

## Flash Report (Year ended March 31, 2003)

### Selected Financial Data

Years ended March 31, 2003 and 2002 / as of March 31, 2003 and 2002

		Consolidated Basis			Parent Co. Basis		
		2003	2002	Growth ratio	2003	2002	Growth ratio
Net sales	Millions of yen	394,955	394,775	0.0	313,392	298,522	5.0
	<%>*2	<15.0>	<12.9>		<3.5>	<2.6>	
Operating income	Millions of yen	59,187	51,001	16.1	10,976	7,913	38.7
Income before income taxes (and extraordinary item) *1	Millions of yen	59,094	52,408	12.8	25,664	18,944	35.5
	<%>*2	<15.0>	<13.3>		<8.2>	<6.3>	
Net income	Millions of yen	39,467	34,999	12.8	20,083	22,938	(12.4)
	<%>*2	<10.0>	<8.9>		<6.4>	<7.7>	
Total assets	Millions of yen	834,313	839,372	(0.6)	473,622	493,698	(4.1)
Shareholders' equity	Millions of yen	692,090	726,236	(4.7)	403,293	443,744	(9.1)
Shareholders' equity ratio	%	83.0	86.5	-	85.2	89.9	-
Basic earnings per share	Yen	163.47	143.91	-	82.77	94.32	-
Diluted earnings per share	Yen	163.47	143.34	-	-	93.97	-
ROE (Net income / shareholders' equity)	%	5.6	4.9	-	4.7	5.2	-
Shareholders' equity per share	Yen	2,939.41	2,973.22	-	1,712.42	1,816.69	-
Capital investment	Millions of yen	18,161	34,591	(47.5)	5,430	9,329	(41.8)
Depreciation and amortization	Millions of yen	50,846	56,488	(10.0)	13,799	15,501	(11.0)
	<%>	<12.9>*2	<14.3>*2		<4.5>*3	<5.3>*3	
R & D expenses	Millions of yen	31,427	31,594	(0.5)	26,795	25,788	3.9
	<%>	<8.0>*2	<8.0>*2		<8.8>*3	<8.9>*3	
Number of employees	*4	26,435	27,386	(3.5)	5,104	5,065	0.8
Average exchange rates							
Yen/US\$	Yen	121.95	125.14	-			
Yen/EURO	Yen	121.04	110.58	-			

\*1 Consolidated Basis : Income before income taxes, Parent Co. Basis : Income before income taxes and extraordinary item

\*2 Ratio to net sales

\*3 Figures show the ratio to net sales excluding revenue from services.

\*4 Figures in parentheses show the number of employees in overseas countries.

## Projected Financial Data

The following projections are made in accordance with information currently available and include uncertain factors. Consequently, actual results may differ from the projections.

Six months ending September 30, 2003 and six months ended September 30, 2002

		Consolidated Basis			Parent Co. Basis		
		2003 (Projection)	2002 (Actual)	Growth ratio	2003 (Projection)	2002 (Actual)	Growth ratio
Net sales	Millions of yen	195,000	197,795	(1.4)	157,000	156,140	0.6
	<%>*2	<14.1>	<14.7>		<3.8>	<4.2>	
Operating income	Millions of yen	27,500	29,092	(5.5)	6,000	6,482	(7.4)
Income before income taxes (and extraordinary item) *1	<%>*2 Millions of yen	<15.1> 29,500	<15.2> 30,021	(1.7)	<9.6> 15,000	<7.8> 12,181	23.1
Net income	<%>*2 Millions of yen	<10.0> 19,500	<9.6> 19,003	2.6	<7.6> 12,000	<6.5> 10,197	17.7
Basic earnings per share	Yen	82.82	77.94	-	50.97	41.82	-
Cash dividends per share *4	Yen	-	-	-	25.00	25.00	-
Capital investment	Millions of yen	14,000	7,542	85.6	3,000	2,483	20.8
Depreciation and amortization	<%> Millions of yen	<10.3>*2 20,000	<12.2>*2 24,092	(17.0)	<3.3>*3 5,000	<4.4>*3 6,634	(24.6)
R & D expenses	<%> Millions of yen	<8.2>*2 16,000	<8.0>*2 15,732	1.7	<9.2>*3 14,000	<8.8>*3 13,395	4.5

Year ending March 31, 2004 and year ended March 31, 2003

		Consolidated Basis			Parent Co. Basis		
		2004 (Projection)	2003 (Actual)	Growth ratio	2004 (Projection)	2003 (Actual)	Growth ratio
Net sales	Millions of yen	395,000	394,955	0.0	316,000	313,392	0.8
	<%>*2	<14.2>	<15.0>		<4.4>	<3.5>	
Operating income	Millions of yen	56,000	59,187	(5.4)	14,000	10,976	27.6
Income before income taxes (and extraordinary item) *1	<%>*2 Millions of yen	<15.1> 59,500	<15.0> 59,094	0.7	<10.0> 31,500	<8.2> 25,664	22.7
Net income	<%>*2 Millions of yen	<10.0> 39,500	<10.0> 39,467	0.1	<7.9> 25,000	<6.4> 20,083	24.5
Basic earnings per share	Yen	167.76	163.47	-	106.18	82.77	-
Cash dividends per share *4	Yen	-	-	-	50.00	50.00	-
Capital investment	Millions of yen	34,000	18,161	87.2	7,000	5,430	28.9
Depreciation and amortization	<%> Millions of yen	<10.9>*2 43,000	<12.9>*2 50,846	(15.4)	<3.6>*3 11,000	<4.5>*3 13,799	(20.3)
R & D expenses	<%> Millions of yen	<8.1>*2 32,000	<8.0>*2 31,427	1.8	<9.1>*3 28,000	<8.8>*3 26,795	4.5

\*1 Consolidated Basis : Income before income taxes, Parent Co. Basis : Income before income taxes and extraordinary item

\*2 Ratio to net sales

\*3 Figures show the ratio to net sales excluding revenue from services.

