding shareholder returns and adopted DOE (Dividend on equity) as a new shareholder return indicator. In accordance with this policy, the annual dividend for FY2020 will be 110 yen per share (comprising interim and year-end dividends of 55 yen per share each), an increase of 13 yen from the previous year.

# Effects of COVID-19

## <Conditions of main production bases> (As of April 30, 2020)

Sites	Conditions	Notes
Wuxi (CHINA)	Resumed production	Production suspension period (spring festival - February 9)
Shenzhen (CHINA)	Resumed production	Production suspension period (spring festival - February 11)
Philippines	Production suspension (March 17 - May 17)	Production is scheduled to resume on May 18.
Malaysia	Partially resumed production	Production is scheduled to resume on May 12.
Fukui Takefu (JAPAN)	Resumed production	Production suspension period (April 5-7)
Izumo (JAPAN)	Resumed production	Production suspension period (April 14-16)
Toyama (JAPAN)	Resumed production	Production suspension period (April 25-26)

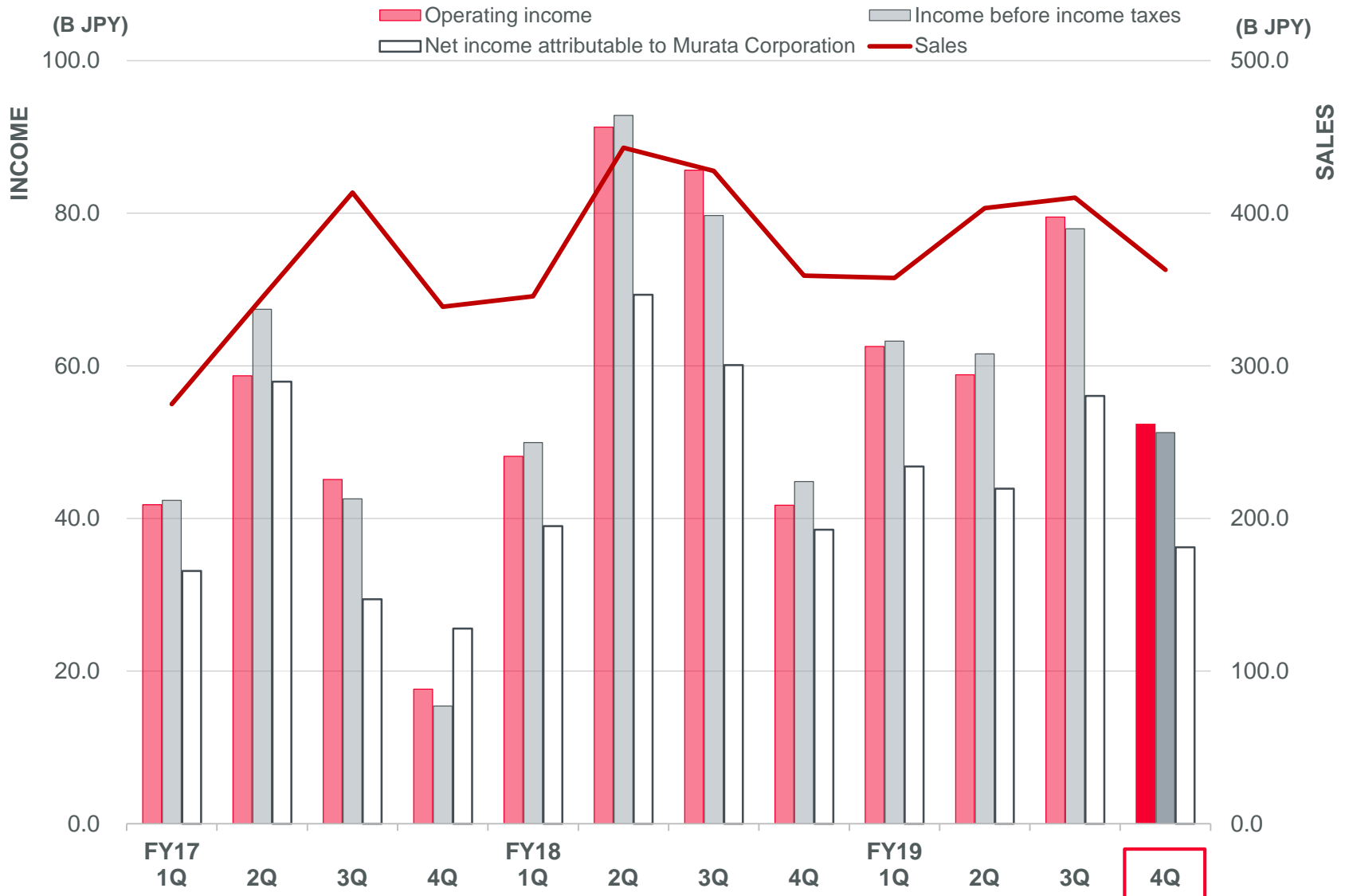
- Production bases are operated in accordance with the policies of national and local governments, with thorough measures to prevent infection.
- At present, no major problems have arisen in terms of logistics or material procurement. We will continue to closely monitor the situation and take necessary measures for business continuity.



# Financial Results of FY2019

From April 2019 to March 2020  
Consolidated Basis

# Quarterly Financial Results



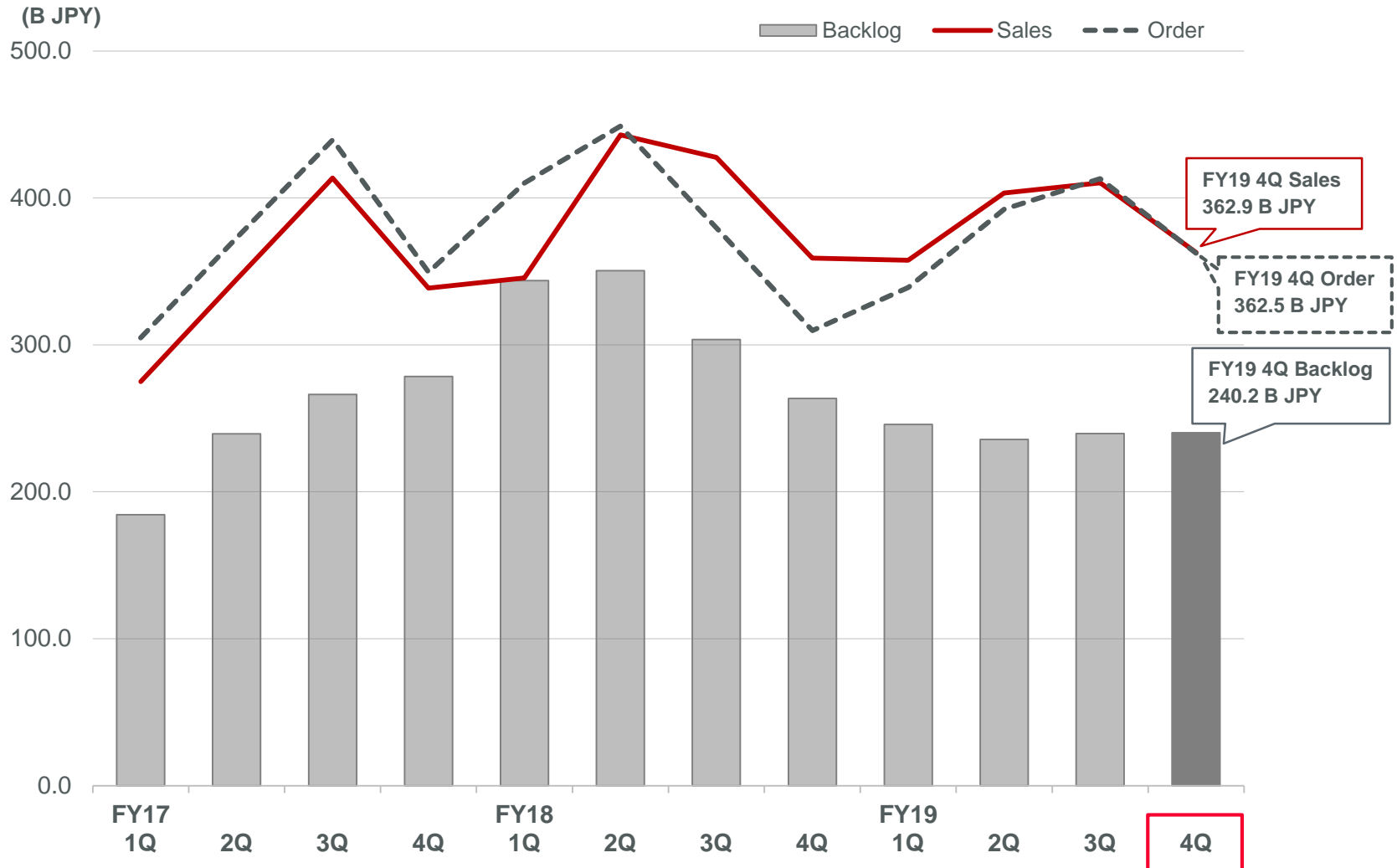
# Financial Results Overview

	FY2018		FY2019		Y on Y Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
<b>Net sales</b>	1,575.0	100.0	1,534.0	100.0	(41.0)	(2.6)
<b>Operating income</b>	266.8	16.9	253.2	16.5	(13.6)	(5.1)
<b>Income before income taxes</b>	267.3	17.0	254.0	16.6	(13.3)	(5.0)
<b>Net income attributable to Murata Corporation</b>	206.9	13.1	183.0	11.9	(23.9)	(11.6)
<b>Average exchange rates yen/US dollar</b>	110.91		108.75			

