

Consolidated Financial Flash Report (September 30, 2016)

Date: October 31, 2016

Company Name : Murata Manufacturing Co., Ltd.
Listing Code : 6981
(URL <http://www.murata.com/>)
Phone : (075) 955-6525
The date of payout of dividends: December 5, 2016

Stock Exchange Listings:
Tokyo Stock Exchange
Stock Exchange of Singapore

1. Consolidated financial results for the six months ended September 30, 2016

(1) Operating results

	Net sales		Operating income		Income before income taxes		Net income attributable to Murata Corporation	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2016	561,920	(7.9)	108,498	(28.7)	109,728	(29.8)	84,701	(26.6)
Six months ended September 30, 2015	609,809	28.0	152,140	70.7	156,313	64.0	115,366	68.4

Comprehensive income attributable to Murata Corporation: 40,132 million yen for the six months ended September 30, 2016 and 108,585 million yen for the six months ended September 30, 2015

	Basic earnings attributable to Murata Corporation per share	Diluted earnings attributable to Murata Corporation per share
	Yen	Yen
Six months ended September 30, 2016	398.46	-
Six months ended September 30, 2015	544.94	-

* Percentages in the fields of Net sales, Operating income, Income before income taxes, and Net income attributable to Murata Corporation are the growth ratios against the same period of the previous fiscal year.

(2) Financial position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
At September 30, 2016	1,508,088	1,260,231	83.6	5,923.81
At March 31, 2016	1,517,784	1,229,159	81.0	5,806.06

2. Dividends (Year ended March 31, 2016 and the year ending March 31, 2017)

	Cash dividends per share				
	First Quarter	Second Quarter	Third Quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
2016	-	100.00	-	110.00	210.00
2017	-	110.00	-	-	-
2017 (Projected)	-	-	-	110.00	220.00

*No change in the projected dividends during the three months ended September 30, 2016.

3. Projected financial results for the year ending March 31, 2017 (Consolidated basis)

	Net sales		Operating income		Income before income taxes		Net income attributable to Murata Corporation		Basic earnings attributable to Murata Corporation per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2017	1,115,000	(7.9)	200,000	(27.4)	203,000	(27.3)	156,000	(23.4)	733.59

*Projected financial results have been revised during the three months ended September 30, 2016.
Percentages for the year ending March 31, 2017 are the growth ratios against the previous year.

4. Notes

(1) Changes in significant subsidiaries during the six months ended September 30, 2016 (changes in specific subsidiaries that caused change in scope of consolidation): None

(2) Adoption of simplified and specifically applied the accounting method

The Companies adopted the accounting method specifically applied for quarterly consolidated financial reporting.

(3) Changes in accounting policy

Changes due to adoption of new accounting standard: None
Changes due to reasons other than above: None

(4) Number of common shares outstanding

Number of shares outstanding including treasury stock: 225,263,592 shares at September 30, 2016 and at March 31, 2016

Number of treasury stock: 12,523,761 shares at September 30, 2016 and 13,560,912 shares at March 31, 2016

Average number of shares outstanding: 212,570,519 shares for the six months ended September 30, 2016 and 211,704,158 shares for the six months ended September 30, 2015

*Notes to the projected financial results

The above projections were prepared based on estimates using information currently available.

Actual results may differ from the projections. For assumptions and other information regarding the projections, refer to "Business Results and Financial Position".

Basic earnings attributable to Murata Corporation per share of projected financial results for the year ending March 31, 2017 have been adjusted for the effects of the share exchange by Murata Manufacturing Co., Ltd. ("Murata") and Toko, Inc., which became a wholly-owned subsidiary of Murata. The share exchange became effective on May 1, 2016.

Business Results and Financial Position

(from April 1, 2016 through September 30, 2016)

1. Business Results

In the global economic environment for the period under review, the economic situation in the U.S. gradually recovered due to steady consumer spending. The economic situation in Europe was recovering but still very unclear, while the negative impact of the UK's leaving the EU was estimated to be limited. Economic slowdown in China continued to be a point of concern. The global economic environment was lacking conclusive fact for steady track of recovery.

In the electronics market, while the growth rate of the smartphone market weakens, improvements in the functions of smartphones contributed to an increased number of electronic components. Additionally, increased production of vehicles and advanced electrification contributed to an increase in demand for electronic components.

Under these circumstances, while improvements in the functions of smartphones contributed to an increased number of electronic components, the net sales of Murata Manufacturing Co., Ltd. and subsidiaries (together the "Companies") for the period under review decreased by 561,920 million yen, down 7.9% from the same period in 2015, with the average exchange rate against the U.S. dollar declining by 16.45 yen from the same period in 2015. This decrease was due to a decline in prices and the high value of the yen.

Operating income was 108,498 million yen, down 28.7%, income before income taxes was 109,728 million yen, down 29.8%, and net income was 84,701 million yen, down 26.6% from the same period in 2015. The primary factors for the profit decrease were price declines, increased fixed costs resulting from the expansion in production capacity and high value of the yen, while positive factors included the reduction of the cost of goods sold through cost cutting activities and ongoing introduction of new products.

