

# Earnings Release Conference Second Quarter of FY2016 (July 1, 2016 to September 30, 2016)

October 31, 2016

Murata Manufacturing Co., Ltd.



<http://www.murata.com/ir/library/index.html>

# Topics of Financial Results for FY2016 Second Quarter

- Sales of the second quarter increased from the same period in 2015 by original currency base thanks to demand increase for automotive and smartphone in China mainly. However, it decreased by 8% by yen from the same period in 2015 due to high-value of yen.
- Operating income of the second quarter decreased by 29% from the same period in 2015 due to high-value of yen and cost increase for future demand increase. Operating income ratio was 19.3% down 5.6%.
- The operating income achievement ratio against project finance results for FY2016 announced on April 28<sup>th</sup> was 87% due to high-value of yen.

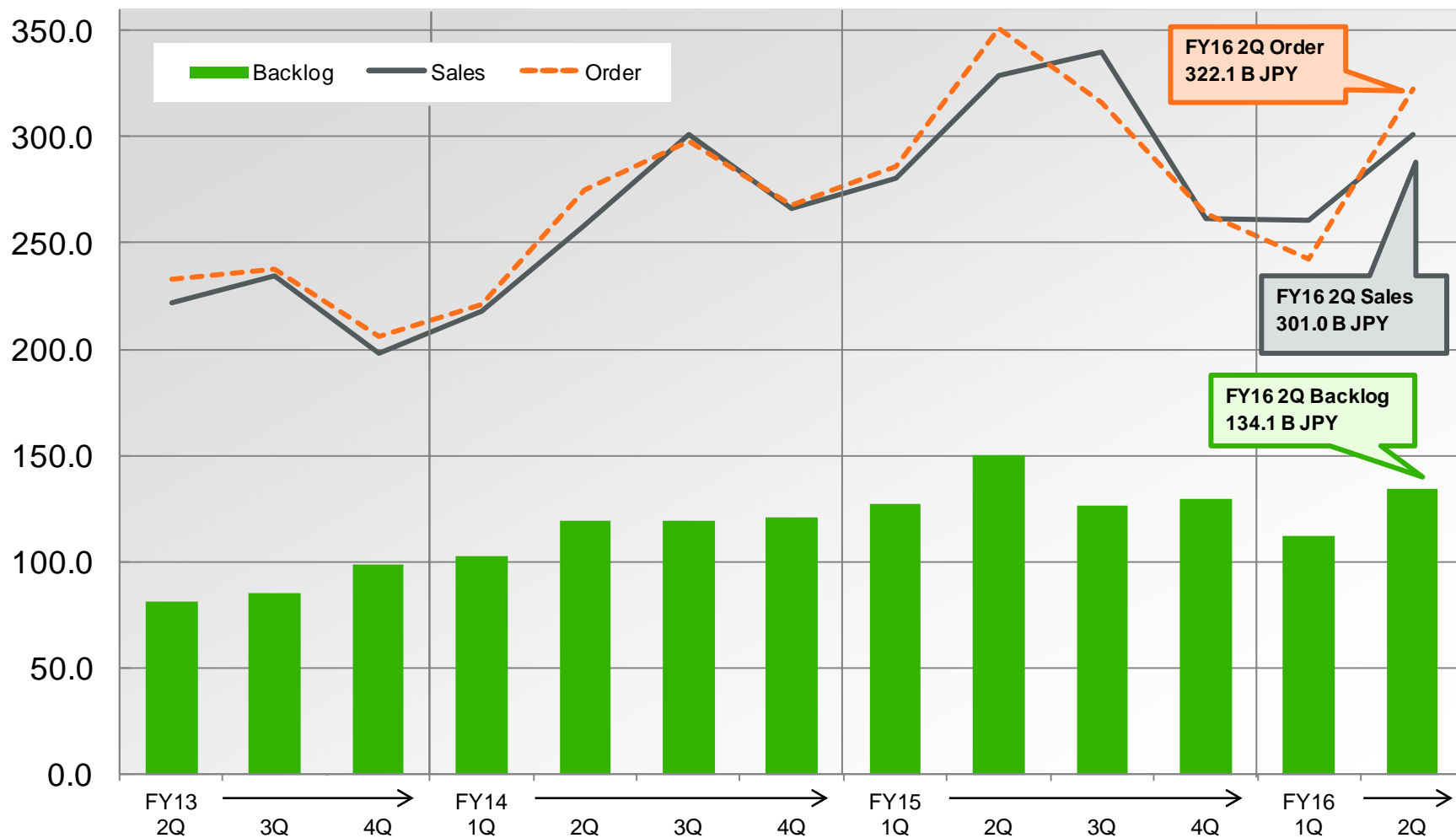
The projected finance results has been revised downward. The operating income was estimated 200 billion yen (exchange rate 100yen /USD).

