

# Consolidated Financial Statements and Auditor's Report

Year Ended March 31, 2019

# Index

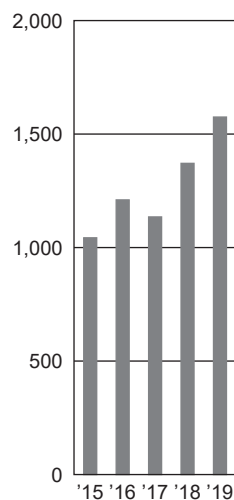
Financial Data Section	01	Financial Data
	02	Productions, Orders, Backlogs, and Sales by Product
	03	Capital Expenditures
	04	Consolidated Balance Sheets
	06	Consolidated Statements of Income
	06	Consolidated Statements of Comprehensive Income
	07	Consolidated Statements of Shareholders' Equity
	08	Consolidated Statements of Cash Flows
	09	Notes to Consolidated Financial Statements
	45	Independent Auditors' Report
Internal Control Section	47	Internal Control Section
	48	Management's Report on Internal Control
	49	Independent Auditors' Report

# Financial Data

Murata Manufacturing Co., Ltd. and Subsidiaries  
Years ended March 31, 2015–2019

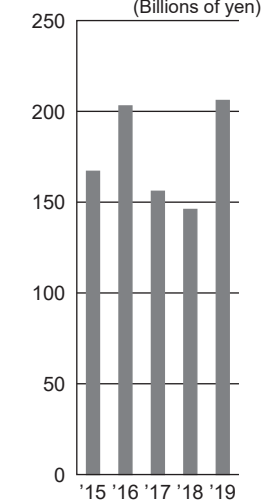
## Net sales

(Billions of yen)



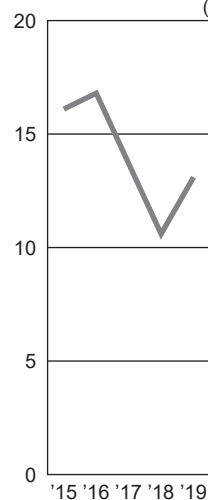
## Net income attributable to Murata Corporation

(Billions of yen)



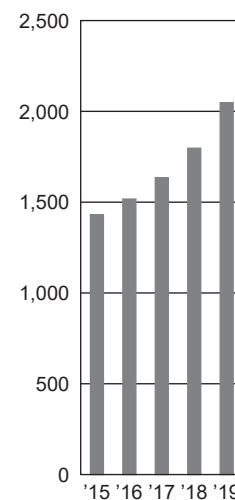
## Net income attributable to Murata Corporation / Net sales

(%)



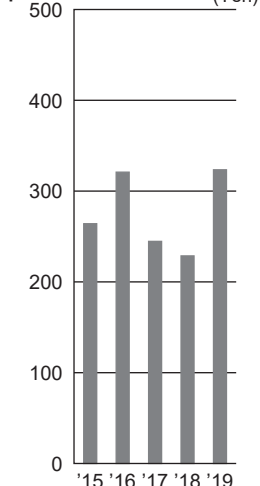
## Total assets

(Billions of yen)



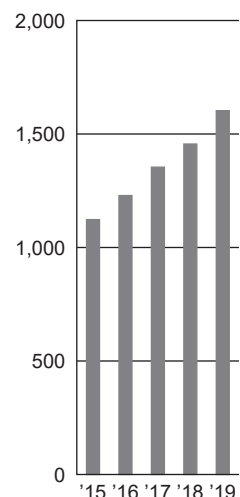
## Basic earnings attributable to Murata Corporation per share<sup>1</sup>

(Yen)



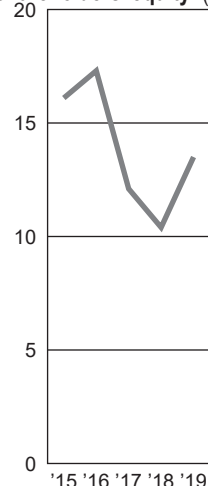
## Shareholders' equity

(Billions of yen)



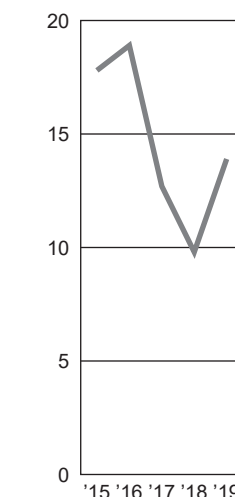
## Net income attributable to Murata Corporation / Shareholders' equity

(%)



## Income before income taxes / Total assets

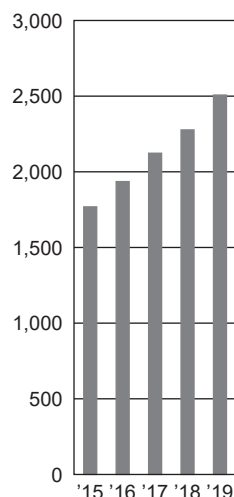
(%)



\*1 Based on the average number of common shares outstanding. The Company executed a three-for-one common stock split, effective April 1, 2019. Basic earnings attributable to Murata Corporation per share were calculated as if the relevant stock split were executed at the beginning of the previous consolidated fiscal year ended March 31, 2015. There are no potential dilutive securities.

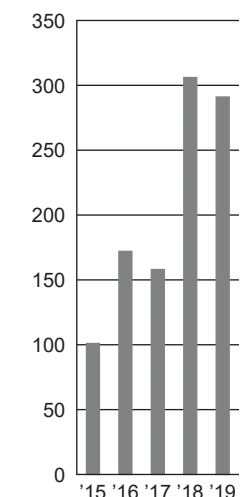
## Shareholders' equity per share<sup>2</sup>

(Yen)



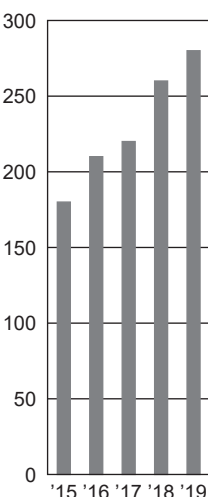
## Capital expenditures

(Billions of yen)



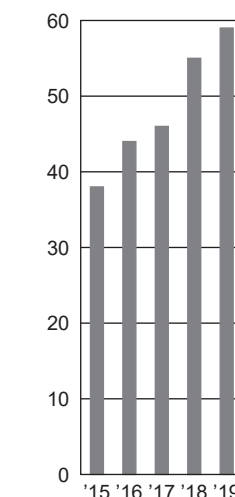
## Cash dividends per share<sup>3</sup>

(Yen)



## Total return<sup>4</sup>

(Billions of yen)



\*2 Based on the number of common shares outstanding at term-end. The Company executed a three-for-one common stock split, effective April 1, 2019. Shareholders' equity per share was calculated as if the relevant stock split were executed at the beginning of the previous consolidated fiscal year ended March 31, 2015.

\*3 The Company executed a three-for-one common stock split, effective April 1, 2019. Cash dividends per share for the years ended March 31, 2015 through March 31, 2019 are actual amounts paid prior to the relevant stock split.

\*4 Total of dividend payments and share buyback.

# Productions, Orders, Backlogs, and Sales by Product

Murata Manufacturing Co., Ltd. and Subsidiaries  
Year ended March 31, 2019

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
2019				
<b>Productions by Product</b>		%	%	
Capacitors .....	¥ 676,132	40.1	43.2	\$ 6,091,280
Piezoelectric Components .....	140,541	8.4	(7.9)	1,266,135
Other Components .....	399,740	23.7	16.3	3,601,261
Components Total .....	1,216,413	72.2	25.6	10,958,676
Communication Modules .....	428,590	25.4	5.1	3,861,171
Power Supplies and Other Modules .....	40,786	2.4	(15.0)	367,441
Modules Total .....	469,376	27.8	3.0	4,228,612
Total .....	¥1,685,789	100.0	18.4	\$15,187,288

\*1 Figures in the tables for each product are based on sales price to customers.

\*2 Exclusive of consumption taxes on the tables by product.

\*3 The tables by product indicate productions, orders, backlogs, and sales of electronic components and related products.

\*4 Capacitors' production for this year increased drastically compared to the previous year. This is because of the increased demand for smartphones and automotive electronics.

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
2019				
<b>Orders by Product</b>		%	%	
Capacitors .....	¥ 550,421	35.5	2.7	\$ 4,958,748
Piezoelectric Components .....	135,578	8.8	(11.5)	1,221,423
Other Components .....	389,925	25.2	16.0	3,512,838
Components Total .....	1,075,924	69.5	5.0	9,693,009
Communication Modules .....	431,688	27.9	10.5	3,889,081
Power Supplies and Other Modules .....	40,881	2.6	(19.6)	368,297
Modules Total .....	472,569	30.5	7.0	4,257,378
Total .....	¥1,548,493	100.0	5.6	\$13,950,387

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
2019				
<b>Backlogs by Product</b>		%	%	
Capacitors .....	¥130,272	49.4	(12.3)	\$1,173,622
Piezoelectric Components .....	17,558	6.7	(11.3)	158,180
Other Components .....	61,379	23.3	(1.5)	552,964
Components Total .....	209,209	79.4	(9.3)	1,884,766
Communication Modules .....	45,100	17.1	16.3	406,306
Power Supplies and Other Modules .....	9,138	3.5	0.8	82,324
Modules Total .....	54,238	20.6	13.3	488,630
Total .....	¥263,447	100.0	(5.4)	\$2,373,396

	Millions of yen	Component ratio	Ratio against the previous year	Thousands of U.S. dollars
2019				
<b>Sales by Product</b>		%	%	
Capacitors .....	¥ 574,230	36.5	27.7	\$ 5,173,243
Piezoelectric Components .....	138,586	8.8	(8.8)	1,248,523
Other Components .....	392,194	25.0	21.7	3,533,279
Components Total .....	1,105,010	70.3	19.6	9,955,045
Communication Modules .....	425,486	27.1	7.7	3,833,207
Power Supplies and Other Modules .....	41,213	2.6	(15.6)	371,289
Modules Total .....	466,699	29.7	5.1	4,204,496
Total .....	¥1,571,709	100.0	14.9	\$14,159,541

# Capital Expenditures

Murata Manufacturing Co., Ltd. and Subsidiaries  
Year ended March 31, 2019

1) Capital expenditures for the fiscal year ended March 31, 2019 amounted to ¥291,581 million (\$2,626,856 thousand).

Major capital expenditures included the expansion and rationalization of production facilities, acquisition of land and buildings and expansion of R&D facilities.

2) Major property, plant and equipment on a net book value basis at March 31, 2019 was as follows:

	Millions of yen				Total
	Land	Buildings	Machinery and equipment	Construction in progress	
<b>Parent Company</b>					
Plant, Office and other					
Head Office in Kyoto .....	¥ 1,101	¥ 2,498	¥ 4,673	¥ 22	¥ 8,296
Nagaoka Plant in Kyoto .....	29	4,533	296	291	5,151
Yokaichi Plant in Shiga .....	490	16,308	10,739	5,757	33,295
Yasu Plant in Shiga .....	7,600	18,852	14,151	3,896	44,500
Yokohama Technical Center in Kanagawa .....	1,797	1,751	899	—	4,448
Other .....	16,193	427	820	16	17,457

	Millions of yen				Total
	Land	Buildings	Machinery and equipment	Construction in progress	
<b>Domestic Subsidiaries</b>					
Company Name					
Kanazawa Murata Manufacturing Co., Ltd. ....	¥5,125	¥33,320	¥49,988	¥ 8,081	¥96,514
Izumo Murata Manufacturing Co., Ltd. ....	2,837	25,141	35,245	4,936	68,159
Fukui Murata Manufacturing Co., Ltd. ....	3,961	24,913	30,356	4,573	63,803
Toyama Murata Manufacturing Co., Ltd. ....	1,596	14,197	36,356	2,528	54,677
Okayama Murata Manufacturing Co., Ltd. ....	857	19,178	20,311	2,718	43,064
Komoro Murata Manufacturing Co., Ltd. ....	773	4,912	6,345	1,211	13,241

	Millions of yen				Total
	Land	Buildings	Machinery and equipment	Construction in progress	
<b>Foreign Subsidiaries</b>					
Company Name					
Wuxi Murata Electronics Co., Ltd. ....	¥ —	¥14,331	¥49,316	¥10,404	¥74,051
Murata Energy Device Wuxi Co., Ltd .....	—	19,574	15,123	13,588	48,285
Murata Energy Device Singapore Pte. Ltd. ....	—	6,184	24,808	2,778	33,770
Shenzhen Murata Technology Co., Ltd. ....	—	8,946	18,486	144	27,576
Philippine Manufacturing Co. of Murata, Inc. ....	—	6,740	14,690	5,927	27,357
Murata Electronics (Thailand), Ltd. ....	340	6,115	8,389	2,704	17,548

# Consolidated Balance Sheets

Murata Manufacturing Co., Ltd. and Subsidiaries  
At March 31, 2019 and 2018

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2018	2019
<b>Current assets:</b>			
Cash .....	¥ 181,956	¥ 168,902	\$ 1,639,243
Short-term investments .....	69,781	30,747	628,658
Marketable securities (Note 3) .....	27,364	20,790	246,523
Notes and accounts receivable:			
Trade notes .....	4,053	2,895	36,513
Trade accounts .....	271,566	256,140	2,446,541
Allowance for doubtful notes and accounts .....	(1,510)	(1,159)	(13,604)
Inventories (Note 4) .....	349,315	290,257	3,146,982
Prepaid expenses and other .....	31,416	41,688	283,027
Total current assets .....	<u>933,941</u>	<u>810,260</u>	<u>8,413,883</u>
<b>Property, plant and equipment:</b>			
Land .....	68,133	64,772	613,811
Buildings .....	536,781	467,427	4,835,865
Machinery and equipment .....	1,250,288	1,104,592	11,263,856
Construction in progress .....	109,057	97,090	982,495
Total .....	<u>1,964,259</u>	<u>1,733,881</u>	<u>17,696,027</u>
Accumulated depreciation .....	<u>(1,107,806)</u>	<u>(1,028,652)</u>	<u>(9,980,234)</u>
Net property, plant and equipment .....	<u>856,453</u>	<u>705,229</u>	<u>7,715,793</u>
<b>Investments and other assets:</b>			
Investments (Note 3) .....	66,697	87,288	600,874
Intangible assets (Note 16) .....	47,526	54,347	428,162
Goodwill (Note 16) .....	78,389	76,914	706,207
Deferred income taxes (Note 10) .....	42,065	36,346	378,964
Other (Note 6) .....	23,822	26,629	214,612
Total investments and other assets .....	<u>258,499</u>	<u>281,524</u>	<u>2,328,819</u>
Total assets .....	<u>¥ 2,048,893</u>	<u>¥ 1,797,013</u>	<u>\$ 18,458,495</u>

See notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars (Note 2)
	2019	2018	2019
<b>Current liabilities:</b>			
Short-term borrowings (Note 5) .....	¥ 23,007	¥ 13,500	\$ 207,270
Trade accounts payable .....	75,491	94,074	680,099
Accrued payroll and bonuses .....	43,485	38,041	391,757
Income taxes payable .....	38,315	24,968	345,180
Accrued expenses and other (Notes 6 and 9) .....	79,473	91,229	715,973
Total current liabilities .....	<u>259,771</u>	<u>261,812</u>	<u>2,340,279</u>
<b>Long-term liabilities:</b>			
Bonds (Note 5).....	99,813	–	899,216
Long-term debt (Note 5) .....	594	742	5,351
Termination and retirement benefits (Note 6) .....	75,789	67,843	682,784
Deferred income taxes (Note 10) .....	6,673	7,675	60,117
Other .....	1,713	1,725	15,433
Total long-term liabilities .....	<u>184,582</u>	<u>77,985</u>	<u>1,662,901</u>
<b>Commitments</b> (Note 12)			
<b>Murata Corporation's shareholders' equity</b> (Notes 7 and 18):			
Common stock (authorized 1,743,000,000 shares in 2019 and 2018; issued 675,814,281 shares in 2019 and 2018).....	69,444	69,444	625,622
Capital surplus .....	120,702	120,596	1,087,405
Retained earnings .....	1,493,697	1,336,208	13,456,730
Accumulated other comprehensive income (loss) (Note 8):			
Unrealized gains on securities .....	46	7,576	414
Pension liability adjustments (Note 6) .....	(21,574)	(16,995)	(194,360)
Foreign currency translation adjustments .....	(4,745)	(6,633)	(42,748)
Total accumulated other comprehensive loss.....	<u>(26,273)</u>	<u>(16,052)</u>	<u>(236,694)</u>
Treasury stock, at cost 36,044,256 shares in 2019 and 36,061,122 shares in 2018 .....	(53,594)	(53,596)	(482,829)
Total Murata Corporation's shareholders' equity .....	<u>1,603,976</u>	<u>1,456,600</u>	<u>14,450,234</u>
<b>Noncontrolling interests</b> .....	564	616	5,081
Total equity .....	<u>1,604,540</u>	<u>1,457,216</u>	<u>14,455,315</u>
Total liabilities and equity .....	<u>¥ 2,048,893</u>	<u>¥ 1,797,013</u>	<u>\$ 18,458,495</u>

See notes to consolidated financial statements.

\* The Company executed a three-for-one common stock split, effective April 1, 2019. The numbers of common shares and treasury shares were calculated as if the relevant stock split were executed at the beginning of the previous consolidated fiscal year ended March 31, 2018.

## Consolidated Statements of Income

Murata Manufacturing Co., Ltd. and Subsidiaries  
Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2019	2018	2017	2019
<b>Net sales</b> (Note 9):.....	<b>¥1,575,026</b>	¥1,371,842	¥1,135,524	<b>\$14,189,423</b>
<b>Operating costs and expenses</b> (Note 6):				
Cost of sales .....	<b>974,808</b>	926,929	701,708	<b>8,782,054</b>
Selling, general and administrative .....	<b>231,822</b>	187,602	148,094	<b>2,088,486</b>
Research and development .....	<b>101,589</b>	94,057	81,311	<b>915,216</b>
Total operating costs and expenses .....	<b>1,308,219</b>	1,208,588	931,113	<b>11,785,756</b>
<b>Operating income</b> .....	<b>266,807</b>	163,254	204,411	<b>2,403,667</b>
<b>Other income (expenses):</b>				
Interest and dividend income .....	<b>3,519</b>	2,854	2,449	<b>31,703</b>
Interest expense .....	<b>(422)</b>	(581)	(272)	<b>(3,802)</b>
Foreign currency exchange loss .....	<b>(2,401)</b>	(7,299)	(4,815)	<b>(21,631)</b>
Gain on bargain purchase (Note 15).....	<b>–</b>	6,442	–	<b>–</b>
Other-net .....	<b>(187)</b>	3,131	(1,355)	<b>(1,685)</b>
Other income (expenses)-net .....	<b>509</b>	4,547	(3,993)	<b>4,585</b>
<b>Income before income taxes</b> .....	<b>267,316</b>	167,801	200,418	<b>2,408,252</b>
<b>Income taxes</b> (Note 10):				
Current .....	<b>65,036</b>	48,538	39,813	<b>585,910</b>
Deferred .....	<b>(4,679)</b>	(26,789)	4,529	<b>(42,153)</b>
Provision for income taxes .....	<b>60,357</b>	21,749	44,342	<b>543,757</b>
<b>Net income</b> .....	<b>206,959</b>	146,052	156,076	<b>1,864,495</b>
<b>Less: Net income (loss) attributable to noncontrolling interests</b> .....	<b>29</b>	(34)	16	<b>261</b>
<b>Net income attributable to Murata Corporation</b> .....	<b>¥ 206,930</b>	¥ 146,086	¥ 156,060	<b>\$ 1,864,234</b>

<b>Amounts per share</b> (Note 11):	Yen			U.S. dollars (Note 2)
Basic earnings attributable to Murata Corporation per share....	<b>¥323.45</b>	¥228.62	¥244.62	<b>\$2.91</b>
Cash dividends per share .....	<b>¥270.00</b>	¥240.00	¥220.00	<b>\$2.43</b>

See notes to consolidated financial statements.

\* The Company executed a three-for-one common stock split, effective April 1, 2019. Basic earnings attributable to Murata Corporation per share were calculated as if that the relevant stock split were executed at the beginning of the previous consolidated fiscal year ended March 31, 2017.

## Consolidated Statements of Comprehensive Income

Murata Manufacturing Co., Ltd. and Subsidiaries  
Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2019	2018	2017	2019
<b>Net income</b> .....	<b>¥ 206,959</b>	¥ 146,052	¥ 156,076	<b>\$1,864,495</b>
<b>Other comprehensive income (loss), net of tax</b> (Note 8):				
Unrealized gains on securities .....	<b>320</b>	1,449	3,141	<b>2,883</b>
Pension liability adjustments .....	<b>(4,579)</b>	(1,343)	8,822	<b>(41,252)</b>
Foreign currency translation adjustments .....	<b>1,874</b>	(1,925)	(9,895)	<b>16,883</b>
Other comprehensive income (loss).....	<b>(2,385)</b>	(1,819)	2,068	<b>(21,486)</b>
<b>Comprehensive income</b> .....	<b>204,574</b>	144,233	158,144	<b>1,843,009</b>
<b>Less: Comprehensive income (loss) attributable to noncontrolling interests</b> .....	<b>15</b>	(20)	(2)	<b>135</b>
<b>Comprehensive income attributable to Murata Corporation</b> .....	<b>¥ 204,559</b>	¥ 144,253	¥ 158,146	<b>\$1,842,874</b>

See notes to consolidated financial statements.



# Consolidated Statements of Shareholders' Equity

Murata Manufacturing Co., Ltd. and Subsidiaries  
Years ended March 31, 2019, 2018 and 2017

	Millions of yen								
	Number of common shares issued	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock	Controlling interests	Noncontrolling interests	Total equity
<b>Balance at March 31, 2016</b> .....	675,790,776	¥69,377	¥ 103,865	¥1,131,809	¥ (15,532)	¥(60,360)	¥1,229,159	¥ 14,820	¥1,243,979
Purchases of treasury stock at cost....						(88)	(88)		(88)
Disposal of treasury stock .....			3			2	5		5
Net income .....				156,060			156,060	16	156,076
Cash dividends .....				(46,689)			(46,689)		(46,689)
Other comprehensive income, net of tax (Note 8) .....					2,086		2,086	(18)	2,068
Equity transactions with noncontrolling interests and other.....			10,422		(773)	4,637	14,286	(14,303)	(17)
<b>Balance at March 31, 2017</b> .....	675,790,776	¥69,377	¥ 114,290	¥1,241,180	¥ (14,219)	¥(55,809)	¥1,354,819	¥ 515	¥1,355,334
Purchases of treasury stock at cost ....						(53)	(53)		(53)
Disposal of treasury stock .....			6,272			2,266	8,538		8,538
Net income .....				146,086			146,086	(34)	146,052
Cash dividends .....				(51,058)			(51,058)		(51,058)
Other comprehensive loss, net of tax (Note 8) .....					(1,833)		(1,833)	14	(1,819)
Restricted stock compensation.....	23,505	67	34				101		101
Equity transactions with noncontrolling interests and other.....								121	121
<b>Balance at March 31, 2018</b> .....	675,814,281	¥69,444	¥ 120,596	¥1,336,208	¥ (16,052)	¥(53,596)	¥1,456,600	¥ 616	¥1,457,216
Cumulative effect adjustment from the adoption of Accounting Standards Update No. 2016-01 (Note 1) ..				7,850	(7,850)		-		-
Purchases of treasury stock at cost ....						(33)	(33)		(33)
Disposal of treasury stock .....			3			1	4		4
Net income .....				206,930			206,930	29	206,959
Cash dividends .....				(57,579)			(57,579)	(6)	(57,585)
Other comprehensive loss, net of tax (Note 8) .....					(2,371)		(2,371)	(14)	(2,385)
Restricted stock compensation.....			103			34	137		137
Equity transactions with noncontrolling interests and other.....				288			288	(61)	227
<b>Balance at March 31, 2019</b> .....	675,814,281	¥69,444	¥ 120,702	¥1,493,697	¥ (26,273)	¥(53,594)	¥1,603,976	¥ 564	¥1,604,540

	Thousands of U.S. dollars (Note 2)								
	Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Controlling interests	Noncontrolling interests	Total equity	
<b>Balance at March 31, 2018</b> .....	\$ 625,622	\$ 1,086,450	\$ 12,037,910	\$ (144,613)	\$ (482,847)	\$ 13,122,522	\$ 5,550	\$ 13,128,072	
Cumulative effect adjustment from the adoption of Accounting Standards Update No. 2016-01 (Note 1) ..			70,721	(70,721)		-		-	
Purchases of treasury stock at cost ....					(297)	(297)		(297)	
Disposal of treasury stock .....		27			9	36		36	
Net income .....			1,864,234			1,864,234	261	1,864,495	
Cash dividends .....			(518,730)			(518,730)	(54)	(518,784)	
Other comprehensive loss, net of tax (Note 8) .....				(21,360)		(21,360)	(126)	(21,486)	
Restricted stock compensation.....		928			306	1,234		1,234	
Equity transactions with noncontrolling interests and other .....			2,595			2,595	(550)	2,045	
<b>Balance at March 31, 2019</b> .....	\$ 625,622	\$ 1,087,405	\$ 13,456,730	\$ (236,694)	\$ (482,829)	\$ 14,450,234	\$ 5,081	\$ 14,455,315	

See notes to consolidated financial statements.

\* The Company executed a three-for-one common stock split, effective April 1, 2019. The number of common shares outstanding was calculated as if the relevant stock split were executed at the end of the consolidated fiscal year ended March 31, 2016.

# Consolidated Statements of Cash Flows

Murata Manufacturing Co., Ltd. and Subsidiaries  
Years ended March 31, 2019, 2018 and 2017

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2019	2018	2017	2019
<b>Operating activities:</b>				
Net income .....	¥ 206,959	¥ 146,052	¥ 156,076	\$ 1,864,495
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization .....	124,419	141,625	113,523	1,120,892
Losses on sales and disposals of property, plant and equipment ....	3,284	1,620	1,867	29,586
Impairment losses on long-lived assets (Note 13).....	25,511	7,269	–	229,829
Provision for termination and retirement benefits, less payments .....	(504)	(771)	(1,040)	(4,541)
Deferred income taxes .....	(4,679)	(26,789)	4,529	(42,153)
Gain on bargain purchase (Note 15).....	–	(6,442)	–	–
Changes in assets and liabilities:				
Increase in trade notes and accounts receivable .....	(16,852)	(30,135)	(14,317)	(151,820)
(Increase) decrease in inventories .....	(59,250)	(47,268)	5,032	(533,784)
(Increase) decrease in prepaid expenses and other .....	10,120	(11,970)	(4,916)	91,171
Increase (decrease) in trade notes and accounts payable ....	(24,140)	24,873	650	(217,477)
Increase (decrease) in accrued payroll and bonuses .....	5,474	970	(2,394)	49,315
Increase (decrease) in income taxes payable .....	13,521	17,784	(22,678)	121,811
Increase (decrease) in accrued expenses and other .....	(4,108)	10,433	7,586	(37,009)
Other-net .....	87	(2,002)	2	784
Net cash provided by operating activities .....	<u>279,842</u>	<u>225,249</u>	<u>243,920</u>	<u>2,521,099</u>
<b>Investing activities:</b>				
Capital expenditures .....	(291,581)	(306,608)	(158,579)	(2,626,856)
Payment for purchases of marketable securities, investments and other ....	(25,792)	(13,016)	(58,967)	(232,360)
Maturities and sales of marketable securities, investments and other ....	28,853	57,131	45,192	259,937
(Increase) decrease in long-term deposits .....	(1,169)	1,081	(22,591)	(10,532)
(Increase) decrease in short-term investments .....	(16,417)	98,424	5,982	(147,901)
Acquisitions of businesses, net of cash acquired (Note 15)...	(563)	(33,648)	(14,725)	(5,072)
Other-net .....	2,928	2,471	991	26,379
Net cash used in investing activities .....	<u>(303,741)</u>	<u>(194,165)</u>	<u>(202,697)</u>	<u>(2,736,405)</u>
<b>Financing activities:</b>				
Net increase (decrease) in short-term borrowings .....	9,507	(32,618)	39,673	85,649
Proceeds from long-term debt .....	42	403	–	378
Repayment of long-term debt .....	(259)	(353)	(4,662)	(2,333)
Proceeds from issuance of bonds (Note 5).....	99,813	–	–	899,216
Dividends paid .....	(57,579)	(51,058)	(46,689)	(518,730)
Other-net .....	22	41	(51)	198
Net cash provided by (used in) financing activities .....	<u>51,546</u>	<u>(83,585)</u>	<u>(11,729)</u>	<u>464,378</u>
<b>Effect of exchange rate changes on cash and cash equivalents ....</b>	<b>2,248</b>	<b>1,227</b>	<b>(2,880)</b>	<b>20,252</b>
<b>Net increase (decrease) in cash and cash equivalents ....</b>	<b>29,895</b>	<b>(51,274)</b>	<b>26,614</b>	<b>269,324</b>
<b>Cash and cash equivalents at beginning of year .....</b>	<b>187,910</b>	<b>239,184</b>	<b>212,570</b>	<b>1,692,883</b>
<b>Cash and cash equivalents at end of year .....</b>	<b>¥ 217,805</b>	<b>¥ 187,910</b>	<b>¥ 239,184</b>	<b>\$ 1,962,207</b>
<b>Additional cash flow information:</b>				
Interest paid .....	¥ 422	¥ 581	¥ 289	\$ 3,802
Income taxes paid .....	52,525	21,635	62,736	473,198
<b>Additional cash and cash equivalents information:</b>				
Cash .....	¥ 181,956	¥ 168,902	¥ 170,929	\$ 1,639,243
Short-term investments .....	69,781	30,747	173,401	628,658
Short-term investments with the original maturities over 3 months ....	(33,932)	(11,739)	(105,146)	(305,694)
Cash and cash equivalents at end of year .....	<u>¥ 217,805</u>	<u>¥ 187,910</u>	<u>¥ 239,184</u>	<u>\$ 1,962,207</u>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

Murata Manufacturing Co., Ltd. and Subsidiaries

## 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, manufacturing, and sale of electronic components (Components and Modules) in numerous countries, including Japan, North America, Greater China, certain other Asian countries, and European countries as its primary markets. Components consist of Capacitors, Piezoelectric Components, and Other Components. Modules consist of Communication Modules, Power Supplies, and Other Modules. The Companies' products are sold mainly to electronics companies for use as components in telecommunication, computer, audio, video, automotive electronics, 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 of America.