\*4 The Company has projected an annual dividend of Yen 50.00 per share of common stock for the year ending March 31, 2004. This dividend is assumed based on the current business conditions and the projected financial data.

\*5 The projections above are based on the assumed average exchange rates of Yen 115 per US\$ and Yen 125 per Euro for the year ending March 31, 2004.

## Consolidated Financial Flash Report (March 31, 2003)

Date: May 12, 2003

Company Name : Murata Manufacturing Co., Ltd.  
Listing Code : 6981  
(URL <http://www.murata.co.jp/>)  
Phone : (075) 955-6511

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

### 1. Financial results for the year ended March 31, 2003

#### (1) Operating results (Years ended March 31, 2003 and 2002)

	Net sales		Operating income		Income before income taxes		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2003	394,955	0.0	59,187	16.1	59,094	12.8	39,467	12.8
2002	394,775	(32.4)	51,001	(70.7)	52,408	(69.9)	34,999	(66.6)

	Basic earnings per share	Diluted earnings per share	ROE (Net income / shareholders' equity)	Income before income taxes / total assets	Income before income taxes / net sales
	Yen	Yen	%	%	%
2003	163.47	163.47	5.6	7.1	15.0
2002	143.91	143.34	4.9	6.1	13.3

\*1 Equity in net income (loss) of affiliated companies: Yen 2 million for the year ended March 31, 2003 and Yen (1) million for the year ended March 31, 2002

\*2 Average number of shares outstanding (consolidated): 241,433,886 shares for the year ended March 31, 2003 and 243,205,574 shares for the year ended March 31, 2002

\*3 Change in accounting method: None

\*4 Percentages in the fields of Net sales, Operating income, Income before income taxes, and Net income are the growth ratios against the previous term.

#### (2) Financial position (As of March 31, 2003 and 2002)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
2003	834,313	692,090	83.0	2,939.41
2002	839,372	726,236	86.5	2,973.22

\*1 Number of shares outstanding (consolidated): 235,451,909 shares as of March 31, 2003 and 244,259,379 shares as of March 31, 2002

#### (3) Cash flows (Years ended March 31, 2003 and 2002)

	Net cash from operating activities	Net cash from investing activities	Net cash from financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2003	136,655	(77,785)	(57,929)	77,773
2002	87,958	(155,743)	(15,498)	79,053

(4) Scope of consolidation and application of the equity method

Number of consolidated subsidiaries : 53

Number of affiliated companies : 1 (Equity method is applied)

(5) Changes in scope of consolidation and application of the equity method

Two companies were newly consolidated.

One company was excluded from consolidated subsidiaries.

**2. Projected financial results for the six months ending September 30, 2003 and the year ending March 31, 2004**

	Net sales	Income before income taxes	Net income
	Millions of yen	Millions of yen	Millions of yen
Six months ending Sep. 30, 2003	195,000	29,500	19,500
Year ending March 31, 2004	395,000	59,500	39,500

\*1 Projected basic earnings per share for the year ending March 31, 2004: Yen 167.76

\*2 These projections are made in accordance with information currently available and include uncertain factors. Consequently, actual results may differ from the projections.

## Murata Manufacturing Co., Ltd. and Affiliated Companies

The main business of Murata Manufacturing Co., Ltd. (the Company) and its affiliated companies (together the Companies) is the development, manufacturing and sales of electronic components and related products, such as capacitors, resistors, piezoelectric components, microwave devices and module products.

Net sales, Operating income, and Assets in the main business comprise almost 100% of the corresponding amounts in the Consolidated Financial Statements. Also, the applications, manufacturing methods, manufacturing processes, markets and sales methods of each product are highly similar. For example, almost all products use a part of manufacturing processes in common. Therefore, all businesses of the Companies are considered to belong to the same business segment.

The relationships among the Companies in the segment of "manufacturing and sales of electronic components" as of March 31, 2003 are as follows.

[Manufacturing and sales of electronic components]

### Murata Manufacturing Co., Ltd. (the Company)

The Company manufactures semi-finished products for various electronic components and supplies them to its manufacturing affiliates in Japan and abroad. The Company also sells finished products, which are manufactured by the Companies, to customers in Japan and abroad, and to its overseas sales affiliates.

### Affiliated companies in Japan

The Company's 16 manufacturing affiliates in Japan purchase semi-finished products from the Company, complete the manufacturing into finished products, and resell them to the Company.

The Company's sales affiliate in Japan sells finished products, which are manufactured by the Companies, to customers in Japan with small lot orders.

### Overseas affiliated companies

The Company's 11 overseas manufacturing affiliates purchase semi-finished products from the Company, complete the manufacturing into finished products and sells the products both directly to overseas customers and to overseas sales affiliates.

