MURATA SEMIANNUAL REPORT

For the six months ended September 30, 2002

muRata

Innovator in Electronics

Murata Manufacturing Co., Ltd.

To Our Shareholders

Regarding the electrical equipment market during this semiannual period, the flow of parts to clients increased, owing to the expectations of recovery in the demand for electrical equipment at the beginning of the term. Meanwhile the inventory adjustment of electrical equipment and parts, which had been taking place over the long term, reached completion at the end of the previous term. However, the harsh market environment continued as there was no sign of any conspicuous recovery in the demand for mobile phones and personal computers. The demand for parts fell off again while the pressure to lower the prices of parts remained as strong as ever in the second quarter.

Regarding the communications equipment market, in China the number of new subscribers for the mobile phones continued to increase; however, in the biggest market, Europe, upgrading to more advanced models for sophisticated devices such as color liquid crystal displays failed to live up to expectations. Even in Japan, notwithstanding improvements in terminal performance such as the increase in the number of mobile phone models with on board cameras and the increases in data transmission speeds, sales on the market have shown no increase and the market as a whole appears to be quite sluggish. Furthermore, the network related equipment market also continued to show little movement due to the continuing poor investment in facilities by telecommunications carriers.

The computers and peripheral equipment market generally has become sluggish, despite the emergence of sophisticated functions such as higher MPU speeds, the inclusion of high speed interfaces and the emergence of compatibility with wireless LAN. This is due to continuing low investment in facilities by companies and the fact that production of computers aimed at the individual user, which had been stable, began to adjust in the summer.

In the consumer electronics equipment market, although the sales of DVD players and digital cameras and such are good, with a relatively stable market having emerged centered around digital AV equipment, it was not enough to pull the overall market along.

In light of the current market situation described above and continuing on as it has done in the previous term, Murata has proceeded with its efforts to reduce costs by improving the production line and increasing the efficiency of work not directly involved in production.

At the same time, even with the current market environment as harsh as it is, we have injected funds into research and development, working to develop new techniques and products compatible with digitalization, high frequency technology and further miniaturization of electrical equipment.

As a result of this, the consolidated results for Murata over the middle term are as follows: sales were 197,795 million Yen (down 2.3 % from the previous middle term figures), operating income was 29,092 million Yen (down 0.3%), mid term income before income taxes and cumulative effect of a change in accounting principle was 30,021 million Yen (down 5.8%), middle term net income was 19,003 million Yen (up 2.0%) attributable to a tax refund of 1,583 million Yen related to the transfer pricing tax issue in the past fiscal year.

At the general shareholders' meeting convened on June 27, stock repurchase program was approved to repurchase to 10,000,000 shares or 100,000 million yen in a year, in order to improve capital efficiency. We repurchased total 1,945,800 shares, amounting to 13,340 million yen, up until/before September 30 and total 4,432,400 shares, amounting to 27,280 million yen, through December 9.

The general situation regarding sales of each type of product is as follows:

[Capacitors]

This category of products includes monolithic ceramic capacitors, disc capacitors and trimmer capacitors.

During this semiannual period, chip monolithic ceramic capacitors, the main product in this category, continue to extend their performance on the Chinese and Taiwanese markets marking growth centered on application specific capacitors and capacitors of high capacitance for higher speed MPU. Also there has been positive growth owing to progress in the use of ultra small capacitors in mobile devices such as mobile phones, but the influence of continuing stagnation in demand on the Japanese, European, and American electrical equipment markets and the fall in prices since the second half of last year remains great, meaning that the market overall did not move significantly.

Owing to this, the overall sales were 76,549 million Yen, down by 6.5% compared to those of last year's middle term.

[Resistors]

This category of product includes thermistors, trimmer potentiometers, resistance networks, high voltage resistors and so on.

During this semiannual period, trimmer potentiometers and PTC thermistors aimed at the computer related equipment market have shown a big increase, exceeding the figures of last year's middle term by a considerable amount.

As a result of this, the overall sales were 7,325 million Yen, up 10.0% compared to the middle term last year.

[Piezoelectric Components]

This category of product includes ceramic filters, ceramic resonators, surface acoustic wave filters and piezoelectric buzzers.

During this semiannual period, owing to the fact that the numbers of ceramic filters destined for American and Japanese communications equipment have undergone large reductions, figures for this year are not as great as those for last year. On the other hand, chip type ceramic resonators destined for the consumer electronics market centered around digital equipment and the computer related equipment market have increased, moving well above last year's figures. Surface acoustic wave filters for communications equipment are also showing sharp increases in each area, excluding Europe.

As a result, the overall sales were 39,161 million Yen an increase of 6.5% compared to the middle term last year.

[Microwave Devices]

This category of product includes multi layer devices, dielectric filters, and isolators.

During this semiannual period, multi layer devices made a recovery centered mainly on the Asian market. However, the European market continues to slump as before, meaning that the market overall showed only a small increase. Dielectric filters continue to perform poorly in Japan and the Americas, which has meant large decreases in sales. As for isolators, while they have found a good market in Japan, they have remained sluggish in other areas and so figures for this year are slightly poorer than last.