# 1. Second Quarter of FY2016

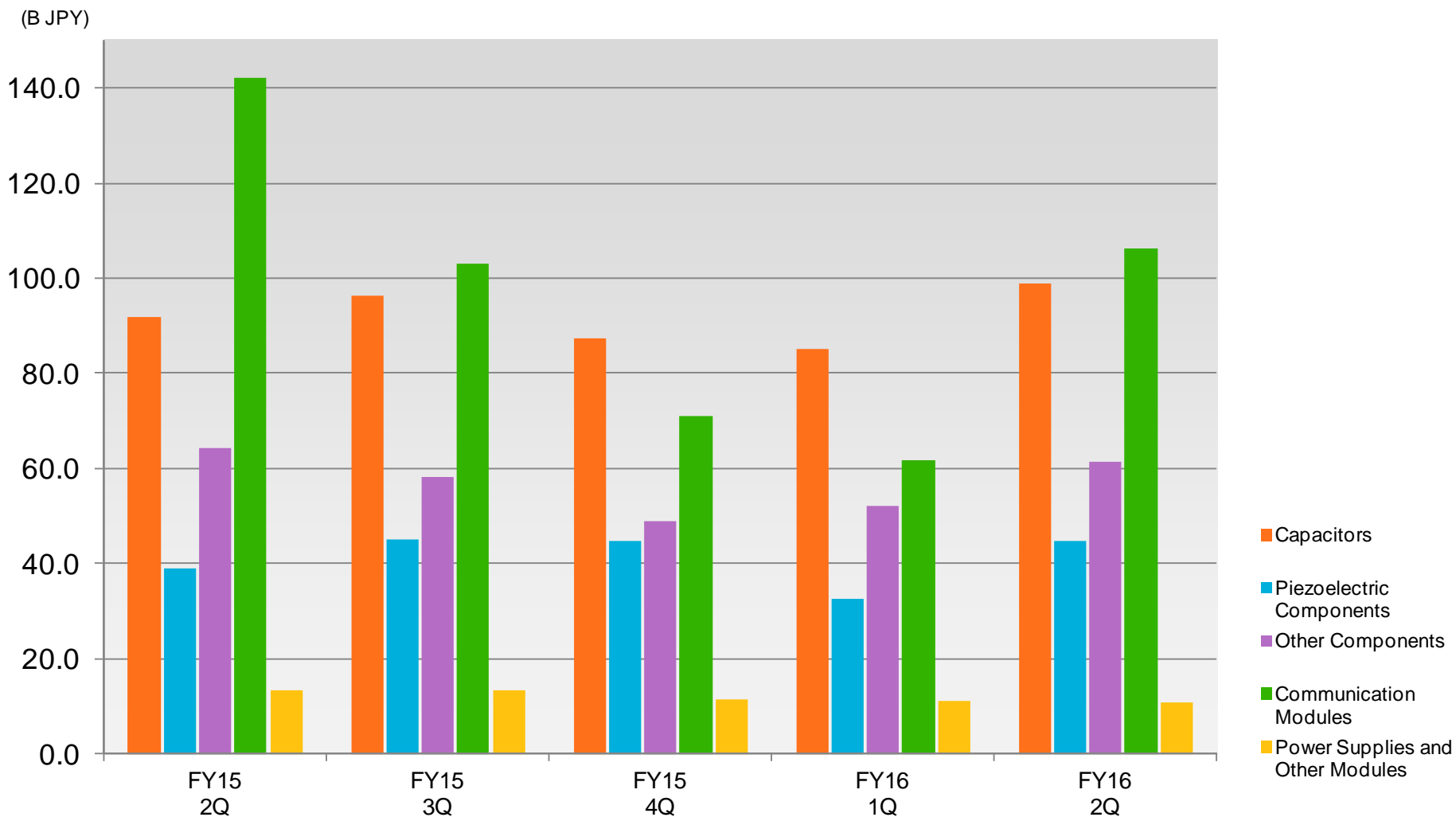
From July 1, 2016 to September 30, 2016  
Consolidated Basis

