

# Earnings Release Conference Second Quarter of FY2018 (July 1, 2018 to September 30, 2018)

October 31, 2018

Murata Manufacturing Co., Ltd.



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

# 1. Second Quarter of FY2018

From July 1, 2018 to September 30, 2018  
Consolidated Basis

# Topics of Financial Results for FY2018 Second Quarter

---

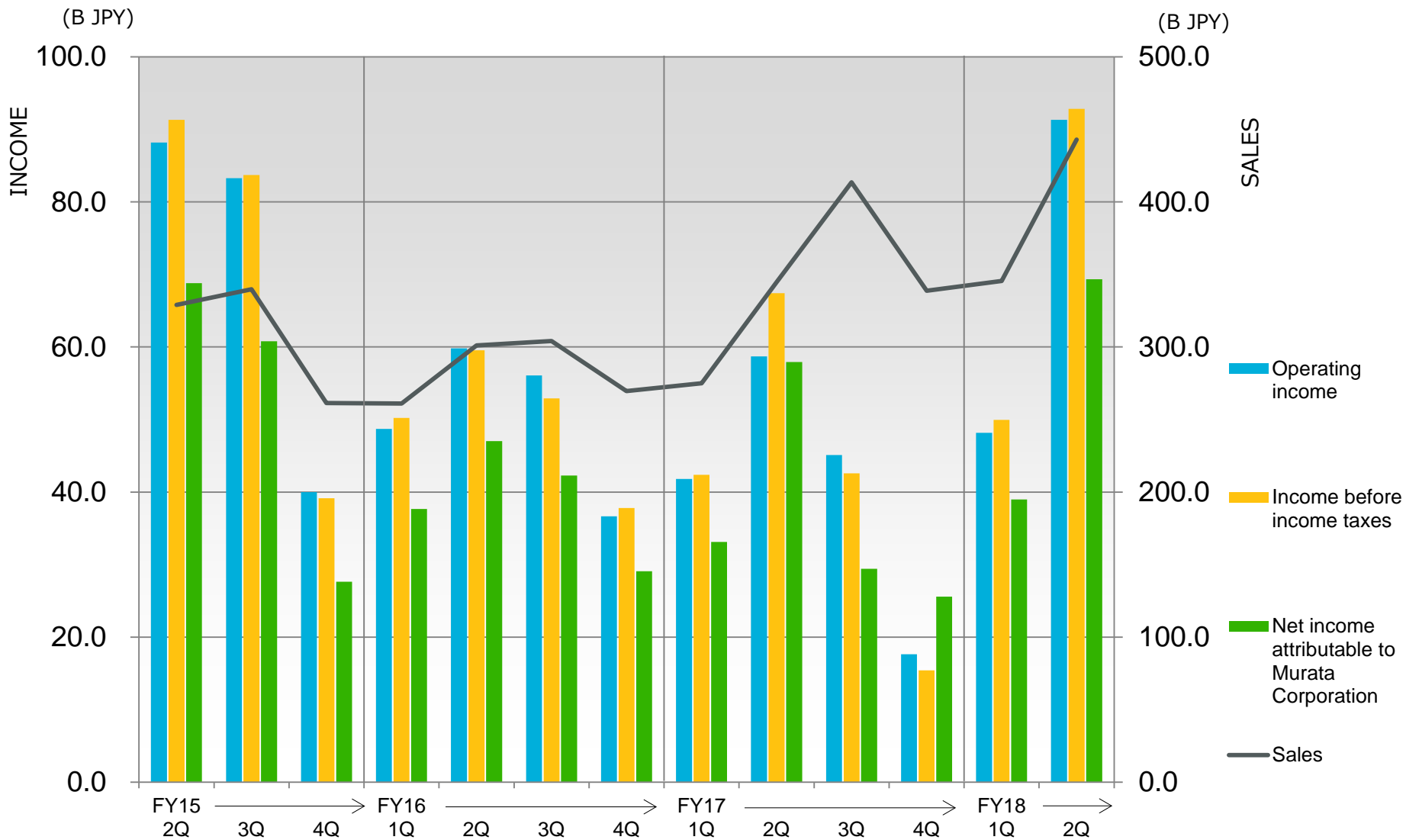
- In Q2, net sales surpassed the target since components and modules for new smartphone models were successful.
- Net sales for H1 posted 27% growth year-on-year. Components, and in particular capacitors, generated higher demand in many applications such as car electronics and smartphones.
- Both net sales for Q2 and H1 were the highest ever.

# Topics of Financial Results for FY2018 Second Quarter

---

- For H1, operating income posted a 39% year-on-year increase due to a production increase resulting from growth in demand mainly for capacitors, as well as effects of cost reduction. Operating income ratio rose by 1.5 percentage points to 17.7%.
- Demand remains expected to be strong, in particular for components. Murata revises its full-year performance forecasts by reviewing outlooks for exchange rate and component demand. Operating income will likely be 275.0 billion yen.