The Companies adopt Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 105, "Generally Accepted Accounting Principles" in the United States of America.

The principal adjustments to amounts recorded in the Companies' books of account include the measurement of net periodic cost for defined benefit retirement plans, the accrual of compensated absences, accounting for derivatives, 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 balances and transactions are eliminated in consolidation. Investments in 20% to 50%-owned companies are accounted for by the equity method.

### (d) Short-term investments, cash and cash equivalents

Short-term investments include time deposits which may be withdrawn on demand without diminution of principal, and commercial paper, which is a highly-liquid investment.

The Companies consider cash and short-term investments with original maturities of 3 months or less as cash and cash equivalents.

### (e) Marketable securities and investments

Under ASC 320, "Investments - Debt Securities", ASC 321, "Investments - Equity Securities", and ASC 825 "Financial Instruments", the Companies classify debt securities as available-for-sale and carry them at fair value with a corresponding recognition of the net unrealized holding gains or losses (net of tax) as a separate component of shareholders' equity, except investments whose unrealized holding gains and losses are included in net income by electing the fair value option. Equity investments (except those accounted for under the equity method or those that result in consolidation of the investee) are measured at fair value with changes in fair value recognized in net income. The Companies measure non-marketable equity securities without readily determinable fair value at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. Gains and losses on sales of investments are computed on an average cost basis. The Companies review the fair value of their available-for-sale debt securities on a regular basis to determine if the fair value of any individual available-for-sale debt securities has declined below its cost or amortized cost and if such decline is other-than-temporary. A determination of whether a decline in fair value represents an other-than-temporary impairment is based on criteria that include the extent to which the security's carrying value exceeds its fair value, the duration of the market decline, and the Companies' requirement and intent to hold or sell the security. Losses from other-than-temporary impairments, if any, are charged to income as incurred.

### (f) Inventories

Inventories are stated at the lower of cost, which is determined principally by the average cost method, or net realizable value.

---

**(g) Property, plant and equipment**

Property, plant and equipment is stated at cost. Depreciation of property, plant and equipment is computed using the straight-line method 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 17 years for machinery and equipment.

Previously, the Company and domestic subsidiaries used the declining-balance method for calculating the depreciation of property, plant and equipment. The Company and domestic subsidiaries adopted the straight-line method from the year beginning April 1, 2018. The Companies reviewed the manner in which their property, plant and equipment will be used following the execution of a large capital expenditures plan for focused business under the Companies' mid-term direction. As a result, the Companies believe that the straight-line method better reflects the pattern of consumption of the future benefits to be derived from those assets being depreciated since its property, plant and equipment will be used consistently for the foreseeable future. In accordance with ASC 250, "Accounting Changes and Error Corrections," a change in depreciation method should be treated as a change in accounting estimate. The effect of the change in depreciation method has been reflected prospectively. Due to this change, net income attributable to Murata Corporation and basic earnings attributable to Murata Corporation per share for the year ended March 31, 2019 increased by ¥28,720 million (\$258,739 thousand) and ¥44.89 (\$0.40), respectively. Diluted earnings attributable to Murata Corporation per share are not stated since there were no potential dilutive securities.

\* The Company executed a three-for-one common stock split, effective April 1, 2019. Basic earnings attributable to Murata Corporation per share were calculated based on the number of common shares outstanding after the relevant stock split.

**(h) Termination and retirement benefits**

Termination and retirement benefits are accounted for in accordance with ASC 715, "Compensation - Retirement Benefits".

**(i) Revenue recognition**

The Companies account for revenue recognition in accordance with ASC 606, "Revenue from Contracts with Customers". The Companies adopted the ASC from the year beginning April 1, 2018. The Companies recognize revenue based on the following five-step model:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when the entity satisfies a performance obligation

The Companies mainly sell electric components including Components (Capacitors, Piezoelectric Components and Other Components) and Modules (Communication Modules and Power Supplies) and related products. Revenue from sales of products is recognized upon delivery of the products because the customer obtains control of the products upon delivery, at which time the Companies evaluate that the performance obligation is satisfied. Revenue is measured at the consideration promised in a contract with a customer, less estimated discounts, rebates, returned products and other items.

**(j) Advertising expenses**

Advertising costs are expensed as incurred. Advertising expenses for the years ended March 31, 2019, 2018, and 2017 were ¥3,839 million (\$34,586 thousand), ¥4,263 million, and ¥3,824 million, respectively.

---

**(k) Taxes on income**

The Companies account for income taxes in accordance with the provisions of ASC 740, "Income Taxes". Under ASC 740, deferred tax assets and liabilities are computed based on the differences between the financial statement and income tax bases of assets and liabilities using the enacted tax rates. Deferred income tax expenses and credits are primarily 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 amount that is more likely than not 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.

Regarding undistributed earnings of subsidiaries, the Companies recognize deferred tax liabilities for the taxable portion of future dividends receivable under the current tax system. The Companies recognize no deferred tax liability for the non-taxable portion because the tax system treats the majority of dividends receivable the Company receives from subsidiaries as non-taxable.

The Companies account for uncertainty in income taxes in accordance with ASC 740. ASC 740 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Benefits from tax positions that meet the more likely than not recognition threshold are measured at the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement with the related tax authority.

**(l) Earnings per share**

The Companies account for earnings per share in accordance with ASC 260, "Earnings Per Share". Diluted earnings attributable to Murata Corporation per share, if applicable, reflect the potential dilution from potential shares outstanding such as shares issuable upon the exercise of stock options. A reconciliation of the numerator and denominator of the basic and diluted earnings attributable to Murata Corporation per share computation is included in Note 11.

**(m) Fair value measurements**

The Companies account for fair value measurements in accordance with ASC 820, "Fair Value Measurement". ASC 820 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

**(n) Derivatives**

The Companies account for their derivative instruments and hedging activities in accordance with ASC 815, "Derivatives and Hedging". ASC 815 establishes accounting and reporting standards for derivative instruments and for hedging activities, and requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a foreign currency and material procurement 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.

**(o) Stock-based compensation**

The Companies account for stock-based compensation in accordance with ASC 718, "Compensation - Stock Compensation". ASC 718 requires that an entity measure stock-based compensation cost at the grant date, based on the fair value of the award, and recognize the cost over the requisite service period.

**(p) Shipping and handling costs**

Shipping and handling costs which are included in selling, general and administrative expenses for the years ended March 31, 2019, 2018, and 2017 were ¥14,834 million (\$133,640 thousand), ¥12,444 million, and ¥9,345 million, respectively.

**(q) Impairment or disposal of long-lived assets**

The Companies account for impairment or disposal of long-lived assets and discontinued operations in accordance with ASC 360, "Property, Plant, and Equipment". This statement applies to all long-lived assets. The Companies' long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair value of the assets. If the Companies determine to dispose of assets, depreciation estimates for the assets shall be revised to reflect those remaining useful lives. Assets classified as held for sale shall be measured at the lower of its carrying amount or fair value less cost to sell.

---

**(r) Acquisitions**

The Companies account for business acquisitions in accordance with ASC 805, "Business Combinations". In accordance with this statement, the Companies use the acquisition method of accounting, which requires the measurement of the fair value of all of the assets and liabilities of an acquired company, including noncontrolling interests. The Companies recognize goodwill at the acquisition date, measured as the excess of the total acquisition price over the net identifiable assets acquired. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and the services are received.

**(s) Goodwill and other intangible assets**

The Companies account for goodwill and other intangible assets in accordance with ASC 350, "Intangibles - Goodwill and Other". In accordance with this statement, goodwill is not amortized and is instead tested at least annually for impairment. Intangible assets that have finite useful lives will continue to be amortized over their useful lives.

This statement also requires that an intangible asset that is determined to have an indefinite useful life is not amortized, but is instead tested at least annually for impairment until its useful life is determined to be no longer indefinite.

In January 2017, the FASB issued Accounting Standards Update ("ASU") No. 2017-04, "Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment". The ASU eliminates Step 2 from the goodwill impairment test, which measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. Instead, the ASU requires if the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The Companies early adopted the ASU from the year ended March 31, 2018. The effect of the ASU did not have any impact on the Companies' results of operations and financial position for the years ended March 31, 2019 and 2018.

**(t) Use of estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(u) Reclassifications**

Certain items in prior years' consolidated financial statements have been reclassified to conform to the 2019 presentation.

**(v) New accounting standards****(1) Recently adopted accounting guidance****Revenue**

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers". Further, in August 2015, the FASB issued ASU No. 2015-14, "Revenue from Contracts with Customers: Deferral of the Effective Date". The ASUs outline a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. The ASUs require entities to disclose both quantitative and qualitative information that enables "users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers." The Companies adopted the ASUs from the year beginning April 1, 2018. The Companies applied the modified retrospective method of adoption to contracts that were not completed as of the adoption date. The adoption of this guidance did not have a material impact on their consolidated financial statements.

#### Financial Instruments

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". The ASU requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The Companies adopted the ASU from the year beginning April 1, 2018. The Companies recognized a cumulative-effect adjustment to retained earnings of ¥7,850 million (\$70,721 thousand) at April 1, 2018 for the after-tax unrealized gains on available-for-sale equity investments previously recognized in accumulated other comprehensive income. The adoption of this guidance resulted in a decrease in net income attributable to Murata Corporation of ¥1,726 million (\$15,550 thousand) for the year ended March 31, 2019.

#### Compensation - Retirement Benefits

In March 2017, the FASB issued ASU No. 2017-07, "Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost". The ASU requires entities to disaggregate the current-service-cost component from the other components of net benefit cost (the "other components") and present it with other current compensation costs for related employees in the income statement, and present the other components elsewhere in the income statement and outside of income from operations if such a subtotal is presented. In addition, only the service-cost component of net benefit cost is eligible for capitalization. The amendments in this guidance should be applied retrospectively for the presentation of the service cost component and the other components, and prospectively for the capitalization of the service cost component of net benefit cost. The Companies adopted the ASU from the year beginning April 1, 2018. The adoption of this guidance resulted in an increase in operating income and a decrease in other-net of ¥388 million (\$3,495 thousand) for the year ended March 31, 2019. Please refer to Note 6 for additional information. As a result of the adoption of this guidance, cost of sales of ¥636 million and ¥1,421 million, selling, general and administrative of ¥348 million and ¥1,277 million and research and development of ¥124 million and ¥498 million have been reclassified into other-net for the years ended March 31, 2018 and 2017, respectively. The adoption of the guidance stating that only the service-cost component of net benefit cost is eligible for capitalization did not have a material impact on their consolidated financial statements.

(2) Recently issued accounting guidance not yet adopted

#### Leases

In February 2016, the FASB issued ASU No. 2016-02, "Leases". The ASU requires a lessee to recognize most leases in the consolidated balance sheets. However, guidance over expense recognition in the consolidated statements of income under this ASU is similar to the current guidance. The ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2018. The Companies adopt the ASU from the fiscal year beginning April 1, 2019. The Companies apply the package of practical expedients which allows a lessee not to reassess whether any existing contracts at or expired contracts prior to the adoption date are or contain leases, lease classification and whether initial direct costs qualify for capitalization, in addition to short-term lease exception. The Companies also adopt a transition method in which no restatement of comparative periods and no reassessment of land easements not previously accounted for as a lease that exist at or expired prior to the adoption date are required. The right-of-use assets recognized at April 1, 2019 is ¥34,944 million (\$314,811 thousand), almost the same as the lease obligations, and are included in noncurrent assets and liabilities in the consolidated balance sheet. The Companies do not expect the adoption of this guidance to have a material impact on their consolidated statements of income and cash flows.

#### Financial Instruments

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments". The ASU introduces a new impairment model based on expected losses rather than incurred losses. Under this current expected credit loss model, an entity would recognize as an allowance its estimate of the contractual cash flows not expected to be collected. The ASU is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2019. The Companies will adopt the ASU from the fiscal year beginning April 1, 2020. The Companies are currently evaluating the effect that the adoption of this guidance will have on their consolidated financial statements.

**2. Translation of Japanese Yen Amounts into U.S. Dollar Amounts**

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 the convenience of readers outside of Japan and have been made at the rate of ¥111 to \$1, the approximate rate of exchange at March 31, 2019. 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 and amortized cost, gross unrealized gains, gross unrealized losses, and fair values for available-for-sale debt securities by major security type, at March 31, 2019 and 2018 were as follows:

	Millions of yen			
	2019			
	Cost and Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Private debt securities .....	¥64,355	¥119	¥51	¥64,423

	Millions of yen			
	2018			
	Cost and Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities .....	¥ 1,000	¥ 1	¥ –	¥ 1,001
Private debt securities .....	69,342	178	534	68,986
Total available-for-sale securities ....	¥70,342	¥179	¥534	¥69,987

	Thousands of U.S. dollars			
	2019			
	Cost and Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Private debt securities .....	\$579,774	\$1,072	\$459	\$580,387

The fair value and gross unrealized losses for available-for-sale debt securities by major security type and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2019 and 2018 were as follows:

	Millions of yen			
	2019			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities .....	¥14,172	¥14	¥5,307	¥37

	Millions of yen			
	2018			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities .....	¥12,155	¥521	¥4,051	¥13

	Thousands of U.S. dollars			
	2019			
	Less than 12 months		12 months or longer	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Private debt securities .....	\$127,676	\$126	\$47,811	\$333



The Companies did not recognize an other-than-temporary impairment loss on the above debt securities which had a fair value below amortized cost at March 31, 2019, because (1) the Companies did not intend to sell such securities at March 31, 2019 and (2) it was more likely than not that the Companies would not be required to sell such securities before the recovery of amortized cost and (3) the issuers of the securities had favorable credit ratings.