# Quarterly Sales, Order and Backlog

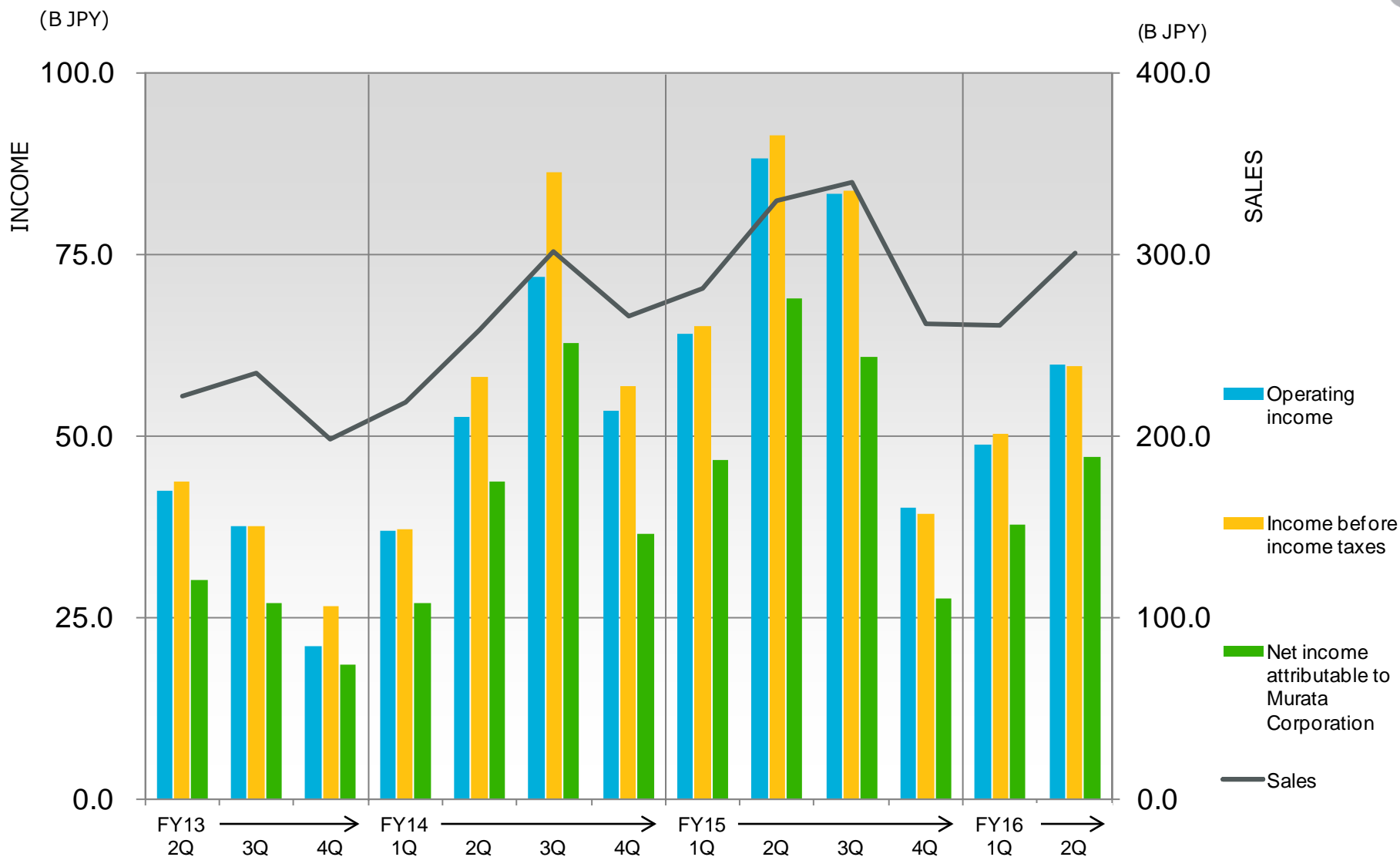
(B JPY)



# Orders by Product



# Quarterly Financial Results



# Financial Results Overview

	FY2015 First Half		FY2016 First Half				Q on Q Change		Y on Y Change			
	(a)	(b)	(c)		(d)		(c) vs. (b)		(d) vs. (a)			
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)		
Net sales	609.8	100.0	260.9	100.0	301.0	100.0	561.9	100.0	+40.1	+15.4	(47.9 )	(7.9 )
Operating income	152.1	24.9	48.7	18.7	59.8	19.9	108.5	19.3	+11.1	+22.8	(43.6 )	(28.7 )
Income before income taxes	156.3	25.6	50.2	19.2	59.5	19.8	109.7	19.5	+9.3	+18.6	(46.6 )	(29.8 )
Net income attributable to Murata Corporation	115.4	18.9	37.7	14.4	47.0	15.6	84.7	15.1	+9.4	+24.8	(30.7 )	(26.6 )

Average exchange rates Yen/US dollar	121.80	108.25	102.44	105.35
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# Sales by Product

	FY2015 First Half		1Q		2Q		FY2016 First Half		Q on Q Change		Y on Y Change	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)
	(B JPY)	(%)	(B JPY)	(B JPY)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Capacitors	184.6	30.4	84.3	93.1	177.4	31.7	+8.9	+10.5	(7.2 )	(3.9 )		
Piezoelectric Components	80.1	13.2	44.8	44.4	89.2	15.9	(0.3 )	(0.8 )	+9.0	+11.3		
Other Components	120.4	19.8	50.8	59.3	110.1	19.6	+8.4	+16.6	(10.3 )	(8.6 )		
Communication Modules	196.0	32.2	69.2	92.0	161.2	28.8	+22.8	+33.0	(34.8 )	(17.8 )		
Power Supplies and Other Modules	26.7	4.4	11.1	11.5	22.6	4.0	+0.4	+3.4	(4.1 )	(15.4 )		
Net sales	607.8	100.0	260.1	300.3	560.4	100.0	+40.1	+15.4	(47.4 )	(7.8 )		