	Millions of yen					
	Six months ended September 30, 2015		Six months ended September 30, 2016		Change	
		%*		%*		%*
Net sales	609,809	100.0	561,920	100.0	(47,889)	(7.9)
Operating income	152,140	24.9	108,498	19.3	(43,642)	(28.7)
Income before income taxes	156,313	25.6	109,728	19.5	(46,585)	(29.8)
Net income attributable to Murata Corporation	115,366	18.9	84,701	15.1	(30,665)	(26.6)
Average exchange rate (Yen/U.S. dollar)	121.80	—	105.35	—	(16.45)	—
Average exchange rate (Yen/EURO)	135.07	—	118.22	—	(16.85)	—

*Component ratio as a percentage of net sales

Sales by Product Category

Net sales by product category for the period under review were as follows.

		Millions of yen					
		Six months ended September 30, 2015		Six months ended September 30, 2016		Change	
			%*		%*		%
	Capacitors	184,596	30.4	177,403	31.7	(7,193)	(3.9)
	Piezoelectric Components	80,117	13.2	89,165	15.9	9,048	11.3
	Other Components	120,441	19.8	110,093	19.6	(10,348)	(8.6)
	Components Total	385,154	63.4	376,661	67.2	(8,493)	(2.2)
	Communication Modules	195,965	32.2	161,166	28.8	(34,799)	(17.8)
	Power Supplies and Other Modules	26,725	4.4	22,603	4.0	(4,122)	(15.4)
	Modules Total	222,690	36.6	183,769	32.8	(38,921)	(17.5)
	Net sales	607,844	100.0	560,430	100.0	(47,414)	(7.8)

*Component ratio as a percentage of net sales

<Components>

Sales of Components for the period under review decreased by 2.2% year-on-year to 376,661 million yen.

[Capacitors]

The Capacitors category includes multilayer ceramic capacitors (MLCCs).

For the period under review, sales of MLCCs, the main product in this category, decreased in amount sold due to the high value of the yen and price declines, while it increased in quantity sold due to improvements in the functions of smartphones. The advanced electrification of automobiles continuously led to increased demand in this market.

As a result, overall net sales decreased by 3.9% year-on-year to 177,403 million yen.

[Piezoelectric Components]

The Piezoelectric Components category includes SAW (surface acoustic wave) filters, ceramic resonators, piezoelectric sensors, and ceramic filters.

For the period under review, sales of SAW filters greatly increased thanks to the penetration of multi-band smartphone widely in China. In addition, sales of ultrasonic sensors increased for automotive.

As a result, overall net sales increased by 11.3% year-on-year to 89,165 million yen.

[Other Components]

Other Components include inductors (coils), EMI (electro-magnetic interference) suppression filters, connectors, sensors and thermistors.

For the period under review, sales of connectors decreased. Sales of inductors (coils)

decreased in amount sold due to the high value of yen and price declines, while it increased in quantity sold.

As a result, overall net sales decreased by 8.6% year-on-year to 110,093 million yen.

<Modules>

Sales of Modules for the period under review decreased by 17.5% year-on-year to 183,769 million yen.

[Communication Modules]

The Communication Modules category includes short-range wireless communication modules, RF sub modules, circuit modules and multilayer ceramic devices.

For the period under review, sales of short-range wireless communication modules and RF sub modules decreased compared with the significant increase in the prior year due to the growth of high-end smartphones etc.

As a result, overall net sales decreased by 17.8% year-on-year to 161,166 million yen.

[Power Supplies and Other Modules]

This product category includes power supplies.

For the period under review, sales of power supplies decreased for automotive.

As a result, overall net sales decreased by 15.4% year-on-year to 22,603 million yen.

2. Financial Position

Total assets at September 30, 2016 decreased by 9,696 million yen from the end of the previous fiscal year to 1,508,088 million yen. The ratio of shareholders' equity to total assets increased by 2.6 percentage points from the end of the previous fiscal year to 83.6% at September 30, 2016.

Cash flows for the period under review are as follows:

<Net Cash Provided by Operating Activities>

For the period under review, net cash provided by operating activities was 95,034 million yen. As for the details, net income was 84,719 million yen, depreciation and amortization was 51,033 million yen, accrued expenses and other increased by 7,063 million yen and inventory decreased by 5,920 million yen, while account receivable increased by 44,253 million yen, income taxes payable decreased by 10,095 million yen and accrued payroll and bonuses decreased by 1,360 million yen.

Net cash provided by operating activities increased by 8,200 million yen from the six months ended September 30, 2015.

<Net Cash Used in Investing Activities>

For the period under review, net cash used in investing activities was 46,536 million yen. Cash outflows from capital expenditures were 78,069 million yen, increase in long-term deposits was 21,516 million yen and payment for purchases of marketable securities, investments and other was 18,250 million yen, while cash inflows from decrease in short-term investments was 49,773 and maturities and sales of marketable securities were 20,782 million yen.

