

Second Quarter of FY2013 Presentation Q&A

Q: How much sales and production amount do you expect for the third and fourth quarters?

A: We expect sales amount, 218 billion yen for the third quarter and 188 billion yen for the fourth quarter. Production amount will be the same level as the sales.

Q: What is the main reason of a improvement in production mix from Q1 to Q2?

A: Almost all, sales of high value added products increased. MLCC and other components is high value added and increased 15 billion sales amount comparing 12Q2. Multilayer ceramic devices and circuit modules is also high value added and increased 10 billion sales amount comparing 12Q2.

Q: How do you achieve continuous growth for the next fiscal year?

A: Although the growth ratio of smartphones would be lower than past few years, we are trying to capture the demand of high end smartphones which tend to require LTE function by concentrating on design-in activities. Regarding low end smartphone market, design-in activities is vital and we have already been proceeding it. Low end smartphones require more compact electronic components than feature phones and we understand our share is rising in this market. Therefore, if there is no big change of environment such as exchange risk, we believe we would be able to increase our sales for next fiscal year.

Q: How much order do you expect for the third quarter?

A: Order of October remains high as the same level as average of the second quarter. However, we expect order would gradually decrease by December. As a result, order of the third quarter will be lower than the second quarter because of a seasonal factor.

Q: What is the supply and demand situation of SAW filters? How much production capacity of SAW filters would you increase?

A: We planned to increase the production capacity of SAW filters by 30% in the first half of this fiscal year from the end of the last fiscal year. However, the capacity expansion rate did not reach 30%, actually 25%. We will continue to raise the production capacity during the second half and plan the capacity expansion by 30% through this fiscal year. Regarding the supply and demand situation, competitors proceeds capacity expansion. It will be normalized.

Q: What is the difference between your downward forecast for the units of major electronic devices of this fiscal year and upward forecast for sales from the beginning of this fiscal year?

Both of them are not linked together.

A: Our original forecast of sales was conservative. Revised forecast for the first half was increased due to an increase in volume and expansion of sales by the success of design-in activities.

Q: Did you achieve any design-in activities to expand sales toward the next fiscal year with the progress of LTE?

A: We can not disclose individual sales activities, but we are proceeding with design-in activities utilizing Murata's strength to the LTE handset market which require more complicated modules.

Q: What is the impact of expansion of the low end smartphone market against Murata?

A: We expect the demand shift from 2G feature phones to low end smartphones would enhance the demand level of electronic components. We are proceeding with design-in activities to IC manufacturers steadily and our understanding is that our share of component products is raised due to more requirements of more compact components in this market. Regarding modules, low end smartphone manufacturers do not adopt modules at present, however, we expect the adoption rate of modules would be raised under the circumstance that repurchasing demand continues from low end smartphones to high end smartphones and it would have positive impacts on Murata's profitability.

Q: What will the operating rate be for the second half?

A: The operating rate of the second quarter was 90%. It is expected to remain 90% for the third quarter but it would be down to 85% for the fourth quarter. Those rates are based on 27 operating days per month.

Q: What is the reason for a drop in sales from the third to the fourth quarter?

A: We estimate our sales forecast based on customers' forecast and the main reason of a drop in sales would be the seasonal factor.

Q: What is the reason that an increase in semi-fixed costs and fixed costs are suppressed from the first quarter to the second quarter.

A: Semi fixed cost such as electricity expenses cannot be suppressed because they increase/decrease following production amount. However, we managed to suppress other costs and resources such as labor cost against sales increase.

Q: How much production capacity do you increase and level of Capex for the next fiscal year?

A: We have not decided yet. We would consider in the process of budget organization.

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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.

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