# Sales by Product

## FY16 First Half vs. FY15 First Half

<p>Capacitors (3.9%)</p>	<p><b>Multilayer ceramic capacitors</b> : Sales of Ultra-compact MLCCs and High-capacitance MLCCs decreased due to high-value of yen while demands from car electronics and smartphones in China increased.</p>
<p>Piezoelectric Components +11.3%</p>	<p><b>SAW filters</b> : Sales greatly increased thanks to demand increase for smartphones in China and penetration of LTE.</p>
<p>Other Components (8.6%)</p>	<p><b>Connector</b> : Sales decreased for smartphones.  <b>Inductors (Coil)</b> :Sales of High frequency coils decreased due to high-value of yen while demands from smartphones in China increased.</p>
<p>Communication Modules (17.8%)</p>	<p><b>Wireless modules and RF sub module</b> : Sales decreased by high-value of yen and decrease of production for smartphones and tablets as those product inside.</p>
<p>Power Supplies and Other Modules (15.4%)</p>	<p><b>Power Supplies</b> : Sales decreased for office automation equipment.</p>

# Sales by Product

## FY16 Second Quarter vs. FY16 First Quarter

Capacitors +10.5%	<b>Multilayer ceramic Capacitors</b> : Sales of Ultra-compact MLCCs and High-capacitance MLCCs increased for wide range products for communication, gaming hardware and car electronics.
Piezoelectric Components (0.8%)	<b>SAW filters</b> : Sales decreased due to high-value of yen while demands of smartphones in China increased.
Other Components +16.6%	<b>Inductors (Coil)</b> : Sales of high frequency coils increased for smartphones. <b>EMI suppression filter</b> : Sales increased for smartphones.
Communication Modules +33.0%	<b>Wireless modules</b> :Sales strongly increased for smartphones.
Power Supplies and Other Modules +3.4%	<b>Power Supplies</b> :Sales for amusement increased.

# Sales by Application

	FY2015 First Half		1Q		2Q		FY2016 First Half		Q on Q Change		Y on Y Change	
	(a)	(%)	(b)	(c)	(d)	(e)	(f)	(g) vs. (b)	(h) vs. (g)	(i) vs. (a)	(j) vs. (a)	
	(B JPY)	(%)	(B JPY)	(B JPY)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
AV	25.7	4.2	10.7	11.9	22.6	4.0	+1.3	+12.0	(3.1 )	(12.0 )		
Communication	365.4	60.1	145.5	178.4	323.9	57.8	+32.9	+22.6	(41.5 )	(11.3 )		
Computers and Peripherals	84.4	13.9	37.8	41.2	79.0	14.1	+3.5	+9.1	(5.4 )	(6.4 )		
Automotive Electronics	75.2	12.4	39.0	40.7	79.8	14.2	+1.7	+4.4	+4.5	+6.0		
Home Electronics and Others	57.1	9.4	27.2	27.9	55.1	9.9	+0.8	+2.8	(2.0 )	(3.5 )		
Net sales	607.8	100.0	260.1	300.3	560.4	100.0	+40.1	+15.4	(47.4 )	(7.8 )		

\* Based on our estimate

# Sales by Application FY16 First Half vs. FY15 First Half

<p>AV (12.0%)</p>	<p>Sales of High-capacitance MLCCs for LCDTV increased.</p> <p>Sales of MLCCs and EMI suppression filter for gaming hardware decreased.</p>
<p>Communication (11.3%)</p>	<p>Sales of SAW filters significantly increased thanks to increase of LTE for smartphones and the advance of multi-band.</p> <p>Sales of Wireless modules, RF sub modules, MLCC and connector decreased due to high-value of yen and decrease of smartphones as Murata products inside .</p>
<p>Computers and Peripherals (6.4%)</p>	<p>Sales of High-capacitance MLCCs for note-PC increased.</p> <p>Sales of Wireless modules for tablets decreased.</p>
<p>Automotive Electronics +6.0%</p>	<p>Sales of MLCCs increased thanks to advanced automotive electrification.</p> <p>Sales of Ultra-sonic sensors increased for safety devices .</p>