Net cash used in investing activities increased by 47,964 million yen from the six months ended September 30, 2015.

<Net Cash Used in Financing Activities>

For the period under review, net cash used in financing activities was 32,346 million yen. As for the details, cash outflows from payments of dividends were 23,287 million yen and repayment of short-term borrowings was 6,434 million yen.

Net cash used in financing activities increased by 1,841 million yen from the six months ended September 30, 2015.

3. Projected Results for the Year Ending March 31, 2017

As for the global economic conditions for the second half of this fiscal year, the business outlook is uncertain through the first half of this fiscal year. Also, there are concerns in the electronics market such as the continued high value of the yen and price declines.

As a result, the projected results for the year ending March 31, 2017, as announced on April 28, 2016, have been revised downward as shown in the table below.

		Consolidated Basis	
		Previous Projections	Revised Projections
Net sales	Millions of yen	1,225,000	1,115,000
	<%>*	<19.6>	<17.9>
Operating income	Millions of yen	240,000	200,000
	<%>*	<19.7>	<18.2>
Income before income taxes	Millions of yen	241,000	203,000
Net income attributable to Murata Corporation	Millions of yen	178,000	156,000
	<%>*	<14.5>	<14.0>
Capital expenditures	Millions of yen	160,000	160,000
	<%>*	<9.6>	<10.0>
Depreciation and amortization	Millions of yen	118,000	111,000
	<%>*	<7.3>	<7.6>
R & D expenses	Millions of yen	90,000	85,000

*1 Ratio to net sales

The projections are based on the assumed exchange rates of 100 yen against the U.S. dollar and 110 yen against the Euro for the second half of this fiscal year.

The projection for the capital investment is unchanged from the projection of 160,000 million yen, which was announced on April 2016 because the number of components per device will continue to increase with the shift towards high-end models of electronics devices for the next fiscal year onward.

[Cautionary Statement on Forward-looking Statements]

This report contains forward-looking statements concerning the Companies' projections, plans, policies, strategies, schedules, and decisions. These forward-looking statements are not historical facts; rather, they represent the assumptions of the Companies based on information currently available and certain assumptions we deem as reasonable. Actual results may differ materially from expectations owing to various risks and uncertainties. Readers are therefore requested not to rely on these forward-looking statements as the sole basis for evaluating the Companies. The Companies have no obligation to revise any of the forward-looking statements as a result of new information, future events or otherwise.

Risks and uncertainties that may affect actual results include, but are not limited to, the following: (1) economic conditions of the Companies' business environment, and trends, supply-demand balance, and price fluctuations in the markets for electronic devices and components; (2) price fluctuations and insufficient supply of raw materials; (3) exchange rate fluctuations; (4) the Companies' ability to provide a stable supply of new products that are compatible with the rapid technical innovation of the electronic components market and to continue to design and develop products and services that satisfy customers; (5) changes in the market value of the Companies' financial assets; (6) drastic legal, political, and social changes in the Companies' business environment; and (7) other uncertainties and contingencies.

(1) Consolidated Balance Sheets (Assets)

At March 31, 2016 and September 30, 2016

	Millions of Yen			
	At March 31, 2016		At September 30, 2016	
Assets	1,517,784	100.0	1,508,088	100.0
Current assets	835,369	55.1	801,153	53.1
Cash	150,627		158,230	
Short-term investments	174,228		130,044	
Marketable securities	45,188		40,473	
Trade notes receivable	399		393	
Trade accounts receivable	194,549		220,281	
Allowance for doubtful notes and accounts	(845)		(794)	
Inventories	217,462		202,821	
Deferred income taxes	31,365		29,206	
Prepaid expenses and other	22,396		20,499	
Property, plant and equipment	455,862	30.0	472,023	31.3
Land	49,757		49,586	
Buildings	350,279		352,277	
Machinery and equipment	873,410		899,254	
Construction in progress	37,750		47,182	
Accumulated depreciation	(855,334)		(876,276)	
Investments and other assets	226,553	14.9	234,912	15.6
Investments	100,131		100,561	
Intangible assets	51,708		46,760	
Goodwill	53,738		49,510	
Deferred income taxes	11,258		6,888	
Other	9,718		31,193	
Total assets	1,517,784	100.0	1,508,088	100.0

Consolidated Balance Sheets (Liabilities and Equity)