# Quarterly Financial Results

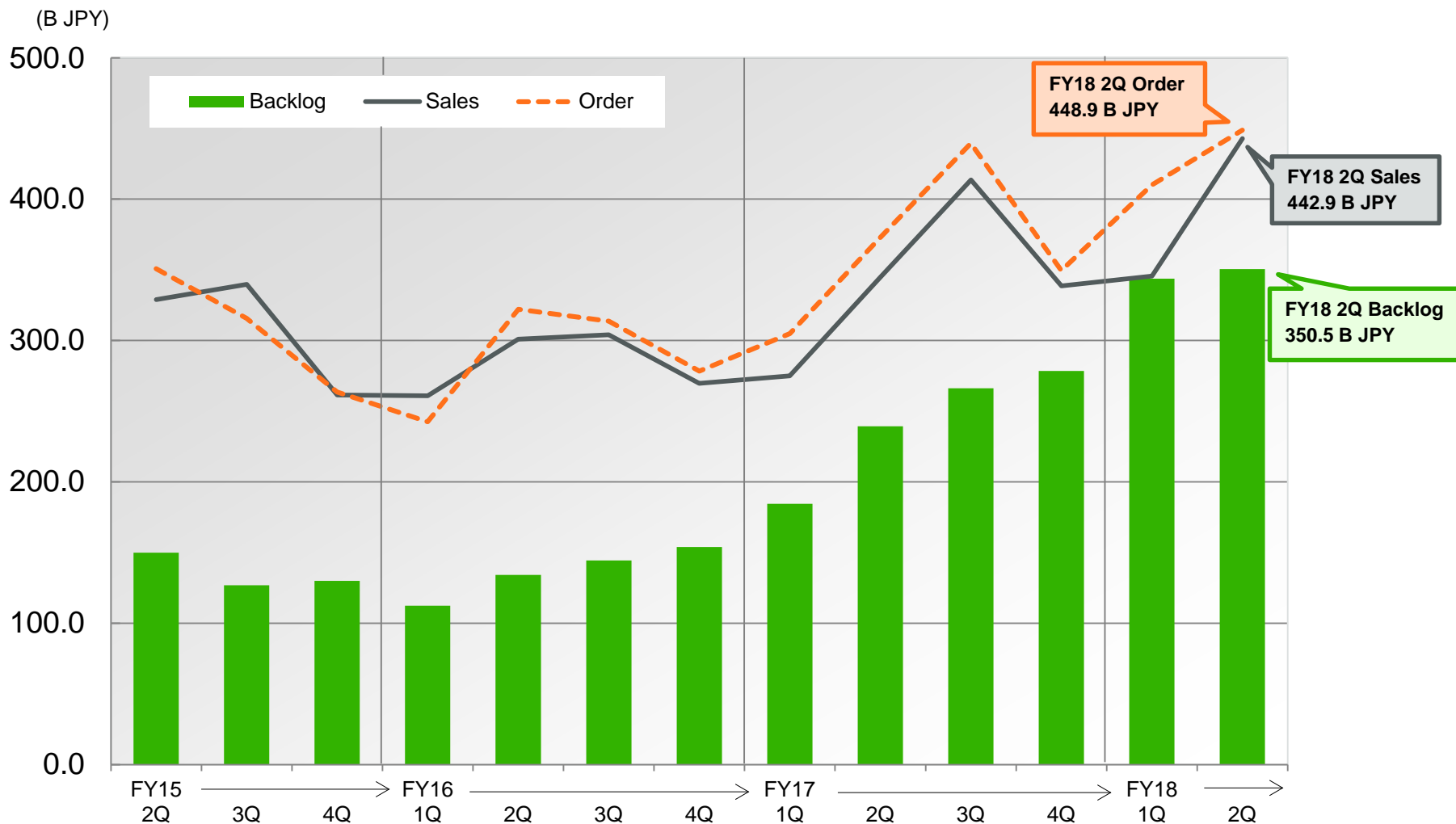


# Financial Results Overview

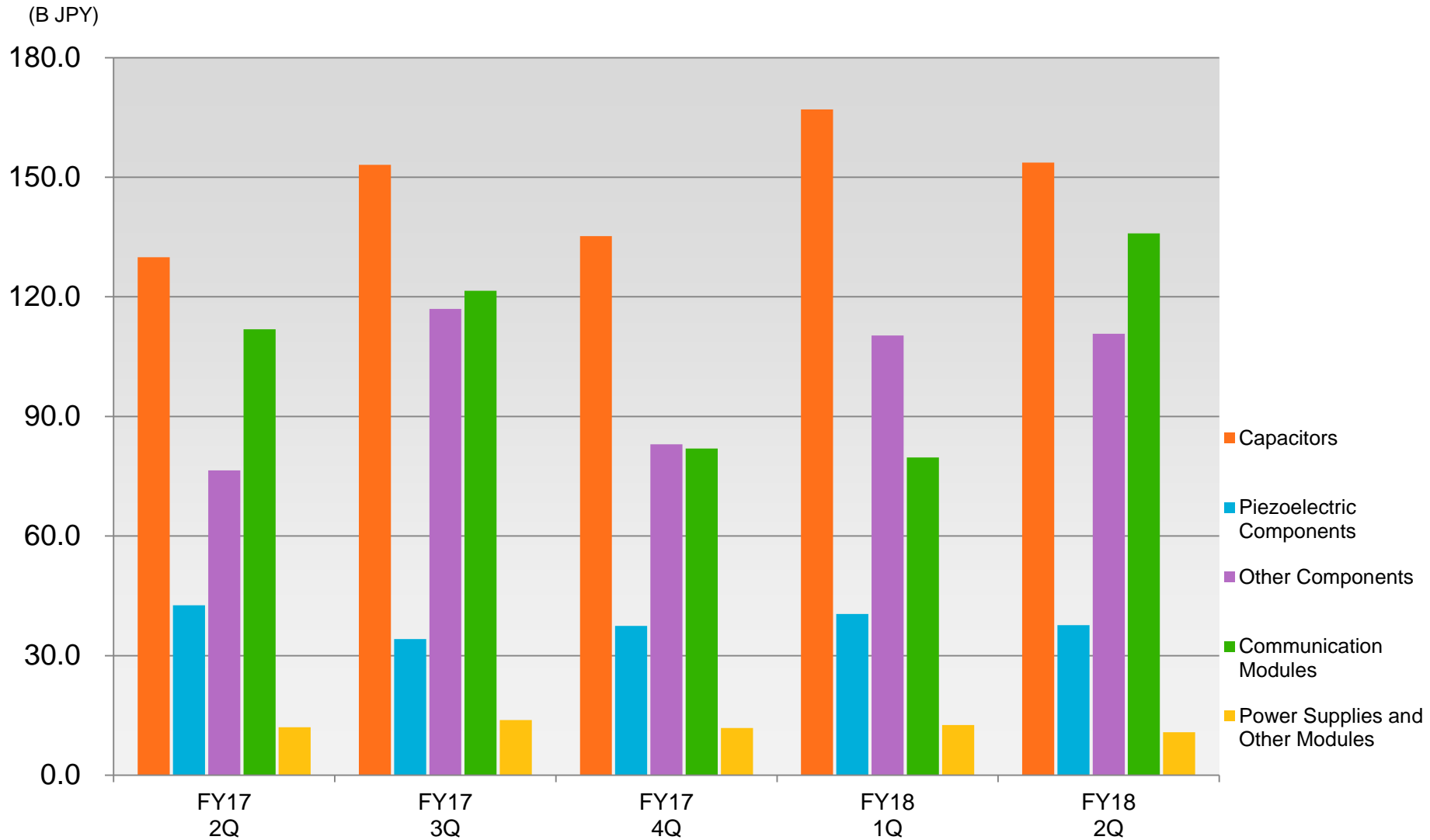
	FY2017 First Half		FY2018				Q on Q Change		Y on Y Change			
	(a)	(b)	1Q		2Q		(d)		(c) vs. (b)		(d) vs. (a)	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Net sales	619.6	100.0	345.5	100.0	442.9	100.0	788.4	100.0	+97.4	+28.2	+168.8	+27.2
Operating income	100.5	16.2	48.2	13.9	91.3	20.6	139.4	17.7	+43.1	+89.6	+38.9	+38.7
Income before income taxes	109.8	17.7	49.9	14.5	92.8	21.0	142.8	18.1	+42.9	+85.9	+33.0	+30.0
Net income attributable to Murata Corporation	91.1	14.7	39.0	11.3	69.3	15.7	108.3	13.7	+30.3	+77.8	+17.2	+18.9

Average exchange rates Yen/US dollar	111.07	109.07	111.46	110.27
---	--------	--------	--------	--------

# Quarterly Sales, Order and Backlog



# Orders by Product





# Sales by Product

	FY2017 First Half		FY2018 First Half				Q on Q Change		Y on Y Change	
	(a)	(%)	(b)	(c)	(d)	(%)	(c) vs. (b)	(%)	(d) vs. (a)	(%)
Capacitors	(B JPY) 209.0	33.8	(B JPY) 126.5	(B JPY) 147.2	(B JPY) 273.7	34.8	+20.7	+16.3	(B JPY) +64.6	(%) +30.9
Piezoelectric Components	78.5	12.7	38.1	38.5	76.6	9.7	+0.4	+1.1	(2.0 )	(2.5 )
Other Components	127.7	20.7	93.8	108.3	202.1	25.7	+14.5	+15.5	+74.4	+58.3
Communication Modules	178.3	28.8	75.2	137.1	212.3	27.0	+61.9	+82.3	+34.0	+19.0
Power Supplies and Other Modules	24.6	4.0	11.3	11.1	22.3	2.8	(0.2 )	(1.4 )	(2.3 )	(9.2 )
Net sales	618.2	100.0	344.8	442.1	786.9	100.0	+97.3	+28.2	+168.7	+27.3