Consequently, overall sales were 22,044 million Yen down by 5.9% compared to the middle term last year.

[Module Products]

This category of product includes circuit modules and various types of power supply.

During this semiannual period, owing to the continuing stagnation of one of the circuit modules, the VCO (Voltage Controlled Oscillator), aimed at the European communications equipment market, the figures here have fallen below those of last year. On top of this, data communication cards have also seen large reductions. Finally, power supply models for Japan also went down, ending in a bad state.

As a result of this, overall sales were 23,986 million Yen down 13.9% compared to the middle term last year.

[Other Products]

This category of product includes EMI suppression filters, various types of coils and sensors and so on.

The current semiannual period saw large increases in the sales of EMI suppression filters to China. Besides this, the numbers of chip coils for communications equipment have also increased, meaning that figures for this year have exceeded those for last.

As a result of this, overall sales were 28,076 million Yen up 11.4% compared to the middle period last year.

Yasutaka Murata
President
Statutory Representative Director
Member of the Board of Directors

SELECTED FINANCIAL DATA (UNAUDITED)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2002, 2001 and 2000

	Millions of yen except per share amounts			Thousands of U.S. dollars except per share amounts (Note)
	2002	2001	2000	**2002**
Net sales	**¥197,795**	¥202,543	¥304,444	**$1,608,089**
Operating costs and expenses	**168,703**	173,368	203,553	**1,371,569**
Operating income	**29,092**	29,175	100,891	**236,520**
Other income	**929**	2,704	1,219	**7,553**
Income before income taxes and cumulative effect of a change in accounting principle	**30,021**	31,879	102,110	**244,073**
Net income	**19,003**	18,636	61,383	**154,496**
Amounts per share:				
Net income per share				
Basic	**¥77.94**	¥76.74	¥254.88	**$0.63**
Diluted	**77.94**	76.36	251.48	**0.63**
Cash dividends	**25.00**	25.00	17.50	**0.20**
Current assets	**573,619**	516,541	526,525	**4,663,569**
Property, plant and equipment less accumulated depreciation	**249,999**	281,460	270,559	**2,032,512**
Total assets	**846,562**	821,948	824,882	**6,882,618**
Shareholders' equity	**718,522**	705,255	642,074	**5,841,643**
Capital investment	**7,542**	19,420	58,903	**61,317**
Number of employees	**27,263**	28,324	27,822	

Note: The U.S. dollar amounts in this report represent translation of Japanese yen for convenience only at the rate of ¥123=U.S.$1.

Segment Information (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries

Six months ended September 30, 2002 and 2001

Geographic Segment Information

	Millions of yen					
2002	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
Unaffiliated customers	**¥95,484**	**¥25,664**	**¥22,061**	**¥54,586**	**¥ –**	**¥197,795**
Intersegment	**55,960**	**78**	**92**	**7,915**	**(64,045)**	**–**
Total revenue	**151,444**	**25,742**	**22,153**	**62,501**	**(64,045)**	**197,795**
Operating expenses	**130,506**	**24,994**	**20,493**	**57,355**	**(64,645)**	**168,703**
Operating income	**20,938**	**748**	**1,660**	**5,146**	**600**	**29,092**

	Millions of yen					
2001	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
Unaffiliated customers	¥101,405	¥26,804	¥26,165	¥48,169	¥ –	¥202,543
Intersegment	45,136	483	117	6,529	(52,265)	–
Total revenue	146,541	27,287	26,282	54,698	(52,265)	202,543
Operating expenses	130,715	25,781	21,309	48,337	(52,774)	173,368
Operating income	15,826	1,506	4,973	6,361	509	29,175

	Thousands of U.S.dollars					
2002	Japan	The Americas	Europe	Asia	Corporate and eliminations	Consolidated
Unaffiliated customers	**$776,293**	**$208,650**	**$179,358**	**$443,788**	**$ –**	**$1,608,089**
Intersegment	**454,959**	**634**	**748**	**64,350**	**(520,691)**	**–**
Total revenue	**1,231,252**	**209,284**	**180,106**	**508,138**	**(520,691)**	**1,608,089**
Operating expenses	**1,061,024**	**203,203**	**166,610**	**466,301**	**(525,569)**	**1,371,569**
Operating income	**170,228**	**6,081**	**13,496**	**41,837**	**4,878**	**236,520**

Overseas Sales

	Millions of yen			
2002	The Americas	Europe	Asia and Others	Total
Overseas sales	**¥27,974**	**¥25,765**	**¥74,397**	**¥128,136**
Consolidated sales				**197,795**
Percentage	**14.2%**	**13.0%**	**37.6%**	**64.8%**

	Millions of yen			
2001	The Americas	Europe	Asia and Others	Total
Overseas sales	¥29,241	¥29,835	¥67,591	¥126,667
Consolidated sales				202,543
Percentage	14.4%	14.7%	33.4%	62.5%

	Thousands of U.S.dollars			
2002	The Americas	Europe	Asia and Others	Total
Overseas sales	**$227,431**	**$209,471**	**$604,854**	**$1,041,756**
Consolidated sales				**1,608,089**

Note:The segment information is in accordance with the Japanese Securities Exchange Law.