At March 31, 2016 and September 30, 2016

	Millions of Yen			
	At March 31, 2016		At September 30, 2016	
Liabilities	273,805	18.0	247,564	16.4
Current liabilities	185,623	12.2	171,546	11.4
Short-term borrowings	6,446		7	
Trade accounts payable	56,380		55,371	
Accrued payroll and bonuses	36,456		34,644	
Income taxes payable	28,734		18,256	
Accrued expenses and other	57,607		63,268	
Long-term liabilities	88,182	5.8	76,018	5.0
Long-term debt	3,301		600	
Termination and retirement benefits	71,884		67,280	
Deferred income taxes	11,643		6,834	
Other	1,354		1,304	
Equity	1,243,979	82.0	1,260,524	83.6
Murata Corporation's Shareholders' equity	1,229,159	81.0	1,260,231	83.6
Common stock	69,377		69,377	
Capital surplus	103,865		114,289	
Retained earnings	1,131,809		1,193,223	
Accumulated other comprehensive loss:	(15,532)		(60,874)	
Unrealized gains on securities	2,945		3,921	
Pension liability adjustments	(23,587)		(22,388)	
Foreign currency translation adjustments	5,110		(42,407)	
Treasury stock, at cost	(60,360)		(55,784)	
Noncontrolling interests	14,820	1.0	293	0.0
Total liabilities and equity	1,517,784	100.0	1,508,088	100.0

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Six months ended September 30, 2015 and 2016

	Millions of Yen			
	Six months ended September 30, 2015		Six months ended September 30, 2016	
Net sales	609,809	100.0	561,920	100.0
Cost of sales	348,094	57.1	343,063	61.1
Selling, general and administrative	71,576	11.8	69,957	12.4
Research and development	37,999	6.2	40,402	7.2
Operating income	152,140	24.9	108,498	19.3
Interest and dividend income	1,356	0.2	1,136	0.2
Interest expense	(93)	(0.0)	(34)	(0.0)
Foreign currency exchange loss	(359)	(0.0)	(721)	(0.1)
Other - net	3,269	0.5	849	0.1
Income before income taxes	156,313	25.6	109,728	19.5
Income taxes	40,520	6.6	25,009	4.4
<Current income tax>	<42,120>		<22,771>	
<Deferred income tax>	<(1,600)>		<2,238>	
Net income	115,793	19.0	84,719	15.1
Less: Net income attributable to noncontrolling interests	427	0.1	18	0.0
Net income attributable to Murata Corporation	115,366	18.9	84,701	15.1

Consolidated Statements of Comprehensive Income

Six months ended September 30, 2015 and 2016

	Millions of Yen	
	Six months ended September 30, 2015	Six months ended September 30, 2016
Net income	115,793	84,719
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities	(2,786)	935
Pension liability adjustments	878	2,086
Foreign currency translation adjustments	(5,343)	(47,632)
Other comprehensive loss	(7,251)	(44,611)
Comprehensive income	108,542	40,108
Less: Comprehensive loss attributable to noncontrolling interests	(43)	(24)
Comprehensive income attributable to Murata Corporation	108,585	40,132

Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

Three months ended September 30, 2015 and 2016

	Millions of Yen			
	Three months ended September 30, 2015		Three months ended September 30, 2016	
Net sales	328,981	100.0	300,995	100.0
Cost of sales	185,289	56.3	185,593	61.6
Selling, general and administrative	35,599	10.8	35,218	11.7
Research and development	19,906	6.1	20,381	6.8
Operating income	88,187	26.8	59,803	19.9
Interest and dividend income	612	0.2	528	0.2
Interest expense	(78)	(0.0)	(22)	(0.0)
Foreign currency exchange loss	(312)	(0.1)	(1,031)	(0.4)
Other - net	2,897	0.9	250	0.1
Income before income taxes	91,306	27.8	59,528	19.8
Income taxes	22,071	6.8	12,503	4.2
<Current income tax>	<26,299>		<13,617>	
<Deferred income tax>	<(4,228)>		<(1,114)>	
Net income	69,235	21.0	47,025	15.6
Less: Net income (loss) attributable to noncontrolling	429	0.1	(1)	(0.0)
Net income attributable to Murata Corporation	68,806	20.9	47,026	15.6

Consolidated Statements of Comprehensive Income

Three months ended September 30, 2015 and 2016

	Millions of Yen	
	Three months ended September 30, 2015	Three months ended September 30, 2016
Net income	69,235	47,025
Other comprehensive income (loss), net of tax:		
Unrealized gains (losses) on securities	(3,216)	1,385
Pension liability adjustments	453	644
Foreign currency translation adjustments	(14,141)	(6,299)
Other comprehensive loss	(16,904)	(4,270)
Comprehensive income	52,331	42,755
Less: Comprehensive loss attributable to noncontrolling interests	(217)	(6)
Comprehensive income attributable to Murata Corporation	52,548	42,761