- Net sales decreased compared to the previous fiscal year. An increase in the sales of multilayer ceramic capacitors (MLCCs) used for base stations and car electronics was more than offset by a decrease in the sales of multilayer resin substrates, lithium ion secondary batteries, and MLCCs for smartphones.
- The decrease in profit was mainly caused by—despite the contribution to income made by cost reduction activities—a drop in factory operating rates, a decline in product prices, a rise in depreciation and amortization, and suspension of operations at several overseas production facilities due to the spread of COVID-19.

# Quarterly Sales, Order and Backlog

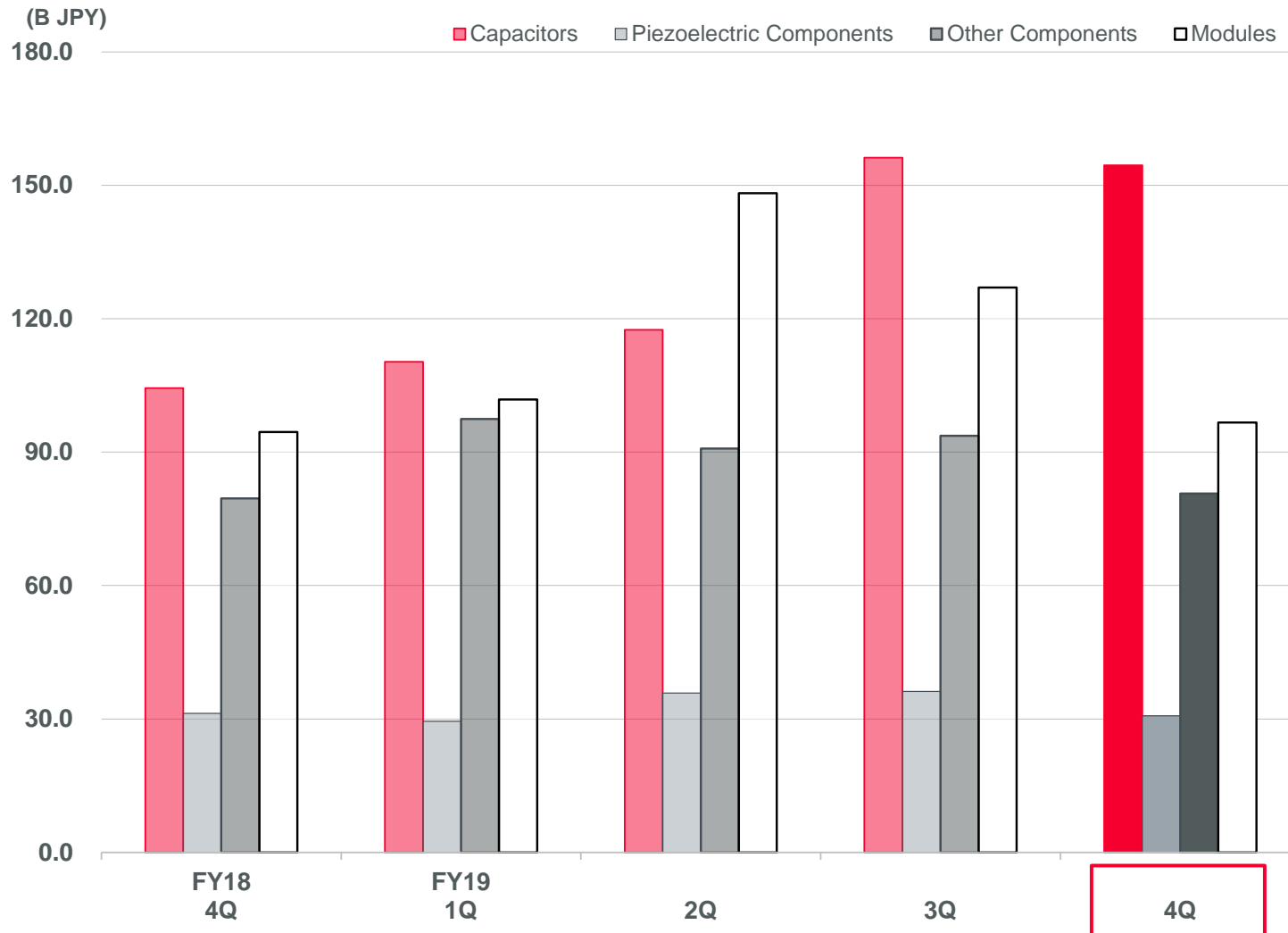
Both sales and orders decreased from the previous quarter due to seasonal factors, although some customers increased inventories.





# Orders by Product

Orders increased significantly compared with the same period of the previous fiscal year as customers increased their inventories.



# Sales by Product

	FY2018		FY2019		Y on Y Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
<b>Capacitors</b>	574.2	36.5	559.4	36.6	(14.8)	(2.6)
<b>Piezoelectric Components</b>	138.6	8.8	129.3	8.4	(9.3)	(6.7)
<b>Other Components</b>	392.2	25.0	363.0	23.7	(29.2)	(7.4)
<b>Modules</b>	466.7	29.7	478.6	31.3	+11.9	+2.6
<b>Net sales</b>	1,571.7	100.0	1,530.3	100.0	(41.4)	(2.6)

# Sales by Product

<b>Capacitors</b> (2.6%)	<p><b>Multilayer Ceramic Capacitors :</b>          Sales of Capacitors used for base stations and car electronics increased. However, sales of capacitors for a wide range of applications decreased due to inventory adjustment of major customers and distributors.</p>
<b>Piezoelectric Components</b> (6.7%)	<p><b>SAW Filters :</b>          Sales for use in smartphones decreased due to price reductions.</p>
<b>Other Components</b> (7.4%)	<p><b>Inductors (coil) :</b>          Sales increased for smartphones and PCs.</p> <p><b>Lithium Ion Batteries :</b>          Sales for use in smartphones and power tools dropped.</p>
<b>Modules</b> +2.6%	<p><b>RF sub modules :</b>          Substantial growth of modules for high-end smartphones.</p> <p><b>Multilayer resin substrates / Wireless modules :</b>          Sales fell due to lower demand for use in high-end smartphones.</p>

# Sales by Application

	FY2018		FY2019		Y on Y Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
<b>AV</b>	69.5	4.4	61.0	4.0	(8.5)	(12.2)
<b>Communication</b>	760.7	48.4	792.2	51.8	+31.5	+4.1
<b>Computers and Peripherals</b>	249.2	15.8	230.5	15.0	(18.7)	(7.5)
<b>Automotive Electronics</b>	257.1	16.4	263.5	17.2	+6.4	+2.5
<b>Home Electronics and Others</b>	235.2	15.0	183.1	12.0	(52.1)	(22.1)
<b>Net sales</b>	1,571.7	100.0	1,530.3	100.0	(41.4)	(2.6)

\*Based on our estimate

# Sales by Application

<b>AV</b> (12.2%)	Short-range wireless communication modules and lithium ion batteries for digital cameras decreased.
<b>Communication</b> +4.1%	Capacitors for base stations increased substantially.  RF sub modules for high-end smartphones increased.  Multilayer resin substrates, lithium ion batteries, and capacitors for smartphones decreased.
<b>Computers and Peripherals</b> (7.5%)	Lithium ion batteries and multilayer resin substrates for tablet PCs decreased.  Weaker sales of power supply modules for printers.
<b>Automotive Electronics</b> +2.5%	Sales of In-vehicle capacitors increased due to the continued trend toward an increase in the number of components despite a decrease in the number of vehicles sold.  Weaker sales of lithium-ion batteries for electric bicycles.