Production, Order and Backlog by Product (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2002 and 2001

	2002 Millions of yen	2002 Component ratio	2001 Millions of yen	2001 Component ratio	2002 Thousands of U.S.dollars
Production by Product		%		%	
Capacitors	**¥78,677**	**38.6**	¥59,222	34.9	**$639,650**
Resistors	**7,613**	**3.7**	5,863	3.5	**61,894**
Piezoelectric Components	**41,842**	**20.5**	34,496	20.3	**340,179**
Microwave Devices	**23,068**	**11.3**	21,631	12.7	**187,545**
Module Products	**24,316**	**11.9**	28,659	16.9	**197,691**
Other Products	**28,551**	**14.0**	19,847	11.7	**232,122**
Total	**¥204,067**	**100.0**	¥169,718	100.0	**$1,659,081**

Notes: 1. Figures are based on production quantity and sales price to customers.
2. Exclusive of consumption taxes
3. Production amounts of the foreign subsidiaries were translated into Japanese yen at average exchange rates for each period.
4. The tables by product indicate production, order and backlog of electronics components and related products.

2002	Order: Millions of yen	Order: Component ratio	Backlog: Millions of yen	Backlog: Component ratio
Order and Backlog by Product		%		%
Capacitors	**¥75,011**	**38.0**	**¥13,308**	**31.9**
Resistors	**7,283**	**3.7**	**1,814**	**4.3**
Piezoelectric Components	**38,881**	**19.7**	**7,283**	**17.5**
Microwave Devices	**25,779**	**13.1**	**8,660**	**20.8**
Module Products	**22,317**	**11.3**	**5,528**	**13.3**
Other Products	**28,091**	**14.2**	**5,108**	**12.2**
Total	**¥197,362**	**100.0**	**¥41,701**	**100.0**

2001	Order: Millions of yen	Order: Component ratio	Backlog: Millions of yen	Backlog: Component ratio
Order and Backlog by Product		%		%
Capacitors	¥65,758	38.7	¥16,395	36.8
Resistors	5,974	3.5	1,597	3.6
Piezoelectric Components	33,603	19.8	7,021	15.8
Microwave Devices	18,486	10.9	5,142	11.5
Module Products	24,230	14.2	9,527	21.3
Other Products	21,874	12.9	4,889	11.0
Total	¥169,925	100.0	¥44,571	100.0

2002	Thousands of U.S.dollars: Order	Thousands of U.S.dollars: Backlog
Order and Backlog by Product		
Capacitors	**$609,846**	**$108,195**
Resistors	**59,211**	**14,748**
Piezoelectric Components	**316,106**	**59,211**
Microwave Devices	**209,585**	**70,407**
Module Products	**181,439**	**44,943**
Other Products	**228,382**	**41,529**
Total	**$1,604,569**	**$339,033**

Notes: 1. Figures are based on order and backlog quantity and sales price to customers.
2. Exclusive of consumption taxes
3. Order and backlog amounts of the foreign subsidiaries were translated into Japanese yen at average exchange rates for each period.