(3) Consolidated Statements of Cash Flows

Six months ended September 30, 2015 and 2016

	Millions of Yen			
	Six months ended September 30, 2015		Six months ended September 30, 2016	
Operating activities:				
Net income		115,793		84,719
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	44,338		51,033	
Losses on sales and disposals of property, plant and equipment	216		335	
Provision for termination and retirement benefits, less payments	(4,088)		(1,765)	
Deferred income taxes	(1,600)		2,238	
Changes in assets and liabilities:				
Increase in trade notes and accounts receivable	(33,415)		(44,253)	
(Increase) decrease in inventories	(35,582)		5,920	
(Increase) decrease in prepaid expenses and other	(16,877)		1,385	
Increase in trade notes and accounts payable	18,507		396	
Increase (decrease) in accrued payroll and bonuses	1,485		(1,360)	
Decrease in income taxes payable	(12,805)		(10,095)	
Increase in accrued expenses and other	11,204		7,063	
Other-net	(342)	(28,959)	(582)	10,315
Net cash provided by operating activities		86,834		95,034
Investing activities:				
Capital expenditures		(88,425)		(78,069)
Payment for purchases of marketable securities, investments and other		(26,088)		(18,250)
Maturities and sales of marketable securities, investments and other		36,359		20,782
Increase in long-term deposits		0		(21,516)
(Increase) decrease in short-term investments		(17,338)		49,773
Other-net		992		744
Net cash used in investing activities		(94,500)		(46,536)
Financing activities:				
Net decrease in short-term borrowings		(4,965)		(6,434)
Proceeds from long-term debt		1,000		-
Repayment of long-term debt		(8,974)		(2,540)
Dividends paid		(21,170)		(23,287)
Other-net		(78)		(85)
Net cash used in financing activities		(34,187)		(32,346)
Effect of exchange rate changes on cash and cash equivalents		3,151		778
Net increase (decrease) in cash and cash equivalents		(38,702)		16,930
Cash and cash equivalents at beginning of period		212,936		212,570
Cash and cash equivalents at end of period		174,234		229,500
Additional cash and cash equivalents information:				
Cash		116,803		158,230
Short-term investments		147,888		130,044
Short-term investments with original maturities over 3 months		(90,457)		(58,774)
Cash and cash equivalents at end of period		174,234		229,500

(4) Assumptions for Going Concern

None

(5) Segment Information

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 recognized the Components segment, the Modules segment, and Others.

Six months ended September 30, 2015 and 2016

		Millions of Yen			
		Six months ended September 30, 2015		Six months ended September 30, 2016	
Components	Sales to:		%		%
	Unaffiliated customers	385,154		376,661	
	Intersegment	25,077		19,051	
	Total revenue	410,231	100.0	395,712	100.0
	Segment income	140,105	34.2	109,838	27.8
Modules	Sales to:		%		%
	Unaffiliated customers	222,690		183,769	
	Intersegment	39		25	
	Total revenue	222,729	100.0	183,794	100.0
	Segment income	29,224	13.1	17,695	9.6
Others	Sales to:		%		%
	Unaffiliated customers	1,965		1,490	
	Intersegment	30,408		20,054	
	Total revenue	32,373	100.0	21,544	100.0
	Segment income	2,888	8.9	2,579	12.0
Corporate and eliminations	Sales to:		%		%
	Unaffiliated customers	-		-	
	Intersegment	(55,524)		(39,130)	
	Total revenue	(55,524)	-	(39,130)	-
	Corporate expenses	(20,077)	-	(21,614)	-
Consolidated	Sales to:		%		%
	Unaffiliated customers	609,809		561,920	
	Intersegment	-		-	
	Total revenue	609,809	100.0	561,920	100.0
	Operating income	152,140	24.9	108,498	19.3

Three months ended September 30, 2015 and 2016

		Millions of Yen			
		Three months ended September 30, 2015		Three months ended September 30, 2016	
Components	Sales to:		%		%
	Unaffiliated customers	201,166		196,807	
	Intersegment	14,550		9,778	
	Total revenue	215,716	100.0	206,585	100.0
	Segment income	76,989	35.7	58,516	28.3
Modules	Sales to:		%		%
	Unaffiliated customers	126,718		103,476	
	Intersegment	23		10	
	Total revenue	126,741	100.0	103,486	100.0
	Segment income	18,971	15.0	11,251	10.9
Others	Sales to:		%		%
	Unaffiliated customers	1,097		712	
	Intersegment	15,540		9,540	
	Total revenue	16,637	100.0	10,252	100.0
	Segment income	1,451	8.7	1,205	11.8
Corporate and eliminations	Sales to:		%		%
	Unaffiliated customers	-		-	
	Intersegment	(30,113)		(19,328)	
	Total revenue	(30,113)	-	(19,328)	-
	Corporate expenses	(9,224)	-	(11,169)	-
Consolidated	Sales to:		%		%
	Unaffiliated customers	328,981		300,995	
	Intersegment	-		-	
	Total revenue	328,981	100.0	300,995	100.0
	Operating income	88,187	26.8	59,803	19.9

Notes: 1. Major products and businesses included in the operating segments

(1) Components: Capacitors and Piezoelectric Components

(2) Modules: Communication Modules and Power Supplies

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

2. Intersegment transactions are based on market prices.

3. Segment income for each operating segments represents net sales less related costs.

Corporate expenses represent expenses of headquarters functions and fundamental researches.