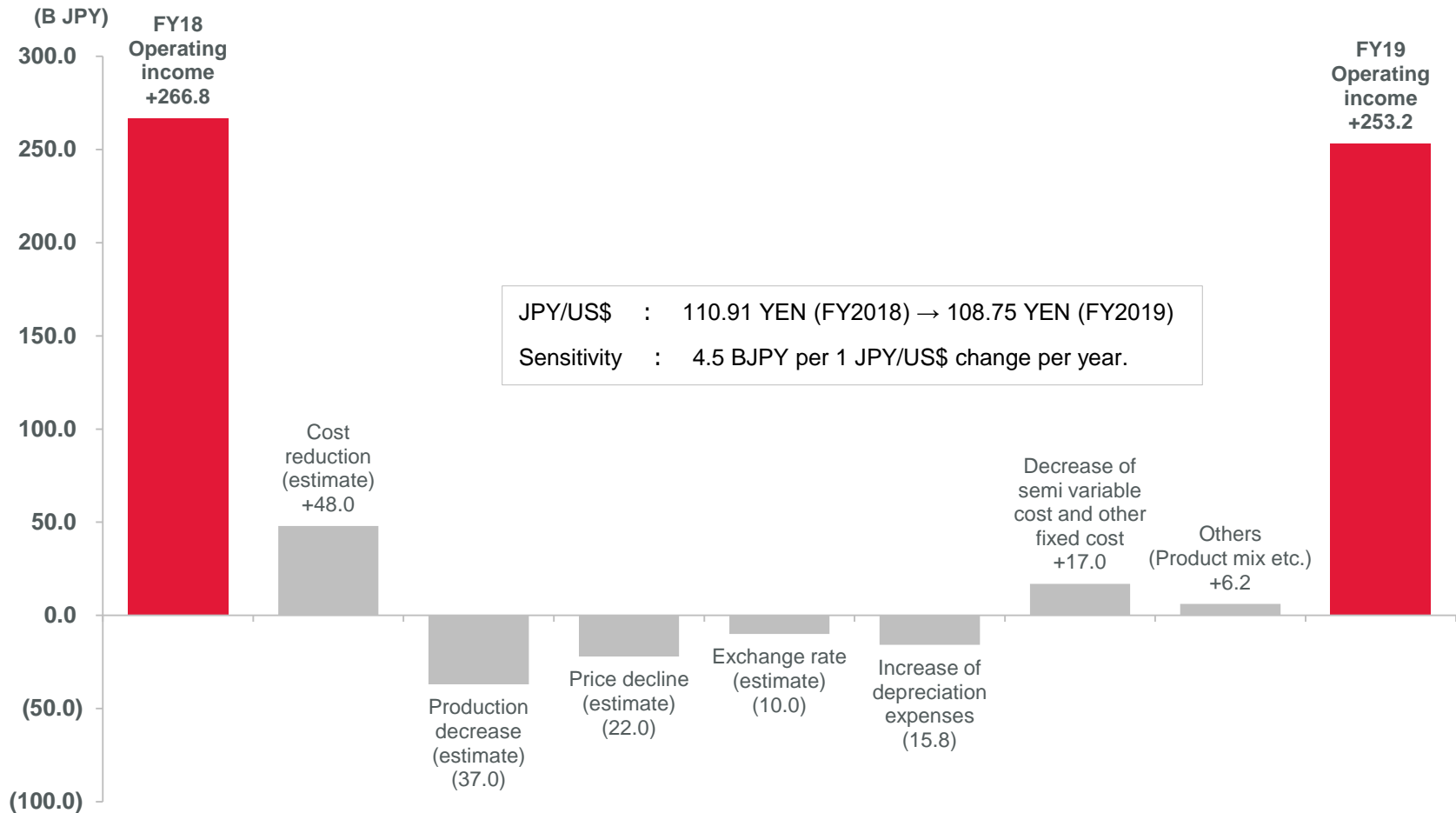
\*Based on our estimate

# Segment Information

		FY2018		FY2019		Y on Y Change	
		(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
<b>Components</b>	Total Revenues	1,140.0	100.0	1,098.3	100.0	(41.7)	(3.7)
	Segment income	312.1	27.4	249.7	22.7	(62.5)	(20.0)
<b>Modules</b>	Total Revenues	466.7	100.0	478.6	100.0	+11.9	+2.6
	Segment income	14.5	3.1	49.4	10.3	+35.0	+241.6
<b>Others</b>	Total Revenues	102.4	100.0	59.2	100.0	(43.2)	(42.2)
	Segment income	10.6	10.3	5.7	9.7	(4.9)	(46.0)
<b>Corporate and eliminations</b>	Total Revenues	(134.1)	-	(102.1)	-	+31.9	-
	Corporate expenses	(70.4)	-	(51.6)	-	+18.8	-
<b>Consolidated</b>	Total Revenues	1,575.0	100.0	1,534.0	100.0	(41.0)	(2.6)
	Operating income	266.8	16.9	253.2	16.5	(13.6)	(5.1)

- Components** Sales and income declined due to a decrease in sales of capacitors, lithium-ion batteries, SAW Filters and other products. Impairment losses on lithium-ion batteries recorded in the second quarter of FY2019 also contributed to lower income.
- Modules** Drop of sales of multilayer resin substrates and short-range wireless communication modules were offset by an increase in sales of RF sub modules, resulting in an increase in both total sales and profits.  
 (FY2018 income includes losses on impairment of machineries for multilayer resin substrates.)

## Breakdown of Operating Income Changes [FY2018 to FY2019]



\*Income Changes due to impairment losses are included in "Decrease of semi variable cost and other fixed cost".

\*\*"Other operating income" (Gain from sales of precious metals) is included in "Others (Product mix etc.)".

# Cash Flows

	FY2018	FY2019	Y on Y Change
	(B JPY)	(B JPY)	(B JPY)
<b>Operating activities</b>	279.8	350.3	+70.5
<b>Investing activities</b>	(303.7)	(284.4)	+19.3
<b>Financing activities</b>	51.5	17.7	(33.9)
<b>Effect of exchange rate changes</b>	2.2	1.0	(1.3)
<b>Cash and cash equivalents</b>	217.8	302.3	+84.5
<b>Free Cash Flows</b>	(23.9)	65.9	+89.8
<b>Capital expenditures</b>	(291.6)	(285.9)	+5.6
<b>Depreciation and amortization</b>	124.4	140.3	+15.8

- Free cash flow increased despite large capital expenditures.
- Issued corporate bonds to raise funds for capital expenditures: 99.8 billion yen in FY2018, and 49.9 billion yen in FY2019





# Projected Financial Results for FY2020

(From April 2020 to March 2021)

# Projected Financial Results for FY2020

	FY2019 Actual		FY2020 Projections		Change			
	(B JPY)	(%)	1st Half (B JPY)	2nd Half (B JPY)	(B JPY)	(%)	(B JPY)	(%)
<b>Net sales</b>	1,534.0	100.0	681.0	749.0	1,430.0	100.0	(104.0)	(6.8)
<b>Operating income</b>	253.2	16.5	97.0	113.0	210.0	14.7	(43.2)	(17.1)
<b>Income before income taxes</b>	254.0	16.6	98.0	114.0	212.0	14.8	(42.0)	(16.5)
<b>Net income attributable to Murata Corporation</b>	183.0	11.9	69.3	80.7	150.0	10.5	(33.0)	(18.0)
<b>Average exchange rates yen/US dollar</b>	108.75				107.00			

- Net sales are expected to decline year-on-year due to a drop in demand for electronic components resulting from the impact of COVID-19.
- Expecting lower income compared to the previous fiscal year. Despite ongoing cost reduction efforts, there will be adverse income factors such as an increase in depreciation and amortization due to capital expenditures, and product price declines.

# Projection of Demand

	FY2019 Actual	FY2020 Projections	Change
<b>Mobile Phones (units)</b>	1,370 M	1,240 M	(10%) ↓
<b>PCs (units)</b>	400 M	390 M	(1%) ↓
Desktop	100 M	90 M	(3%) ↓
Notebook	160 M	160 M	(3%) ↓
Tablet	140 M	140 M	+1% ↑
<b>Vehicles (units)</b>	83 M	67 M	(20%) ↓

**Smart Phones:** Estimating a 10% drop from the previous year due to worsening consumer mindset.

**PCs:** Estimating a flat year-on-year growth; deterioration of consumer mindset expected to be offset by an increase in demand with more people working at homes.