Consolidated Balance Sheets (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
As of September 30, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note2)
	2002	2001	**2002**
ASSETS			
Current assets:			
Cash	**¥ 26,892**	¥ 20,515	**$ 218,634**
Time deposits	**49,667**	143,957	**403,797**
Total cash and cash equivalents	**76,559**	164,472	**622,431**
Marketable securities (Note 1, 3)	**337,313**	164,625	**2,742,382**
Notes and accounts receivable:			
Trade notes	**17,771**	27,260	**144,480**
Trade accounts	**68,121**	66,232	**553,829**
Allowance for doubtful notes and accounts	**(1,149)**	(1,255)	**(9,341)**
Inventories (Note 1)	**56,330**	75,110	**457,967**
Prepaid expenses and other	**3,496**	2,419	**28,423**
Deferred income taxes	**15,178**	17,678	**123,398**
Total current assets	**573,619**	516,541	**4,663,569**
Property, plant and equipment (Note 1):			
Land	**42,848**	42,936	**348,358**
Buildings	**182,881**	175,656	**1,486,837**
Machinery and equipment	**417,902**	410,732	**3,397,577**
Construction in progress	**5,299**	10,460	**43,081**
Total	**648,930**	639,784	**5,275,853**
Accumulated depreciation	**(398,931)**	(358,324)	**(3,243,341)**
Net property, plant and equipment	**249,999**	281,460	**2,032,512**
Investments and other assets:			
Investments (Note 1, 3)	**9,668**	10,421	**78,602**
Long-term receivables, advances and other	**5,531**	5,706	**44,967**
Deferred income taxes (Note 1)	**7,745**	7,820	**62,968**
Total investments and other assets	**22,944**	23,947	**186,537**
Total	**¥846,562**	¥821,948	**$6,882,618**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term borrowings	**¥ 2,068**	¥ 1,339	**$ 16,813**
Trade notes payable	**739**	1,032	**6,008**
Trade accounts payable	**12,167**	9,168	**98,919**
Accrued payroll and bonuses	**17,131**	17,618	**139,276**
Income taxes payable	**16,920**	9,189	**137,561**
Accrued expenses and other	**19,555**	23,850	**158,984**
Current portion of long-term debt	**4**	2,702	**32**
Total current liabilities	**68,584**	64,898	**557,593**
Long-term liabilities:			
Long-term debt	**63**	1,298	**512**
Termination and retirement benefits (Note 1)	**52,012**	40,131	**422,862**
Deferred income taxes (Note 1)	**7,381**	10,366	**60,008**
Total long-term liabilities	**59,456**	51,795	**483,382**
Commitments and contingent liabilities (Note 6)			
Shareholders' equity (Note 1, 8):			
Common stock (authorized 600,000,000 shares; issued 244,263,592 shares in 2002 and 242,948,123 shares in 2001)	**69,377**	68,030	**564,041**
Additional paid-in capital	**102,222**	100,878	**831,073**
Legal reserve	**10,045**	9,942	**81,667**
Retained earnings	**563,442**	540,358	**4,580,829**
Accumulated other comprehensive income (loss):			
Unrealized gains (losses) on securities	**329**	(257)	**2,675**
Minimum pension liability adjustments	**(4,246)**	–	**(34,520)**
Unrealized gains (losses) on derivative instruments	**(6)**	4	**(49)**
Foreign currency translation adjustments	**(9,240)**	(13,698)	**(75,122)**
Total accumulated other comprehensive loss	**(13,163)**	(13,951)	**(107,016)**
Treasury stock, at cost 1,953,480 shares in 2002 and 298 shares in 2001	**(13,401)**	(2)	**(108,951)**
Total shareholders' equity	**718,522**	705,255	**5,841,643**
Total	**¥846,562**	¥821,948	**$6,882,618**

See notes to consolidated financial statements.

Consolidated Statements of Income and Retained Earnings (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note2)
	2002	2001	2000	**2002**
Net sales (Note 1)	**¥197,795**	¥202,543	¥304,444	**$1,608,089**
Operating costs and expenses (Note 1):				
Cost of sales	**123,012**	126,755	155,831	**1,000,098**
Selling, general and administrative	**29,959**	30,547	32,521	**243,569**
Research and development	**15,732**	16,066	15,201	**127,902**
Total operating costs and expenses	**168,703**	173,368	203,553	**1,371,569**
Operating income	**29,092**	29,175	100,891	**236,520**
Other income (expenses) (Note 1):				
Interest and dividend income	**1,310**	1,502	1,416	**10,650**
Interest expense	**(37)**	(124)	(240)	**(301)**
Losses on impairment of investment securities	**(332)**	(169)	(266)	**(2,699)**
Foreign currency exchange gain	**898**	1,096	872	**7,301**
Other - net	**(910)**	399	(563)	**(7,398)**
Other income - net	**929**	2,704	1,219	**7,553**
Income before income taxes and cumulative effect of a change in accounting principle	**30,021**	31,879	102,110	**244,073**
Income taxes (Note 1, 4):				
Current	**13,628**	7,445	46,580	**110,797**
Deferred	**(2,610)**	5,586	(5,853)	**21,220**
	11,018	13,031	40,727	**89,577**
Income before cumulative effect of a change in accounting principle	**19,003**	18,848	61,383	**154,496**
Cumulative effect of a change in accounting for derivative instruments (Note1)	**–**	(212)	–	**–**
Net income	**19,003**	18,636	61,383	**154,496**
Retained earnings:				
Balance at beginning of period	**550,588**	528,567	433,728	**4,476,325**
Cash dividends - ¥25.0 ($0.20) per share in 2002 and 2001, and ¥17.5 per share in 2000	**(6,106)**	(6,065)	(4,209)	**(49,642)**
Transfer to legal reserve	**(43)**	(780)	(540)	**(350)**
Balance at end of period	**¥563,442**	¥540,358	¥490,362	**$4,580,829**

	Yen			U.S. dollars (Note2)
Amounts per share (Note 1, 5):				
Basic earnings per share:				
Income before cumulative effect of a change in accounting principle	**¥77.94**	¥77.61	¥254.88	**$0.63**
Cumulative effect of a change in accounting for derivative instruments	**–**	(0.87)	–	**–**
Net income	**¥77.94**	¥76.74	¥254.88	**$0.63**
Diluted earnings per share:				
Income before cumulative effect of a change in accounting principle	**¥77.94**	¥77.22	¥251.48	**$0.63**
Cumulative effect of a change in accounting for derivative instruments	**–**	(0.86)	–	**–**
Net income	**¥77.94**	¥76.36	¥251.48	**$0.63**
Cash dividends per share	**¥25.00**	¥25.00	¥17.50	**$0.20**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note2)
	2002	2001	2000	**2002**
Net income	**¥19,003**	¥18,636	¥61,383	**$154,496**
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities	**68**	(1,965)	(707)	**553**
Minimum pension liability adjustments	**(1,309)**	–	(138)	**(10,643)**
Unrealized gains (losses) on derivative instruments	**(2)**	4	–	**(16)**
Foreign currency translation adjustments	**(6,002)**	(2,455)	(1,964)	**(48,797)**
Other comprehensive loss	**(7,245)**	(4,416)	(2,809)	**(58,903)**
Comprehensive income	**¥11,758**	¥14,220	¥58,574	**$95,593**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows (Unaudited)

