

Earnings Release Conference First Quarter of FY2023 (April 1, 2023 to June 30, 2023)

July 31, 2023

Murata Manufacturing Co., Ltd.



Financial Results of First Quarter of FY2023

- Revenue were 367.7 billion yen, down 15.8% year on year, and operating profit came to 50.1 billion yen, down 44.8% year on year. Revenue declined because not only did revenue of capacitors decrease in a broad range of applications, mainly for computers and base stations, but sales of connectivity modules and RF modules also fell for smartphones. In terms of profits, a productivity loss from lower capacity utilization and declines in product selling prices were the main profit-decreasing factors.
- The results surpassed the most recent sales forecast as the yen depreciated more than expected in the foreign currency market. However, actual demand for parts is lower than expected.

Projected Financial Results for FY2023

- The Company has kept the full-year projections and dividend forecasts for FY2023 unchanged from the announced figures.

Financial Results

First Quarter of FY2023

From April 1, 2023 to June 30, 2023
Consolidated Basis

*The Company has voluntarily adopted International Financial Reporting Standards (IFRS) since FY2023 in place of U.S. GAAP, which was previously applied. With this change, the results for FY2022, presented in this material, have been reclassified from U.S. GAAP to IFRS.

Financial Results Overview

	FY2022 1st Quarter		FY2022 4th Quarter		FY2023 1st Quarter		Y on Y Change		Q on Q Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Revenue	436.7	100.0	347.6	100.0	367.7	100.0	(69.0)	(15.8)	+20.1	+5.8
Operating profit	90.8	20.8	19.2	5.5	50.1	13.6	(40.6)	(44.8)	+30.9	+161.0
Profit before tax	103.3	23.6	20.0	5.8	62.8	17.1	(40.5)	(39.2)	+42.7	+213.3
Profit attributable to owners of parent	76.1	17.4	31.1	9.0	50.1	13.6	(26.0)	(34.1)	+19.0	+61.0
Average exchange rates yen/US dollar	129.57		132.32		137.37					

*The results for the fourth quarter of FY2022 are presented after being reclassified to IFRS, but the audit by the accounting auditor has not been completed. Therefore, these figures are used as reference for comparison to see changes.

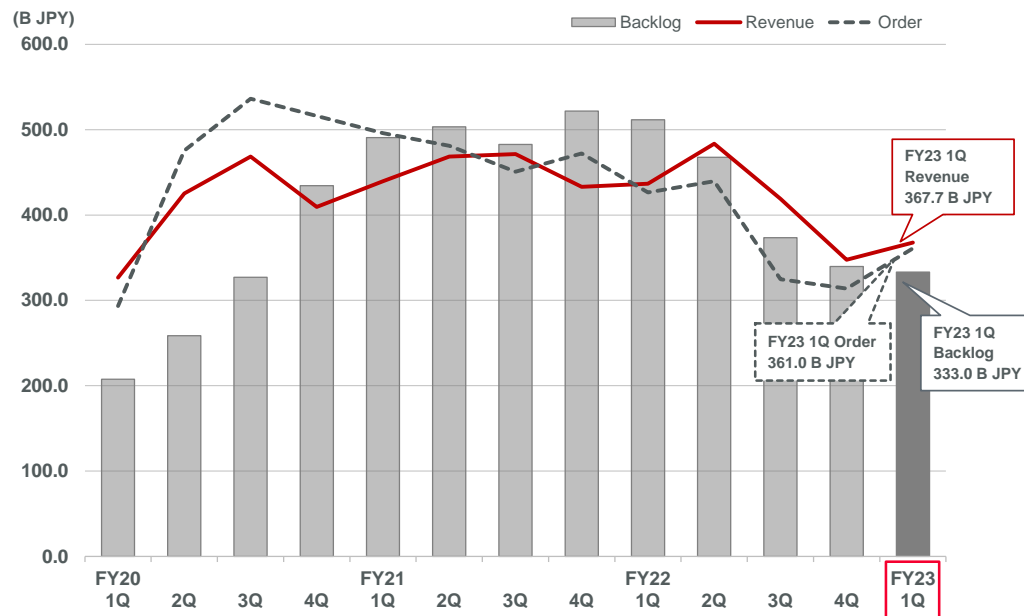
- **Revenue declined year on year because not only did sales of connectivity modules and RF modules decrease for smartphones, but sales of capacitors also fell for computers and base stations although sales of capacitors increased for mobility.**
- **Operating profit decreased year on year due to the occurrence of a productivity loss from lower capacity utilization and reductions in product selling prices, in contrast to the effect of a weaker yen and a decrease in fixed costs.**
- **Reasons for the increase in operating profit from the previous quarter are the effect of a weaker yen, production increase and a decrease in fixed costs including levies such as property tax.**