Contractual maturities of available-for-sale debt securities at March 31, 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year .....	¥27,401	¥27,364	\$ 246,856	\$ 246,523
After 1 year through				
5 years .....	36,954	37,059	332,918	333,864
After 5 years .....	—	—	—	—
Total .....	¥64,355	¥64,423	\$ 579,774	\$ 580,387

The realized and unrealized gains and losses related to equity securities included in investments in the consolidated balance sheets at March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
Net losses on equity securities .....	¥(3,387)	\$(30,514)
Net losses on equity securities sold .....	(286)	(2,577)
Impairment losses on equity securities .....	(601)	(5,414)
Unrealized losses on equity securities.....	(2,500)	(22,523)

Gross realized gains related to equity securities were ¥350 million and ¥50 million for the years ended March 31, 2018 and 2017, respectively. Gross realized losses, including write-downs for impairments that were other-than-temporary, were ¥4 million and ¥133 million for the years ended March 31, 2018 and 2017, respectively.

The aggregate carrying amounts of non-marketable equity securities which are accounted for at cost were ¥16,442 million at March 31, 2018. The Companies measure non-marketable equity securities without readily determinable fair value at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. The carrying amounts of non-marketable equity securities were ¥3,183 million (\$28,677 thousand) at March 31, 2019.

#### 4. Inventories

Inventories at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Finished products .....	<b>¥153,097</b>	¥122,076	<b>\$1,379,252</b>
Work in process .....	<b>128,287</b>	102,104	<b>1,155,739</b>
Materials and supplies .....	<b>67,931</b>	66,077	<b>611,991</b>
Total .....	<b>¥349,315</b>	¥290,257	<b>\$3,146,982</b>

Inventory write-downs for the years ended March 31, 2019 and 2017 were omitted because the amounts were immaterial. Inventory write-downs for the year ended March 31, 2018 were ¥16,297 million.

#### 5. Short-Term Borrowings, Bonds and Long-Term Debt

Short-term borrowings at March 31, 2019 and 2018 consisted of the following:

	Millions of yen	Weighted -Average Interest Rate	Millions of yen	Weighted -Average Interest Rate	Thousands of U.S. dollars
	2019		2018		2019
Unsecured bank loans ....	<b>¥23,000</b>	<b>0.1%</b>	¥13,500	0.1%	<b>\$207,207</b>
Other .....	<b>7</b>	<b>0.0</b>	—	—	<b>63</b>
Total .....	<b>¥23,007</b>	<b>0.1%</b>	¥13,500	0.1%	<b>\$207,270</b>

Bonds and long-term debt at March 31, 2019 and 2018 consisted of the following:

	Millions of yen	Weighted -Average Interest Rate	Millions of yen	Weighted -Average Interest Rate	Thousands of U.S. dollars
	2019		2018		2019
Unsecured bonds,					
due 2022.....	<b>¥ 39,936</b>	<b>0.1%</b>	¥ —	—%	<b>\$359,784</b>
due 2024.....	<b>59,877</b>	<b>0.2</b>	—	—	<b>539,432</b>
Unsecured bank loans,					
due 2021.....	<b>300</b>	<b>0.4</b>	523	0.4	<b>2,703</b>
Secured bank loans,					
due 2021.....	<b>5</b>	<b>1.3</b>	11	1.3	<b>45</b>
Other .....	<b>489</b>	<b>0.7</b>	453	0.5	<b>4,405</b>
Total .....	<b>100,607</b>	<b>0.1</b>	987	0.5	<b>906,369</b>
Less: Portion due within one year .....	<b>(200)</b>	<b>0.4</b>	(245)	0.5	<b>(1,802)</b>
Total .....	<b>¥100,407</b>	<b>0.1%</b>	¥ 742	0.5%	<b>\$904,567</b>

The aggregate future maturities of bonds and long-term debt outstanding at March 31, 2019 are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2020 .....	¥ 200	\$ 1,802
2021 .....	514	4,631
2022 .....	39,994	360,306
2023 .....	6	54
2024.....	59,883	539,486
2025 and thereafter .....	10	90
Total .....	<b>¥100,607</b>	<b>\$906,369</b>

Property, plant and equipment having a net book value of ¥10 million (\$90 thousand) and ¥24 million was pledged as collateral for long-term debt at March 31, 2019 and 2018, respectively.

## 6. Termination and Retirement Benefits

The Companies' postretirement benefit plans cover most employees. Benefits are primarily calculated by a point system, based on the employee's position and performance assessment or the employee's years of service, with some plans also considering compensation and other factors. If the termination is involuntary or caused by death, the employee or their beneficiary is usually entitled to greater payments than in the case of voluntary termination.

The Companies fund a portion of the obligation under these plans. The general funding policy is to contribute amounts computed in accordance with accepted actuarial methods.

The Companies sponsor several postretirement benefit plans, including defined benefit plans and defined contribution plans. Certain defined benefit plans are partially funded and administered by independent trustees, others are unfunded and administered by the Companies. These plans usually provide lump sum termination and retirement benefits and are paid at the earlier of the employee's termination or the mandatory retirement age although periodic payments are available under certain conditions.

Domestic subsidiaries amended a part of their defined benefit plans to a defined contribution pension plan in September 2017. As a result of this amendment, the projected benefit obligation decreased by ¥889 million in the year ended March 31, 2018. In addition, domestic subsidiaries amended the amount of payment of their retirement plans. As a result of this amendment, the projected benefit obligation increased by ¥2,763 million in the year ended March 31, 2018.

The following table summarizes the financial status of the termination and retirement plans and the amounts recognized in the consolidated financial statements at March 31:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Change in benefit obligation:			
Benefit obligation at beginning of year .....	¥214,079	¥190,582	\$1,928,640
Service cost .....	10,641	9,945	95,865
Interest cost .....	1,023	1,125	9,216
Amendments .....	—	1,745	—
Actuarial loss .....	7,297	3,067	65,739
Benefits paid .....	(2,166)	(2,270)	(19,514)
Settlement paid to retirees.....	(4,924)	(4,037)	(44,361)
Settlement paid by transfer to defined contribution pension plan .....	(3,577)	(4,761)	(32,225)
Acquisitions of businesses.....	—	18,683	—
Benefit obligation at end of year .....	¥222,373	¥214,079	\$2,003,360
Change in plan assets:			
Fair value of plan assets at beginning of year .....	¥141,629	¥127,919	\$1,275,937
Actual return on plan assets .....	1,395	2,852	12,568
Employer contribution .....	4,692	4,479	42,270
Benefits paid .....	(2,166)	(2,270)	(19,514)
Settlement paid to retirees .....	(1,554)	(1,369)	(14,000)
Acquisitions of businesses.....	—	10,018	—
Fair value of plan assets at end of year .....	¥143,996	¥141,629	\$1,297,261
Funded status at end of year .....	¥ (78,377)	¥ (72,450)	\$ (706,099)
Amounts recognized in the consolidated balance sheets consist of:			
Investments and other assets: Other .....	¥ 729	¥ 775	\$ 6,568
Accrued expenses and other .....	(3,317)	(5,382)	(29,883)
Termination and retirement benefits .....	(75,789)	(67,843)	(682,784)
Net amount recognized .....	¥ (78,377)	¥ (72,450)	\$ (706,099)
Accumulated benefit obligation at end of year ....	¥214,257	¥203,570	\$1,930,243

Accumulated benefit obligations for all of the Companies' termination and retirement plans were in excess of their plan assets at March 31, 2019 and 2018.

Subsequent to the issuance of the Company's consolidated financial statements as of and for the year ended March 31, 2018, the Company determined that the disclosed amount of accumulated benefit obligation at March 31, 2018 of ¥176,317 million was incorrect. The correct amount should be ¥203,570 million. As a result, the disclosure above has been restated from the amounts previously reported.

Amounts recognized in accumulated other comprehensive loss (income) at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Actuarial loss .....	¥ 39,230	¥ 34,149	\$ 353,424
Prior service benefit .....	(7,302)	(8,758)	(65,784)
Pension liability adjustments, before tax .....	¥ 31,928	¥ 25,391	\$ 287,640

Net periodic benefit cost for the years ended March 31:

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Service cost .....	¥ 10,641	¥ 9,945	¥ 9,323	\$ 95,865
Interest cost .....	1,023	1,125	714	9,216
Expected return on plan assets .....	(2,580)	(2,478)	(2,398)	(23,243)
Amortization of prior service benefit .....	(1,456)	(1,729)	(2,557)	(13,117)
Amortization of recognized actuarial loss .....	2,836	3,335	6,351	25,549
Settlement loss.....	565	855	1,086	5,090
Net periodic benefit cost .....	¥ 11,029	¥11,053	¥12,519	\$ 99,360

Other amounts recognized in other comprehensive loss (income) for the years ended March 31:

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Prior service benefit due to amendments .....	¥ -	¥ 1,745	¥ -	\$ -
Actuarial loss (gain).....	8,482	2,693	(7,702)	76,414
Amortization of prior service benefit .....	1,456	1,729	2,557	13,117
Amortization of recognized actuarial loss .....	(2,836)	(3,335)	(6,351)	(25,549)
Settlement loss .....	(565)	(855)	(1,086)	(5,090)
Total recognized in other comprehensive loss (income), before tax .....	¥ 6,537	¥ 1,977	¥(12,582)	\$ 58,892

The estimated prior service benefit and net actuarial loss for the termination and retirement benefit plans that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost over the next fiscal year were a gain of ¥1,376 million (\$12,396 thousand) and a loss of ¥3,641 million (\$32,802 thousand), respectively.

Termination and retirement benefits, accounted for in accordance with ASC 715, "Compensation - Retirement Benefits", are provided at the amount incurred during the period, which is based on the estimated present value of the projected benefit obligation less the fair value of plan assets at the end of the period. The overfunded or underfunded status of a defined benefit postretirement plan is recognized as an asset or liability in the consolidated balance sheets, with an adjustment to accumulated other comprehensive income (loss).

The unrecognized prior service benefit due to certain plan amendments is being amortized on a straight-line basis over the average remaining service period of employees. The unrecognized actuarial gains and losses in excess of 10% of the larger of the projected benefit obligation or plan assets are being amortized over 5 years.

The following assumptions were utilized to calculate the actuarial present value of the benefit obligation at March 31:

	2019	2018
Discount rate .....	0.4%	0.6%
Compensation increase rate .....	2.6%	2.7%

The following assumptions were utilized to calculate net periodic benefit cost for the years ended March 31:

	2019	2018	2017
Discount rate .....	0.6%	0.7%	0.5%
Compensation increase rate .....	2.7%	2.7%	2.0~2.6%
Expected long-term rate of return on plan assets .....	2.0%	2.0%	2.2%

The Companies determine the discount rate considering the long-term rate of return on Japanese government bonds. The Companies determine the expected long-term rate of return on plan assets, based on the historical performance of various invested asset categories, as well as the long-term rate of return on Japanese government bonds.

Plan assets are invested for the purpose of achieving a sufficient rate of return to maintain pension plan assets for future payment of benefits to plan participants. Considering the expected rate of return on invested assets, a related standard deviation, and a related correlation coefficient, the Companies believe the current asset allocation is adequate for purposes of meeting investment objectives. For achieving the expected rate of return on plan assets on a mid-term to long-term basis, the Companies select optimal investing institutions by invested asset category and entrust the investment of plan assets to them. The Companies revise the asset allocation when and to the extent considered necessary. The asset allocation of the Company's plan assets which account for most of the plan assets at March 31, 2019 consisted of 17% equity securities, 58% debt securities and life insurance company general accounts, and 25% other.

The 3 broad levels of inputs used to measure fair value are more fully described in Note 13. The fair values of the Companies' plan assets at March 31, 2019 were as follows:

	Millions of yen			
	Fair value measurements			Total
	Level 1	Level 2	Level 3	
Assets measured at other than net asset value per share				
Private debt securities .....	¥ -	¥14,391	¥ -	¥ 14,391
Life insurance company general accounts .....	-	35,081	-	35,081
Other .....	-	908	-	908
Assets measured at net asset value per share				
Pooled funds (equity securities)....	-	-	-	25,465
Pooled funds (debt securities)....	-	-	-	42,913
Pooled funds (other).....	-	-	-	25,238
Total .....	¥ -	¥50,380	¥ -	¥ 143,996

	Thousands of U.S.dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets measured at other than net asset value per share				
Private debt securities .....	\$ –	\$ 129,649	\$ –	\$ 129,649
Life insurance company general accounts .....	–	316,045	–	316,045
Other .....	–	8,180	–	8,180
Assets measured at net asset value per share				
Pooled funds (equity securities)....	–	–	–	229,414
Pooled funds (debt securities)....	–	–	–	386,604
Pooled funds (other).....	–	–	–	227,369
Total .....	\$ –	\$ 453,874	\$ –	\$ 1,297,261

The fair values of the Companies' plan assets at March 31, 2018 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
Assets measured at other than net asset value per share				
Governmental debt securities ....	¥1,177	¥ 55	¥ –	¥ 1,232
Private debt securities .....	–	13,619	–	13,619
Life insurance company general accounts .....	–	32,391	–	32,391
Other .....	–	11,488	–	11,488
Assets measured at net asset value per share				
Pooled funds (equity securities)....	–	–	–	24,516
Pooled funds (debt securities)....	–	–	–	34,046
Pooled funds (other).....	–	–	–	24,337
Total .....	¥1,177	¥57,553	¥ –	¥ 141,629

Assets measured at net asset value per share (or its equivalent) are not categorized in the fair value hierarchy.

#### Governmental debt securities

Governmental debt securities contain government bonds. Government bonds are measured by the market approach using quoted prices in active markets; they are classified within Level 1.

#### Private debt securities

Private debt securities are measured by the market approach using quoted prices for identical or similar assets in markets that are not active, resulting in a Level 2 classification.

#### Life insurance company general accounts

Life insurance company general accounts are investments in general accounts of life insurance companies. Life insurance company general accounts guarantee principal and certain rates of return, and they are measured by the market approach using inputs other than quoted prices that are observable for the assets, resulting in a Level 2 classification.