# Sales by Product FY18 First Half vs. FY17 First Half

<p>Capacitors +30.9%</p>	<p><b>Multilayer ceramic capacitors :</b> Sharp increase due to success sales of products for a broad range of applications such as car electronics, smartphones, and PCs.</p>
<p>Piezoelectric Components (2.5%)</p>	<p><b>SAW filters :</b> Sales fell due to a sales downturn and price reductions in high-value-added products for smartphones.</p>
<p>Other Components +58.3%</p>	<p><b>Lithium Ion Batteries :</b> Net sales first recognized in September 2017.</p> <p><b>EMI (electro-magnetic interference) suppression filters :</b> Growth for products for car electronics and smartphones.</p> <p><b>Inductors (coil) :</b> Reduction in the sale of products for smartphones.</p>
<p>Communication Modules +19.0%</p>	<p><b>Multilayer resin substrates / RF sub modules :</b> Growth for products used in new models of high-end smartphones.</p> <p><b>Wireless modules :</b> Lower sales due to a reduction in the production of high-end smartphones and tablet PCs featuring Murata components.</p>
<p>Power Supplies and Other Modules (9.2%)</p>	<p><b>Power Supplies :</b> Sales for office-automation equipment decreased.</p>

# Sales by Product

## FY18 Second Quarter vs. FY18 First Quarter

<p>Capacitors +16.3%</p>	<p><b>Multilayer ceramic Capacitors :</b> Small large-capacity products for many applications such as smartphones and PCs increased sales, while products for car electronics sold steadily.</p>
<p>Piezoelectric Components +1.1%</p>	<p><b>SAW filters :</b> Successful due to an increase in the production of Chinese smartphones.</p>
<p>Other Components +15.5%</p>	<p><b>Lithium Ion Batteries :</b> Laminated products for smartphones, tablet PCs, and game consoles saw increased sales Cylindrical products for home electrical appliances had higher sales.</p> <p><b>Inductors (Coil) :</b> Products for smartphones saw increased sales.</p> <p><b>Connectors :</b> Growth for products used in high-end smartphones.</p>
<p>Communication Modules +82.3%</p>	<p><b>Multilayer resin substrates / Wireless modules / RF sub modules :</b> Significant growth for products used in new models of high-end smartphones.</p>
<p>Power Supplies and Other Modules (1.4%)</p>	<p><b>Power Supplies :</b> Sales for office-automation equipment decreased.</p>

# Sales by Application

	FY2017 First Half		FY2018 First Half				Q on Q Change		Y on Y Change	
	(a)	(%)	(b)	(c)	(d)	(%)	(c) vs. (b)	(%)	(d) vs. (a)	(%)
AV	(B JPY) 30.9	(%) 5.0	(B JPY) 17.3	(B JPY) 19.7	(B JPY) 37.0	(%) 4.7	(B JPY) +2.4	(%) +13.9	(B JPY) +6.1	(%) +19.6
Communication	326.7	52.8	157.4	235.5	392.8	49.9	+78.1	+49.6	+66.2	+20.3
Computers and Peripherals	98.3	15.9	56.4	65.3	121.8	15.5	+8.9	+15.8	+23.4	+23.8
Automotive Electronics	92.1	14.9	59.6	63.0	122.6	15.6	+3.4	+5.7	+30.5	+33.1
Home Electronics and Others	70.1	11.4	54.1	58.6	112.7	14.3	+4.5	+8.3	+42.6	+60.7
Net sales	618.2	100.0	344.8	442.1	786.9	100.0	+97.3	+28.2	+168.7	+27.3

\*Based on our estimate

# Sales by Application FY18 First Half vs. FY17 First Half

<p>AV +19.6%</p>	<p>Increased sales of lithium-ion secondary batteries for digital cameras.</p>
<p>Communication +20.3%</p>	<p>Multilayer resin substrates and small large-capacity capacitors for high-end smartphones grew sharply.</p> <p>Higher sales of lithium-ion secondary batteries for smartphones.</p> <p>Growth for medium/high-voltage capacitors for base stations.</p> <p>Lower sales of short-range wireless communication modules and SAW filters for smartphones due to a reduction in the production of phones featuring Murata products.</p>
<p>Computers and Peripherals +23.8%</p>	<p>Increased sales of lithium-ion secondary batteries and small large-capacity capacitors for PCs.</p> <p>Large-capacity capacitors for servers increased sales.</p> <p>Weaker sales of power supply modules for office automation equipment.</p>
<p>Automotive Electronics +33.1%</p>	<p>Sales of MLCCs for automotive increased thanks to advanced automotive electrification.</p> <p>Increased sales of lithium-ion secondary batteries for electric bicycles.</p>