*Exchange rate sensitivity (per 1 JPY/US\$ change per year) Revenue : 10.0 BJPY Operating profit : 5.0 BJPY

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Quarterly Revenue, Order and Backlog

- On a quarter-on-quarter basis, orders received increased. The order backlog amount includes an increase due to revaluation of orders received that were denominated in foreign currencies as the depreciation of the yen has progressed. However, due to a continued trend for orders received to remain below sales, order backlogs decreased slightly from the previous quarter.
- The book-to-bill ratio remains below 1, but rose from the last quarter.



* Orders = Revenue + Backlogs at the Current Quarter - Backlogs at the Previous Quarter

Backlogs are calculated based on exchange rates as of the end of each quarter.

* Exchange rate against the U.S. dollar: 133.54 yen at the end of March 2023, 144.99 yen at the end of June 2023

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Revenue by Operating segments

	FY2022 1st Quarter		FY2022 4th Quarter		FY2023 1st Quarter		Y on Y Change		Q on Q Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Capacitors	202.1	46.3	159.5	45.9	169.5	46.1	(32.7)	(16.2)	+9.9	+6.2
Inductors and EMI filters	46.9	10.7	36.8	10.6	38.9	10.6	(8.0)	(17.1)	+2.1	+5.7
High-Frequency Device and Communications Module	108.4	24.8	83.3	23.9	87.9	23.9	(20.5)	(18.9)	+4.6	+5.6
Battery and Power supply	51.3	11.8	44.4	12.8	48.0	13.0	(3.3)	(6.4)	+3.7	+8.2
Functional Device	24.8	5.7	20.9	6.0	20.9	5.7	(3.9)	(15.7)	(0.0)	(0.1)
Others	3.1	0.7	2.7	0.8	2.5	0.7	(0.6)	(20.3)	(0.2)	(7.5)
Revenue	436.7	100.0	347.6	100.0	367.7	100.0	(69.0)	(15.8)	+20.1	+5.8

Revenue by Operating segments [FY23 1st Quarter vs FY22 4th Quarter]

Capacitors +6.2%	<i>MLCCs :</i> Revenue increased in wide range of applications, mainly for smartphones and PCs.
Inductors and EMI filters +5.7%	<i>Inductors :</i> Revenue increased for smartphones.
High-Frequency Device and Communications Module +5.6%	<i>Multilayer resin substrates, SAW Filters, Connectors :</i> Revenue increased for smartphones.
Battery and Power supply +8.2%	<i>Lithium-ion secondary batteries :</i> Revenue increased for power tools.
Functional Device (0.1%)	<i>Sensors :</i> Whereas revenue for wearable devices and smartphones increased, revenue decreased for computers.

Revenue by Application

	FY2022 1st Quarter		FY2022 4th Quarter		FY2023 1st Quarter		Y on Y Change		Q on Q Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Communication	169.2	38.7	122.4	35.2	134.1	36.5	(35.1)	(20.7)	+11.7	+9.5
Mobility	91.9	21.0	97.7	28.1	99.6	27.1	+7.7	+8.4	+1.9	+1.9
Computers	68.2	15.6	40.6	11.7	45.2	12.3	(22.9)	(33.7)	+4.6	+11.4
Home Electronics	51.3	11.8	39.0	11.2	42.0	11.4	(9.3)	(18.1)	+3.1	+7.9
Industry and Others	56.1	12.9	47.9	13.8	46.8	12.7	(9.3)	(16.6)	(1.1)	(2.4)
Revenue	436.7	100.0	347.6	100.0	367.7	100.0	(69.0)	(15.8)	+20.1	+5.8