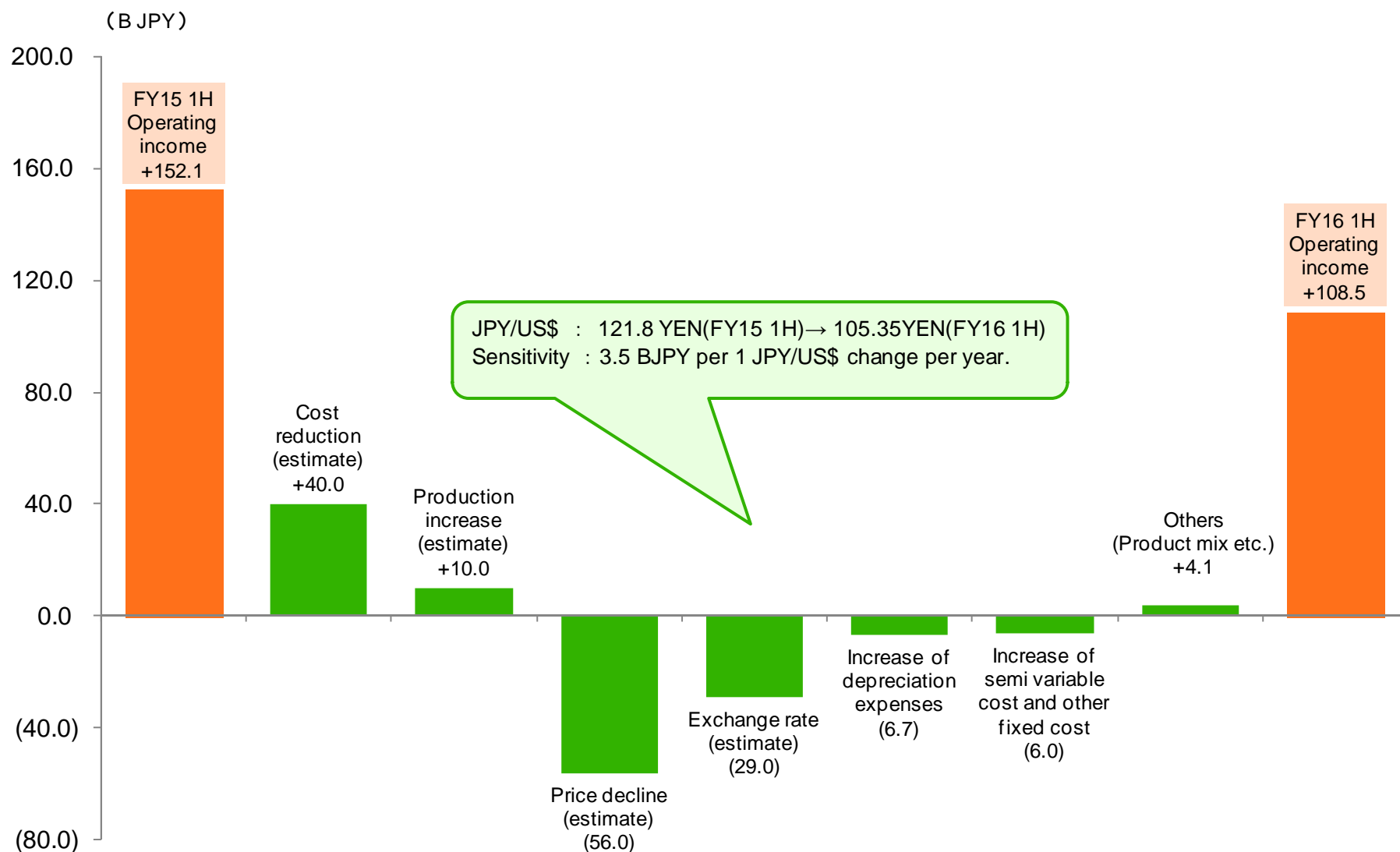
\*Based on our estimate

# Sales by Application FY16 Second Quarter vs. FY16 First Quarter

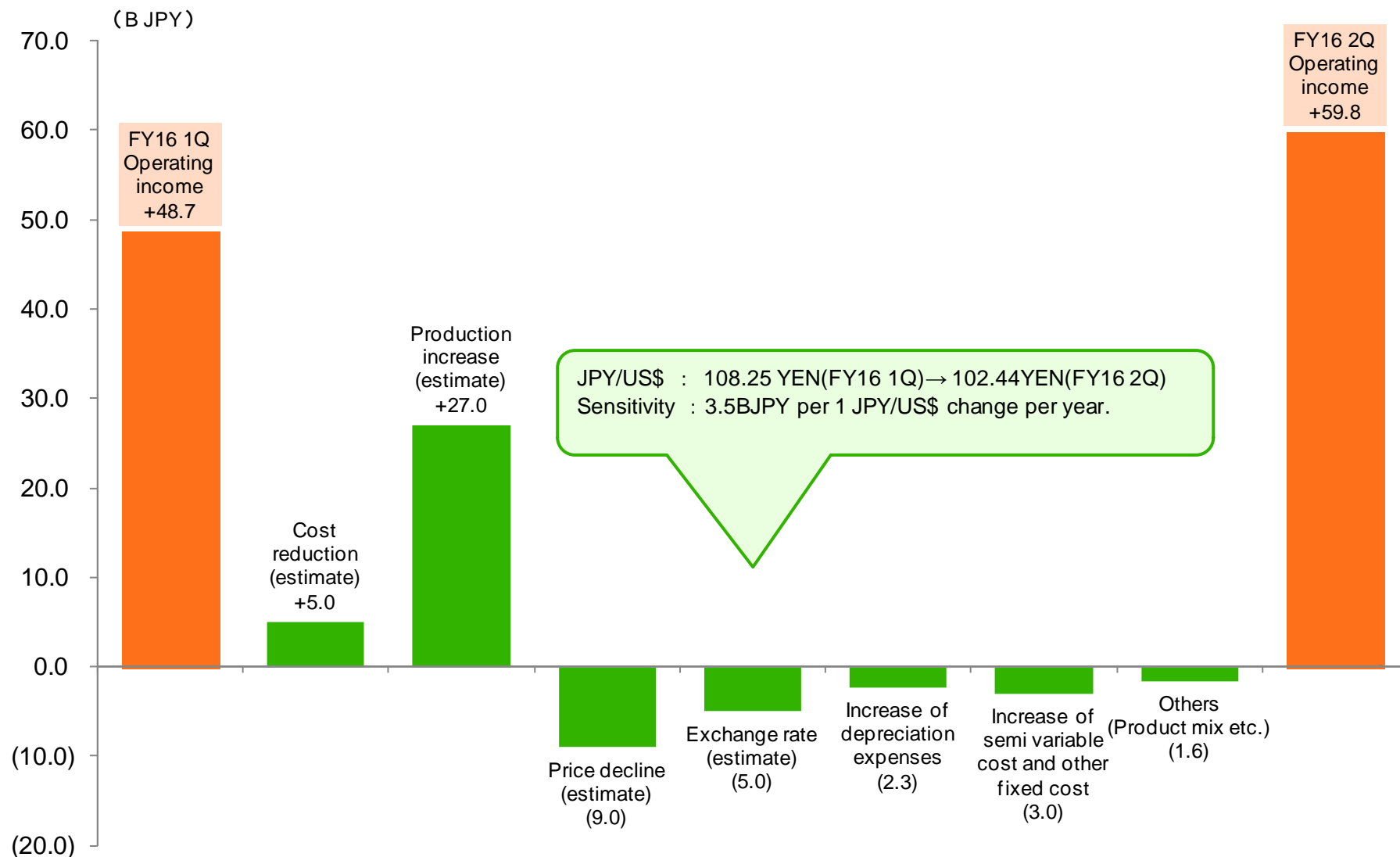
AV +12.0%	Sales of High-capacitance MLCCs for gaming hardware and LCDTV greatly increased.
Communication +22.6%	Many kind of our products such as Wireless modules, Inductors (Coil), MLCCs increased for new models of smartphones.
Computers and Peripherals +9.1%	Sales of Wireless modules and MLCCs for note PC increased. Sales of Actuators for HDD increased.
Automotive Electronics +4.4%	Sales of MLCCs and EMI suppression filters increased thanks to advanced automotive electrification. Sales of Ultra-sonic sensors increased for safety devices .

\*Based on our estimate

# Breakdown of Operating Income Changes FY15 First Half to FY16 First Half



# Breakdown of Operating Income Changes FY16 First Quarter to FY16 Second Quarter








## 2. Projected Financial Results for FY2016






(From April 2016 to March 2017)



# Projection of Demand (Communication)

	FY2015		FY2016 Projection		
<b>Mobile Phones Total (units)</b>	<b>1,810 M</b>	→	<b>1,760 M</b>	<b>(3%)</b>	
2G	290 M	→	210 M	<b>(28%)</b>	
3G	620 M	→	470 M	<b>(24%)</b>	
LTE	900 M	→	1,070 M	<b>+19%</b>	