(6) Significant changes in shareholders' equity

None

(7) Other

October 31, 2016
Murata Manufacturing Co., Ltd.
Listing Code: 6981
(URL <http://www.murata.com/>)

Flash Report (Six months ended September 30, 2016)

Selected Financial Data - Consolidated basis

Six months ended September 30, 2015 and 2016 / at September 30, 2015 and 2016

		Consolidated Basis		
		2015	2016	Growth ratio
Net sales	Millions of yen	609,809	561,920	(7.9) %
Operating income	<%>*2 Millions of yen	<24.9> 152,140	<19.3> 108,498	(28.7)
Income before income taxes	<%>*2 Millions of yen	<25.6> 156,313	<19.5> 109,728	(29.8)
Net income attributable to Murata Corporation	<%>*2 Millions of yen	<18.9> 115,366	<15.1> 84,701	(26.6)
Total assets	Millions of yen	1,519,062	1,508,088	(0.7)
Shareholders' equity	Millions of yen	1,210,480	1,260,231	4.1
Shareholders' equity ratio	%	79.7	83.6	-
Basic earnings attributable to Murata Corporation per share	Yen	544.94	398.46	(26.9)
Shareholders' equity per share	Yen	5,717.81	5,923.81	-
Capital expenditures	Millions of yen	88,425	78,069	(11.7)
Depreciation and amortization	<%>*2 Millions of yen	<7.3> 44,338	<9.1> 51,033	15.1
R & D expenses	<%>*2 Millions of yen	<6.2> 37,999	<7.2> 40,402	6.3
Number of employees	*4	<29,722> 53,669	<33,893> 58,604	9.2
Average exchange rates				
Yen/US dollar	Yen	121.80	105.35	-
Yen/EURO	Yen	135.07	118.22	-

Three months ended September 30, 2015 and 2016

		Consolidated Basis		
		2015	2016	Growth ratio
Net sales	Millions of yen	328,981	300,995	(8.5) %
Operating income	<%>*2 Millions of yen	<26.8> 88,187	<19.9> 59,803	(32.2)
Income before income taxes	<%>*2 Millions of yen	<27.8> 91,306	<19.8> 59,528	(34.8)
Net income attributable to Murata Corporation	<%>*2 Millions of yen	<20.9> 68,806	<15.6> 47,026	(31.7)
Basic earnings attributable to Murata Corporation per share	Yen	325.01	221.05	(32.0)
Capital expenditures	Millions of yen	46,504	39,592	(14.9)
Depreciation and amortization	<%>*2 Millions of yen	<7.1> 23,517	<8.9> 26,665	13.4
R & D expenses	<%>*2 Millions of yen	<6.1> 19,906	<6.8> 20,381	2.4

*1 The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

*2 Ratio to net sales

*3 Diluted earnings per share is not stated since there were no potential dilutive securities.

*4 Figures in parentheses indicate the number of employees in foreign countries.

Projected Financial Data - Consolidated basis

		Year ending March 31, 2017		
		Previous Projections	Revised Projections	Growth ratio
Net sales	Millions of yen	1,225,000	1,115,000	(9.0) [%]
Operating income	<%>*1 Millions of yen	<19.6> 240,000	<17.9> 200,000	(16.7)
Income before income taxes	<%>*1 Millions of yen	<19.7> 241,000	<18.2> 203,000	(15.8)
Net income attributable to Murata Corporation	<%>*1 Millions of yen	<14.5> 178,000	<14.0> 156,000	(12.4)
Basic earnings attributable to Murata Corporation per share	Yen	837.04	733.59	(12.4)
Capital expenditures	Millions of yen	160,000	160,000	0.0
Depreciation and amortization	<%>*1 Millions of yen	<9.6> 118,000	<10.0> 111,000	(5.9)
R & D expenses	<%>*1 Millions of yen	<7.3> 90,000	<7.6> 85,000	(5.6)

*1 Ratio to net sales

*2 The projections above are based on the assumed average exchange rates of 100 yen per US dollar and 110 yen per Euro for the six months ending March 31, 2017.

*3 The projections above were prepared based on estimates using information currently available. Actual results may differ from the projections. For assumptions and other information regarding the projections, refer to "Business Results and Financial Position".

*4 Basic earnings attributable to Murata Corporation per share of projected financial results for the year ending March 31, 2017 have been adjusted for the effects of the share exchange by Murata Manufacturing Co., Ltd. ("Murata") and Toko, Inc., which became a wholly-owned subsidiary of Murata. The share exchange became effective on May 1, 2016.