*Based on our estimate

Revenue by Application [FY23 1st Quarter vs FY22 4th Quarter]

Communication +9.5%	Revenue of capacitors, multilayer resin substrates, Inductors and SAW Filters increased for smartphones.
Mobility +1.9%	Revenue of capacitors increased due to the revenue increasing factor of a weaker yen.
Computers +11.4%	Revenue of capacitors and connectivity modules increased for PCs.
Home Electronics +7.9%	Revenue of lithium-ion secondary batteries increased for power tools.
Industry and Others (2.4%)	Revenue of capacitors increased for distributors. Revenue of capacitors decreased for Industrial equipment.

*Based on our estimate

Segment Information

		FY2022 1st Quarter		FY2023 1st Quarter		Y on Y Change	
		(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Components	Revenue	252.0	100.0	210.5	100.0	(41.5)	(16.5)
	Operating profit	88.1	34.9	52.5	24.9	(35.6)	(40.4)
Devices and modules	Revenue	184.5	100.0	156.8	100.0	(27.6)	(15.0)
	Operating profit	2.4	1.3	(0.2)	(0.1)	(2.6)	-
Others	Revenue	20.2	100.0	15.2	100.0	(5.0)	(24.5)
	Operating profit	0.2	1.2	(2.2)	(14.4)	(2.4)	-
Eliminations	Revenue	(20.0)	-	(14.9)	-	+5.1	-
Consolidated	Revenue	436.7	100.0	367.7	100.0	(69.0)	(15.8)
	Operating profit	90.8	20.8	50.1	13.6	(40.6)	(44.8)