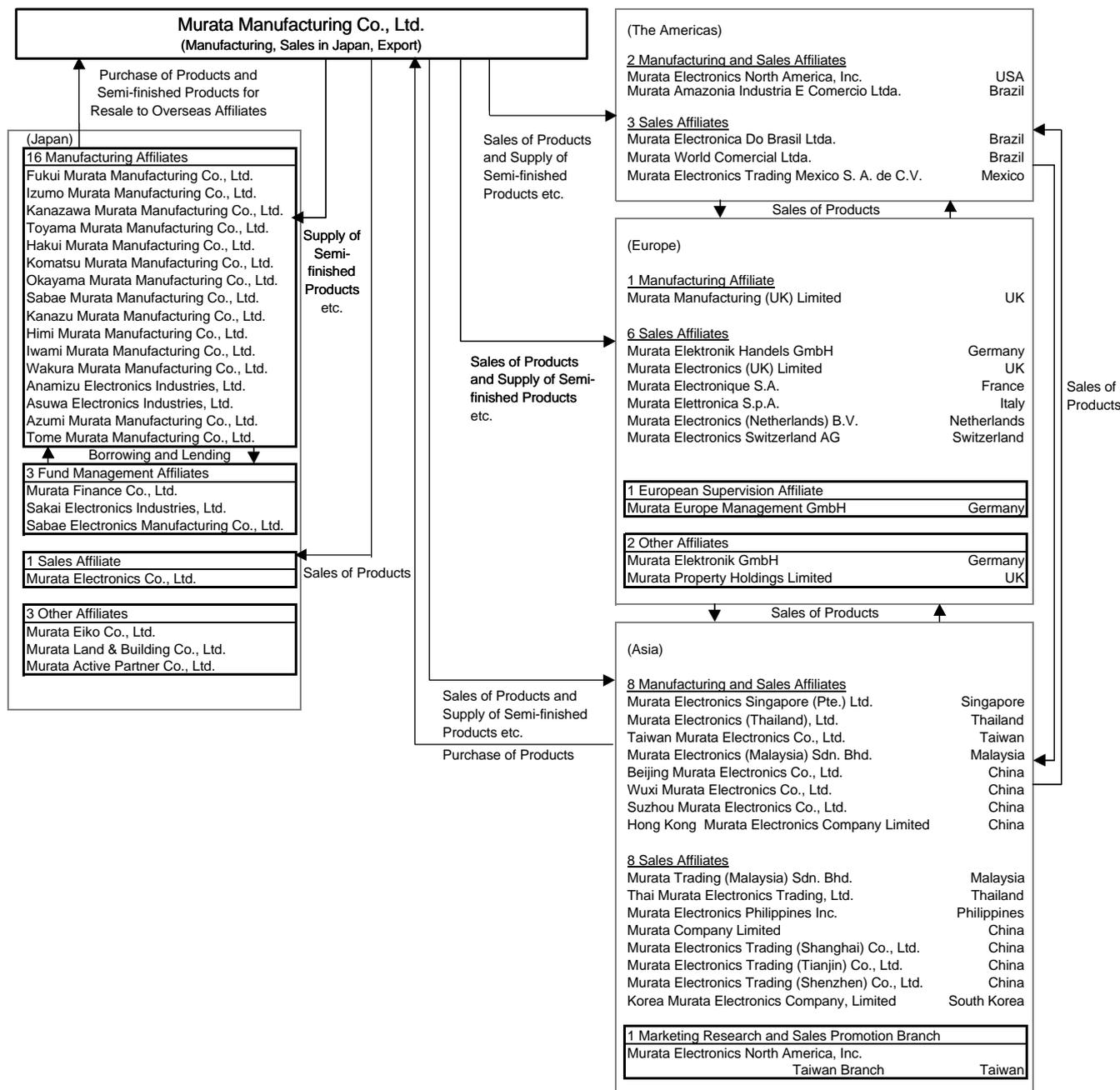
The Company's 17 overseas sales affiliates sell finished products, which are manufactured by the Companies, and also act as sales agents of the products.

The European supervision affiliate conducts market research activities in Europe, and supervises the Company's European affiliates.

[Others]

One affiliate in Japan, and one overseas affiliate provide welfare services to the Companies' employees. Three affiliates in Japan are fund management companies for the Companies, and one affiliate in Japan conducts personnel-service business.

In order to intensify the control of real estate, and to reduce the management cost, Murata Trading Co., Ltd. altered its corporate name to Murata Land & Building Co., Ltd. on February 28, 2003, and will conduct lease and management of real estate, facility maintenance, and cleaning.



Consolidated Balance Sheets (Unaudited)  
Murata Manufacturing Co., Ltd. and Subsidiaries

**Consolidated Balance Sheets (Assets)**

As of March 31, 2003 and 2002

	Millions of Yen					
	2003		2002		Growth	
		%		%		%
Assets	834,313	100.0	839,372	100.0	(5,059)	(0.6)
Current assets	575,768	69.0	545,881	65.0	29,887	5.5
Cash	21,221		26,062		(4,841)	
Time deposits	56,552		52,991		3,561	
Marketable securities	343,257		284,212		59,045	
Trade notes receivable	14,153		20,400		(6,247)	
Trade accounts receivable	70,123		63,169		6,954	
Allowance for doubtful notes and accounts	(886)		(1,055)		169	
Inventories	53,317		59,192		(5,875)	
Income tax refunds receivable	-		24,828		(24,828)	
Prepaid expenses and other	3,716		2,401		1,315	
Deferred income taxes	14,315		13,681		634	
Property, plant and equipment	234,117	28.1	269,392	32.1	(35,275)	(13.1)
Land	42,838		42,989		(151)	
Buildings	185,314		183,761		1,553	
Machinery and equipment	415,679		419,244		(3,565)	
Construction in progress	3,950		6,560		(2,610)	
Accumulated depreciation	(413,664)		(383,162)		(30,502)	
Investments and other assets	24,428	2.9	24,099	2.9	329	1.4
Investments	8,218		10,100		(1,882)	
Other assets	5,440		6,668		(1,228)	
Deferred income taxes	10,770		7,331		3,439	
Total assets	834,313	100.0	839,372	100.0	(5,059)	(0.6)