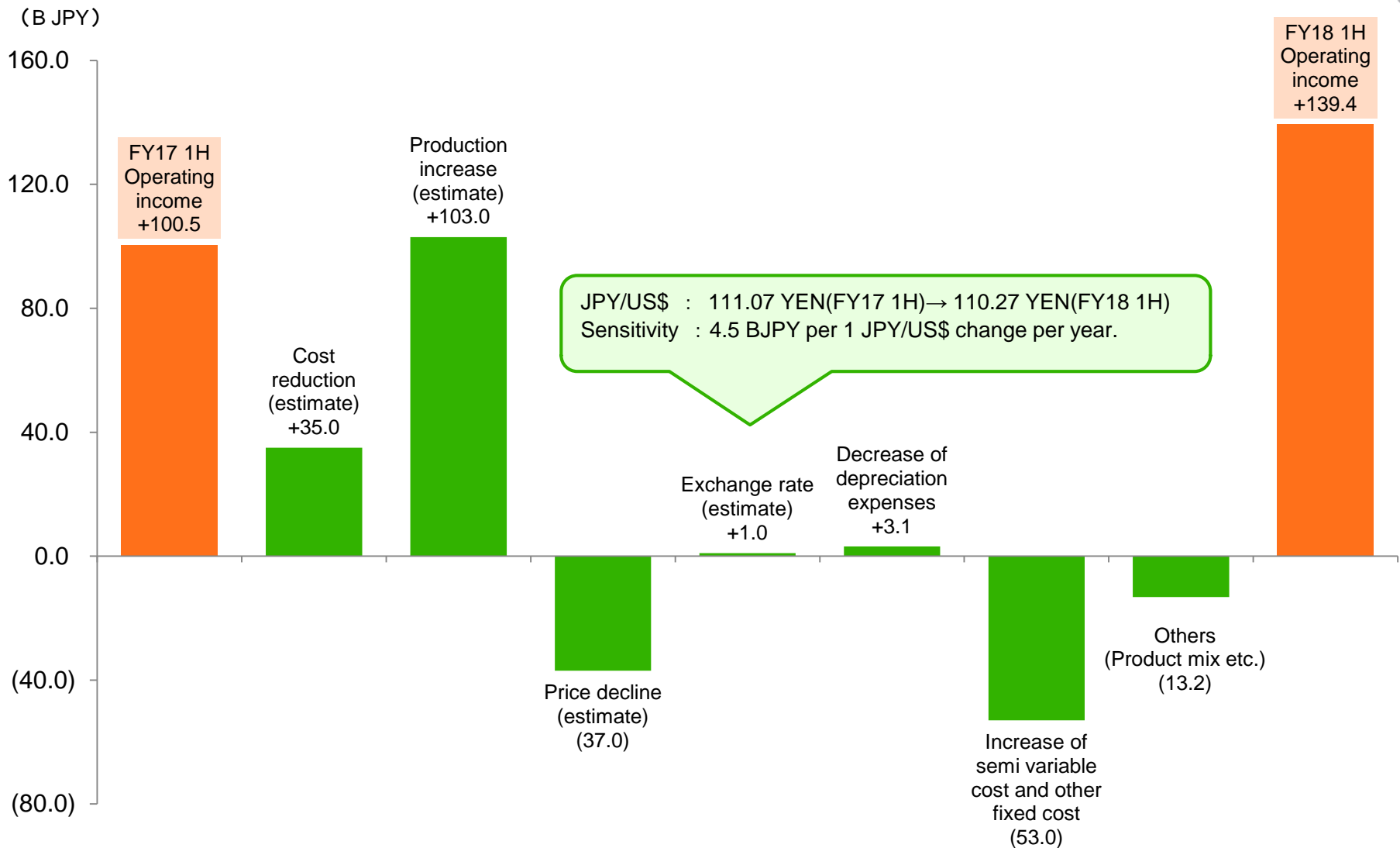
\*Based on our estimate

# Sales by Application FY18 Second Quarter vs. FY18 First Quarter

<p>AV +13.9%</p>	<p>Short-range wireless communication modules for set-top boxes had higher sales.</p> <p>Increased sales of lithium-ion secondary batteries for digital cameras.</p>
<p>Communication +49.6%</p>	<p>High growth for multilayer resin substrates, short-range wireless communication modules, RF sub modules, capacitors, and connectors for new models of high-end smartphones.</p> <p>SAW filters for Chinese smartphones grew.</p>
<p>Computers and Peripherals +15.8%</p>	<p>Increased sales of capacitors, short-range wireless communication modules, and lithium-ion secondary batteries for tablet and notebook PCs.</p>
<p>Automotive Electronics +5.7%</p>	<p>Progress in electrification resulted in higher sales of in-vehicle capacitors.</p> <p>Increased sales of lithium-ion secondary batteries for electric bicycles.</p>