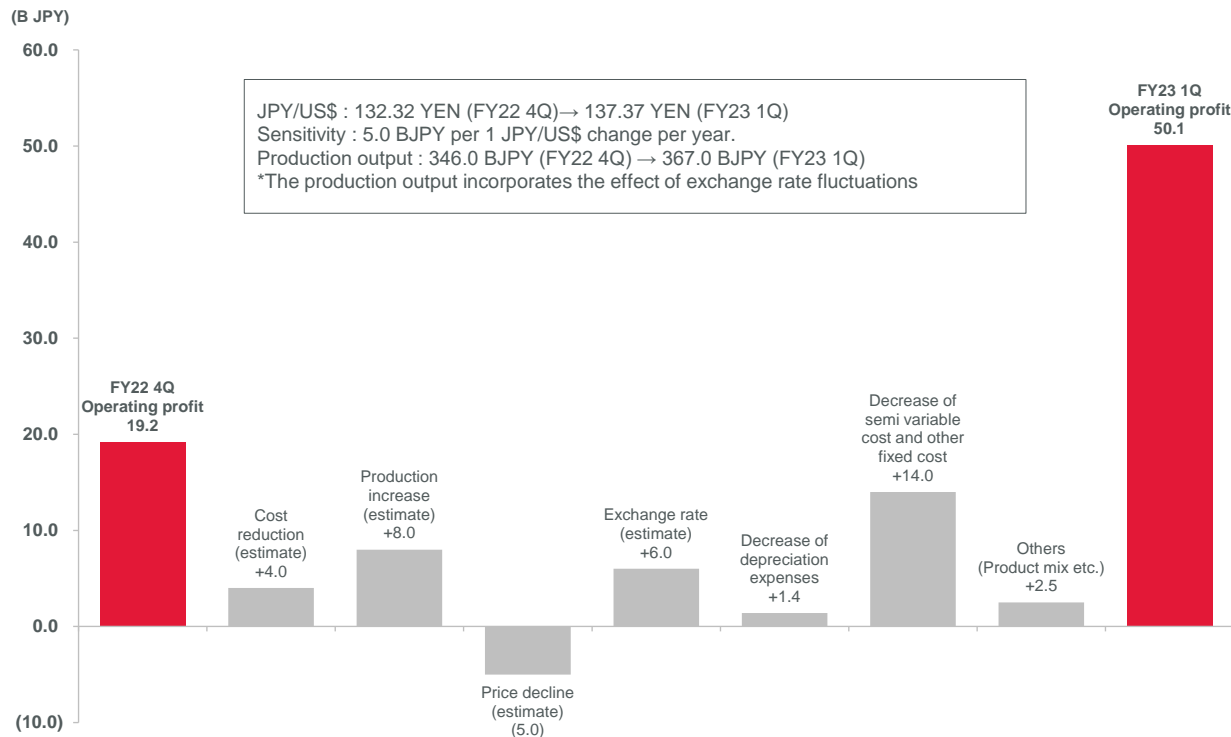
- Components

Profits fell due to the occurrence of a loss of productivity from a decrease in production output despite the profit-increasing effect of the depreciation of the yen.

- Devices and modules

Profits fell due to a decrease in sales of RF modules and connectivity modules despite an improvement in the profit-loss situation of lithium-ion secondary batteries.

Breakdown of Operating Profit Changes [FY22 4th Quarter to FY23 1st Quarter]

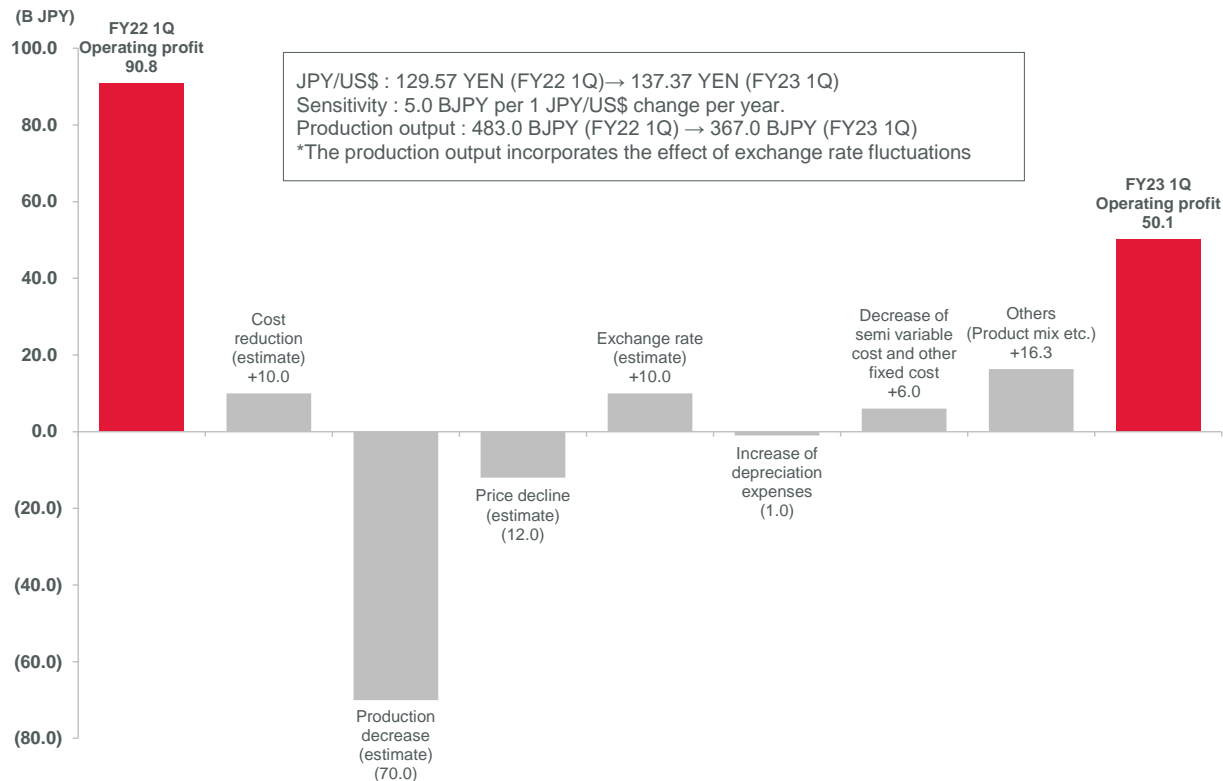


*“Production increase” is calculated on the basis of production output excluding the effect of sales price reductions and exchange rate fluctuations.