## Consolidated Balance Sheets (Liabilities and Shareholders' Equity)

As of March 31, 2003 and 2002

	Millions of Yen					
	2003		2002		Growth	
		%		%		%
Liabilities	142,223	17.0	113,136	13.5	29,087	25.7
Current liabilities	74,118	8.9	56,061	6.7	18,057	32.2
Short-term borrowings	3,134		925		2,209	
Trade notes payable	1,092		860		232	
Trade accounts payable	13,791		11,154		2,637	
Accrued payroll and bonuses	16,337		15,781		556	
Income taxes payable	20,232		4,228		16,004	
Accrued expenses and other	19,528		23,109		(3,581)	
Current portion of long-term debt	4		4		0	
Long-term liabilities	68,105	8.1	57,075	6.8	11,030	19.3
Long-term debt	53		65		(12)	
Termination and retirement benefits	64,207		47,373		16,834	
Deferred income taxes	3,845		9,637		(5,792)	
Shareholders' equity	692,090	83.0	726,236	86.5	(34,146)	(4.7)
Common stock	69,377		69,377		-	
Additional paid-in capital	102,222		102,222		-	
Retained earnings	587,893		560,590		27,303	
Accumulated other comprehensive income (loss) :	(19,218)		(5,918)		(13,300)	
<Unrealized gains on securities>	<118>		<261>		<(143)>	
<Minimum pension liability adjustments>	<(10,055)>		<(2,937)>		<(7,118)>	
<Unrealized gains (losses) on derivative instruments>	<21>		<(4)>		<25>	
<Foreign currency translation adjustments>	<(9,302)>		<(3,238)>		<(6,064)>	
Treasury stock, at cost	(48,184)		(35)		(48,149)	
Total liabilities and shareholders' equity	834,313	100.0	839,372	100.0	(5,059)	(0.6)

## Consolidated Statements of Income

For the years ended March 31, 2003 and 2002

	Millions of Yen					
	2003		2002		Growth	
		%		%		%
Net sales	394,955	100.0	394,775	100.0	180	0.0
Cost of sales	244,923	62.0	253,316	64.2	(8,393)	(3.3)
Selling, general and administrative expenses	59,418	15.0	58,864	14.9	554	0.9
Research and development expenses	31,427	8.0	31,594	8.0	(167)	(0.5)
Operating income	59,187	15.0	51,001	12.9	8,186	16.1
Interest and dividend income	2,507	0.6	2,444	0.6	63	2.6
Interest expense	(82)	(0.0)	(142)	(0.0)	60	-
Losses on impairment of investment securities	(2,364)	(0.6)	(2,853)	(0.7)	489	-
Foreign currency exchange gain	1,243	0.3	241	0.1	1,002	-
Other non-operating income (expenses) - net	(1,397)	(0.3)	1,717	0.4	(3,114)	-
Income before income taxes and cumulative effect of a change in accounting principle	59,094	15.0	52,408	13.3	6,686	12.8
Income taxes	19,627	5.0	17,197	4.4	2,430	14.1
<Current income tax>	<25,288>		<13,104>		<12,184>	
<Refund of previous years' income taxes>	<(1,765)>		<(5,537)>		<3,772>	
<Deferred income tax>	<(3,896)>		<9,630>		<(13,526)>	
Income before cumulative effect of a change in accounting principle	39,467	10.0	35,211	8.9	4,256	12.1
Cumulative effect of a change in accounting principle	-	-	(212)	(0.0)	212	-
Net income	39,467	10.0	34,999	8.9	4,468	12.8

\* Comprehensive income in accordance with SFAS No.130 "Reporting Comprehensive Income" is as follows.

	Millions of Yen		
	2003	2002	Growth
Net income	39,467	34,999	4,468
Other comprehensive income (loss), net of tax :	(13,300)	3,617	(16,917)
<Unrealized losses on securities>	<(143)>	<(1,447)>	<1,304>
<Minimum pension liability adjustments>	<(7,118)>	<(2,937)>	<(4,181)>
<Unrealized gains (losses) on derivative instruments>	<25>	<(4)>	<29>
<Foreign currency translation adjustments>	<(6,064)>	<8,005>	<(14,069)>
Comprehensive income	26,167	38,616	(12,449)

Consolidated Statements of Income (Unaudited)  
Murata Manufacturing Co., Ltd. and Subsidiaries

**Consolidated Statements of Shareholders' Equity**

	Millions of Yen					
	Number of common shares issued	Common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Treasury stock
Balance at March 31, 2001	242,606,323	67,679	100,528	537,731	(9,535)	-
Purchases of treasury stock at cost						(35)
Shares issued upon conversion of debt	1,657,269	1,698	1,694			
Net income				34,999		
Cash dividends, Yen 50.0 per share				(12,140)		
Other comprehensive income, net of tax					3,617	
Balance at March 31, 2002	244,263,592	69,377	102,222	560,590	(5,918)	(35)
Purchases of treasury stock at cost						(48,149)
Net income				39,467		
Cash dividends, Yen 50.0 per share				(12,164)		
Other comprehensive loss, net of tax					(13,300)	
Balance at March 31, 2003	244,263,592	69,377	102,222	587,893	(19,218)	(48,184)

**Consolidated Statements of Cash Flows**  
Years ended March 31, 2003 and 2002

	Millions of Yen			
	2003		2002	
Operating activities:				
Net income		39,467		34,999
Adjustments to reconcile net income to net cash from operating activities:				
Depreciation and amortization	50,846		56,488	
Losses on sales and disposals of property, plant and equipment	650		105	
Gains on sales of investments	(39)		(119)	
Losses on impairment of investment securities	2,364		2,853	
Provision for termination and retirement benefits, less payments	4,830		3,977	
Deferred income taxes	(3,896)		9,630	
Cumulative effect of accounting change	-		212	
Changes in assets and liabilities:				
Decrease (increase) in trade notes and accounts receivable	(2,126)		36,067	
Decrease in inventories	4,528		34,348	
Decrease (increase) in income tax refunds receivable	24,828		(24,828)	
Decrease (increase) in prepaid expenses and other	(1,277)		1,065	
Increase (decrease) in trade notes and accounts payable	2,983		(13,158)	
Increase (decrease) in accrued payroll and bonuses	557		(2,506)	
Increase (decrease) in income taxes payable	16,003		(44,935)	
Decrease in accrued expenses and other	(3,500)		(6,863)	
Other-net	437	97,188	623	52,959
Net cash from operating activities		136,655		87,958
Investing activities:				
Capital expenditures		(18,161)		(34,591)
Payment for purchases of investments		(1,031)		(1,036)
Net increase in marketable securities		(58,798)		(121,116)
Increase in loans receivable		(5)		(7)
Proceeds from sales of property, plant and equipment		95		154
Proceeds from sales of investments		93		801
Collection of loans receivable		22		52
Net cash from investing activities		(77,785)		(155,743)
Financing activities:				
Net increase (decrease) in short-term borrowings		2,396		(2,788)
Repayments of long-term debt		(12)		(570)
Dividends paid		(12,164)		(12,140)
Payment for purchases of treasury stock		(48,149)		-
Net cash from financing activities		(57,929)		(15,498)
Effect of exchange rate change on cash and cash equivalents		(2,221)		3,519
Net increase (decrease) in cash and cash equivalents		(1,280)		(79,764)
Cash and cash equivalents at beginning of year		79,053		158,817
Cash and cash equivalents at end of year		77,773		79,053
Additional cash flow information:				
Interest paid		78		136
Income taxes paid (received), net of refunds		(17,309)		77,330
Non-cash financing activities:				
Convertible debt converted into common stock		-		3,394