---

Pooled funds

Pooled funds are measured by the allocated net asset value of pooled fund assets by units of shares.

Pooled funds are typically valued using the net asset value per share provided by the administrator of the fund.

Pooled funds (equity securities) mainly contain marketable equity securities.

Pooled funds (debt securities) mainly contain government bonds and local government bonds.

The Companies expect to contribute ¥4,914 million (\$44,270 thousand) to their defined benefit plans in the year ending March 31, 2020.

The future benefit payments are expected as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2020 .....	¥ 5,924	\$ 53,369
2021 .....	5,987	53,937
2022 .....	6,439	58,009
2023 .....	6,736	60,685
2024 .....	7,149	64,405
2025-2029 .....	37,402	336,955

In connection with the above-mentioned amendments, the amount of benefit obligations to be transferred to the defined contribution plans was determined to be ¥3,305 million at March 31, 2018, which will be settled by the year ending March 31, 2021. The amount of benefit obligations including the effect of the previous amendments, which will be transferred to the defined contribution plan was ¥1,550 million (\$13,964 thousand) at March 31, 2019, and ¥5,127 million at March 31, 2018.

The Companies recognized the cost of ¥2,143 million (\$19,306 thousand) related to annual contributions to the defined contribution plans in the year ended March 31, 2019, ¥1,832 million in the year ended March 31, 2018, and ¥1,516 million in the year ended March 31, 2017.

---

## 7. Shareholders' Equity

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below;

### (a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. Additionally, for companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. With respect to the third condition above, the Board of Directors of companies with (a) board committees (namely, appointment committee, compensation committee and audit committee) or (b) an audit and supervisory committee (as implemented under the Companies Act effective May 1, 2015) may also declare dividends at any time because such companies, by nature, meet the criteria under the Companies Act. The Company is organized as a company with an audit and supervisory committee, effective June 29, 2016. The Company meets all the above criteria and, accordingly, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

The amount available for dividends under the Companies Act was ¥405,144 million (\$3,649,946 thousand) at March 31, 2019, based on the amount recorded in the parent company's general books of account.

### (b) Increases/decreases and transfer of common stock, reserve and surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the shareholders.

### (c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.



**8. Comprehensive Income (loss)**

The changes in the components of accumulated other comprehensive income (loss) were as follows:

	Millions of yen			
	2019			
	Unrealized gains (losses) on securities	Pension liability adjustment	Foreign currency translation adjustments	Total
Beginning balance .....	¥ 7,576	¥(16,995)	¥(6,633)	¥(16,052)
Cumulative effect adjustment from the adoption of Accounting Standards Update No. 2016-01 (Note 1)..	(7,850)	—	—	(7,850)
Other comprehensive income (loss), net of tax before reclassification .....	320	(5,923)	1,874	(3,729)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax .....	—	1,344	—	1,344
Net changes .....	320	(4,579)	1,874	(2,385)
Comprehensive income (loss) attributable to noncontrolling interests .....	—	—	(14)	(14)
Ending balance .....	¥ 46	¥(21,574)	¥(4,745)	¥(26,273)

	Millions of yen			
	2018			
	Unrealized gains (losses) on securities	Pension liability adjustment	Foreign currency translation adjustments	Total
Beginning balance .....	¥6,127	¥(15,652)	¥(4,694)	¥(14,219)
Other comprehensive income (loss), net of tax before reclassification .....	1,682	(3,051)	(1,925)	(3,294)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax .....	(233)	1,708	—	1,475
Net changes .....	1,449	(1,343)	(1,925)	(1,819)
Comprehensive income (loss) attributable to noncontrolling interests .....	—	—	14	14
Ending balance .....	¥7,576	¥(16,995)	¥(6,633)	¥(16,052)

	Millions of yen			
	2017			
	Unrealized gains (losses) on securities	Pension liability adjustment	Foreign currency translation adjustments	Total
Beginning balance .....	¥2,945	¥(23,587)	¥ 5,110	¥(15,532)
Other comprehensive income (loss), net of tax before reclassification .....	3,063	5,441	(9,895)	(1,391)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax .....	78	3,381	—	3,459
Net changes .....	3,141	8,822	(9,895)	2,068
Comprehensive income (loss) attributable to noncontrolling interests .....	—	—	(18)	(18)
Equity transaction with noncontrolling interests .....	41	(887)	73	(773)
Ending balance .....	¥6,127	¥(15,652)	¥(4,694)	¥(14,219)

	Thousands of U.S. dollars			
	2019			
	Unrealized gains (losses) on securities	Pension liability adjustment	Foreign currency translation adjustments	Total
Beginning balance .....	\$ 68,252	\$(153,108)	\$(59,757)	\$(144,613)
Cumulative effect adjustment from the adoption of Accounting Standards Update No. 2016-01 (Note 1)..	(70,721)	—	—	(70,721)
Other comprehensive income (loss), net of tax before reclassification .....	2,883	(53,360)	16,883	(33,594)
Amounts reclassified from accumulated other comprehensive income (loss), net of tax .....	—	12,108	—	12,108
Net changes .....	2,883	(41,252)	16,883	(21,486)
Comprehensive income (loss) attributable to noncontrolling interests .....	—	—	(126)	(126)
Ending balance .....	\$ 414	\$(194,360)	\$(42,748)	\$(236,694)

\* Represented the effects of ASU No. 2016-01, "Financial Instruments - Overall: Recognition and Measurement of Financial Assets and Financial Liabilities". Please refer to Note 1. Summary of Significant Accounting Policies (u) New accounting standards for more detailed information.

Amounts recognized in the consolidated statements of income reclassified from accumulated other comprehensive income (loss) were as follows:

Millions of yen		
2019		
	Amounts reclassified from accumulated other comprehensive income (loss)	Account
Pension liability adjustment:	¥ 1,945	Other - net
	(601)	Income taxes
	1,344	Total
<b>Total reclassification amounts</b>	<b>¥ 1,344</b>	

Millions of yen		
2018		
	Amounts reclassified from accumulated other comprehensive income (loss)	Account
Unrealized gains (losses) on securities:	¥ (346)	Other - net
	113	Income taxes
	(233)	Total
Pension liability adjustment:	2,461	Other - net
	(753)	Income taxes
	1,708	Total
<b>Total reclassification amounts</b>	<b>¥ 1,475</b>	

Millions of yen		
2017		
	Amounts reclassified from accumulated other comprehensive income (loss)	Account
Unrealized gains (losses) on securities:	¥ 63	Other - net
	15	Income taxes
	78	Total
Pension liability adjustment:	4,880	Other - net
	(1,499)	Income taxes
	3,381	Total
<b>Total reclassification amounts</b>	<b>¥ 3,459</b>	

Thousands of U.S. dollars		
2019		
	Amounts reclassified from accumulated other comprehensive income (loss)	Account
Pension liability adjustment:	\$ 17,522	Other - net
	(5,414)	Income taxes
	12,108	Total
<b>Total reclassification amounts</b>	<b>\$ 12,108</b>	

The changes in the components of other comprehensive income (loss), including the before- and net-of-tax components of other comprehensive income (loss), were as follows:

	Millions of yen		
	2019		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period ...	¥ 414	¥ (94)	¥ 320
Reclassification adjustment for gains (losses) included in net income ...	—	—	—
	<u>414</u>	<u>(94)</u>	<u>320</u>
Pension liability adjustment:			
Pension liability adjustment arising during period .....	(8,482)	2,559	(5,923)
Reclassification adjustment for gains (losses) included in net income ...	1,945	(601)	1,344
	<u>(6,537)</u>	<u>1,958</u>	<u>(4,579)</u>
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period .....	1,697	177	1,874
Other comprehensive income (loss) .....	<u>¥(4,426)</u>	<u>¥2,041</u>	<u>¥(2,385)</u>
	Millions of yen		
	2018		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period ...	¥ 2,509	¥ (827)	¥ 1,682
Reclassification adjustment for gains (losses) included in net income ...	(346)	113	(233)
	<u>2,163</u>	<u>(714)</u>	<u>1,449</u>
Pension liability adjustment:			
Pension liability adjustment arising during period .....	(4,438)	1,387	(3,051)
Reclassification adjustment for gains (losses) included in net income ...	2,461	(753)	1,708
	<u>(1,977)</u>	<u>634</u>	<u>(1,343)</u>
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period .....	(1,669)	(256)	(1,925)
Other comprehensive income (loss) .....	<u>¥(1,483)</u>	<u>¥ (336)</u>	<u>¥(1,819)</u>

	Millions of yen		
	2017		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period ...	¥ 4,092	¥(1,029)	¥ 3,063
Reclassification adjustment for gains (losses) included in net income ...	63	15	78
	<u>4,155</u>	<u>(1,014)</u>	<u>3,141</u>
Pension liability adjustment:			
Pension liability adjustment arising during period .....	7,702	(2,261)	5,441
Reclassification adjustment for gains (losses) included in net income ...	4,880	(1,499)	3,381
	<u>12,582</u>	<u>(3,760)</u>	<u>8,822</u>
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period .....	(10,155)	260	(9,895)
Other comprehensive income (loss) .....	<u>¥ 6,582</u>	<u>¥(4,514)</u>	<u>¥ 2,068</u>
	Thousands of U.S. dollars		
	2019		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Unrealized gains (losses) on securities:			
Unrealized holding gains arising during period ...	\$ 3,730	\$ (847)	\$ 2,883
Reclassification adjustment for gains (losses) included in net income ...	—	—	—
	<u>3,730</u>	<u>(847)</u>	<u>2,883</u>
Pension liability adjustment:			
Pension liability adjustment arising during period .....	(76,414)	23,054	(53,360)
Reclassification adjustment for gains (losses) included in net income ...	17,522	(5,414)	12,108
	<u>(58,892)</u>	<u>17,640</u>	<u>(41,252)</u>
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during period .....	15,288	1,595	16,883
Other comprehensive income (loss) .....	<u>\$(39,874)</u>	<u>\$18,388</u>	<u>\$(21,486)</u>

## 9. Revenue

Operating segments of the Companies are classified based on the nature of products, and the Companies had the Components segment and the Modules segment. Revenues of these two operating segments are presented as net sales. The Board of Directors of the Company regularly reviews financial information related to these segments to determine allocation of resources and to assess their performance. Revenue of other sales such as sales of software is included in Other because it is not a part of the abovementioned two operating segments. The Companies disaggregate revenue from contracts with customers by separating the Components segment into Capacitors, Piezoelectric Components and Other Components and the Modules segment into Communication Modules and Power Supplies and Other Modules based on contracts with customers. The relationship between disaggregated revenue and net sales by segment was as follows:

	Millions of yen	Thousands of U.S. dollars
	2019	
Capacitors .....	¥ 574,230	\$ 5,173,243
Piezoelectric Components .....	138,586	1,248,523
Other Components .....	392,194	3,533,279
Components Total .....	1,105,010	9,955,045
Communication Modules .....	425,486	3,833,207
Power Supplies and Other Modules .....	41,213	371,289
Modules Total .....	466,699	4,204,496
Other .....	3,317	29,882
Total .....	¥1,575,026	\$14,189,423

The Companies mainly sell electric components including Components (Capacitors, Piezoelectric Components and Other Components) and Modules (Communication Modules and Power Supplies) and related products. Revenue from sales of products is recognized upon delivery of the products because the customer obtains control of the products upon delivery, by which the Companies evaluate that the performance obligation is satisfied. Revenue is measured at the consideration promised in a contract with a customer, less estimated discounts, rebates, returned products and other items. Consideration for transactions is received mainly within one year from the time when the performance obligations have been satisfied and it includes no significant financing components.

Liabilities from contracts with customers were as follows:

	Millions of yen		Thousands of U.S. dollars
	March 31, 2019	April 1, 2018	March 31, 2019
Contract liabilities .....	¥ 3,081	¥ 3,614	\$ 27,757

Contract liabilities relate to the payments received in advance of the transfer of control of products to the customer. Contract liabilities were recognized in accrued expenses and other in the consolidated balance sheet at March 31, 2019. Of the revenues recognized in the consolidated statement of income for the year ended March 31, 2019, ¥3,647 million (\$32,856 thousand) was included in the balance of contract liabilities at April 1, 2018. In addition, the amount of revenues recognized during the fiscal year ended March 31, 2019 from the performance obligations satisfied (or partially satisfied) in past periods was immaterial. The Companies have entered into no significant transactions for which an individual estimated contract period exceeds one year, and the Companies applied the optional exemption outlined under ASC 606-10-50-14. In addition, consideration arising from contracts with customers does not comprise any significant amount that is not included in transaction price.

## 10. Income Taxes

A reconciliation of the effective income tax rates of the Companies to the normal Japanese statutory tax rates was as follows for the years ended March 31:

	2019	2018	2017
Normal Japanese statutory tax rates .....	<b>30.5%</b>	30.7%	30.7%
Increase (decrease) in taxes resulting from:			
Tax credits .....	<b>(5.0)</b>	(5.3)	(6.4)
Permanently non-deductible and non-taxable items.....	<b>0.0</b>	(0.0)	(0.0)
Foreign earnings taxed at different rates .....	<b>(3.9)</b>	(4.9)	(2.4)
Net change in valuation allowance for deferred tax assets .....	<b>(0.6)</b>	(9.3)	(1.4)
Income taxes on undistributed earnings of foreign subsidiaries ...	<b>1.8</b>	2.3	1.2
Effect from change in U.S. tax laws.....	<b>-</b>	2.7	-
Gain on bargain purchase.....	<b>-</b>	(1.2)	-
Other-net .....	<b>(0.2)</b>	(2.0)	0.4
Effective tax rates .....	<b>22.6%</b>	13.0%	22.1%

The Companies follow the provisions of ASC 740, "Income Taxes", to account for enacted future tax rates. Under the provisions of ASC 740, the effect of a change in tax laws or rates is included in income in the period the change is enacted and the provisions require recalculation of deferred tax assets and liabilities based on the new tax laws or rates.

The Tax Cuts and Jobs Act of 2017 (the "Act") was enacted in the U.S. on December 22, 2017. Due to the Act, the federal corporate tax rate in the U.S. was reduced from 35% to 21% from the year beginning January 1, 2018 thereafter. As a result, deferred tax assets (after the deduction of deferred tax liabilities) decreased by ¥4,564 million and deferred income tax provision increased by ¥4,564 million during the fiscal year ended March 31, 2018.