*“Decrease of semi variable cost and other fixed cost” include the impact of levies, such as property tax, that were reported in the 4th quarter of FY2022 in accordance with the rules of IFRS.

Breakdown of Operating Profit Changes

[FY22 1st Quarter to FY23 1st Quarter]



*“Production decrease” is calculated on the basis of production output excluding the effect of sales price reductions and exchange rate fluctuations.

Cash Flows

	FY2022 1st Quarter (B JPY)	FY2023 1st Quarter (B JPY)	Y on Y Change (B JPY)
Cash flows from operating activities	32.8	59.4	+26.6
Cash flows from investing activities	(36.0)	(75.7)	(39.7)
Cash flows from financing activities	(91.1)	(49.7)	+41.4
Effect of exchange rate changes	7.7	19.6	+11.9
Cash and cash equivalents at end of period	425.4	423.0	(2.4)
Free Cash Flows	(3.2)	(16.3)	(13.1)
Purchase of property, plant and equipment	(42.0)	(72.2)	(30.2)
Depreciation and amortization	41.1	42.1	+1.0

- Cash flow from operating activities increased as a result of curbing the growth of inventories despite a year-on-year profit decrease.
- Cash flow from financing activities grew since the Company repurchased treasury stock in the same period a year earlier.

Projected Financial Results for FY2023

From April 2023 to March 2024

*The Company has voluntarily adopted International Financial Reporting Standards (IFRS) since FY2023 in place of U.S. GAAP, which was previously applied. With this change, the results for FY2022, presented in this material, have been reclassified from U.S. GAAP to IFRS.

Projected Financial Results for FY2023

	FY2022 Actual		FY2023 Projections		Y on Y Change	
	(B JPY)	(%)	1st Half (B JPY)	2nd Half (B JPY)	(B JPY)	(%)
Revenue	1,686.8	100.0	788.0	852.0	1,640.0	100.0
Operating profit	298.2	17.7	84.0	136.0	220.0	13.4
Profit before tax	302.7	17.9	84.0	136.0	220.0	13.4
Profit attributable to owners of parent	243.9	14.5	63.0	101.0	164.0	10.0
ROIC (pre-tax basis) (%)	14.4				10.2	
Average exchange rates yen/US dollar	135.48				127.00	

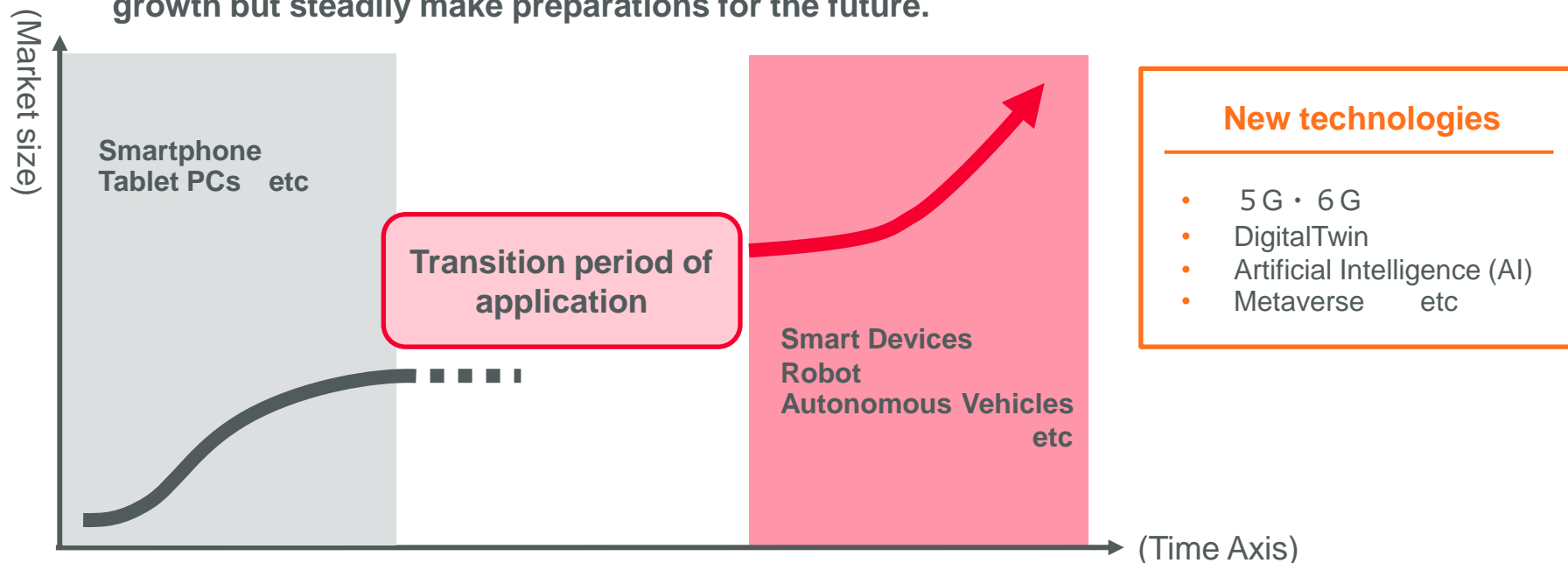
- There are signs of a change in the market environment from the situation of April. However, taking the status of exchange rates as of the end of July into account, there is no significant change to projected financial results at the time of announcing these financial results.
- The Company has not revised the projected financial results for FY2023.