Smartphones	1,510 M	→	1,560 M	<b>+3%</b>	

# Projection of Demand (PC, AV)

	FY2015		FY2016 Projection	
<b>PCs (units)</b>	<b>460 M</b>	→	<b>430 M</b>	<b>(8%)</b> 
Desktop	120 M	→	110 M	<b>(5%) to (10%)</b> 
Notebook	150 M	→	150 M	<b>Flat</b> 
Tablet	190 M	→	170 M	<b>(5%) to (10%)</b> 
<b>Flat-Screen TVs (units)</b>	<b>210 M</b>	→	<b>210 M</b>	<b>Flat</b> 

# Projected Sales by Product

	FY2016 Projections (Growth Ratio against FY2015)	FY2016 Second Half Projections (Growth Ratio against First Half)
Capacitors	Flat	+6%
Piezoelectric Components	+2%	(15%)
Other Components	(6%)	(4%)
Communication Modules	(20%)	(3%)
Power Supplies and Other Modules	(11%)	+4%
Total	(8%)	(2%)

FY2016 Projections (Year-on-year change excluding amount affected by exchange rates ※) (Growth Ratio against FY2015)
+10%
+12%
+4%
(10%)
(1%)
+2%

※The above percentage points are that we assumed exchange rate condition the same as FY2015

# Projected Sales by Application

	FY2016 Projections (Growth Ratio against FY2015)	FY2016 Second Half Projections (Growth Ratio against First Half)
AV	(4%)	+2%
Communication	(11%)	+1%
Computers and Peripherals	(9%)	(9%)
Automotive Electronics	+3%	(2%)
Home Electronics and Others	(5%)	(8%)
Total	(8%)	(2%)