	Millions of Yen	
	2003	2002
Cash and cash equivalents at end of period	77,773	79,053
Marketable securities	343,257	284,212
Liquidity in hand	421,030	363,265

## Notes to Consolidated Financial Statements

### 1. Scope of consolidation and application of the equity method

(1) Number of consolidated subsidiaries: 53

Major consolidated subsidiaries:

Fukui Murata Manufacturing Co., Ltd.  
Izumo Murata Manufacturing Co., Ltd.  
Toyama Murata Manufacturing Co., Ltd.  
Komatsu Murata Manufacturing Co., Ltd.  
Kanazawa Murata Manufacturing Co., Ltd.  
Okayama Murata Manufacturing Co., Ltd.  
Murata Electronics North America, Inc.  
Murata Electronics Singapore (Pte.) Ltd.

(2) Number of unconsolidated subsidiaries: None

(3) Number of affiliated companies: 1 (Equity method is applied.)  
Murata Trading (Malaysia) Sdn. Bhd.

### 2. Changes in scope of consolidation and application of the equity method

(Consolidated subsidiaries)

Two companies were newly consolidated.

Murata Electronics Trading Mexico, S.A. de C.V.: established on July 26, 2002.

Murata Active Partner Co., Ltd.: established on February 3, 2003.

One company was excluded from consolidated subsidiaries.

Togi Electronics Industries, Ltd.: merged into Hakui Murata Manufacturing Co., Ltd. on April 1, 2002.

### 3. Termination and retirement benefits

#### (1) Outline of termination and retirement benefit plans

Murata Manufacturing Co., Ltd. (the Company) and its domestic subsidiaries have defined benefit termination and retirement benefit plans, part of which are funded outside as employees' pension funds and tax qualified pension plans. Certain of overseas subsidiaries of the Company have defined contribution plans.

Following the enactment of the Welfare Pension Insurance Law in Japan, exemption from the future benefit obligation with respect to the portion of the Employees Pension Funds operated on behalf of the Government has been approved on January 30, 2003 from the Japanese Ministry of Health, Labor and Welfare. Under United States generally accepted accounting principles, the relevant profit may be recognized only on the settlement of substitutional portion when the past benefit obligation is transferred to the Government, which is expected to occur after this fiscal year.

#### (2) Termination and retirement benefit obligation

As of March 31,	(Millions of yen)	
	2003	2002
Benefit obligation	130,020	115,294
Fair value of plan assets	52,729	56,664
Funded status	(77,291)	(58,630)
Unrecognized transition obligation	133	268
Unrecognized actuarial loss	46,348	33,301
Unrecognized prior service benefit	(16,150)	(17,274)
Unrecognized amount	30,331	16,295
Net amount recognized	(46,960)	(42,335)

"Net amount recognized" was recognized in the consolidated balance sheets as follows.

As of March 31,	(Millions of yen)	
	2003	2002
Termination and retirement benefits	(64,207)	(47,373)
Minimum pension liability adjustments, gross of tax	17,247	5,038
Net amount recognized	(46,960)	(42,335)

#### (3) Termination and retirement benefit cost

For the year ended March 31,	(Millions of yen)	
	2003	2002
Service cost, net of plan participants' contributions	5,715	6,531
Interest cost	2,820	2,995
Expected return on plan assets	(1,412)	(1,677)
Amortization of transition obligation	134	134
Recognized actuarial loss	4,460	3,114
Amortization of prior service benefit	(1,123)	(1,116)
Net periodic cost	10,594	9,981

#### (4) Assumptions to calculate the actuarial present value of the benefit obligation and expected return on plan assets

As of March 31, / For the year ended March 31,	(%)	
	2003	2002
Discount rate	2.0	2.5
Compensation increase rate	2.0	2.0
Expected long-term rate of return on plan assets	2.5	3.0

#### 4. Refund of previous years' income taxes

The refund of previous years' income taxes for the year ended March 31, 2002, amounting to Yen 5,537 million, is a refund of taxes including corporate taxes paid in the previous years resulting from the mutual agreement made between the competent authorities. The Japanese National Tax Agency issued transfer pricing assessment against the Company for the fiscal years ended March 31, 1992 - 1996 with respect to sales of product to the Company's subsidiaries outside of Japan. The Company filed a claim for review to the Japanese Tax Tribunal and also filed an application for mutual consultation between the competent authorities. The competent authorities reached the mutual agreement in the year ended March 31, 2002 in part of the cases.

The refund of previous years' income taxes for the year ended March 31, 2003, amounting to Yen 1,765 million, is a refund of taxes including corporate taxes paid in the previous years resulting from adjustment of the assessment determined by the Japanese Tax Tribunal. The Japanese National Tax Agency issued transfer pricing assessment against the Company for the fiscal years ended March 31, 1992-1996 with respect to sales of product to the Company's subsidiaries outside of Japan. The Company filed a claim for review to the Japanese Tax Tribunal against its assessment.