Recognition of Business Environment

	Premises of projected financial results as of April	Recognition of the current situation as of July
Revenue	<ul style="list-style-type: none"> - The smartphone market is expected to recover around the summer - Mounting downward pressure on product prices due to sluggish final demand - Continued holding of BCP inventory by customers for mobility - Inventory adjustment in the power tools market will improve slightly in the second half - Exchange rate set at 127 yen 	<ul style="list-style-type: none"> - The pace of a recovery in demand for parts in each application for the second half will be slower than expected as business confidence deteriorates - Inventory adjustments in the smartphone market have been resolved - No significant inventory adjustment in customers of mobility will take place - More than expected depreciation of the yen
Productions	<ul style="list-style-type: none"> - Execution of production plans for inventory reduction 	<ul style="list-style-type: none"> - Inventory quantities decreased mainly in component products - Production plans for inventory reduction will be maintained
Costs	<ul style="list-style-type: none"> - Continued high level of material prices and energy costs (Estimated based on the situation as of the end of March 2023) - Increase in strategic expenditures such as for strengthening of IT infrastructure 	<ul style="list-style-type: none"> - Material costs have been reduced in the wake of a decline in raw material prices - The effect of surging energy prices and strategic expenditures remain unchanged from the assumption made in April

Perception of the Market Environment

- Regarding the expansion of the electronics domain for 2030, signs of change, such as advancement in automotive electrification, establishment of 5G infrastructure and growing investment in data centers, have started showing up.
- The Company will avoid slackening investment and strategic expenditures for future growth but steadily make preparations for the future.



Expansion of the Usage of Electronics

2030s 6G

Expansion of sea, air, and space communications coverage.
Creating a world where even more people and things are connected

Digitalization of all types of measurable information through evolutionary advances in sensors

Widespread use of cyber-physical systems where AI processes and handles digitalized big data

2020s 5G

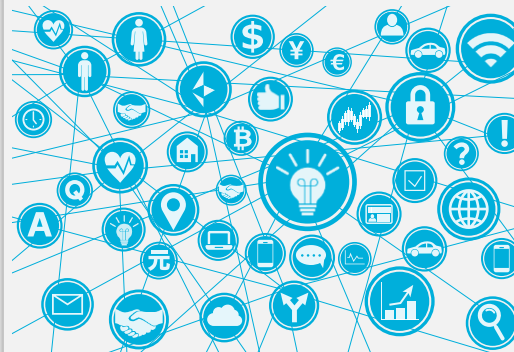
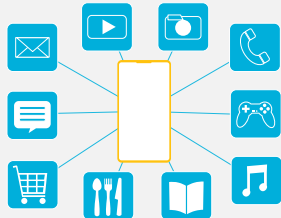
IoT = Connection of all types of devices to the Internet

Communication becomes part of society's infrastructure

Widespread adoption of local 5G, as well as smart factories and offices.