\* Based on our estimate

FY2016 Projections (Year-on-year change excluding amount affected by exchange rates ※) (Growth Ratio against FY2015)
+6%
Flat
Flat
+10%
+5%
+2%

※The above percentage points are that we assumed exchange rate condition the same as FY2015

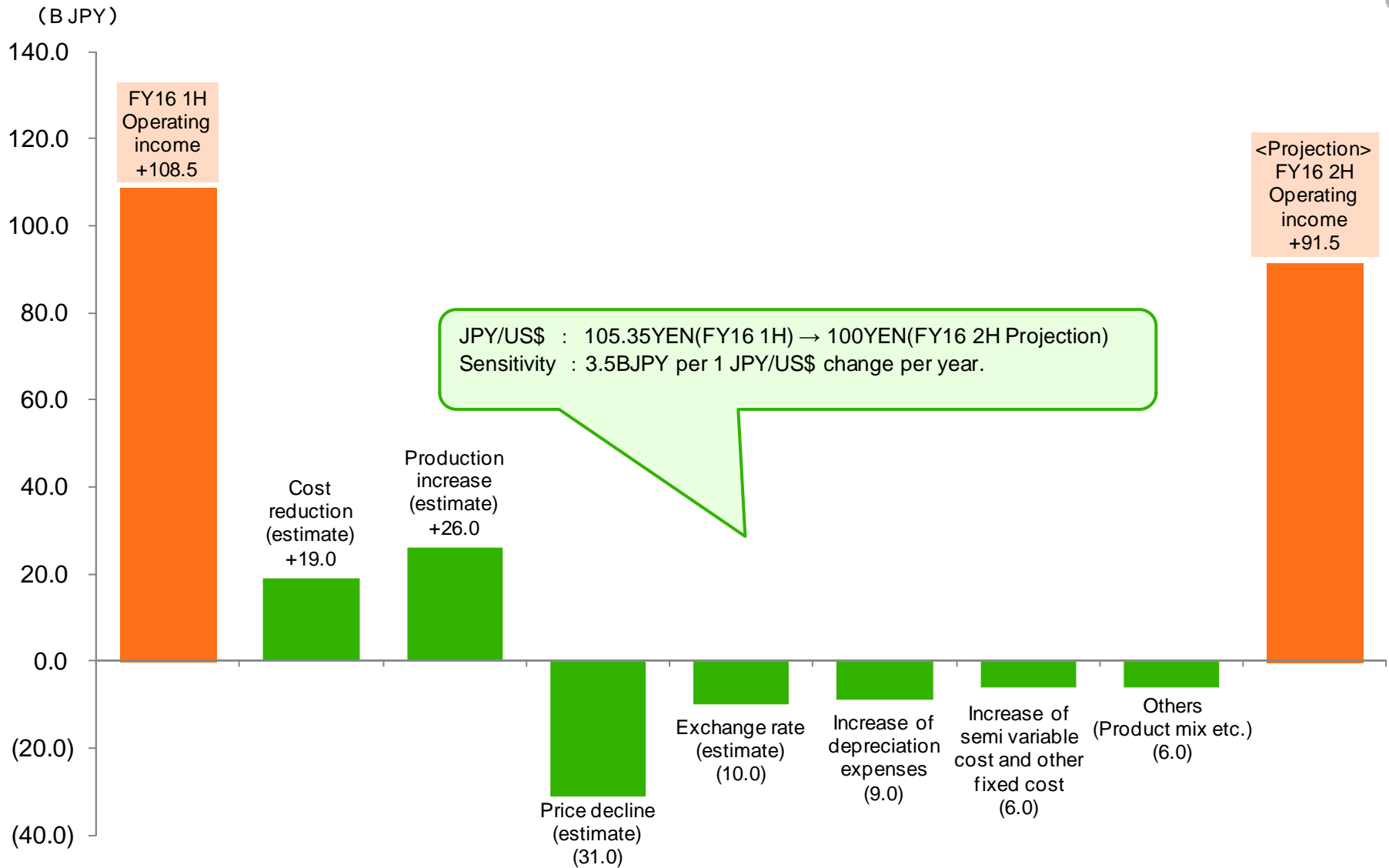
# Projected Financial Results for FY2016

	Previous (April 2016)			Revised (October 2016)					
	First Half Projections	Second Half Projections	FY2016 Projections	First Half Results		Second Half Projections		FY2016 Projections	
				(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Net sales	620.0	605.0	1,225.0	561.9	100.0	553.1	100.0	1,115.0	100.0
Operating income	125.0	115.0	240.0	108.5	19.3	91.5	16.5	200.0	17.9
Income before income taxes	126.0	115.0	241.0	109.7	19.5	93.3	16.9	203.0	18.2
Net income attributable to Murata Corporation	93.0	85.0	178.0	84.7	15.1	71.3	12.9	156.0	14.0
Average exchange rates Yen/US dollar	110.00			105.35		100.00		102.67	