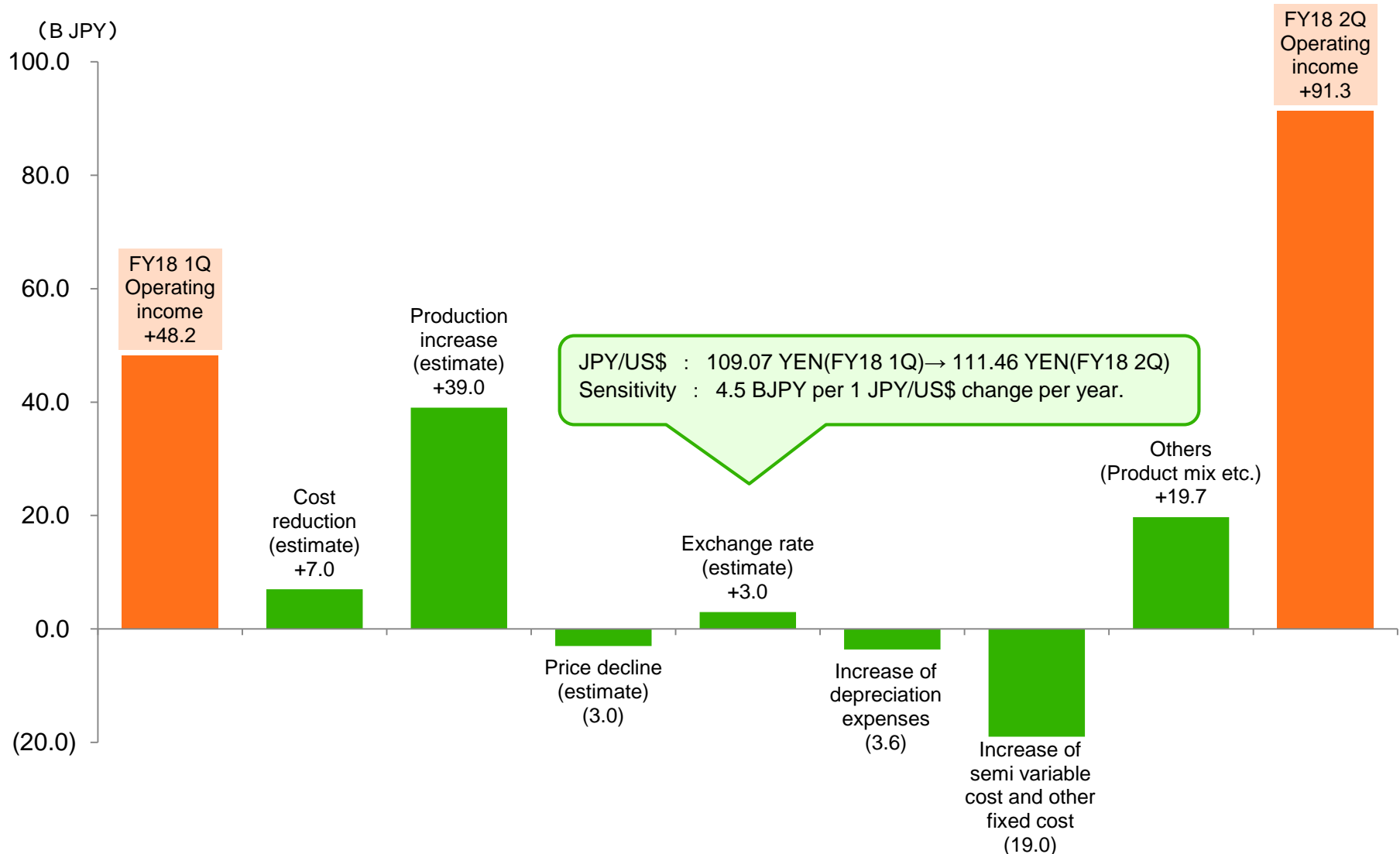
\*Based on our estimate

# Breakdown of Operating Income Changes FY17 First Half to FY18 First Half



\*The new depreciation and amortization method will generate a gain of 19.0 billion yen.

# Breakdown of Operating Income Changes FY18 First Quarter to FY18 Second Quarter









## 2. Projected Financial Results for FY2018

(From April 2018 to March 2019)

# Projection of Demand (Communication)

	FY2017		FY2018 Projection		
<b>Mobile Phones Total (units)</b>	<b>1,710 M</b>	→	<b>1,690 M</b>	<b>(1%)</b>	
2G/3G	510 M	→	390 M	<b>(23%)</b>	
LTE	1,200 M	→	1,300 M	<b>+8%</b>	
Smartphones	1,460 M	→	1,470 M	<b>+1%</b>	

# Projection of Demand (PC)

	FY2017		FY2018 Projection		
PCs (units)	420 M	→	420 M	Flat	→
Desktop	100 M	→	100 M	Flat	→
Notebook	160 M	→	160 M	Flat	→
Tablet	160 M	→	150 M	Flat	→

# Projected Sales by Product

	FY2018 Projections (Growth Ratio against FY2017)	FY2018 Second Half Projections (Growth Ratio against First Half)
Capacitors	+29%	+13%
Piezoelectric Components	(4%)	(9%)
Other Components	+27%	+3%
Communication Modules	+10%	+5%
Power Supplies and Other Modules	(14%)	(13%)
Total	+18%	+5%