**Vehicles:** Estimating a 20% decrease from the previous year due to automakers cutting production and consumers refraining from buying new cars.

# Projected Sales by Product

	FY2019 Actual (YoY growth ratio)	FY2020 Projections (YoY growth ratio)
Capacitors	(3%)	Flat
Piezoelectric Components	(7%)	(12%)
Other Components	(7%)	(2%)
Modules	+3%	(17%)

# Projected Sales by Application

	FY2019 Actual (YoY growth ratio)	FY2020 Projections (YoY growth ratio)
AV	(12%)	+6%
Communication	+4%	(8%)
Computers and Peripherals	(8%)	(3%)
Automotive Electronics	+3%	(15%)
Home Electronics and Others	(22%)	+2%

\*Based on our estimate

# Projected Financial Results for FY2020

	FY2019 Actual	FY2020 Projections
Depreciation and amortization	140.3 B JPY	158.0 B JPY
R & D expenses	102.5 B JPY	110.0 B JPY
Capital expenditures	281.6 B JPY	200.0 B JPY
Average exchange rate (JPY/USD)	108.75	107.00
Average exchange rate (JPY/EUR)	120.83	117.00

[Exchange rate sensitivity]

Net sales: 9.0 BJPY per 1 JPY/US\$ change per year.

Operating income: 4.5 BJPY per 1 JPY/US\$ change per year.

# Effects of COVID-19

## Impact on FY2020 Projections

- Annual net sales are estimated to decrease by approximately 170 billion yen.

\*The impact amount was calculated based on the difference between the number of major electronic devices assumed before the serious spread of the COVID-19 and the number of units estimated for FY2020 projections. The above figure is not the projected sales amount decrease compared to the previous fiscal year.

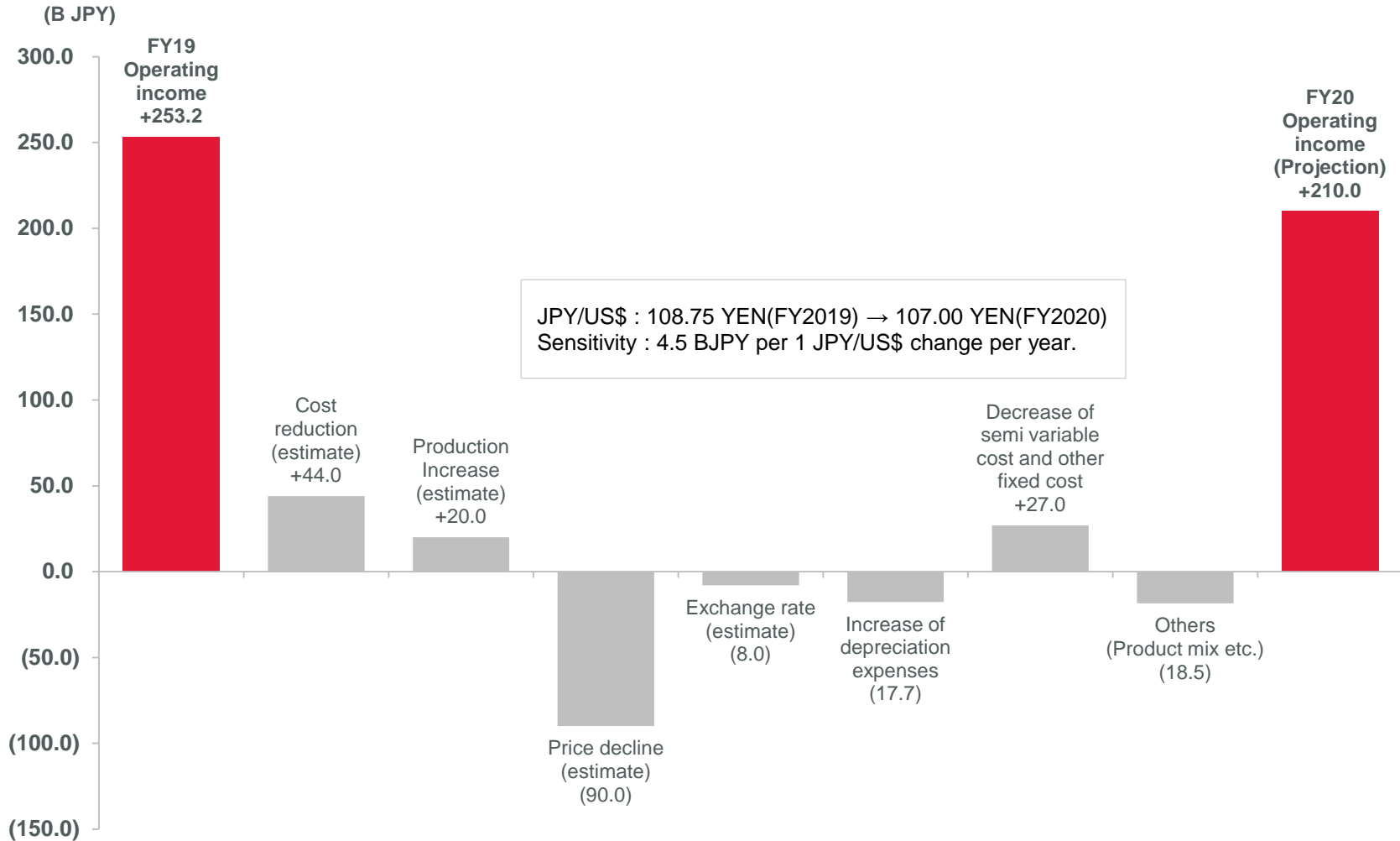
## Assumptions for FY2020 Projections

- Consumer mindset will deteriorate, and demand for electronic equipment and automobiles will decline.
- The COVID-19 pandemic will end during the first half of the fiscal year, and demand will begin to recover in the second half.
- No new production stoppages due to COVID-19 are expected at the Companies' production facilities after the date when financial results are announced.

## Opportunities and Risks for Changes in Outlook

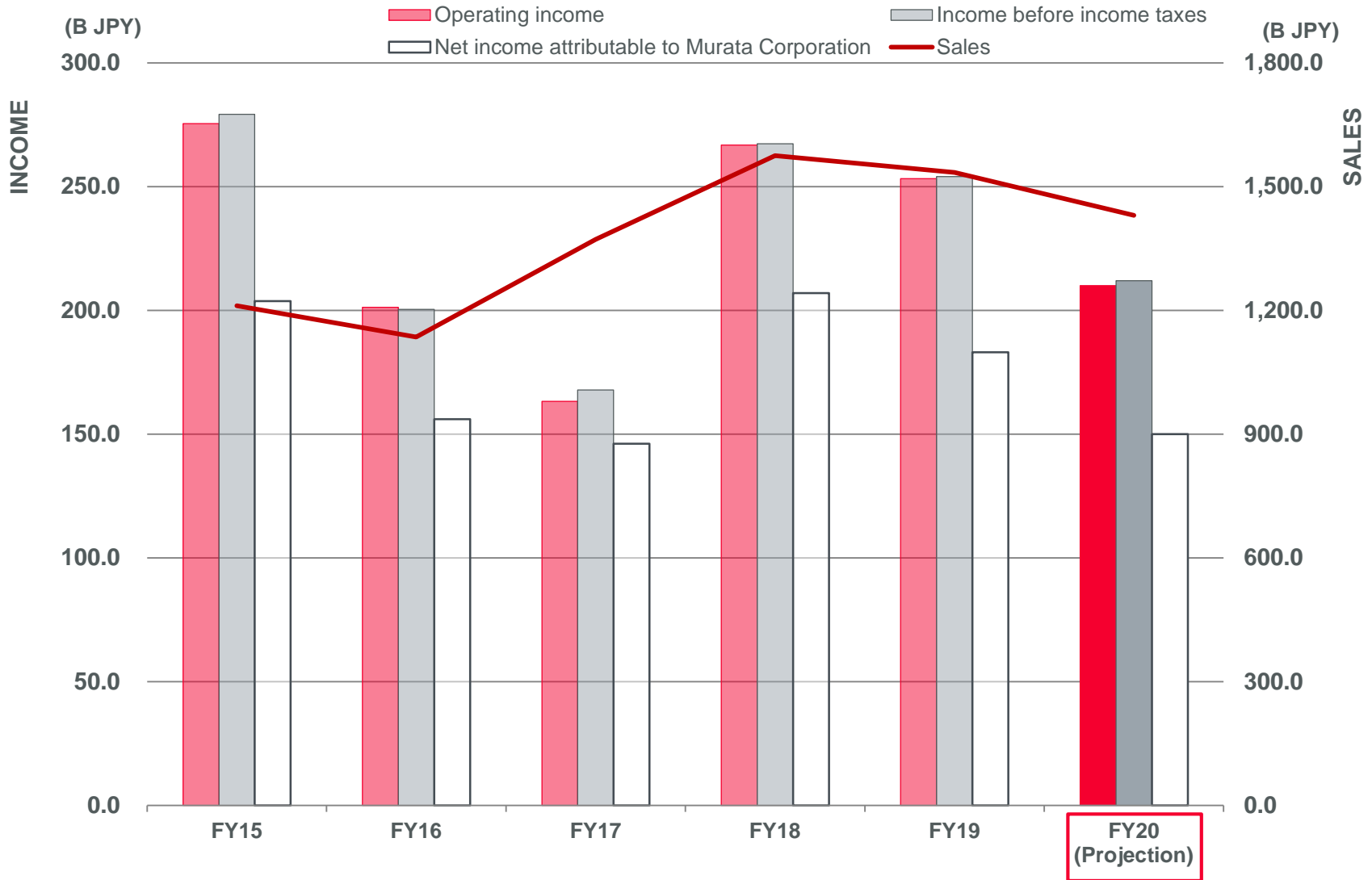
- Demand for electronic components falls below our forecast due to further deterioration of the world economy.(Negative)
- Production suspension and lower production volume at the Companies' production facilities.(Negative)
- Recovery in demand as a result of government stimulus measures.(Positive)