#### 5. Adoption of new accounting standard

(1) On April 1, 2002, the Companies adopted Emerging Issues Task Force ("EITF") Issue No.01-9, "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products".

The adoption results in a reduction in net sales and a corresponding decrease in selling, general and administrative expenses. The figures for previous years haven't been reclassified because the adoption does not have a material effect on the consolidated statement of income.

(2) On April 1, 2002, the Companies adopted SFAS No.144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement applies to all long-lived assets (including discontinued operations) and it develops one accounting model for long-lived assets that are impaired or to be disposed.

The adoption of SFAS No.144 has no effect on the consolidated financial statements.

(3) On April 1, 2002, the Companies adopted SFAS No.146, "Accounting for Costs Associated with Exit or Disposal Activities". This statement was issued in June 2002, and requires that a liability for a cost associated with an exit or disposal activity be recognized and measured initially at its fair value only when the liability is incurred. The provisions of this statement are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS No.146 has no effect on the consolidated financial statements.

(4) On April 1, 2002, the Companies adopted SFAS No.148, "Accounting for Stock-Based Compensation -Transition and Disclosure-an amendment of FASB Statement No.123". This statement was issued in December 2002, and the transition guidance and annual disclosure provisions of this statement are effective for fiscal years ending after December 15, 2002. This statement amends SFAS No.123 to provide alternative methods of transition for a voluntary change to the fair-value-based method of accounting for stock based employee compensation. At the present time, the Companies adopt the intrinsic value based method for its stock compensation plans, and the adoption of SFAS No.148 has no effect on the consolidated financial statements.

(5) In February 2003, the Emerging Issues Task Force released 03-2 ("EITF 03-2"), "Accounting for the Transfer to the Japanese Government of the Substitutional Portion of Employee Pension Fund Liabilities". EITF 03-2 addresses accounting for a transfer to the Japanese government of a substitutional portion of an Employees' Pension Fund plan ("EPF"), and requires employers to account for the entire separation process of a substitutional portion from an entire plan (including a corporate portion) not upon the approval of exemption from the obligation to pay benefits for future employee service related to the substitutional portion, but upon completion of the transfer to the government of the substitutional portion of the benefit obligation and related plan assets as the culmination of a series of steps in a single settlement transaction. The difference between the fair value of the obligation and the assets required to be transferred to the government should be accounted for and separately disclosed as a subsidy. The Company and one consolidated subsidiary made applications for an exemption from the obligation to pay benefits for future employee service related to the substitutional portion and were given approval from the Japanese Ministry of Health, Labour and Welfare on January 30, 2003. The Company and one consolidated subsidiary plans to submit application for transfer of the remaining substitutional portion to the Japanese government (that is, the benefit obligation related to past services). After the applications are approved by the government, the remaining benefit obligation of the substitutional portion as well as the related government-specified portion of the plan assets of the EPF will be transferred to the government. The effect on the consolidated financial statements of the transfer has not yet been determined.

## Segment Information

### (1) Industry Segment Information

The Companies mainly manufacture and sell electronic components. Sales, Operating income, and Assets for this segment represent almost 100% of the corresponding amounts in the Consolidated Financial Statements and, therefore, disclosure of "Industry Segment Information" is not applicable to the Companies.

### (2) Geographic Segment Information

#### 1) Year ended March 31, 2003

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Corporate and Eliminations	Consolidated
1. Sales and operating income							
Sales to :							
Unaffiliated customers	196,798	47,056	44,066	107,035	394,955	-	394,955
Intersegment	106,868	152	163	14,743	121,926	(121,926)	-
Total revenue	303,666	47,208	44,229	121,778	516,881	(121,926)	394,955
Operating expenses	259,343	45,180	41,154	112,830	458,507	(122,739)	335,768
<%> *2	14.6%	4.3%	7.0%	7.3%	11.3%		15.0%
Operating income	44,323	2,028	3,075	8,948	58,374	813	59,187
2. Assets	333,169	16,267	22,005	64,664	436,105	398,208	834,313

\*1 Assets in the column of "Corporate and Eliminations" consist mainly of time deposits and available-for-sale securities in the amount of Yen 408,027 million held by the Company.

\*2 Ratio to total revenue

#### 2) Year ended March 31, 2002

	Millions of yen						
	Japan	The Americas	Europe	Asia	Total	Corporate and Eliminations	Consolidated
1. Sales and operating income							
Sales to :							
Unaffiliated customers	195,182	50,777	49,070	99,746	394,775	-	394,775
Intersegment	90,332	694	366	13,009	104,401	(104,401)	-
Total revenue	285,514	51,471	49,436	112,755	499,176	(104,401)	394,775
Operating expenses	255,013	51,153	42,142	101,053	449,361	(105,587)	343,774
<%> *2	10.7%	0.6%	14.8%	10.4%	10.0%		12.9%
Operating income	30,501	318	7,294	11,702	49,815	1,186	51,001
2. Assets	385,544	24,617	23,096	68,085	501,342	338,030	839,372

\*1 Assets in the column of "Corporate and Eliminations" consist mainly of time deposits and available-for-sale securities in the amount of Yen 347,302 million held by the Company.