The approximate effects of temporary differences and tax loss carryforwards that gave rise to deferred tax balances at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
<b>Deferred tax assets:</b>			
Intercompany profits .....	¥ 12,287	¥ 8,054	\$ 110,694
Termination and retirement benefits .....	27,915	25,497	251,486
Enterprise taxes .....	1,975	1,421	17,793
Compensated absences .....	3,003	2,645	27,054
Inventory valuation .....	12,664	9,377	114,090
Tangible and intangible assets .....	27,998	28,286	252,234
Accrued bonuses .....	6,805	5,869	61,306
Other temporary differences .....	14,998	13,331	135,118
Tax loss carryforwards .....	7,326	8,834	66,000
Total .....	114,971	103,314	1,035,775
Valuation allowance .....	(9,682)	(10,925)	(87,225)
Total .....	¥ 105,289	¥ 92,389	\$ 948,550
<b>Deferred tax liabilities:</b>			
Undistributed earnings of foreign subsidiaries .....	¥ 24,164	¥ 19,279	\$ 217,694
Marketable securities and investments adjustments .....	1,396	1,783	12,577
Tangible and intangible assets .....	20,969	15,912	188,910
Goodwill .....	20,233	26,161	182,279
Other temporary differences .....	3,135	583	28,243
Total .....	¥ 69,897	¥ 63,718	\$ 629,703

The total valuation allowance decreased by ¥1,243 million (\$11,198 thousand) for the year ended March 31, 2019 and decreased by ¥14,000 million for the year ended March 31, 2018.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the net deductible temporary differences are expected to reverse, management believes it is more likely than not that the Companies will realize the benefits of these deferred tax assets, net of existing valuation allowances at March 31, 2019 and 2018.

The Companies had tax loss carryforwards approximating ¥21,411 million (\$192,892 thousand), excluding a portion available only for local taxes approximating ¥20,587 million (\$185,468 thousand), available to reduce future taxable income at March 31, 2019, which expire substantially in the period from 2020 to 2037.

A reconciliation of the beginning and ending amount of unrecognized tax benefits at March 31 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Balance at beginning of year .....	¥ 93	¥ 79	\$ 838
Additions based on tax positions related to the current year .....	23	21	207
Reductions for tax positions of prior years .....	(21)	(2)	(189)
Other .....	4	(5)	36
Balance at end of year .....	¥ 99	¥ 93	\$ 892

The total amount of unrecognized tax benefits, if recognized, would reduce the effective tax rate.

The Japanese tax authority completed the audit of the consolidated income tax of the Company and domestic subsidiaries, which adopted the consolidated taxation system, for the years before 2018. Further, the tax authorities completed the tax audit of the major foreign subsidiaries for the years before 2004. The Companies believe unrecognized tax benefits are reasonably estimated, but unrecognized tax benefits may change as a result of the tax examination. At March 31, 2019, the Companies do not anticipate a material change of unrecognized tax benefits in the next 12 months.

The Companies classify interest and penalties related to unrecognized tax benefits as income taxes in the consolidated statements of income. Accrued interest and penalties in the consolidated balance sheets at March 31, 2019 and 2018, and interest and penalties in the consolidated statements of income for the years ended March 31, 2019 and 2018 were not material.

#### 11. Amounts per Share

The Company introduced a restricted stock compensation plan (hereinafter, the "Plan") for the Company's Directors (except directors serving as Audit and Supervisory Committee members and Outside Directors) and executive officers. Among the shares under the Plan, those transfer restrictions which have not been cancelled are distinguished as participating securities from common shares.

A holder of participating securities has the same rights as a holder of common shares to net income attributable to Murata Corporation.

A reconciliation of the basic earnings per share computation was as follows:

Diluted earnings attributable to Murata Corporation per share are not stated since there were no potential dilutive securities.

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Net income attributable to Murata Corporation ....	¥206,930	¥146,086	¥156,060	\$1,864,234
Net income available to participating securities ...	4	3	–	36
Net income available to common shareholders ...	¥206,926	¥146,083	¥156,060	\$1,864,198
	Numbers of shares			
Weighted-average number of common shares outstanding .....	639,767,918	638,991,571	637,963,827	
Weighted-average number of participating securities .....	12,708	12,241	–	
Weighted-average number of common shares ...	639,755,210	638,979,330	637,963,827	
	Yen			U.S. dollars
Basic earnings attributable to Murata Corporation per share .....	¥323.45	¥228.62	¥244.62	\$2.91

The Company executed a three-for-one common stock split, effective April 1, 2019. Basic earnings attributable to Murata Corporation per share were calculated as if the relevant stock split were executed at the beginning of the previous consolidated fiscal year ended March 31, 2017.



**12. Commitments**

Outstanding commitments at March 31, 2019 and 2018 for the purchase of property, plant and equipment approximated ¥148,228 million (\$1,335,387 thousand) and ¥123,028 million, respectively. Outstanding commitments at March 31, 2019 and 2018 for the purchase of inventories approximated ¥27,105 million (\$244,189 thousand) and ¥24,059 million, respectively.

**13. Fair Value Measurements**

The Companies account for fair value measurements in accordance with ASC 820, "Fair Value Measurement". ASC 820 clarifies the definitions of fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 prioritizes the inputs used to measure fair value into the 3 broad levels, and classifies the fair value hierarchy as follows:

Level 1: Quoted prices for identical assets or liabilities in active markets

Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the assets or liabilities

Level 3: Inputs that are unobservable for the assets or liabilities

Assets and liabilities measured at fair value on a recurring basis at March 31, 2019 were as follows:

	Millions of yen			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available-for-sale securities				
Private debt securities .....	¥ –	¥64,423	¥ –	¥64,423
Equity securities .....	18,012	333	6,123	24,468
Investment trusts .....	–	1,987	–	1,987
Derivatives				
Forward exchange contracts ....	–	220	–	220
<b>Liabilities</b>				
Derivatives				
Forward exchange contracts ....	¥ –	¥ 1,390	¥ –	¥ 1,390

	Thousands of U.S. dollars			
	Fair value measurements			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Available-for-sale securities				
Private debt securities .....	\$ –	\$580,387	\$ –	\$580,387
Equity securities .....	162,270	3,000	55,162	220,432
Investment trusts .....	–	17,901	–	17,901
Derivatives				
Forward exchange contracts ....	–	1,982	–	1,982
<b>Liabilities</b>				
Derivatives				
Forward exchange contracts ....	\$ –	\$ 12,523	\$ –	\$ 12,523

Assets measured at fair value of Level 3 on a recurring basis for the year ended March 31, 2019 were as follows:

	Millions of yen	Thousands of U.S. dollars
	Equity securities	Equity securities
Beginning balance .....	¥ 5,827	\$52,495
Total gains and losses (realized/unrealized)		
Included in consolidated statement of income as other income (expenses) .....	327	2,946
Investments and dividends .....	(31)	(279)
Ending balance .....	¥ 6,123	\$55,162

Assets and liabilities measured at fair value on a recurring basis at March 31, 2018 were as follows:

	Millions of yen			
	Fair value measurements			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Available-for-sale securities				
Governmental debt securities ...	¥ –	¥ 1,001	¥ –	¥ 1,001
Private debt securities .....	–	68,986	–	68,986
Equity securities .....	19,707	–	–	19,707
Investment trusts .....	–	1,941	–	1,941
Derivatives				
Forward exchange contracts ....	–	2,845	–	2,845
<b>Liabilities</b>				
Derivatives				
Forward exchange contracts ....	¥ –	¥ 432	¥ –	¥ 432

The Companies had no assets and liabilities measured at fair value that were classified as Level 3 on a recurring basis for the year ended March 31, 2018.

#### Available-for-sale securities

Governmental debt securities, private debt securities, and investment trusts are measured by the market approach using quoted prices for identical or similar assets in markets that are not active; they are classified within Level 2. The Companies elected the fair value option under ASC 825, "Financial Instruments", for some equity securities included in available-for-sale securities. Included in "Other - net" in the consolidated statements of income were losses of ¥29 million (\$261 thousand), losses of ¥22 million and gains of ¥183 million from the change in the fair value of those investments for the years ended March 31, 2019, 2018 and 2017, respectively. The amount of aggregate fair value was ¥13,072 million (\$117,766 thousand) and ¥13,101 million at March 31, 2019 and 2018, respectively.

#### Equity securities and Investment trusts

Fair values were measured as follows:

Level 1: By quoted prices in active markets.

Level 2: By observable price information provided by financial institutions, other than Level 1.

Level 3: By unobservable inputs provided by investment partnerships and others.

#### Derivatives

Forward exchange contracts are measured by the market approach using marketable data of observable foreign exchange rates, interest rates, and others; they are classified within Level 2.

Assets and liabilities measured at fair value on a nonrecurring basis at March 31, 2019 were as follows:

	Millions of yen			
	Fair value measurements			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Property, plant and equipment...	¥ –	¥ –	¥ 1,645	¥ 1,645
<b>Thousands of U.S. dollars</b>				
Fair value measurements				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Property, plant and equipment...	\$ –	\$ –	\$ 14,820	\$ 14,820

The Companies recognized impairment losses of ¥25,511 million (\$229,829 thousand) in selling, general and administrative expenses for the year ended March 31, 2019 related to facilities, etc., which were not expected to be used in the Components segment, the Modules segment, and Corporate. The fair values of facilities were measured by estimated future cash flows. The above assets were measured by unobservable inputs; they were classified within Level 3.

Assets and liabilities measured at fair value on a nonrecurring basis at March 31, 2018 were as follows:

	Millions of yen			
	Fair value measurements			Total
	Level 1	Level 2	Level 3	
<b>Assets</b>				
Property, plant and equipment...	¥ –	¥ –	¥1,522	¥1,522

The Companies recognized impairment losses of ¥7,269 million in selling, general and administrative expenses for the year ended March 31, 2018 related to production facilities which were not expected to be used in the Modules segment. The fair values of production facilities were measured by estimated future cash flows. The above assets were measured by unobservable inputs; they were classified within Level 3.

#### 14. 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.

##### Financial assets and liabilities

- (1) Cash, short-term investments, notes and accounts receivable, financial instruments which are included in other assets, short-term borrowings, notes and accounts payable, bonds and long-term debt. The carrying amounts indicated in the consolidated balance sheets approximated fair values at March 31, 2019 and 2018.
- (2) Marketable securities and Investments  
Fair value is primarily based on quoted market prices or is estimated using the discounted cash flow method, based on the market interest rates currently available to the Companies for instruments with similar terms and maturities. The fair values of marketable securities and investments are presented in Notes 3 and 13.

##### Derivatives

The Companies enter into forward exchange contracts and currency option contracts in order to manage foreign currency risk, and interest rate swap contracts in order to manage interest expense fluctuation risk caused by long-term debt. The Companies do not enter into forward exchange contracts, currency option contracts, or interest rate swap contracts for trading purposes. 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 Companies reclassified changes in the fair value of forward exchange contracts, currency option contracts, and interest rate swap contracts as earnings in the same period.

The notional amounts of forward exchange contracts, currency option contracts, and interest rate swap contracts for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Notional amounts:			
Forward exchange contracts .....	¥182,030	¥192,483	\$1,639,910
Currency option contracts .....	–	–	–
Interest rate swap contracts .....	–	–	–

The fair values of forward exchange contracts, currency option contracts, and interest rate swap contracts for the years ended March 31, 2019 and 2018 were as follows:

	Account	Millions of yen		Thousands of U.S. dollars
		2019	2018	2019
		Fair values		
Forward exchange contracts	Prepaid expenses and other	¥ 220	¥2,845	\$ 1,982
	Accrued expenses and other	1,390	432	12,523
Currency option contracts	Prepaid expenses and other	–	–	–
	Accrued expenses and other	–	–	–
Interest rate swap contracts	Accrued expenses and other	–	–	–

Gains and losses on forward exchange contracts, currency option contracts, and interest rate swap contracts not designated as hedges recognized in the consolidated statements of income for the years ended March 31, 2019, 2018 and 2017 were as follows:

		Millions of yen			Thousands of U.S. dollars
		2019	2018	2017	2019
Account		Amounts			
Forward exchange contracts	Foreign currency exchange gain (loss)	<b>¥ (10,277)</b>	¥ 4,685	¥ (13,689)	<b>\$ (92,586)</b>
Currency option contracts	Foreign currency exchange gain	–	–	42	–
Interest rate swap contracts	Interest expense	–	–	41	–

While the Companies no longer apply hedge accounting to forward exchange contracts, currency option contracts, and interest rate swap contracts, the Companies continue to utilize them and consider them to be effective economic hedges for managing foreign currency risk and for interest expense fluctuation risk resulting from long-term debt.

#### **Concentration of credit risk**

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

## 15. Acquisitions

There were no significant acquisitions for the year ended March 31, 2019.

Significant acquisitions for the year ended March 31, 2018 were as follows:

(1) The acquisition of Arctic Sand Technologies, Inc.

On April 3, 2017, pSemi Corporation ("PSC"), one of the Companies, completed the acquisition of Arctic Sand Technologies, Inc. ("AST"). AST became a wholly-owned subsidiary of PSC. The total acquisition price was ¥6,439 million. As a result of the acquisition, AST and its subsidiary (collectively, the "AST Group") were newly consolidated into the Companies' consolidated financial statements. The amount of gain recognized as a result of remeasuring to fair value the equity interest held before the acquisition of ¥435 million is included in Other-net in the consolidated statements of income for the year ended March 31, 2018. The fair value was measured based on various factors, including the purchase price of AST's shares and the discounted cash flow method that uses future expected cash flows generated from the investee.

AST is a manufacturer engaged in the design and sale of low-power semiconductors. Its technologies deliver industry-leading power conversion efficiency. Combining them with the Company's modular technologies will make it possible to provide solutions with high integration and excellent conversion efficiency in a wide range of low-power fields. Demand for these technologies is expected to grow even further as electrical and electronic components become smaller and thinner. Through this acquisition, AST's low-power semiconductors will be added to the Company's existing product lineup in order to enhance and expand its power module business in not just the telecommunications market, but also the data communication and industrial electronic markets.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	Millions of yen
Cash .....	¥ 177
Other current assets .....	16
Property, plant and equipment .....	22
Intangible assets .....	3,067
Goodwill .....	5,561
Other non-current assets .....	9
Total assets acquired .....	<u>8,852</u>
Current liabilities .....	41
Long-term liabilities .....	1,079
Total liabilities assumed .....	<u>1,120</u>
Cash paid for acquisition .....	6,439
Equity interest held before acquisition .....	1,293
Net assets acquired .....	<u>¥ 7,732</u>

Intangible assets acquired are mainly technologies of ¥3,062 million, which are subject to amortization. The Companies have estimated the amortization period for technologies to be 6 years. Goodwill recognized, which is assigned to the Modules segment, is attributable primarily to expected synergies from combining operations of the AST Group and the Companies. The recognized goodwill is not considered to be tax-deductible.