## Breakdown of Operating Income Changes [FY2019 to FY2020]

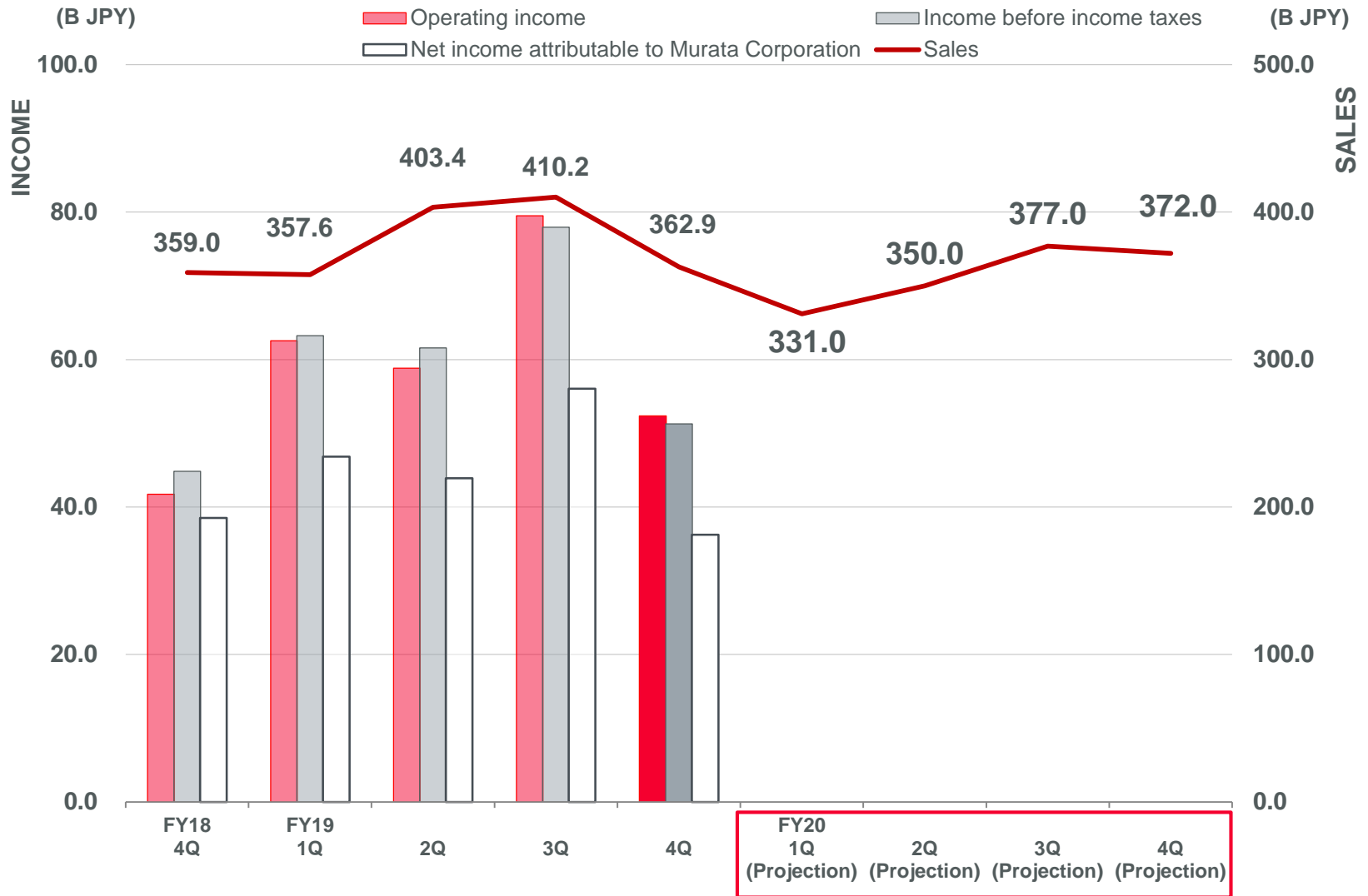




# Projected Financial Results for FY2020



# Quarterly Financial Results



## Dividends per Share

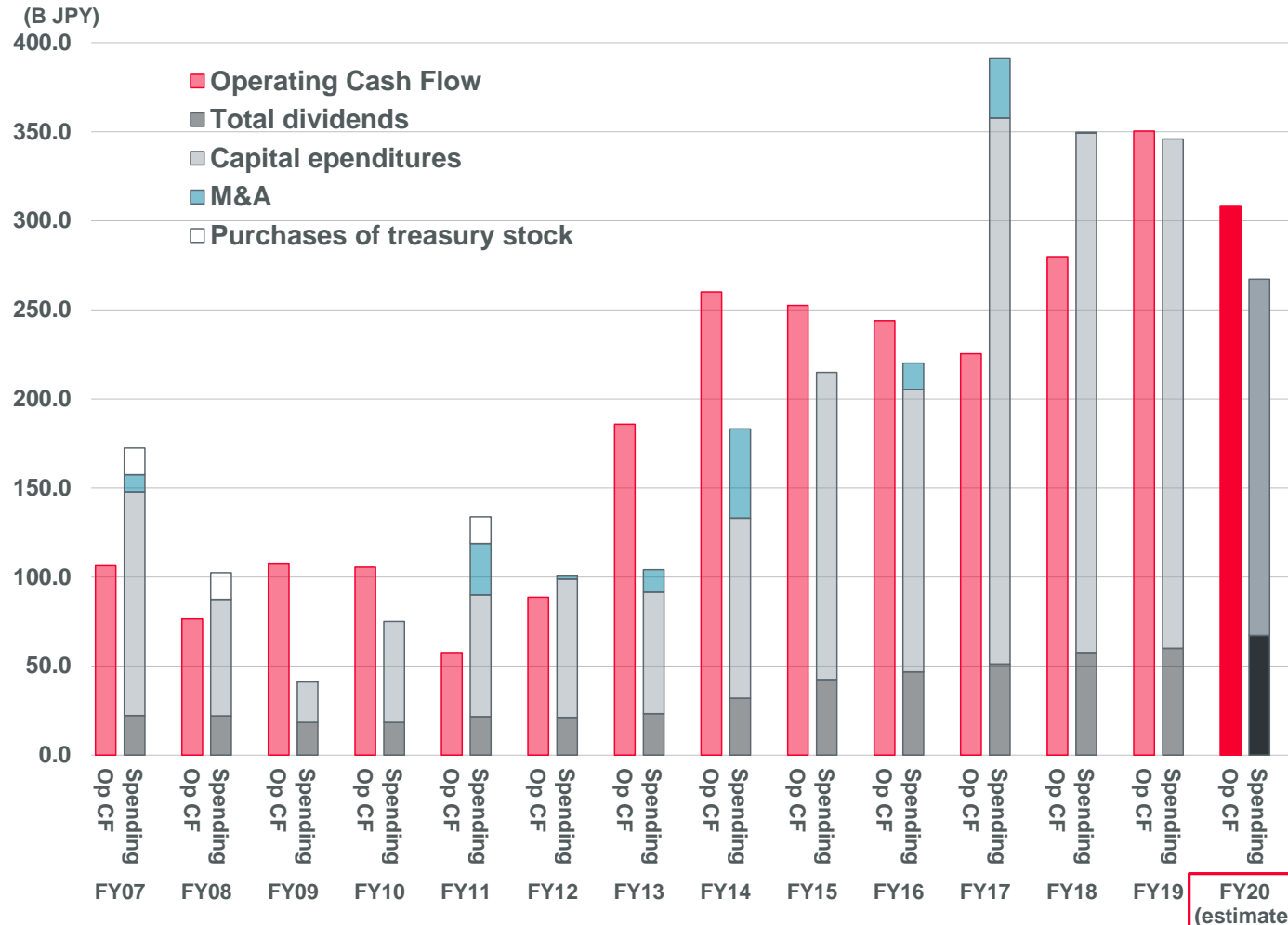
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- FY2020 projected annual dividends per share  
110 JPY per share  
(Interim: 55 JPY per share, Year-end: 55 JPY per share)  
\*13 yen increase of year-end dividend per share
- FY2019 annual dividends per share  
97 JPY per share  
(Interim: 47 JPY per share, Year-end: 50 JPY per share)