Murata Manufacturing Co., Ltd. and Subsidiaries
Six months ended September 30, 2002, 2001 and 2000

	Millions of yen			Thousands of U.S. dollars (Note2)
	2002	2001	2000	**2002**
Operating activities:				
Net income	**¥ 19,003**	¥ 18,636	¥ 61,383	**$ 154,496**
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	**24,092**	27,279	23,785	**195,870**
Losses on sales and disposal of property, plant and equipment	**132**	95	407	**1,073**
Gains on sales of investments	**(0)**	(141)	–	**(0)**
Losses on impairment of investment securities	**332**	169	266	**2,699**
Provision for termination and retirement benefits, less payments	**2,390**	1,788	3,718	**19,431**
Deferred income taxes	**(2,610)**	5,586	(5,853)	**(21,220)**
Cumulative effect of accounting change	**–**	212	–	**–**
Changes in assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable	**(3,655)**	23,424	(28,725)	**(29,715)**
Decrease (increase) in inventories	**1,582**	16,077	(11,010)	**12,862**
Decrease in income tax refunds receivable	**24,828**	–	–	**201,854**
Decrease (increase) in prepaid expenses and other	**(1,102)**	1,065	(553)	**(8,959)**
Increase (decrease) in trade notes and accounts payable	**1,003**	(14,778)	3,321	**8,154**
Increase (decrease) in accrued payroll and bonuses	**1,351**	(669)	2,338	**10,984**
Increase (decrease) in income taxes payable	**12,692**	(39,974)	5,102	**103,187**
Increase (decrease) in accrued expenses and other	**(3,494)**	(5,569)	2,889	**(28,407)**
Other-net	**2,211**	1,290	52	**17,976**
Net cash from operating activities	**78,755**	34,490	57,120	**640,285**
Investing activities:				
Capital expenditures	**(7,542)**	(19,420)	(58,903)	**(61,317)**
Payment for purchases of investments	**(28)**	–	–	**(228)**
Net decrease (increase) in marketable securities	**(52,861)**	(1,008)	27,243	**(429,764)**
Increase in loans receivable	**(6)**	(4)	(21)	**(49)**
Proceeds from sales of property, plant and equipment	**89**	98	235	**724**
Proceeds from sales of investments	**5**	775	23	**41**
Collection of loans receivable	**16**	29	316	**130**
Net cash from investing activities	**(60,327)**	(19,530)	(31,107)	**(490,463)**
Financing activities:				
Net increase (decrease) in short-term borrowings	**1,143**	(2,374)	(1,785)	**9,293**
Increase in long-term debt	**–**	137	36	**–**
Repayments of long-term debt	**(2)**	(103)	(176)	**(16)**
Dividends paid	**(6,106)**	(6,065)	(4,209)	**(49,643)**
Payment for purchases of treasury stock	**(13,366)**	–	–	**(108,667)**
Net cash from financing activities	**(18,331)**	(8,405)	(6,134)	**(149,033)**
Effect of exchange rate change on cash and cash equivalents	**(2,591)**	(900)	263	**(21,065)**
Net increase (decrease) in cash and cash equivalents	**(2,494)**	5,655	20,142	**(20,276)**
Cash and cash equivalents at beginning of period	**79,053**	158,817	97,050	**642,707**
Cash and cash equivalents at end of period	**¥ 76,559**	¥ 164,472	¥ 117,192	**$ 622,431**
Additional cash flow information:				
Interest paid	**¥ 36**	¥ 115	¥ 258	**$ 293**
Income taxes paid (received), net of refunds	**(23,892)**	47,418	41,477	**(194,244)**
Non-cash financing activities:				
Convertible debt converted into common stock	**–**	700	2,388	**–**

See notes to consolidated financial statements.

Liquidity in Hand

	Millions of yen			Thousands of U.S. dollars (Note2)
	As of September. 30 2002	As of September. 30 2001	As of March. 31 2002	**As of September. 30 2002**
Cash and cash equivalents at end of period	**¥ 76,559**	¥ 164,472	¥ 79,053	**$ 622,431**
Marketable securities	**337,313**	164,625	284,212	**2,742,382**
Liquidity in hand	**¥ 413,872**	¥ 329,097	¥ 363,265	**$ 3,364,813**

1.Summary of Significant Accounting Policies

(a) Nature of operations

Murata Manufacturing Co., Ltd. (the "Company") and subsidiaries (together the "Companies") are engaged in the development, manufacture and sale of electronic components in numerous countries, with Japan, North America and certain other Asian and European countries as its primary markets. The Companies' major product groups are ceramic capacitors, resistors, piezoelectric components, microwave devices and module products, which are sold mainly to electronics companies for use as components in telecommunication, computer, audio, video and other electronic products.