Orders, Backlogs and Sales

(1) Orders and Backlogs by Product

<Orders>

Six months ended September 30, 2015 and 2016

	Millions of Yen					
	Six months ended September 30, 2015		Six months ended September 30, 2016		Change	
		%*1		%*1		%
Capacitors	183,186	28.8	183,997	32.6	811	0.4
Piezoelectric Components	88,901	14.0	77,232	13.7	(11,669)	(13.1)
Other Components	121,908	19.1	113,420	20.1	(8,488)	(7.0)
Components Total	393,995	61.9	374,649	66.4	(19,346)	(4.9)
Communication Modules	216,588	34.0	168,029	29.7	(48,559)	(22.4)
Power Supplies and Other Modules	26,278	4.1	21,911	3.9	(4,367)	(16.6)
Modules Total	242,866	38.1	189,940	33.6	(52,926)	(21.8)
Total	636,861	100.0	564,589	100.0	(72,272)	(11.3)

Three months ended September 30, 2015 and 2016

	Millions of Yen					
	Three months ended September 30, 2015		Three months ended September 30, 2016		Change	
		%*1		%*1		%
Capacitors	91,878	26.2	98,773	30.7	6,895	7.5
Piezoelectric Components	39,070	11.1	44,806	13.9	5,736	14.7
Other Components	64,192	18.3	61,375	19.0	(2,817)	(4.4)
Components Total	195,140	55.6	204,954	63.6	9,814	5.0
Communication Modules	142,180	40.5	106,254	33.0	(35,926)	(25.3)
Power Supplies and Other Modules	13,463	3.9	10,864	3.4	(2,599)	(19.3)
Modules Total	155,643	44.4	117,118	36.4	(38,525)	(24.8)
Total	350,783	100.0	322,072	100.0	(28,711)	(8.2)

*1 Component ratio

*2 Figures are based on sales prices to customers.

*3 Exclusive of consumption taxes

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

<Backlogs>

	Millions of Yen					
	At March 31, 2016		At September 30, 2016		Change	
		%*1		%*1		%
Capacitors	34,629	26.6	41,223	30.7	6,594	19.0
Piezoelectric Components	34,849	26.8	22,916	17.1	(11,933)	(34.2)
Other Components	18,797	14.5	22,124	16.5	3,327	17.7
Components Total	88,275	67.9	86,263	64.3	(2,012)	(2.3)
Communication Modules	35,644	27.5	42,507	31.7	6,863	19.3
Power Supplies and Other Modules	6,008	4.6	5,316	4.0	(692)	(11.5)
Modules Total	41,652	32.1	47,823	35.7	6,171	14.8
Total	129,927	100.0	134,086	100.0	4,159	3.2

*1 Component ratio

*2 Figures are based on sales prices to customers.

*3 Exclusive of consumption taxes

(2) Sales by Product Category, Application and Area

1. Sales by Product Category

Six months ended September 30, 2015 and 2016

	Millions of Yen					
	Six months ended September 30, 2015		Six months ended September 30, 2016		Change	
		%*1		%*1		%
Capacitors	184,596	30.4	177,403	31.7	(7,193)	(3.9)
Piezoelectric Components	80,117	13.2	89,165	15.9	9,048	11.3
Other Components	120,441	19.8	110,093	19.6	(10,348)	(8.6)
Components Total	385,154	63.4	376,661	67.2	(8,493)	(2.2)
Communication Modules	195,965	32.2	161,166	28.8	(34,799)	(17.8)
Power Supplies and Other Modules	26,725	4.4	22,603	4.0	(4,122)	(15.4)
Modules Total	222,690	36.6	183,769	32.8	(38,921)	(17.5)
Net sales	607,844	100.0	560,430	100.0	(47,414)	(7.8)

Three months ended September 30, 2015 and 2016

	Millions of Yen					
	Three months ended September 30, 2015		Three months ended September 30, 2016		Change	
		%*1		%*1		%
Capacitors	95,452	29.1	93,140	31.0	(2,312)	(2.4)
Piezoelectric Components	41,883	12.8	44,412	14.8	2,529	6.0
Other Components	63,831	19.5	59,255	19.7	(4,576)	(7.2)
Components Total	201,166	61.4	196,807	65.5	(4,359)	(2.2)
Communication Modules	112,982	34.4	91,987	30.7	(20,995)	(18.6)
Power Supplies and Other Modules	13,736	4.2	11,489	3.8	(2,247)	(16.4)
Modules Total	126,718	38.6	103,476	34.5	(23,242)	(18.3)
Net sales	327,884	100.0	300,283	100.0	(27,601)	(8.4)

*1 Component ratio

*2 Exclusive of consumption taxes

2. Sales by Application (based on the Company's estimate)

Six months ended September 30, 2015 and 2016

	Millions of Yen					
	Six months ended September 30, 2015		Six months ended September 30, 2016		Change	
		%*1		%*1		%
AV	25,680	4.2	22,592	4.0	(3,088)	(12.0)
Communications	365,414	60.1	323,943	57.8	(41,471)	(11.3)
Computers and Peripherals	84,400	13.9	79,032	14.1	(5,368)	(6.4)
Automotive Electronics	75,248	12.4	79,758	14.2	4,510	6.0
Home and Others	57,102	9.4	55,105	9.9	(1,997)	(3.5)
Net sales	607,844	100.0	560,430	100.0	(47,414)	(7.8)