Acquisition-related costs of ¥113 million are included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2018.

The results of operations of the AST Group from the acquisition date are included in the consolidated financial statements and the amounts are immaterial.

The pro forma results are immaterial.

(2) The acquisition of battery business from Sony Corporation

On September 1, 2017, the Companies completed the acquisition of the battery business from Sony Corporation ("Sony"). The Company acquired 100.0% of the total outstanding shares of Tohoku Murata Manufacturing Co., Ltd. ("TMM"). As a result of the acquisition, TMM and its 2 subsidiaries were newly consolidated into the Companies' consolidated financial statements. In addition, the sales base and research and development base held by the Sony Group overseas which are related to the battery business and subject to acquisition were directly acquired by the Murata Group's bases in the various countries. The total acquisition price was ¥39,022 million. The payment of the acquisition price was by cash.

Sony has operated its battery business since 1975, and in 1991 commercialized the world's first lithium-ion battery. Sony has continued to pursue the development and business launch of various advanced battery products, primarily as key components for electronics products. The Companies obtained the technological strengths, and knowledge and experience of international markets of Sony's global battery business, and intend to position the global battery business as a core operation within its energy business in order to target further business growth and expansion.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	Millions of yen
Cash .....	¥ 16,151
Other current assets .....	53,743
Property, plant and equipment .....	26,483
Intangible assets .....	4,394
Other non-current assets .....	5,524
Total assets acquired .....	106,295
Current liabilities .....	29,586
Long-term liabilities .....	31,245
Total liabilities assumed .....	60,831
Cash paid for acquisition .....	39,022
Gain on bargain purchase .....	6,442
Net assets acquired .....	¥ 45,464

Intangible assets acquired are mainly technologies of ¥2,340 million, which are subject to amortization. The Companies have estimated the amortization period for technologies to be 4 years. The Companies recognized negative goodwill of ¥6,442 million since the fair value of Net assets acquired was higher than the acquisition price and recorded it as Gain on bargain purchase in the consolidated financial statements. Acquisition-related costs of ¥669 million are included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2018.

The Net sales and Operating loss of the battery business included in the consolidated financial statements are ¥91,206 million and ¥14,223 million for the year ended March 31, 2018.

The following table represents the unaudited pro forma results of operations of the Companies for the years ended March 31, 2018 and 2017, as if the acquisition of the battery business had occurred on April 1, 2017 and 2016, respectively. The unaudited pro forma results of operations are presented for comparative purposes only and are not necessarily indicative of the results of operations that may occur in the future or that would have occurred had the acquisitions been in effect on the dates indicated.

	Millions of yen	
	2018	2017
Net sales .....	¥1,435,367	¥1,261,156
Operating income.....	155,342	190,432

(3) The acquisition of Vios Medical, Inc.

On October 13, 2017, the Company completed the acquisition of Vios Medical, Inc. (“Vios”). Vios became a wholly-owned subsidiary of the Company. The total acquisition price was ¥11,466 million, consisted of 507,104 shares of the Company's common stock equivalent to ¥8,519 million and a cash payment of ¥2,947 million. As a result of the acquisition, Vios and its 2 subsidiaries (collectively, the “Vios Group”) were newly consolidated into the Companies' consolidated financial statements. The amount of gain recognized as a result of remeasuring to fair value the equity interest held before the acquisition of ¥274 million is included in Other-net in the consolidated statements of income for the year ended March 31, 2018. The fair value was measured based on various factors, including the purchase price of Vios's shares and the discounted cash flow method that uses future expected cash flows generated from the investee.

Vios is a healthcare IT startup that has developed a chest sensor that can measure heart and respiratory rates and run electrocardiograms, etc. It also develops and provides software, cloud services, etc. to monitor them. The Company is now working toward further expanding its business by focusing on the acquisition as a foothold for expanding its healthcare and medical business abroad by effectively utilizing Vios's network of overseas hospitals.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	Millions of yen
Cash .....	¥ 1,123
Other current assets .....	11
Property, plant and equipment .....	3
Intangible assets .....	1,223
Goodwill .....	10,842
Other non-current assets .....	87
Total assets acquired .....	<u>13,289</u>
Current liabilities .....	1,134
Long-term liabilities .....	312
Total liabilities assumed .....	<u>1,446</u>
Cash paid for acquisition .....	11,466
Equity interest held before acquisition .....	377
Net assets acquired .....	<u>¥11,843</u>

Intangible assets acquired are mainly technologies of ¥1,184 million, which are subject to amortization. The Companies have estimated the amortization period for technologies to be 5 years. Goodwill recognized, which is assigned to the Modules segment, is attributable primarily to expected synergies from combining operations of the Vios Group and the Companies. The recognized goodwill is not considered to be tax-deductible.

Acquisition-related costs of ¥220 million are included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2018.

The results of operations of the Vios Group from the acquisition date are included in the consolidated financial statements and the amounts are immaterial.

The pro forma results are immaterial.

Significant acquisitions for the year ended March 31, 2017 were as follows:

(1) The acquisition of IPDiA S.A.

On October 17, 2016, Murata Electronics Europe B.V., one of the Companies, acquired 98.0% of the total outstanding shares of IPDiA S.A. ("IPD"). The total acquisition price was ¥6,721 million. As a result of the acquisition, IPD and its subsidiary (collectively, the "IPD Group") were newly consolidated into the Companies' consolidated financial statements.

IPD is dedicated to the manufacturing of leading edge Integrated Passive Devices, specializing in silicon sub-mounts for lighting and 3D silicon capacitors for medical, industrial, communication and high reliability applications.

Its technology has been adopted by world leaders in medical electronics, semiconductor area and the high reliability industry. This acquisition will enhance the Companies' position as the leading provider of high reliability capacitors. It is part of the Companies' strategy to strengthen its core business within the communication mobile market, and to expand into new applications within the automotive and medical markets.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	Millions of yen
Cash .....	¥ 486
Other current assets .....	857
Property, plant and equipment .....	443
Intangible assets .....	2,263
Goodwill .....	4,030
Other non-current assets .....	1
Total assets acquired .....	<u>8,080</u>
Current liabilities .....	878
Long-term liabilities .....	345
Total liabilities assumed .....	<u>1,223</u>
Noncontrolling interest .....	136
Net assets acquired .....	<u>¥ 6,721</u>

Intangible assets acquired are mainly technologies of ¥1,536 million, which are subject to amortization. The Companies have estimated the amortization period for technologies to be 6 years. Goodwill recognized, which is assigned to the Components segment, is attributable primarily to expected synergies from combining operations of the IPD Group and the Companies. The recognized goodwill is not considered to be tax-deductible.

Acquisition-related costs of ¥193 million are included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2017.

The results of operations of the IPD Group from the acquisition date are included in the consolidated financial statements and the amounts are immaterial.

The pro forma results are immaterial.



(2) The acquisition of Primatec Inc.

On November 1, 2016, the Company completed the acquisition of Primatec Inc. ("PTI"). PTI became a wholly-owned subsidiary of the Company. The total acquisition price was ¥9,500 million. The amount of gain recognized as a result of remeasuring to fair value the equity interest held before the acquisition of ¥150 million is included in Other-net in the consolidated statements of income for the year ended March 31, 2017. The fair value was measured based on various factors, including the purchase price of PTI's shares and the discounted cash flow method that uses future expected cash flows generated from the investee.

PTI is dedicated to developing, manufacturing, and selling various products founded upon highly functional polymer products such as LCP (liquid crystal polymer) electronic materials. PTI's materials have been well received for use in high-performance circuit boards in the energy and display sectors, and demand for their products is estimated to further increase in the electronics and electronic component sectors in which miniaturized and thin products are increasingly in demand.

The Company will utilize the materials technology of PTI to expand sales of MetroCirc™ (a multi-layered resin substrate) used in smartphones, etc., and additionally develop new advanced products that lead the global market in new applications for IoT devices and data centers. This acquisition is part of the Company's strategy to continue to strengthen and expand its businesses in all electronic markets.

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the acquisition date.

	Millions of yen
Cash .....	¥ 1,010
Other current assets .....	1,821
Property, plant and equipment .....	3,330
Intangible assets .....	1,256
Goodwill .....	4,663
Other non-current assets .....	20
Total assets acquired .....	<u>12,100</u>
Current liabilities .....	1,821
Long-term liabilities .....	429
Total liabilities assumed .....	<u>2,250</u>
Cash paid for acquisition .....	9,500
Equity interest held before acquisition .....	350
Net assets acquired .....	<u>¥ 9,850</u>

Intangible assets acquired are technologies of ¥1,250 million, which are subject to amortization. The Companies have estimated the amortization period for technologies to be 6 years. Goodwill recognized, which is assigned to the Modules segment, is attributable primarily to expected synergies from combining operations of PTI and the Companies. The recognized goodwill deductible for tax purposes resulting from the transaction is ¥4,591 million.

Acquisition-related costs of ¥29 million are included in selling, general and administrative expenses in the consolidated statements of income for the year ended March 31, 2017.

The results of operations of PTI from the acquisition date are included in the consolidated financial statements and the amounts are immaterial.

The pro forma results are immaterial.

**16. Goodwill and Other Intangible Assets**

Intangible assets other than goodwill at March 31, 2019 and 2018 were as follows:

	Millions of yen		
	2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Amortized intangible assets</b>			
Software .....	¥ 36,816	¥20,177	¥16,639
Technology .....	32,338	20,532	11,806
Customer relationships .....	20,061	11,259	8,802
Patents .....	4,617	1,674	2,943
Other .....	8,877	1,779	7,098
<b>Total .....</b>	<b>¥102,709</b>	<b>¥55,421</b>	<b>¥47,288</b>
<b>Unamortized intangible assets</b>	<b>¥ 238</b>	<b>–</b>	<b>¥ 238</b>
	Millions of yen		
	2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Amortized intangible assets</b>			
Software .....	¥ 39,390	¥21,587	¥17,803
Technology .....	31,915	15,154	16,761
Customer relationships .....	19,727	8,673	11,054
Patents .....	4,198	1,740	2,458
Other .....	7,618	1,579	6,039
<b>Total .....</b>	<b>¥102,848</b>	<b>¥48,733</b>	<b>¥54,115</b>
<b>Unamortized intangible assets</b>	<b>¥ 232</b>	<b>–</b>	<b>¥ 232</b>
	Thousands of U.S. dollars		
	2019		
	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Amortized intangible assets</b>			
Software .....	\$331,676	\$181,775	\$149,901
Technology .....	291,333	184,973	106,360
Customer relationships .....	180,729	101,432	79,297
Patents .....	41,595	15,081	26,514
Other .....	79,973	16,027	63,946
<b>Total .....</b>	<b>\$925,306</b>	<b>\$499,288</b>	<b>\$426,018</b>
<b>Unamortized intangible assets</b>	<b>\$ 2,144</b>	<b>–</b>	<b>\$ 2,144</b>

Intangible assets other than goodwill acquired for the year ended March 31, 2019 totaled ¥8,198 million (\$73,856 thousand) and primarily consisted of software of ¥4,794 million (\$43,189 thousand). The weighted-average useful life for software is 4.95 years.

Total amortization expenses of intangible assets for the years ended March 31, 2019, 2018 and 2017 amounted to ¥14,808 million (\$133,405 thousand), ¥14,104 million and ¥12,063 million, respectively. The estimated amortization expenses for intangible assets for the next 5 years are as follows:

Years ending March 31	Millions of yen	Thousands of U.S. dollars
2020 .....	¥13,386	\$120,595
2021 .....	10,368	93,405
2022 .....	8,613	77,595
2023 .....	4,411	39,739
2024 .....	1,856	16,721

The changes in the carrying amount of goodwill of each operating segment for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		
	2019		
	Components	Modules	Total
Balance at beginning of year			
Acquisition cost .....	¥23,513	¥ 65,910	¥ 89,423
Accumulated impairment losses .....	(2,096)	(10,413)	(12,509)
Net carrying amounts .....	<u>21,417</u>	<u>55,497</u>	<u>76,914</u>
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year .....	—	—	—
Impairment losses .....	—	—	—
Translation adjustments and other .....	(588)	2,063	1,475
Balance at end of year			
Acquisition cost .....	22,925	67,973	90,898
Accumulated impairment losses .....	(2,096)	(10,413)	(12,509)
Net carrying amounts .....	<u>¥20,829</u>	<u>¥ 57,560</u>	<u>¥ 78,389</u>
	Millions of yen		
	2018		
	Components	Modules	Total
Balance at beginning of year			
Acquisition cost .....	¥22,563	¥ 52,048	¥ 74,611
Accumulated impairment losses .....	(2,096)	(10,413)	(12,509)
Net carrying amounts .....	<u>20,467</u>	<u>41,635</u>	<u>62,102</u>
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year .....	—	16,403	16,403
Impairment losses .....	—	—	—
Translation adjustments and other .....	950	(2,541)	(1,591)
Balance at end of year			
Acquisition cost .....	23,513	65,910	89,423
Accumulated impairment losses .....	(2,096)	(10,413)	(12,509)
Net carrying amounts .....	<u>¥21,417</u>	<u>¥ 55,497</u>	<u>¥ 76,914</u>
	Thousands of U.S. dollars		
	2019		
	Components	Modules	Total
Balance at beginning of year			
Acquisition cost .....	\$ 211,829	\$ 593,784	\$ 805,613
Accumulated impairment losses .....	(18,883)	(93,811)	(112,694)
Net carrying amounts .....	<u>192,946</u>	<u>499,973</u>	<u>692,919</u>
Increase (decrease) in goodwill resulting from			
Goodwill acquired during year .....	—	—	—
Impairment losses .....	—	—	—
Translation adjustments and other .....	(5,297)	18,585	13,288
Balance at end of year			
Acquisition cost .....	206,532	612,369	818,901
Accumulated impairment losses .....	(18,883)	(93,811)	(112,694)
Net carrying amounts .....	<u>\$ 187,649</u>	<u>\$ 518,558</u>	<u>\$ 706,207</u>

## 17. Segment Information

### 1) Operating segment information

The Companies mainly develop, manufacture, and sell electronic components and related products. Operating segments of the Companies are classified based on the nature of products, and the Companies had the Components segment, the Modules segment, and Others.