(b) Basis of financial statements

The consolidated financial statements, stated in Japanese yen, reflect certain adjustments, not recorded on the books of account, to present these statements in accordance with accounting principles generally accepted in the United States, except for the omission of certain segment information required by Statement of Financial Accounting Standards ("SFAS") No.131, "Disclosures about Segments of an Enterprise and Related Information", and except for the omission of certain disclosures not presented in these interim financial statements.

The principal adjustments to amounts recorded in the Companies' book of account include the measurement of net periodic cost for defined benefit retirement plans, the accrual of compensated absences, and the provision for deferred income taxes relating to these adjustments.

(c) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries. All significant intercompany items have been eliminated in consolidation.

(d) Cash and cash equivalents

In reporting cash flows, the Companies include time deposits in Japanese banks as cash equivalents. Such time deposits may be withdrawn on demand without diminution of principal.

(e) Marketable securities and investments

Under SFAS No.115, "Accounting for Certain Investments in Debt and Equity Securities," the Company classifies all its debt securities and marketable equity securities as available-for-sale and carries them at market 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 (See Note 3). The Companies review the fair value of their marketable securities and investments on a regular basis to determine if the fair value of any individual investment has declined below its cost and if such decline is other than temporary. Losses from other-than-temporary impairments in the value of marketable and nonmarketable securities, if any, are charged to income as incurred.

(f) Inventories

Inventories are stated at the lower of cost or market. The average cost method is used to determine costs for approximately 92% of the inventories, and the first-in, first-out (FIFO) method is used for substantially all other inventories.

(g) Property, plant and equipment

Property, plant and equipment is stated at cost. Depreciation of plant and equipment has been principally computed using the declining-balance method (straight-line method for certain overseas subsidiaries) based upon the estimated useful lives of the assets.

The range of useful lives is principally from 10 to 50 years for buildings and from 4 to 10 years for machinery and equipment.

(h) Termination and retirement benefits

Termination and retirement benefits are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions". The provision for termination and retirement benefits includes those for directors and corporate auditors of the Company.

(i) Revenue recognition

The Companies recognize revenue when persuasive evidence of an arrangement including title transfer exists, delivery has occurred, the sales price to the customer is fixed or determinable, and collectability is reasonably assured. These criteria are met for the Companies' products at the time when the product is shipped to the customer.

(j) Advertising expenses

Advertising costs are expensed as incurred. Advertising expenses for the six months ended September 30, 2002 and 2001 were ¥661 million ($5,374 thousand) and ¥661 million, respectively.

(k) Taxes on income

The companies follow the provisions of SFAS No.109, "Accounting for Income Taxes" to account for income taxes. Under SFAS No.109, deferred tax assets and liabilities are computed based on the differences between the financial statement and the income tax basis of assets and liabilities using the enacted tax rates. Deferred income tax expenses and credits are based on the change in the deferred tax assets and liabilities from period to period. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amounts expected to be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Provisions are made for taxes on unremitted earnings of all foreign subsidiaries as such earnings are not deemed to be permanently invested.

(l) Amounts per share

The Company accounts for its earnings per share in accordance with SFAS No. 128, "Earnings per Share". Diluted net income per share reflects the potential dilution from potential shares outstanding such as those related to the Company's convertible bonds. A reconciliation of the numerator and denominator of the basic and diluted net income per share computation is included in Note 4.

(m) Derivatives

The Companies follow the provision of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" and No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of FASB Statement No. 133." Both standards establish accounting and reporting standards for derivative instruments and for hedging activities, and require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

On the date the derivative contract is entered into, the Companies designate the derivative as a hedge of forecasted foreign currency cash flows. The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as foreign currency cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific forecasted transactions. The Companies consider all hedges to be highly effective in offsetting changes in cash flows of hedged items, because the currencies and terms of the derivatives correspond to those of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a foreign currency cash flow hedge are recorded in other comprehensive income (loss), until earnings are affected by the variability in cash flows of the designated hedged item.

The cumulative effect adjustment upon the adoption of SFAS No. 133 and No. 138, at April, 2001, net of the related income tax effect resulted in a decrease in net income of approximately ¥212 million and a decrease in other comprehensive income of approximately ¥395 million.

(n) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Stock-based Compensation

The Company follows the provisions of Accounting Principle Board Opinion (APB) No.25, “Accounting for Stock Issued to Employees”, which is permitted under SFAS No.123, “Accounting for Stock-Based Compensation”. Because the exercise price of employee stock options exceed the respective market value on the date of grant, the Company has not recognized any compensation expense.

(p) Shipping and Handling costs

Shipping and Handling costs which were included in selling, general and administrative expenses for the six months ended September 30, 2002 and 2001 were ¥1,767 million ($14,366 thousand) and ¥1,600 million, respectively.