2010s 4G

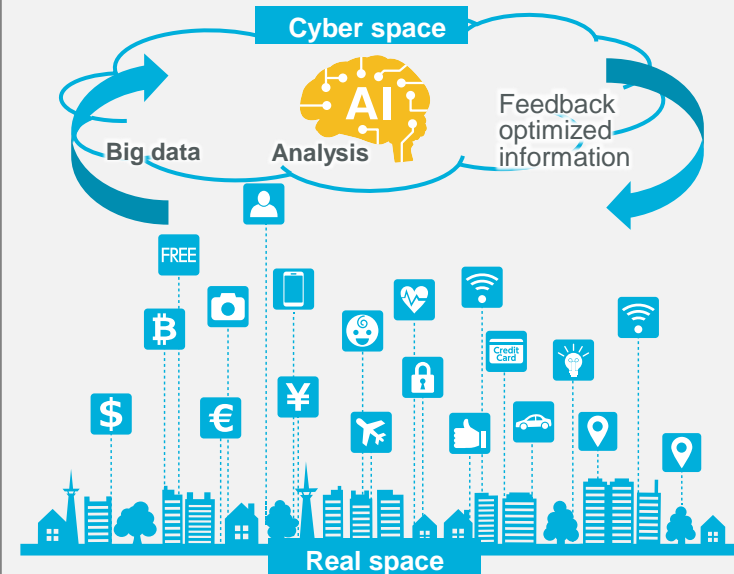
Smartphone-centric
Communication is primarily between people



Toward a better life and solutions to social issues

6G keywords

- Digital twins
- Holograms
- Automatic charging
- Communication robots
- Healthcare using biological information
- Completely autonomous vehicles
- Flying cars (eVTOL)



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

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

The Company undertakes no obligation to publicly update any forward-looking statements included in this report.

Thank you



Appendixes

Projected Financial Results for FY2023

	FY2022 (IFRS) Actual	FY2023 (IFRS) Projections
Depreciation and amortization	169.6 B JPY	170.0 B JPY
R & D expenses	124.7 B JPY	130.0 B JPY
Capital expenditures	208.1 B JPY	220.0 B JPY
Average exchange rate (JPY/USD)	135.48	127.00

[Exchange rate sensitivity (per 1 JPY/US\$ change per year)]

Revenue FY2023 : 10.0 BJPY

Operating profit FY2023 : 5.0 BJPY

Dividends per Share

- FY2023(Year Ending March 31, 2024) projected annual dividends per share
Interim: 75 JPY per share, Year-end: 25 JPY per share*