Note: The above projections are based on our view of the current business environment and our projections for FY2020.

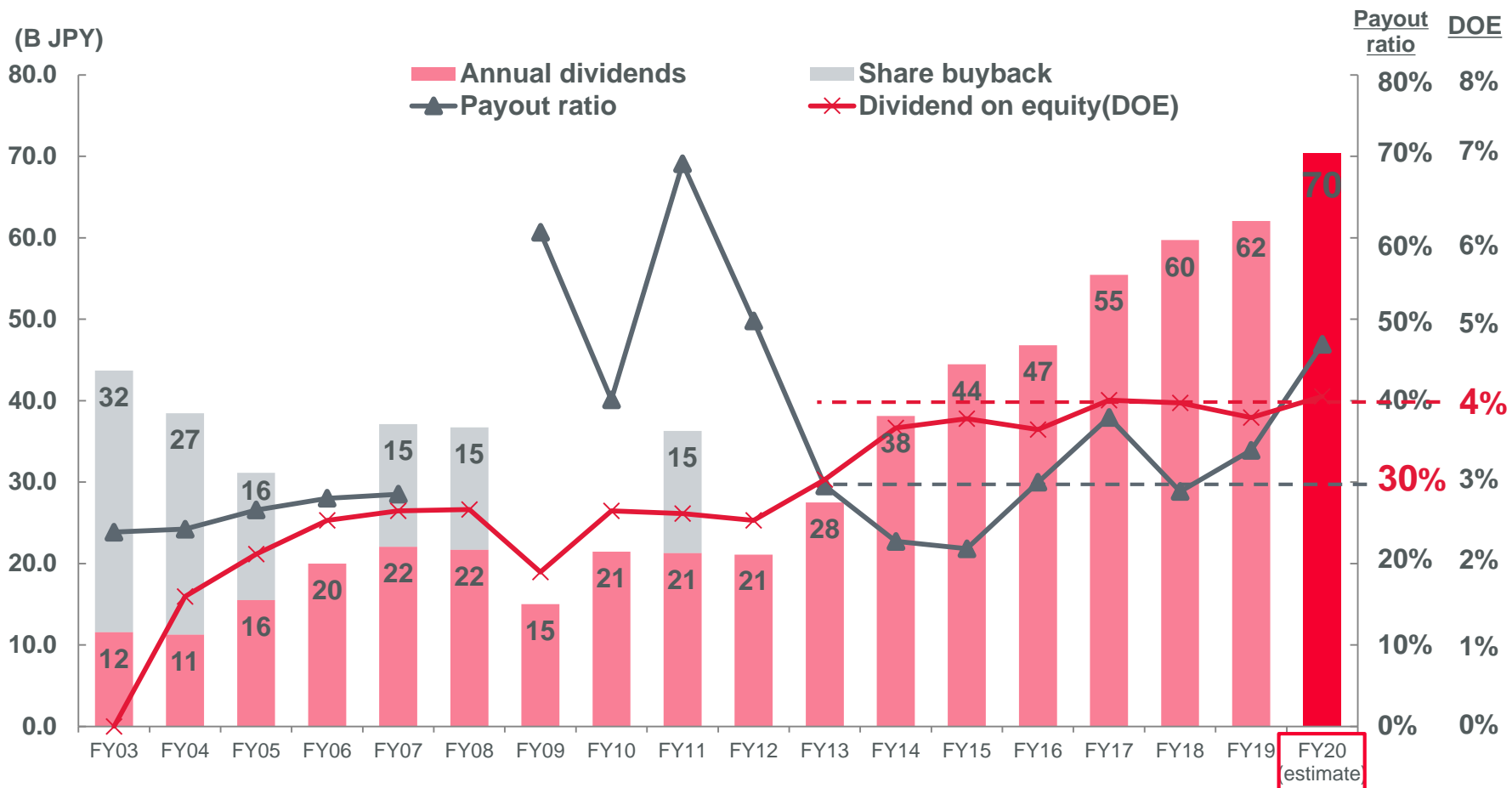
# Cash Flows

- In FY2019, we issued corporate bonds to raise funds and invested in capital expenditures in anticipation of higher demand for electronic components in the automotive and communication market.
- In FY2020, we will decrease capital expenditures; operating cash inflow is expected to start exceeding cash outflow from capital expenditures and dividends.



# Return to Shareholders

- Dividend** In order to further implement our basic policy of striving for a stable increase in dividends, we have adopted DOE (Dividend on equity ratio) as our shareholder return indicator. From FY2020, we aim to achieve DOE of 4% or higher over the medium term with reference to dividend payout ratio of approximately 30%.
- Share buyback** As a means of returning profits to shareholders, we have been buybacking shares in a timely manner to improve capital efficiency.



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 (the "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 devices 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.

The Company undertakes no obligation to publicly update any forward-looking statements included in this report.