(q) Consideration given by a vendor to a customer

On April 1, 2002, the Companies adopted Emerging issues Task Force (“EITF”) Issue No. 01-9, “Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor’s Products”. EITF No.01-9 defines the income statement classification of consideration given by a vendor to a customer or reseller of the Vendor’s products. The adoption results in a reduction in net sales and a corresponding decrease in selling, general and administrative expenses. The figures for previous years have not been reclassified because the adoption has no material effect on the consolidated statement of income.

(r) Impairment of Disposal of Long-Lived Assets

On April 1, 2002, the Companies adopted SFAS No.144, “Accounting for the Impairment or Disposal of Long-Lived Assets”. This statement applies to all long-lived assets (including discontinued operations) and it develops one accounting model for long-lived assets that are impaired or to be disposed. The effect of adopting this statement is not material to the consolidated financial statements.

(s) Reclassifications

Certain items in prior years’ financial statements have been reclassified to conform to the presentation for the six months ended September 30, 2002.

(t) New Accounting Standard

In June 2002, the Financial Accounting Standards Board (“FASB”) issued SFAS No.146, “Accounting for Costs Associated with Exit or Disposal Activities”. This statement requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value only when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The Companies believe that the adoption of this statement will have no effect on the financial statements.

2.Translation of Japanese Yen Statements to U.S. Dollar Statements

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for convenience and have been made at the rate of ¥123 to $1, the approximate free rate of exchange at September 30, 2002. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at the above or any other rate.

3. Marketable Securities and Investments

The cost, gross unrealized gains, gross unrealized losses and fair value for available-for-sale securities by major security type, including the effect of related foreign currency hedge transactions, at September 30, 2002 and 2001 were as follows:

	Millions of yen			
	2002			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	¥ 87,150	¥ 32	¥ 6	¥ 87,176
Private debt securities	250,327	403	593	250,137
Total	¥337,477	¥ 435	¥ 599	¥337,313
Non-current:				
Private debt securities	¥ 9	¥ –	¥ –	¥ 9
Equity securities	7,295	1,224	245	8,274
Total	¥ 7,304	¥1,224	245	¥ 8,283

	Millions of yen			
	2001			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	¥ 5,186	¥ 17	¥ 0	¥ 5,203
Private debt securities	159,354	489	421	159,422
Total	¥164,540	¥ 506	¥ 421	¥164,625
Non-current:				
Private debt securities	¥ 20	¥ –	¥ 10	¥ 10
Equity securities	10,324	1,483	1,753	10,054
Total	¥ 10,344	¥1,483	¥1,763	¥ 10,064

	Thousands of U.S. dollars			
	2002			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current:				
Governmental debt securities	$ 708,536	$ 261	$ 49	$ 708,748
Private debt securities	2,035,179	3,276	4,821	2,033,634
Total	$2,743,715	$ 3,537	$ 4,870	$2,742,382
Non-current:				
Private debt securities	$ 73	$ –	$ –	$ 73
Equity securities	59,309	9,951	1,992	67,268
Total	$ 59,382	$ 9,951	$ 1,992	$ 67,341

Contractual maturities of debt securities as of Sptember 30, 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Cost	Fair Value	Cost	Fair Value
Within one year	¥216,379	¥216,392	$1,759,179	$1,759,285
After one year through five years	106,341	106,505	864,561	865,894
After five years	14,766	14,425	120,048	117,276
Total	¥337,486	¥337,322	$2,743,788	$2,742,455

Sales of available-for-sale securities were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	2002
Proceeds from sales	¥ 5	¥ 504	$ 41
Gross realized gains	0	4	0
Gross realized losses	–	–	–

4. Income taxes

Current income tax expense for the period ended September 30, 2002 includes an income tax refund of ¥1,583 million ($12,870). In the year ended March 31, 1999, the Company paid amounts totaling ¥8,250 million to the Japanese National Tax Authority ("JNTA") and other foreign tax jurisdictions based on their examination of the Company's transfer prices charged for sales of products to the Company's subsidiaries outside of Japan in the years ended March 31, 1992 through 1996. Subsequently, the Company filed a claim for review to the Japanese National Tax Tribunal. In the period ended September, 30, 2002, this matter was partially resolved resulting in the above-mentioned refund.

5. Amounts per Share

A reconciliation of the basic and diluted net income per share computation is as follows:

Stock options to purchase 72,700 shares for this semiannual period were not dilutive and, therefore, were not included in the computations of diluted net income per share.