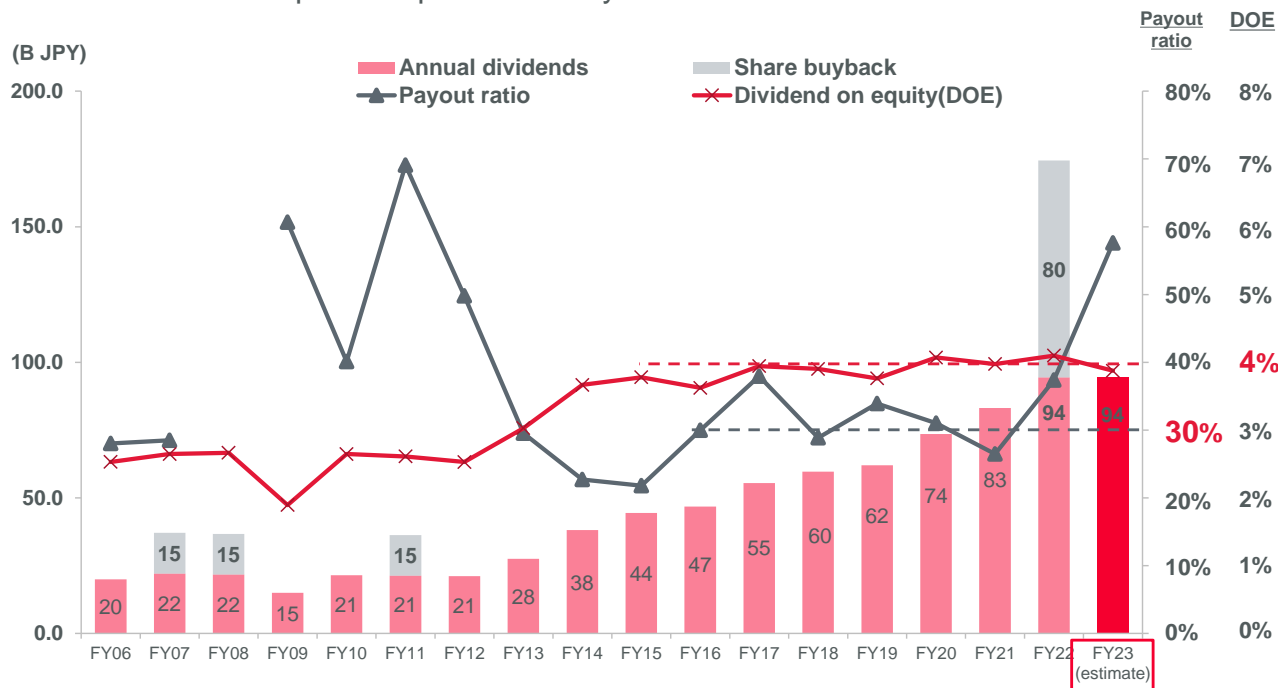
* The amount has been calculated after taking into consideration the effect of the 3-for-1 stock split scheduled for October 1, 2023, as its effective date. The annual dividend is at the same level as that of the previous term.

- FY2022(Year Ending March 31, 2023) annual dividends per share
150 JPY per share
(Interim: 75 JPY per share, Year-end: 75 JPY per share)

Note: The above projections are based on our view of the current business environment and our projections for FY2023.

Return to Shareholders

- Dividend** As a stable increase in dividends is our basic policy, we aim to achieve DOE (Dividend on equity ratio) of 4% or higher over the medium term with reference to dividend payout ratio of approximately 30%.
- Share buyback** As a means of returning profits to shareholders, we implement share buybacks in a timely manner to improve capital efficiency.



References : Comparison of consolidated results for FY2022 following adoption of IFRS

- Comparison of consolidated results for FY2022 1st Quarter
- Comparison of consolidated results for FY2022

Comparison of consolidated results for FY2022 1st Quarter

FY2022 1st Quarter Actual (U.S. GAAP)			FY2022 1st Quarter Actual (IFRS)			Difference in amount
	(B JPY)	(%)		(B JPY)	(%)	(B JPY)
Net sales	436.7	100.0	Revenue	436.7	100.0	0.0
Operating income	88.6	20.3	Operating profit	90.8	20.8	+2.1
Income before income taxes	101.2	23.2	Profit before tax	103.3	23.6	+2.1
Net income attributable to Murata Corporation	75.2	17.2	Profit attributable to owners of parent	76.1	17.4	+0.9

* Causes of differences concerning operating profit and profit before tax are mainly the difference in the timing of recognizing levies, such as property tax, in net profit or loss.

Comparison of consolidated results for FY2022

FY2022 Actual (U.S. GAAP)			FY2022 Actual (IFRS)			Difference in amount
	(B JPY)	(%)		(B JPY)	(%)	(B JPY)
Net sales	1,686.8	100.0	Revenue	1,686.8	100.0	0.0
Operating income	297.9	17.7	Operating profit	298.2	17.7	+0.3
Income before income taxes	314.9	18.7	Profit before tax	302.7	17.9	(12.2)
Net income attributable to Murata Corporation	253.7	15.0	Profit attributable to owners of parent	243.9	14.5	(9.7)
ROIC (pre-tax basis) (%)	14.6		ROIC (pre-tax basis) (%)	14.4		(0.2pt)

* Causes of difference concerning profit before tax are mainly the difference in the timing of recognizing retirement benefit expenses and government grant income, such as subsidies, in net profit or loss.