Three months ended September 30, 2015 and 2016

	Millions of Yen					
	Three months ended September 30, 2015		Three months ended September 30, 2016		Change	
		%*1		%*1		%
AV	13,886	4.2	11,936	4.0	(1,950)	(14.0)
Communications	201,456	61.4	178,438	59.4	(23,018)	(11.4)
Computers and Peripherals	45,159	13.8	41,242	13.7	(3,917)	(8.7)
Automotive Electronics	38,624	11.8	40,736	13.6	2,112	5.5
Home and Others	28,759	8.8	27,931	9.3	(828)	(2.9)
Net sales	327,884	100.0	300,283	100.0	(27,601)	(8.4)

*1 Component ratio

*2 Exclusive of consumption taxes

3. Sales by Area

Six months ended September 30, 2015 and 2016

	Millions of Yen					
	Six months ended September 30, 2015		Six months ended September 30, 2016		Change	
		%*1		%*1		%
The Americas	44,895	7.4	46,681	8.3	1,786	4.0
Europe	39,860	6.6	41,674	7.4	1,814	4.6
Greater China	378,593	62.3	323,927	57.8	(54,666)	(14.4)
Asia and Others	106,028	17.4	106,818	19.1	790	0.7
Overseas total	569,376	93.7	519,100	92.6	(50,276)	(8.8)
Japan	38,468	6.3	41,330	7.4	2,862	7.4
Net sales	607,844	100.0	560,430	100.0	(47,414)	(7.8)

Three months ended September 30, 2015 and 2016

	Millions of Yen					
	Three months ended September 30, 2015		Three months ended September 30, 2016		Change	
		%*1		%*1		%
The Americas	21,064	6.4	27,561	9.2	6,497	30.8
Europe	20,696	6.3	20,189	6.7	(507)	(2.4)
Greater China	206,291	62.9	175,857	58.6	(30,434)	(14.8)
Asia and Others	60,566	18.5	55,293	18.4	(5,273)	(8.7)
Overseas total	308,617	94.1	278,900	92.9	(29,717)	(9.6)
Japan	19,267	5.9	21,383	7.1	2,116	11.0
Net sales	327,884	100.0	300,283	100.0	(27,601)	(8.4)

*1 Component ratio

*2 Exclusive of consumption taxes

Quarterly Consolidated Performance

(1) Consolidated Financial Results

	Millions of yen							
	Three months ended June 30, 2015		Three months ended September 30, 2015		Three months ended December 31, 2015		Three months ended March 31, 2016	
		% *1		% *1		% *1		% *1
Net sales	280,828	100.0	328,981	100.0	339,678	100.0	261,354	100.0
Operating income	63,953	22.8	88,187	26.8	83,274	24.5	39,992	15.3
Income before income taxes	65,007	23.1	91,306	27.8	83,710	24.6	39,150	15.0
Net income attributable to Murata Corporation	46,560	16.6	68,806	20.9	60,766	17.9	27,644	10.6

	Millions of yen			
	Three months ended June 30, 2016		Three months ended September 30, 2016	
		% *1		% *1
Net sales	260,925	100.0	300,995	100.0
Operating income	48,695	18.7	59,803	19.9
Income before income taxes	50,200	19.2	59,528	19.8
Net income attributable to Murata Corporation	37,675	14.4	47,026	15.6

*1 Ratio to net sales

(2) Sales by Product Category

	Millions of yen							
	Three months ended June 30, 2015		Three months ended September 30, 2015		Three months ended December 31, 2015		Three months ended March 31, 2016	
		% *1		% *1		% *1		% *1
Capacitors	89,144	31.8	95,452	29.1	97,246	28.7	85,477	32.8
Piezoelectric Components	38,234	13.7	41,883	12.8	43,489	12.9	38,274	14.7
Other Components	56,610	20.2	63,831	19.5	62,076	18.3	48,450	18.6
Components Total	183,988	65.7	201,166	61.4	202,811	59.9	172,201	66.1
Communication Modules	82,983	29.7	112,982	34.4	122,984	36.3	76,248	29.3
Power Supplies and Other Modules	12,989	4.6	13,736	4.2	12,976	3.8	11,951	4.6
Modules Total	95,972	34.3	126,718	38.6	135,960	40.1	88,199	33.9
Net sales	279,960	100.0	327,884	100.0	338,771	100.0	260,400	100.0

	Millions of yen			
	Three months ended June 30, 2016		Three months ended September 30, 2016	
		% *1		% *1
Capacitors	84,263	32.4	93,140	31.0
Piezoelectric Components	44,753	17.2	44,412	14.8
Other Components	50,838	19.5	59,255	19.7
Components Total	179,854	69.1	196,807	65.5
Communication Modules	69,179	26.6	91,987	30.7
Power Supplies and Other Modules	11,114	4.3	11,489	3.8
Modules Total	80,293	30.9	103,476	34.5
Net sales	260,147	100.0	300,283	100.0

*1 Component ratio

*2 Exclusive of consumption taxes