\*2 Ratio to total revenue

Segment Information (Unaudited)  
Murata Manufacturing Co., Ltd. and Subsidiaries

(3) Overseas sales

1) Year ended March 31, 2003

	Millions of yen			
	The Americas	Europe	Asia and Others	Total
1. Overseas sales	51,095	55,947	149,421	256,463
2. Consolidated sales				394,955
3. Ratio of overseas sales to consolidated sales	12.9%	14.2%	37.8%	64.9%

2) Year ended March 31, 2002

	Millions of yen			
	The Americas	Europe	Asia and Others	Total
1. Overseas sales	56,074	56,706	140,089	252,869
2. Consolidated sales				394,775
3. Ratio of overseas sales to consolidated sales	14.2%	14.4%	35.5%	64.1%

Production, Order, Backlog, and Sales (Unaudited)  
Murata Manufacturing Co., Ltd. and Subsidiaries

## Production, Order, Backlog and Sales

### (1) Production by Product

	Millions of Yen					
	Year ended March 31, 2003		Year ended March 31, 2002		Growth	
		%		%		%
Capacitors	145,661	37.1	122,024	36.4	23,637	19.4
Resistors	14,293	3.6	12,339	3.7	1,954	15.8
Piezoelectric Components	78,348	19.9	69,471	20.7	8,877	12.8
Microwave Devices	50,421	12.8	42,089	12.5	8,332	19.8
Module Products	54,137	13.8	54,000	16.1	137	0.3
Other Products	50,345	12.8	35,612	10.6	14,733	41.4
Total	393,205	100.0	335,535	100.0	57,670	17.2

\*1 Figures are based on sales prices to customers.

\*2 Exclusive of consumption taxes

\*3 Production amounts of the foreign subsidiaries were translated into Japanese yen at average exchange rates for the periods.

\*4 The tables by product indicate production, order, backlog, and sales of electronic components and related products. Due to the change of sales by product, some products are reclassified from the year ended March 31, 2003. Such reclassification includes the transfer of some products with increasing sales from "Other Products" to "Module Products". The figures for the year ended March 31, 2002 have been reclassified for comparison.

### (2) Order and Backlog by Product

#### <Order>

	Millions of Yen					
	Year ended March 31, 2003		Year ended March 31, 2002		Growth	
		%		%		%
Capacitors	144,324	37.2	141,959	39.6	2,365	1.7
Resistors	13,669	3.5	12,667	3.5	1,002	7.9
Piezoelectric Components	75,706	19.5	71,009	19.8	4,697	6.6
Microwave Devices	49,662	12.8	40,674	11.4	8,988	22.1
Module Products	53,927	13.9	49,795	13.9	4,132	8.3
Other Products	50,699	13.1	42,284	11.8	8,415	19.9
Total	387,987	100.0	358,388	100.0	29,599	8.3

\*1 Figures are based on sales prices to customers.

\*2 Exclusive of consumption taxes

#### <Backlog>

	Millions of Yen					
	As of March 31, 2003		As of March 31, 2002		Growth	
		%		%		%
Capacitors	10,871	30.3	14,846	35.8	(3,975)	(26.8)
Resistors	1,616	4.5	1,856	4.5	(240)	(12.9)
Piezoelectric Components	6,472	18.1	7,563	18.2	(1,091)	(14.4)
Microwave Devices	4,543	12.7	4,925	11.9	(382)	(7.8)
Module Products	6,937	19.3	7,197	17.3	(260)	(3.6)
Other Products	5,403	15.1	5,093	12.3	310	6.1
Total	35,842	100.0	41,480	100.0	(5,638)	(13.6)

\*1 Figures are based on sales prices to customers.

\*2 Exclusive of consumption taxes

### (3) Sales by Product, Application and Area

#### 1. Sales by Product

	Millions of Yen					
	Year ended March 31, 2003		Year ended March 31, 2002		Growth	
		%		%		%
Capacitors	148,299	37.7	159,660	40.6	(11,361)	(7.1)
Resistors	13,909	3.5	13,092	3.3	817	6.2
Piezoelectric Components	76,797	19.5	73,640	18.7	3,157	4.3
Microwave Devices	50,044	12.7	45,833	11.7	4,211	9.2
Module Products	54,187	13.8	56,234	14.3	(2,047)	(3.6)
Other Products	50,389	12.8	44,927	11.4	5,462	12.2
Net sales	393,625	100.0	393,386	100.0	239	0.1

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

	Millions of Yen					
	Year ended March 31, 2003		Year ended March 31, 2002		Growth	
		%		%		%
Video	45,134	11.4	53,020	13.5	(7,886)	(14.9)
Audio	20,310	5.2	21,242	5.4	(932)	(4.4)
Consumer total	65,444	16.6	74,262	18.9	(8,818)	(11.9)
Communication	151,114	38.4	145,723	37.0	5,391	3.7
EDP and Others *1	86,925	22.1	95,102	24.2	(8,177)	(8.6)
Industrial total	238,039	60.5	240,825	61.2	(2,786)	(1.2)
Home and Others *2	90,142	22.9	78,299	19.9	11,843	15.1
Net sales	393,625	100.0	393,386	100.0	239	0.1

\*1 "EDP and Others" include computers and peripherals, copy machines, and measuring instruments.

\*2 "Home and Others" include automotive electronics and household electrical appliances such as air conditioners, refrigerators, and lighting apparatuses.

#### 3. Sales by Area

	Millions of Yen					
	Year ended March 31, 2003		Year ended March 31, 2002		Growth	
		%		%		%
The Americas	51,095	13.0	56,074	14.3	(4,979)	(8.9)
Europe	55,947	14.2	56,706	14.4	(759)	(1.3)
Asia and Others	149,421	38.0	140,089	35.6	9,332	6.7
Overseas total	256,463	65.2	252,869	64.3	3,594	1.4
Japan	137,162	34.8	140,517	35.7	(3,355)	(2.4)
Net sales	393,625	100.0	393,386	100.0	239	0.1

Marketable Securities and Investments (Unaudited)  
Murata Manufacturing Co., Ltd. and Subsidiaries

**Marketable Securities and Investments**

The cost, gross unrealized gains, gross unrealized losses and fair value for available-for-sale securities by major security type at March 31, 2003 and 2002 were as follows:

Millions of yen

	March 31, 2003				March 31, 2002			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governmental debt securities	135,497	8	12	135,493	84,803	52	8	84,847
Private debt securities	207,917	317	470	207,764	199,813	320	768	199,365
Current	343,414	325	482	343,257	284,616	372	776	284,212
Private debt securities	8	-	-	8	20	-	9	11
Equity securities	5,224	729	120	5,833	7,590	1,260	163	8,687
Non-current	5,232	729	120	5,841	7,610	1,260	172	8,698
Total	348,646	1,054	602	349,098	292,226	1,632	948	292,910

\* Unlisted shares without fair values are not included.