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Income before cumulative effect of a change in accounting principle	**¥19,003**	¥18,848	**$154,496**
Effect of dilutive securities 1.8% convertible debentures	**–**	15	**–**
Diluted income before cumulative effect of a change in accounting principle	**¥19,003**	¥18,863	**$154,496**

	Numbers of shares	
	2002	2001
Average common shares outstanding	**243,815,853**	242,844,769
Dilutive effect of 1.8% convertible debentures	**–**	1,419,592
Diluted common shares outstanding	**243,815,853**	244,264,361

	Yen		U.S. dollars
	2002	2001	**2002**
Income before cumulative effect of a change in accounting principle per share:			
Basic	**¥ 77.94**	¥ 77.61	**$ 0.63**
Diluted	**77.94**	77.22	**0.63**

6. Commitments and contingent liabilities

Outstanding commitments at September 30, 2002 and 2001 for the purchase of raw materials and property, plant and equipment approximated ¥2,564 million ($20,846 thousand) and ¥10,623 million, respectively. At September 30, 2002 and 2001 the Company was contingently liable for trade accounts receivable discounted and transferred to banks of ¥317 million ($2,577 thousand) and ¥423 million, respectively, which were accounted for as sales when transferred.

7. Financial Instruments and Concentration of Credit Risk

In the normal course of business, the Companies invest in various financial assets and incur various financial liabilities. The fair value estimates of financial instruments presented below are not necessarily indicative of the amounts the Companies might pay or receive from actual market transactions. The Companies had the following financial assets and liabilities at September 30, 2002 and 2001 :

Financial assets and liabilities

(1) Cash and cash equivalents, notes and accounts receivable, short-term borrowings and notes and accounts payable

Fair value approximates carrying amounts indicated on the balance sheets at September 30, 2002 and 2001.

(2) Marketable securities

Fair value is primarily based on quoted market prices or estimated using discounted cash flow analysis, based on the market interest rates currently available to the Companies for instruments with similar terms and maturities. The fair values of marketable securities are presented in Note 3.

(3) Investments, long-term receivables, advances and other assets

Fair value is primarily based on quoted market prices or dealer quotes for the same or similar instruments. The fair values of applicable investments, long-term receivables, advances and other assets at September 30, 2002 and 2001 totaled ¥15,214 million ($123,691 thousand) and 16,074 million compared with carrying amounts of ¥15,198 million ($123,561 thousand) and 16,127 million, respectively.

(4) Long-term debt, including debt within one year

Fair value is primarily based on quoted market prices or estimated using discounted cash flow analysis, based on the borrowing rates currently available to Companies for bank loans with similar terms and maturities. The fair values of long-term debt, including debt due within one year, at September 30, 2002 and 2001 totaled ¥67 million ($545 thousand) and ¥11,009 million, compared with carrying amounts of ¥67 million ($545 thousand) and ¥3,999 million, respectively.

Forward Exchange Contracts

The Companies had ¥4,781 million ($38,870 thousand) and ¥5,438 million in notional amounts of forward exchange contracts outstanding as of September 30, 2002 and 2001, respectively, in order to hedge the foreign currency risk of various intercompany supply contracts, foreign currency denominated securities, accounts receivable, accounts payable and short-term bank borrowings, which transactions are expected to occur within the next three months.

The estimated fair values of the Companies' forward exchange contracts equal the carrying amounts indicated in the balance sheets at September 30, 2002 and 2001, respectively.

Changes in the fair value of forward exchange contracts designated and qualifying as cash flow hedges are reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings through other income (expenses) in the same period that the hedged items affect earnings. Most reclassifications occur when the products related to hedged transaction are sold from overseas subsidiaries to their customers. Substantially all unrealized losses on derivatives included in accumulated other comprehensive income (loss) at the end of the period are expected to be recognized in earnings within the following three months.

The exposure to credit risk is minimal since the counterparties are major financial institutions. The Companies do not anticipate nonperformance by any of the counterparties. The gains or losses arising from these contracts are applied to offset gains or losses on related hedged assets, liabilities or future commitments.

Concentration of credit risk

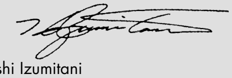
A significant portion of the Companies' sales is dependent upon and concentrated in the electronics and communication industry. The Companies generally extend credit to its customers, therefore, collection of receivables is affected by the electronics and communication industry. However, the Companies closely monitor extensions of credit and have never experienced significant credit losses.

8. Subsequent Events

The Board of Directors of the Company resolved in November 2002 the payment of a cash dividend of ¥25.0 ($0.20) per share or a total of ¥6,058 million ($49,252 thousand) to shareholders of record as of September 30, 2002.

Certificate by Chief Financial Officer

I, Hiroshi Izumitani as chief financial officer of the Company do hereby certify, to the best of my knowledge and after reasonable investigation, that, in my opinion, the consolidated balance sheets as of September 30, 2002, and the related consolidated statements of income and retained earnings and cash flows for the six months then ended present fairly the financial position of the Company and consolidated subsidiaries as of September 30, 2002, and the results of their operations and the changes in their cash flows for the six months then ended.



Hiroshi Izumitani
Corporate Executive Vice President
Statutory Representative Director
Member of the Board of Directors

Company Data (Murata Manufacturing Co., Ltd.)

Date of Incorporation: December 23, 1950

Head Office:
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617-8555 Japan
Phone: (075) 955-6502

Internet URL: http://www. murata. co. jp/

Common stock: ¥69,377 million

Number of Issued Shares: 244,263 thousand

Number of Shareholders: 90,007

Number of Employees (Consolidated): 27,263

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

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