Thank you



# Appendixes



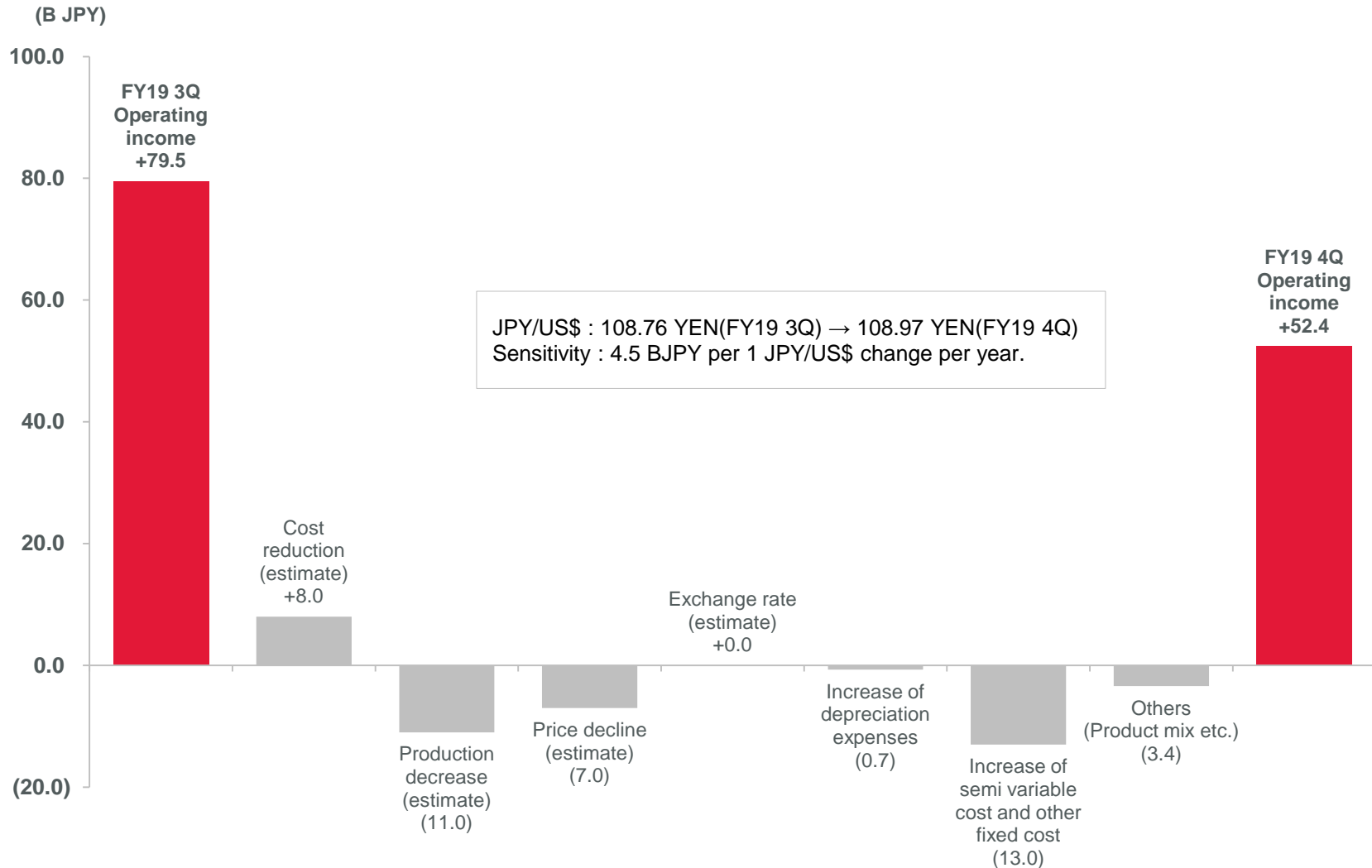


## Financial Results Overview

### [FY19 Third Quarter to FY19 Fourth Quarter]

	FY2019 Third Quarter		FY2019 Fourth Quarter		Q on Q Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
<b>Net sales</b>	410.2	100.0	362.9	100.0	(47.3)	(11.5)
<b>Operating income</b>	79.5	19.4	52.4	14.4	(27.2)	(34.2)
<b>Income before income taxes</b>	78.0	19.0	51.3	14.1	(26.7)	(34.2)
<b>Net income attributable to Murata Corporation</b>	56.1	13.7	36.2	10.0	(19.8)	(35.4)

## Breakdown of Operating Income Changes [FY19 Third Quarter to FY19 Fourth Quarter]

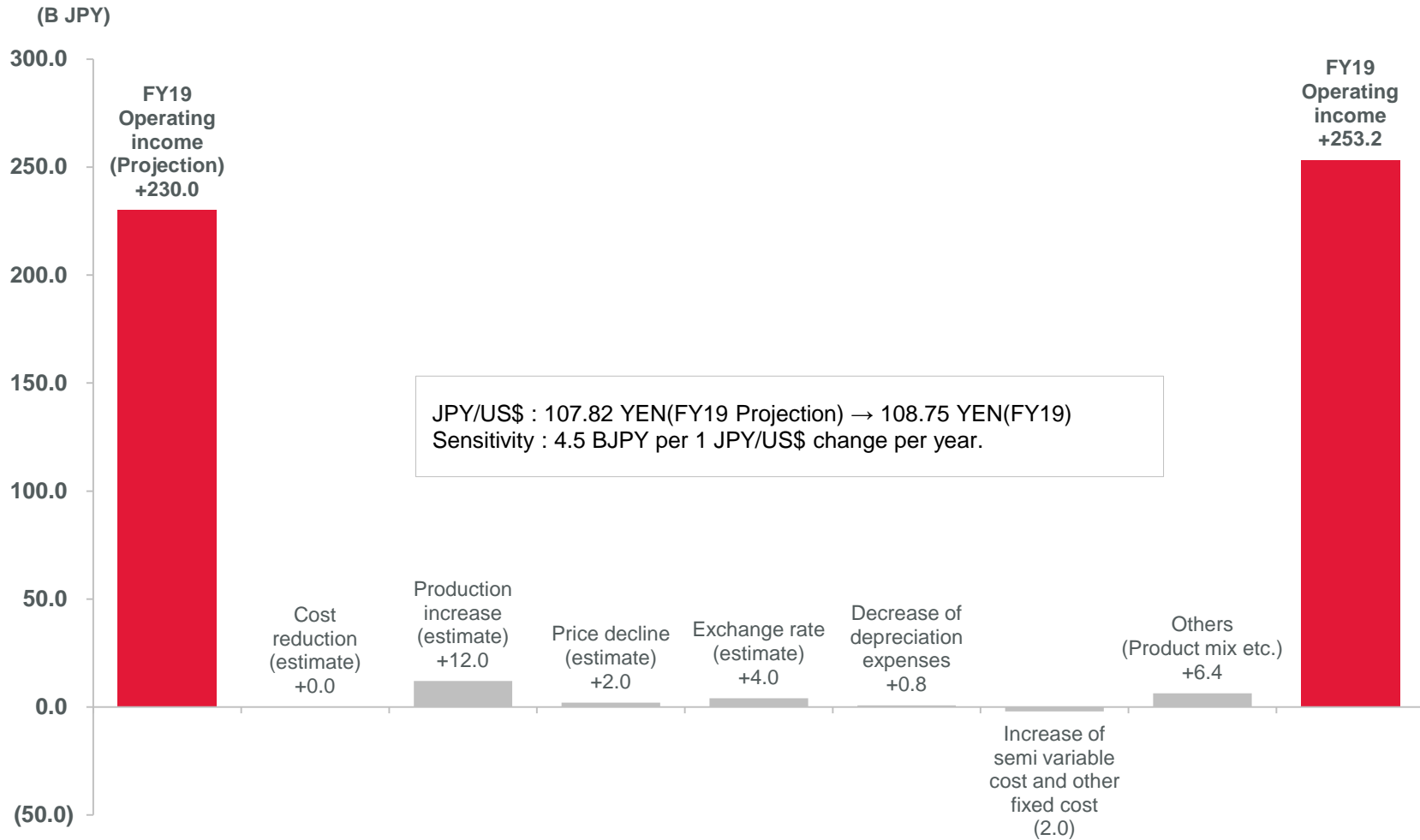


## Financial Results Overview

### [FY19 Projections to FY19 Actual]

	FY2019 Projections		FY2019 Actual		Y on Y Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
<b>Net sales</b>	1,510.0	100.0	1,534.0	100.0	+24.0	+1.6
<b>Operating income</b>	230.0	15.2	253.2	16.5	+23.2	+10.1
<b>Income before income taxes</b>	232.0	15.4	254.0	16.6	+22.0	+9.5
<b>Net income attributable to Murata Corporation</b>	170.0	11.3	183.0	11.9	+13.0	+7.7