**(Reference)****Modification of previously announced figures due to the review of the classification of products**

Due to the change of sales by product, some products are reclassified from the year ended March 31, 2003. Such reclassification includes the transfer of some products with increasing sales from "Other Products" to "Module Products". The figures of "Production, Order, Backlog and Sales" in the "Flash Report (Three months ended June 30, 2002)", "Flash Report (Six months ended September 30, 2002)", and "Flash Report (Nine months ended December 31, 2002)" after the review of the classification are as follows.

**(1) Production by Product**

	Millions of Yen				
	Six months ended Sep. 30, 2002			Six months ended Sep. 30, 2001	
		% *1	% *2		% *1
Capacitors	78,677	38.6	32.9	59,222	34.9
Resistors	7,613	3.7	29.8	5,863	3.5
Piezoelectric Components	41,842	20.5	21.3	34,496	20.3
Microwave Devices	23,068	11.3	6.6	21,631	12.7
Module Products	27,256	13.4	(10.8)	30,564	18.0
Other Products	25,611	12.5	42.7	17,942	10.6
<b>Total</b>	<b>204,067</b>	<b>100.0</b>	<b>20.2</b>	<b>169,718</b>	<b>100.0</b>

\*1 Component ratio

\*2 Growth ratio against the six months ended September 30, 2001

\*3 Figures are based on sales prices to customers.

\*4 Exclusive of consumption taxes

\*5 Production amounts of the foreign subsidiaries were translated into Japanese yen at average exchange rates for the periods.

\*6 The tables by product indicate production, order, backlog, and sales of electronics components and related products.

**(2) Order and Backlog by Product**

<Order>

	Millions of Yen				
	Six months ended Sep. 30, 2002			Six months ended Sep. 30, 2001	
		% *1	% *2		% *1
Capacitors	75,011	38.0	14.1	65,758	38.7
Resistors	7,283	3.7	21.9	5,974	3.5
Piezoelectric Components	38,881	19.7	15.7	33,603	19.8
Microwave Devices	25,779	13.1	39.5	18,486	10.9
Module Products	25,358	12.8	(2.4)	25,984	15.3
Other Products	25,050	12.7	24.5	20,120	11.8
<b>Total</b>	<b>197,362</b>	<b>100.0</b>	<b>16.1</b>	<b>169,925</b>	<b>100.0</b>

	Millions of Yen			
	Three months ended Jun. 30, 2002		Three months ended Dec. 31, 2002	
		% *1		% *1
Capacitors	39,139	38.5	35,714	37.0
Resistors	3,744	3.7	3,167	3.3
Piezoelectric Components	19,989	19.7	19,095	19.7
Microwave Devices	13,191	13.0	11,378	11.8
Module Products	12,790	12.6	14,715	15.2
Other Products	12,695	12.5	12,512	13.0
<b>Total</b>	<b>101,548</b>	<b>100.0</b>	<b>96,581</b>	<b>100.0</b>

\*1 Component ratio

\*2 Growth ratio against the six months ended September 30, 2001

\*3 Figures are based on sales prices to customers.

\*4 Exclusive of consumption taxes

<Backlog>

	Millions of Yen				
	Six months ended Sep. 30, 2002			Six months ended Sep. 30, 2001	
		% *1	% *2		% *1
Capacitors	13,308	31.9	(18.8)	16,395	36.8
Resistors	1,814	4.3	13.6	1,597	3.6
Piezoelectric Components	7,283	17.5	3.7	7,021	15.8
Microwave Devices	8,660	20.8	68.4	5,142	11.5
Module Products	5,629	13.5	(42.9)	9,856	22.1
Other Products	5,007	12.0	9.8	4,560	10.2
Total	41,701	100.0	(6.4)	44,571	100.0

	Millions of Yen			
	Three months ended Jun. 30, 2002		Three months ended Dec. 31, 2002	
		% *1		% *1
Capacitors	15,220	34.3	12,215	32.5
Resistors	1,971	4.4	1,470	3.9
Piezoelectric Components	8,197	18.5	6,676	17.7
Microwave Devices	7,087	16.0	5,998	16.0
Module Products	6,423	14.4	6,462	17.2
Other Products	5,491	12.4	4,797	12.7
Total	44,389	100.0	37,618	100.0

\*1 Component ratio

\*2 Growth ratio against the six months ended September 30, 2001

\*3 Figures are based on sales prices to customers.

\*4 Exclusive of consumption taxes

(3) Sales by Product, Application and Area

Sales by Product

	Millions of Yen				
	Six months ended Sep. 30, 2002			Six months ended Sep. 30, 2001	
		% *1	% *2		% *1
Capacitors	76,549	38.8	(6.5)	81,910	40.6
Resistors	7,325	3.7	10.0	6,658	3.3
Piezoelectric Components	39,161	19.9	6.5	36,776	18.2
Microwave Devices	22,044	11.2	(5.9)	23,428	11.6
Module Products	26,926	13.7	(9.5)	29,764	14.8
Other Products	25,136	12.7	7.9	23,296	11.5
Total	197,141	100.0	(2.3)	201,832	100.0

	Millions of Yen			
	Three months ended Jun. 30, 2002		Three months ended Dec. 31, 2002	
	% *1	% *2		% *1
Capacitors	38,765	39.3	36,807	36.6
Resistors	3,629	3.7	3,511	3.5
Piezoelectric Components	19,355	19.6	19,702	19.6
Microwave Devices	11,029	11.2	14,040	13.9
Module Products	13,564	13.7	13,882	13.8
Other Products	12,297	12.5	12,722	12.6
Net sales	98,639	100.0	100,664	100.0

\*1 Component ratio

\*2 Growth ratio against the six months ended September 30, 2001