# Projected Financial Results for FY2016

	FY2016 First Half Results	FY2016 Second Half Projections	FY2016 Projections
Depreciation and amortization	51.0 B JPY	60.0 B JPY	111.0 B JPY
R & D expenses	40.4 B JPY	44.6 B JPY	85.0 B JPY
Capital expenditures	78.1 B JPY	81.9 B JPY	160.0 B JPY
Average exchange rate (JPY/US\$)	105.35	100.00	
Average exchange rate (JPY/EUR)	118.22	110.00	

# Breakdown of Operating Income Changes FY16 First Half to FY16 Second Half Projection



# Dividends per Share

FY2016 projected annual dividends per share

220 JPY per share

(Interim: 110 JPY per share, Year-end: 110 JPY per share)

\*10 yen increase of year-end dividend per share

FY2015 annual dividends per share

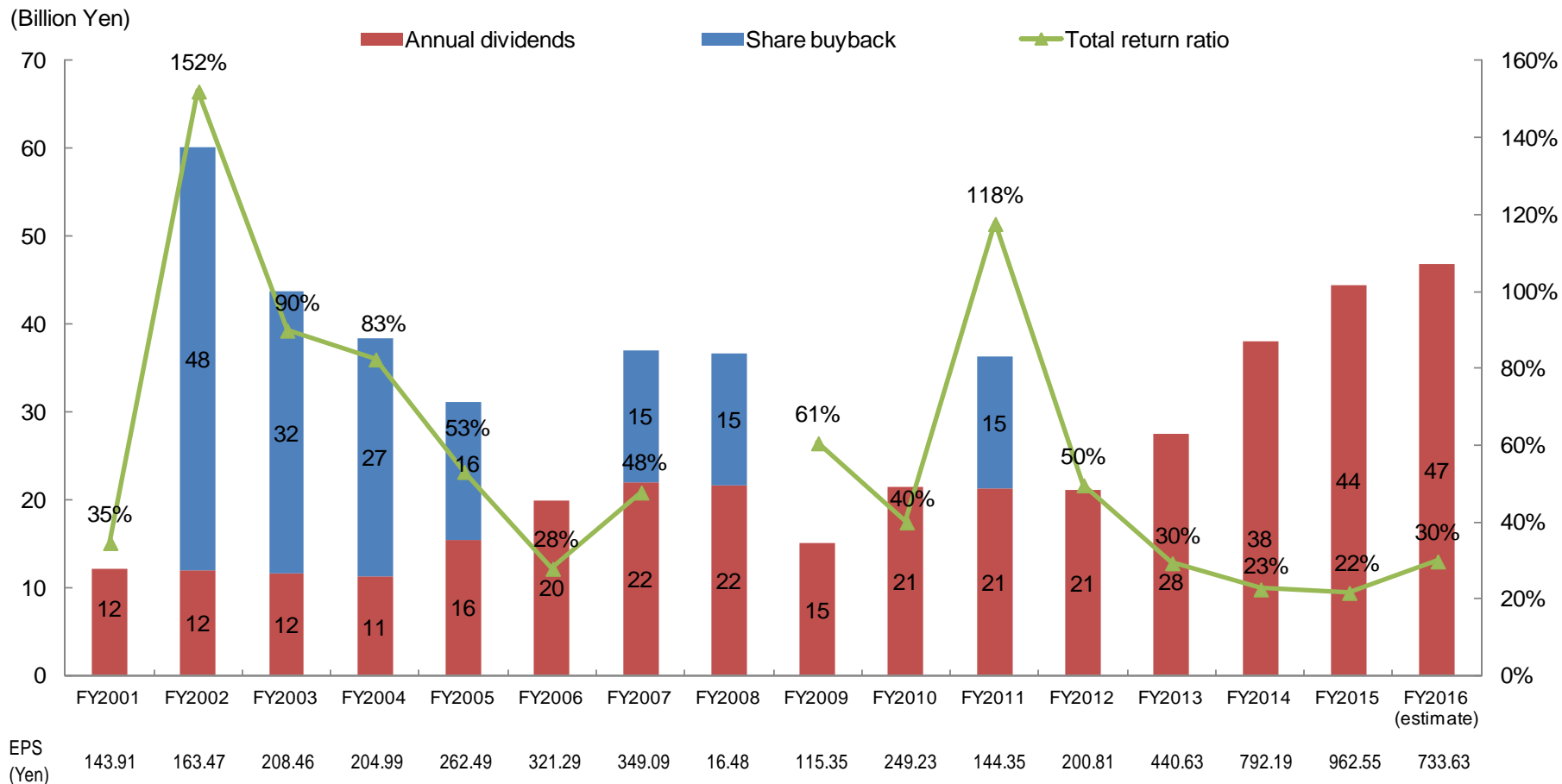
210 JPY per share

(Interim: 100 JPY per share, Year-end: 110 JPY per share)

Note: The above projections are based on our view of the current business environment and our projections for FY2016.



# Return to Shareholders



Our basic policy of profit distribution to shareholders is to prioritize the sharing of gains through payment of dividends, and to steadily raise them by increasing profit per share.

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