## Breakdown of Operating Income Changes [FY19 Projection to FY19 Actual]

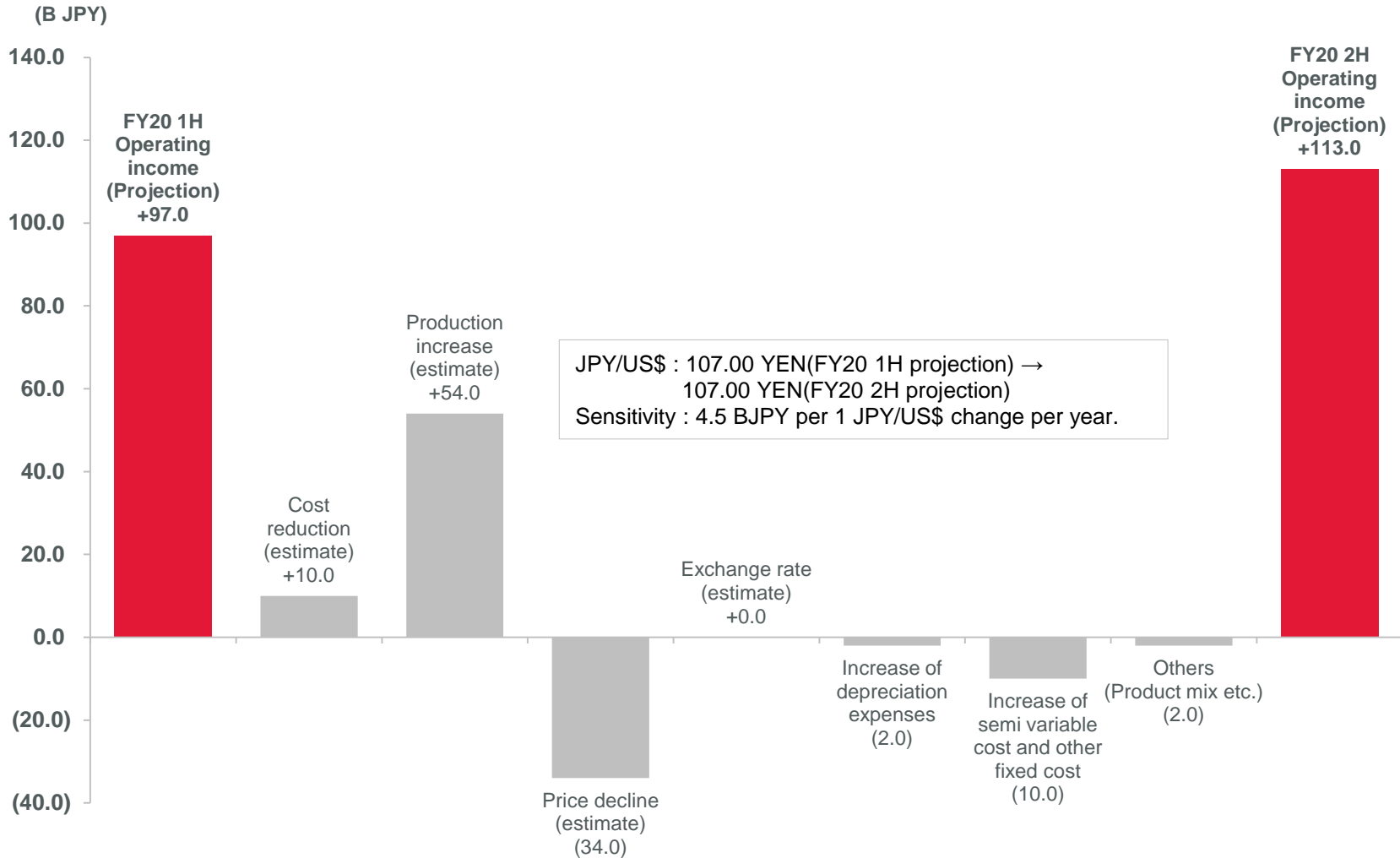


## Financial Results Overview

### [FY20 First Half Projections to FY20 Second Half Projections]

	FY2020 1st Half Projections		FY2020 2nd Half Projections		Y on Y Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
<b>Net sales</b>	681.0	100.0	749.0	100.0	+68.0	+10.0
<b>Operating income</b>	97.0	14.2	113.0	15.1	+16.0	+16.5
<b>Income before income taxes</b>	98.0	14.4	114.0	15.2	+16.0	+16.3
<b>Net income attributable to Murata Corporation</b>	69.3	10.2	80.7	10.8	+11.4	+16.5

# Breakdown of Operating Income Changes [FY20 First Half Projection to FY20 Second Half Projection]



# Financial Data (1/3)

(B JPY)

	FY2017				FY2018				FY2019			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales	275.0	344.7	413.5	338.7	345.5	442.9	427.6	359.0	357.6	403.4	410.2	362.9
Operating income	41.8	58.7	45.1	17.6	48.2	91.3	85.6	41.7	62.6	58.8	79.5	52.4
Income before income taxes	42.4	67.4	42.6	15.4	49.9	92.8	79.7	44.9	63.2	61.6	78.0	51.3
Net income attributable to Murata Corporation	33.1	57.9	29.4	25.6	39.0	69.3	60.1	38.5	46.8	43.9	56.1	36.2
Capital expenditures	61.3	71.6	89.9	83.9	77.7	78.8	72.7	62.4	52.9	62.0	81.4	85.4
Depreciation and amortization	27.7	32.9	39.8	41.3	26.9	30.5	32.3	34.7	33.6	34.6	35.7	36.4
R & D expenses	21.5	22.9	23.8	25.7	26.0	24.3	25.1	26.2	26.1	25.3	24.7	26.4
Average exchange rates (yen)	111.10	111.04	112.98	108.30	109.07	111.46	112.90	110.21	109.90	107.35	108.76	108.97

# Financial Data (2/3)

(B JPY)

		FY2017				FY2018				FY2019			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Sales by Product	Capacitors	96.3	112.7	126.9	113.9	126.5	147.2	158.3	142.3	137.7	137.8	145.7	138.2
	Piezoelectric Components	37.5	41.0	38.9	34.6	38.1	38.5	32.1	30.0	31.4	31.9	33.6	32.3
	Other Components	54.6	73.0	105.5	89.2	93.8	108.3	99.2	90.9	92.4	98.6	92.8	79.2
	Components	188.5	226.7	271.2	237.7	258.3	293.9	289.6	263.2	261.5	268.3	272.2	249.8
	Modules	85.8	117.2	141.4	99.5	86.5	148.2	137.1	95.0	95.2	134.3	137.0	112.1
	Net sales	274.3	343.9	412.6	337.2	344.8	442.1	426.6	358.2	356.7	402.5	409.2	361.9
Sales by Application	AV	13.7	17.2	19.5	16.2	17.3	19.7	17.5	15.0	16.9	17.7	14.8	11.6
	Communication	136.7	190.0	231.1	161.9	157.4	235.5	213.3	154.6	163.9	212.1	226.1	190.0
	Computers and Peripherals	46.4	51.9	52.7	51.3	56.4	65.3	68.0	59.5	58.6	60.6	58.1	53.2
	Automotive Electronics	44.6	47.5	53.3	54.7	59.6	63.0	66.0	68.5	66.8	66.1	66.2	64.4
	Home Electronics and Others	32.9	37.2	56.0	53.1	54.1	58.6	61.9	60.6	50.6	46.0	43.9	42.6
	Net sales	274.3	343.9	412.6	337.2	344.8	442.1	426.6	358.2	356.7	402.5	409.2	361.9
Sales by Product	The Americas	24.6	34.0	56.3	39.0	38.9	76.3	75.1	45.6	47.2	57.9	45.8	38.7
	Europe	22.7	23.5	29.2	30.9	32.9	32.2	33.2	41.5	36.1	31.7	30.4	33.8
	Greater China	149.9	201.0	234.4	175.6	181.0	231.5	216.1	165.7	172.7	208.1	237.2	192.1
	Asia and Others	54.9	60.7	59.0	61.5	60.3	66.4	64.2	68.4	63.0	69.6	60.8	64.6
	Overseas total	252.1	319.2	378.9	307.0	313.1	406.4	388.6	321.2	319.0	367.3	374.3	329.3
	Japan	22.2	24.7	33.7	30.2	31.8	35.7	38.0	36.9	37.8	35.3	34.9	32.6
Net sales	274.3	343.9	412.6	337.2	344.8	442.1	426.6	358.2	356.7	402.5	409.2	361.9	



# Financial Data (3/3)

(B JPY)

		FY2017				FY2018				FY2019			
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Components	Total revenue	197.2	236.4	282.4	248.0	268.6	305.6	298.2	267.6	271.7	278.8	285.2	262.5
	Segment income	44.0	56.9	72.1	44.6	62.6	87.5	84.9	77.2	67.5	50.1	68.9	63.1
Modules	Total revenue	85.8	117.2	141.4	99.5	86.5	148.2	137.1	95.0	95.2	134.3	137.0	112.1
	Segment income	8.9	12.1	(15.7)	(16.6)	(0.5)	16.9	14.0	(15.9)	7.9	17.9	21.9	1.7
Others	Total revenue	17.7	24.0	20.1	24.2	24.4	33.6	20.8	23.6	16.9	15.4	14.0	12.9
	Segment income	1.8	2.7	2.2	2.7	2.9	3.4	2.2	2.1	1.5	1.6	1.2	1.5
Corporate and eliminations	Total revenue	(25.8)	(32.9)	(30.4)	(33.0)	(34.0)	(44.5)	(28.5)	(27.2)	(26.4)	(25.1)	(26.0)	(24.7)
	Corporate expenses	(12.9)	(13.0)	(13.5)	(13.1)	(16.8)	(16.5)	(15.5)	(21.6)	(14.3)	(10.8)	(12.5)	(13.9)
Consolidated	Total revenue	275.0	344.7	413.5	338.7	345.5	442.9	427.6	359.0	357.6	403.4	410.2	362.9
	Operating income	41.8	58.7	45.1	17.7	48.2	91.3	85.6	41.7	62.6	58.8	79.5	52.4