Operating segment information for the years ended March 31, 2019, 2018 and 2017 was as follows:

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
<b>Components</b>				
Sales to:				
Unaffiliated customers .....	<b>¥1,105,010</b>	¥924,149	¥761,759	<b>\$ 9,955,045</b>
Intersegment .....	<b>34,993</b>	39,752	36,489	<b>315,252</b>
Total revenue .....	<b>1,140,003</b>	963,901	798,248	<b>10,270,297</b>
Segment income .....	<b>312,141</b>	217,577	204,827	<b>2,812,081</b>
Assets .....	<b>921,775</b>	750,420	577,376	<b>8,304,279</b>
Depreciation and amortization .....	<b>81,833</b>	96,202	80,271	<b>737,234</b>
Expenditure for long-lived assets ....	<b>175,250</b>	168,501	120,230	<b>1,578,829</b>
<b>Modules</b>				
Sales to:				
Unaffiliated customers .....	<b>¥466,699</b>	¥443,854	¥370,836	<b>\$4,204,495</b>
Intersegment .....	<b>11</b>	11	38	<b>99</b>
Total revenue .....	<b>466,710</b>	443,865	370,874	<b>4,204,594</b>
Segment income (loss).....	<b>14,471</b>	(11,284)	39,913	<b>130,369</b>
Assets .....	<b>331,190</b>	302,994	191,507	<b>2,983,694</b>
Depreciation and amortization .....	<b>36,081</b>	32,178	21,376	<b>325,054</b>
Expenditure for long-lived assets ....	<b>88,547</b>	118,089	29,167	<b>797,721</b>
<b>Others</b>				
Sales to:				
Unaffiliated customers .....	<b>¥ 3,317</b>	¥ 3,839	¥ 2,929	<b>\$ 29,883</b>
Intersegment .....	<b>99,082</b>	82,203	40,131	<b>892,631</b>
Total revenue .....	<b>102,399</b>	86,042	43,060	<b>922,514</b>
Segment income .....	<b>10,596</b>	9,422	3,783	<b>95,460</b>
Assets .....	<b>12,013</b>	11,626	8,727	<b>108,225</b>
Depreciation and amortization .....	<b>1,290</b>	1,750	1,899	<b>11,622</b>
Expenditure for long-lived assets ....	<b>1,375</b>	1,699	2,304	<b>12,387</b>
<b>Corporate and eliminations</b>				
Sales to:				
Unaffiliated customers .....	<b>-</b>	-	-	<b>-</b>
Intersegment .....	<b>¥(134,086)</b>	¥(121,966)	¥ (76,658)	<b>\$(1,207,982)</b>
Total revenue .....	<b>(134,086)</b>	(121,966)	(76,658)	<b>(1,207,982)</b>
Corporate expenses .....	<b>(70,401)</b>	(52,461)	(44,112)	<b>(634,243)</b>
Assets .....	<b>783,915</b>	731,973	857,389	<b>7,062,297</b>
Depreciation and amortization .....	<b>5,215</b>	11,495	9,977	<b>46,982</b>
Expenditure for long-lived assets ....	<b>34,182</b>	25,754	13,099	<b>307,946</b>

### Consolidated

Sales to:

Unaffiliated customers .....	<b>¥1,575,026</b>	¥1,371,842	¥1,135,524	<b>\$14,189,423</b>
Intersegment .....	—	—	—	—
<b>Total revenue .....</b>	<b>1,575,026</b>	1,371,842	1,135,524	<b>14,189,423</b>
Operating income .....	<b>266,807</b>	163,254	204,411	<b>2,403,667</b>
Assets .....	<b>2,048,893</b>	1,797,013	1,634,999	<b>18,458,495</b>
Depreciation and amortization .....	<b>124,419</b>	141,625	113,523	<b>1,120,892</b>
Expenditure for long-lived assets .....	<b>299,354</b>	314,043	164,800	<b>2,696,883</b>

\*1 Major products and businesses included in the operating segments

(1) Components : Capacitors, Piezoelectric Components, and Lithium Ion Batteries

(2) Modules : Communication Modules and Power Supplies

(3) Others : Machinery manufacturing, welfare services, and sales of software

\*2 Intersegment transactions are based on market prices.

\*3 Segment income (loss) for each operating segment represents net sales less related costs. Corporate expenses represent expenses of the headquarters' functions and fundamental research.

\*4 Assets for operating segments are composed of inventories and fixed assets used in business. The other assets are included in Corporate and eliminations.

\*5 Expenditure for long-lived assets is composed of expenditures for property, plant, and equipment, and intangible assets, and does not include expenditures related to acquisitions.

### 2) Geographic information

Net sales are attributed to countries or areas based on customer locations.

Long-lived assets are composed of property, plant and equipment based on their physical locations.

Net sales

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Japan .....	<b>¥ 144,740</b>	¥ 114,007	¥ 87,043	<b>\$ 1,303,964</b>
The Americas .....	<b>236,786</b>	154,488	102,690	<b>2,133,207</b>
Europe .....	<b>139,839</b>	106,285	83,640	<b>1,259,811</b>
Greater China .....	<b>794,357</b>	760,858	647,349	<b>7,156,369</b>
Asia and Others .....	<b>259,304</b>	236,204	214,802	<b>2,336,072</b>
<b>Total .....</b>	<b>¥1,575,026</b>	¥1,371,842	¥1,135,524	<b>\$14,189,423</b>

Notes : Major countries and areas included in the segments other than Japan:

\*1 The Americas : USA and Mexico

\*2 Europe : Germany, Hungary, and Poland

\*3 Greater China : China and Taiwan

\*4 Asia and Others : Vietnam, South Korea, and Thailand

Long-lived assets

	Millions of yen			Thousands of U.S. dollars
	2019	2018	2017	2019
Japan .....	<b>¥580,057</b>	¥493,943	¥367,410	<b>\$5,225,739</b>
The Americas .....	<b>4,447</b>	4,153	3,720	<b>40,063</b>
Europe .....	<b>19,535</b>	16,326	9,298	<b>175,991</b>
Greater China .....	<b>155,326</b>	120,876	82,422	<b>1,399,333</b>
Asia and Others .....	<b>97,088</b>	69,931	45,119	<b>874,667</b>
<b>Total .....</b>	<b>¥856,453</b>	<b>¥705,229</b>	<b>¥507,969</b>	<b>\$7,715,793</b>

Notes : Major countries and areas included in the segments other than Japan:

\*1 The Americas : USA

\*2 Europe : Finland, France, and United Kingdom

\*3 Greater China : China and Taiwan

\*4 Asia and Others : Singapore, Philippines, Thailand, and Vietnam

3) Information about major customers

There is one customer group which accounted for more than 10% of consolidated sales for the years ended March 31, 2019, 2018, and 2017. Consolidated sales to the customer group for the years ended March 31, 2019, 2018, and 2017 were ¥172,934 million (\$1,557,964 thousand), ¥181,878 million, and ¥155,295 million, respectively. There is another customer group which accounted for more than 10% of consolidated sales for the years ended March 31, 2018 and 2017. Consolidated sales to this customer group for the years ended March 31, 2018, and 2017 were ¥142,599 million and ¥123,966 million, respectively. Sales to such customer groups are included in the Components segment and the Modules segment.

**18. Subsequent Events**

1. The Companies have evaluated subsequent events through June 27, 2019, which is the date that the consolidated financial statements were issued.

2. The ordinary general meeting of shareholders on June 27, 2019 resolved to pay a cash dividend of ¥140 (\$1.26) per share to shareholders of record at March 31, 2019, or a total of ¥29,855 million (\$268,964 thousand).

3. The Company executed a stock split effective April 1, 2019, according to a resolution passed at the Board of Directors' meeting on January 31, 2019.

(1) Purpose of the stock split

The stock split was conducted with the aim of increasing the liquidity of the Company's stock and expanding its investor base by reducing the price of share-trading units.

(2) Outline of the stock split

a. Method of the stock split

Each of the shares of the Company's common stock held by shareholders included or recorded in the final register of shareholders as of the record date of March 31, 2019 split into three shares.

b. Number of increase in shares by the stock split

Total number of issued shares before the stock split: 225,271,427 shares

Number of increase in shares by the stock split: 450,542,854 shares

Total number of issued shares after the stock split: 675,814,281 shares

# Independent Auditors' Report

---

# Deloitte.

Deloitte Touche Tohmatsu LLC  
Shijokarasuma FT Square  
20, Naginataboko-cho  
Karasuma-higashiiru, Shijo-dori  
Shimogyo-ku, Kyoto 600-8008  
Japan

Tel: +81 (75) 222 0181  
Fax: +81 (75) 231 2703  
[www.deloitte.com/jp](http://www.deloitte.com/jp)

To the Board of Directors and Shareholders of  
Murata Manufacturing Co., Ltd.  
Nagaokakyo-shi  
Kyoto, Japan

We have audited the accompanying consolidated financial statements of Murata Manufacturing Co., Ltd. and its subsidiaries (the "Company"), which comprise the consolidated balance sheets as of March 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended March 31, 2019, and the related notes to the consolidated financial statements, all expressed in Japanese yen.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Murata Manufacturing Co., Ltd. and its subsidiaries as of March 31, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

---

**Emphasis of Matter**

As discussed in Note 1 to the consolidated financial statements, Murata Manufacturing Co., Ltd. and domestic subsidiaries have changed its depreciation method for property, plant and equipment from the declining-balance method to the straight-line method as of April 1, 2018.

Our opinion is not modified with respect to this matter.

**Convenience Translation**

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 2 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Japan.

*Deloitte Touche Tohmatsu LLC*

June 27, 2019

Member of  
Deloitte Touche Tohmatsu Limited



# Internal Control Section

## **NOTE TO READERS:**

The Companies design and operate effective internal control over financial reporting, and prepare management's report on internal control over financial reporting under the Financial Instruments and Exchange Act of Japan.

Management's report on internal control over financial reporting of the Companies is audited in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, and an opinion on management's report on internal control over financial reporting is expressed by Deloitte Touche Tohmatsu LLC.

48 Management's Report on Internal Control

49 Independent Auditors' Report

# Management's Report on Internal Control

---

## NOTE TO READERS:

Following is an English translation of management's report on internal control over financial reporting filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an assessment of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (the United States of America) ("ICFR under PCAOB").

• In an assessment of ICFR under FIEA, there is detailed guidance on the scope of an assessment of ICFR, such as quantitative guidance on business location selection and/or account selection. In an assessment of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested, and the companies whose combined sales and other balances reached two-thirds of total sales and other balances for the prior year on a consolidation basis were selected as "significant locations and/or business units."

## (TRANSLATION)

### MANAGEMENT'S REPORT ON INTERNAL CONTROL

#### 1. Matters relating to the basic framework for internal control over financial reporting

Tsuneo Murata, Chairman of the Board, President and Representative Director, and Yoshito Takemura, Executive Vice President and Board Member, are responsible for designing and operating effective internal control over financial reporting of Murata Manufacturing Co., Ltd. (the "Company") and have designed and operated internal control over financial reporting of the consolidated financial statements in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

#### 2. Matters relating to the scope of assessment, the basis date of assessment and the assessment procedures

Tsuneo Murata, Chairman of the Board, President and Representative Director, and Yoshito Takemura, Executive Vice President and Board Member, performed the assessment of internal control over financial reporting as of March 31, 2019, which is the end of this fiscal year. The assessment was performed in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls which may have a material effect on our entire financial reporting on a consolidated basis ("entity-level controls") and based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of the Company's financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to evaluate the effectiveness of the internal controls of the Company.

We determined the required scope of assessment of internal control over financial reporting for the Company, as well as its consolidated subsidiaries and subsidiaries accounted for by the equity method, from the perspective of the materiality that may affect the reliability of their financial reporting. The procedures, methods and others to determine the scope are determined taking into account the materiality of quantitative and qualitative impacts on financial reporting. In light of the results of the assessment of entity-level controls conducted for all locations and business units except for insignificant ones, we reasonably determined the scope of assessment of internal controls over business processes.

Regarding the scope of assessment of internal control over business processes, we selected locations and business units to be tested, and the companies whose combined sales and other balances reached two-thirds of total sales and other balances for the prior year on a consolidation basis were selected as "significant locations and/or business units". We included in the scope of assessment, at the selected significant locations and/or business units, business processes leading to sales, accounts receivable and inventories as significant accounts that may have a material impact on the business objectives of the Company. Further, in addition to selected significant locations and/or business units, we also selected individually for testing, as business processes having greater materiality, business processes relating to (i) greater likelihood of material misstatements and/or (ii) significant accounts involving estimates and management's judgment and/or (iii) a business dealing with high-risk transactions, taking into account their impact on the financial reporting.

#### 3. Matters relating to the results of the assessment

As a result of the assessment described above, as of the end of this fiscal year, we concluded that the Company's internal control over financial reporting of the consolidated financial statements was effectively maintained.

#### 4. Additional matters

Not applicable.

#### 5. Particular matters

Not applicable.

Tsuneo Murata  
Chairman of the Board  
President  
Representative Director  
Murata Manufacturing Co., Ltd.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

# Independent Auditors' Report (filed under the Financial Instruments and Exchange Act of Japan)

## NOTE TO READERS:

Following is an English translation of the Independent Auditors' Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

- Readers should be particularly aware of the differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (the United States of America) ("ICFR under PCAOB");
- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
  - In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, the Company selected locations and business units to be tested, and the companies whose combined sales and other balances reaches two thirds of total sales and other balances for the prior year on a consolidation basis were selected as "significant locations and/or business units."

## (TRANSLATION)

### INDEPENDENT AUDITORS' REPORT (filed under the Financial Instruments and Exchange Act of Japan)

June 27, 2019

To the Board of Directors of Murata Manufacturing Co., Ltd.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner  
Engagement Partner,  
Certified Public Accountant: Koichiro Tsukuda

Designated Unlimited Liability Partner  
Engagement Partner,  
Certified Public Accountant: Takashi Ishii

## [Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet of Murata Manufacturing Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for the fiscal year from April 1, 2018 to March 31, 2019, and the related notes, and consolidated supplementary schedules.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Ordinance for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Audit Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Murata Manufacturing Co., Ltd. and its consolidated subsidiaries as of March 31, 2019, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in (2) Property, plant and equipment in 6. Valuation standard for significant assets and depreciation method in 1. Summary of Significant Accounting Policies in Note 1 to the consolidated financial statements, Murata Manufacturing Co., Ltd. and domestic subsidiaries have changed its depreciation method for property, plant and equipment from the declining-balance method to the straight-line method as of April 1, 2018.

Our opinion is not modified with respect to this matter.

---

## **[Audit of Internal Control]**

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Murata Manufacturing Co., Ltd. as of March 31, 2019.

### **Management's Responsibility for the Report on Internal Control**

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on management's report on internal control based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting. An internal control audit includes examining representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Murata Manufacturing Co., Ltd. as of March 31, 2019 is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

### **Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "consolidated supplementary schedules" referred to in this report are not included in the attached financial documents.

*muRata*  
INNOVATOR IN ELECTRONICS