# Projected Sales by Application

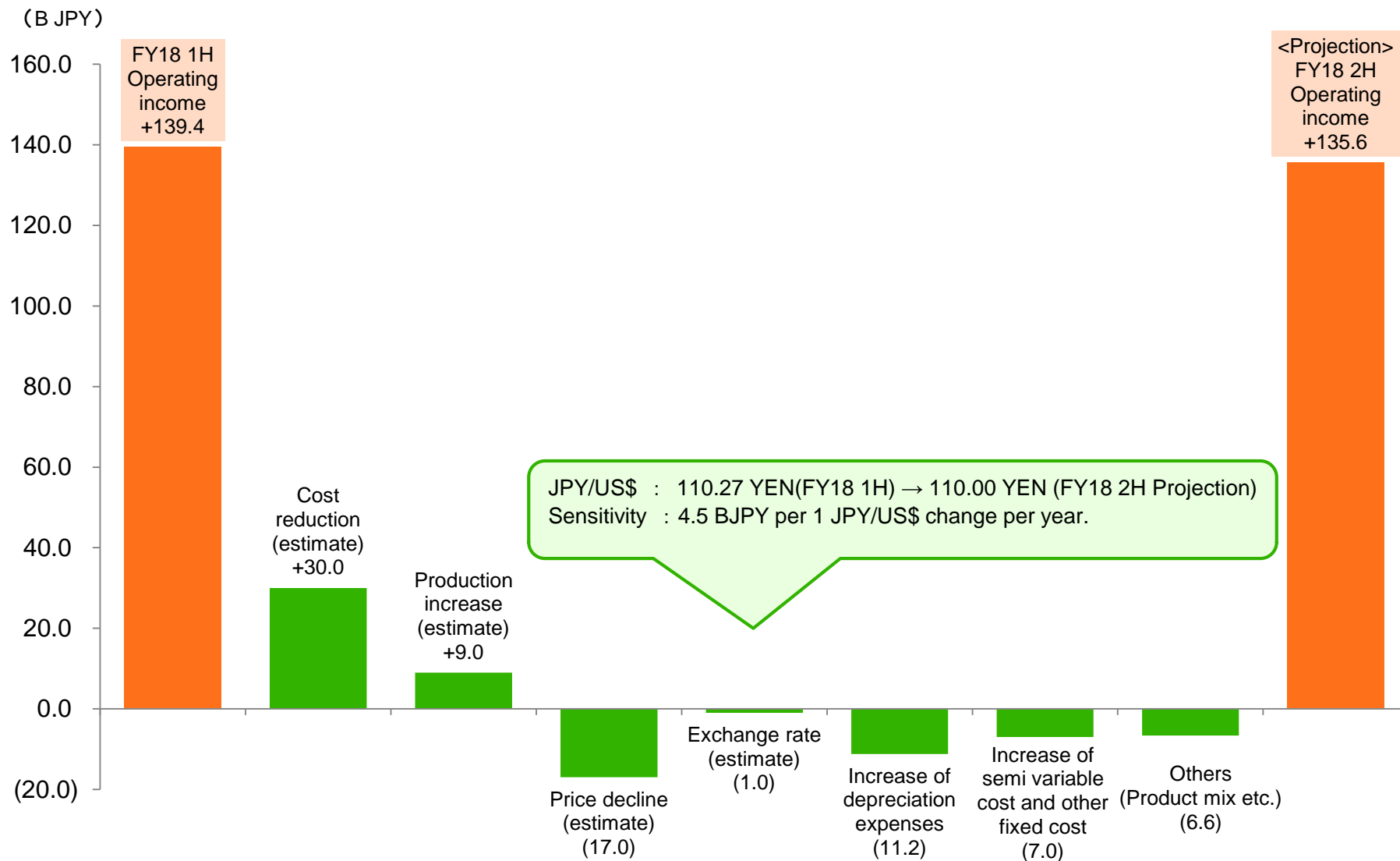
	FY2018 Projections (Growth Ratio against FY2017)	FY2018 Second Half Projections (Growth Ratio against First Half)
AV	+10%	(2%)
Communication	+13%	+7%
Computers and Peripherals	+17%	(6%)
Automotive Electronics	+32%	+16%
Home Electronics and Others	+27%	+3%
Total	+18%	+5%

\*Based on our estimate

# Projected Financial Results for FY2018

	Previous (April 2018)			Revised (October 2018)					
	1st Half	2nd Half	FY2018 Projections	First Half Results		Second Half Projections		FY2018 Projections	
				(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Net sales	753.0	822.0	1,575.0	788.4	100.0	831.6	100.0	1,620.0	100.0
Operating income	119.0	121.0	240.0	139.4	17.7	135.6	16.3	275.0	17.0
Income before income taxes	120.0	122.0	242.0	142.8	18.1	137.2	16.5	280.0	17.3
Net income attributable to Murata Corporation	89.0	91.0	180.0	108.3	13.7	101.7	12.2	210.0	13.0
Average exchange rates Yen/US dollar	105.00			110.27		110.00		110.14	

# Breakdown of Operating Income Changes FY18 First Half to FY18 Second Half Projection



# Projected Financial Results for FY2018

	FY2018 First Half Results	FY2018 Second Half Projections	FY2018 Projections
Depreciation and amortization	57.4 B JPY	68.6 B JPY	126.0 B JPY
R & D expenses	50.3 B JPY	49.7 B JPY	100.0 B JPY
Capital expenditures	156.4 B JPY	183.6 B JPY	340.0 B JPY
Average exchange rate (JPY/USD)	110.27	110.00	
Average exchange rate (JPY/EUR)	129.84	130.00	

\*The new depreciation and amortization method will generate a gain of 48.0 billion yen per year.



# Dividends per Share

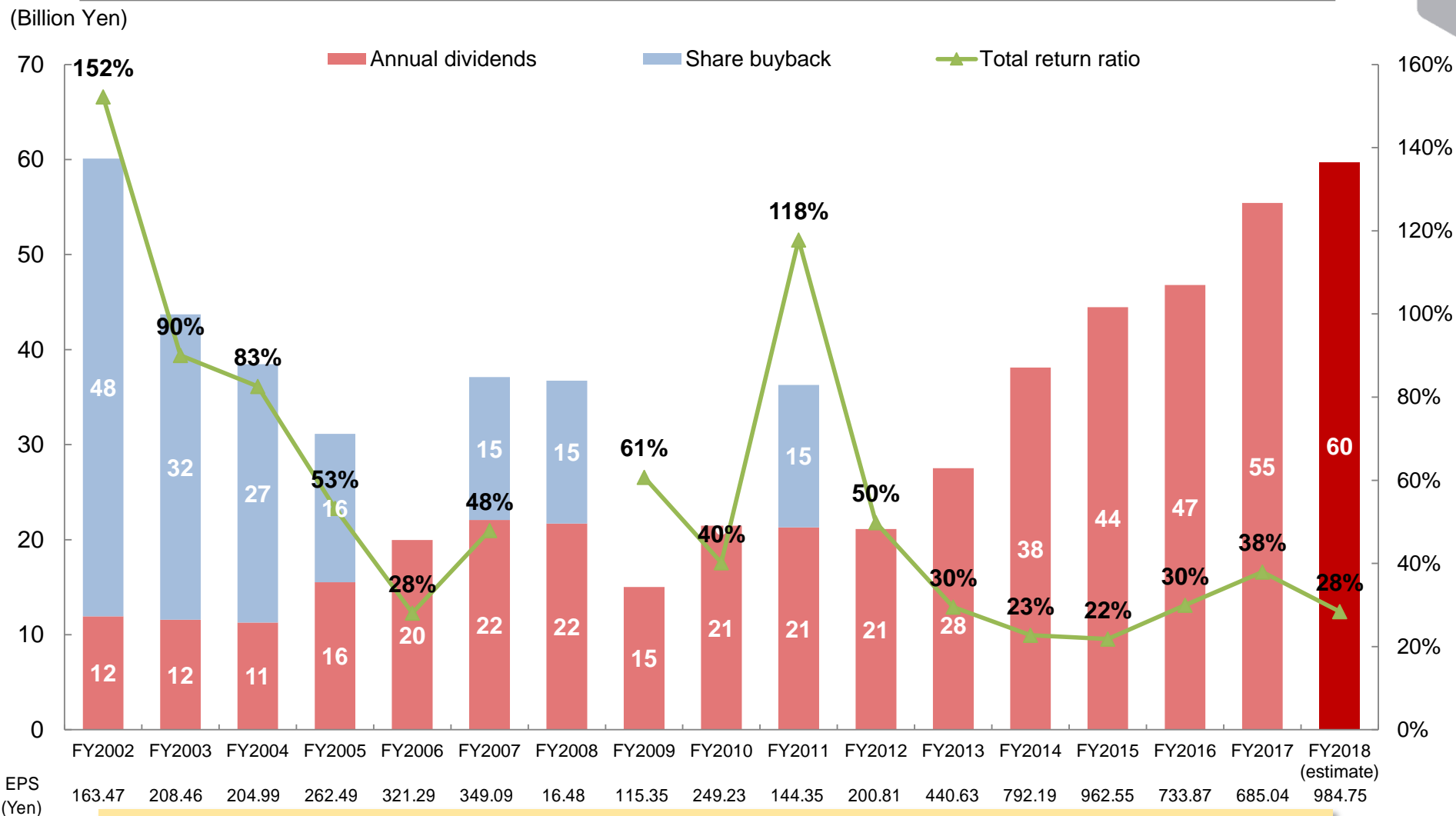
---

FY2018 projected annual dividends per share  
280 JPY per share  
(Interim: 140 JPY per share, Year-end: 140 JPY per share)  
\*20 yen increase of year-end dividend per share

FY2017 annual dividends per share  
260 JPY per share  
(Interim: 130 JPY per share, Year-end: 130 JPY per share)

Note: The above projections are based on our view of the current business environment and our projections for FY2018.

# 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

