

First Quarter of FY2014 Presentation Q&A

Q: For Q2, Murata has maintained the net sales forecast announced in April 2014. How have you been doing in actual terms? What do you think of the soundness of demand from Chinese manufacturers?

A: As usual, incoming orders from the Chinese market increased starting in March, and showed a tendency to decrease in May and June due to the market trend. For Q1 as a whole, we understand that, despite Chinese manufacturers' rush to purchase components, purchase quantities have subsequently been corrected appropriately. Considering the future launch of chipset for LTE, incoming orders are expected to rise again in August and September. On the other hand, we expect to achieve our forecast for Q2 net sales because, as of July, the company as a whole sees an increase in incoming orders as the launches of new models from other customers are drawing near.

Q: Inventories were not accumulated during Q1. What are the prospects for production and inventory quantities for Q2?

A: We initially planned to accumulate inventories in Q1 to accommodate demand in Q2 and Q3. The strong demand from Chinese manufacturers prevented us from following the plan. Toward September and October, when monthly net sales reach peaks, we will secure production levels in keeping with net sales, instead of accumulating inventories. Note that inventories could temporarily increase at the end of Q2 depending on whether or not Chinese manufacturers purchase components before the Chinese National Day. But either way, it will not have a great impact on the full-year inventory policy because the difference only lies in whether the net sales will be posted in Q2 or Q3.

Q: What were the actual Q1 capacity utilization ratios for MLCCs and SAW filters? Will you make any changes in your April plans of strengthening MLCC and SAW filter production capacities?

A: MLCCs achieved the planned utilization ratio of approximately 90% for the first quarter based on 27 operating days per month. We will not increase overall production capacity. However, aged production equipment is being replaced with equipment for ultra-compact and high-capacitance products for a double-digit increase in capacity to meet the expected demand. SAW filters recorded more than 100% of the first quarter based on 20 operating days per month. Following a 30% increase in production capacity implemented in the previous fiscal year, we initially planned to enhance it by 10 to 15% in this full fiscal year. But we will move up the schedule in view of the development in demand. The expected increase

in demand in August and September will be accommodated by increasing the number of operation days, e.g., by operating on holidays.

Q: What was the production amount in Q1?

A: In Q1, production amount was at the same levels as net sales because inventories remained unchanged.

Q: How much of an increase in revenue do you expect for individual products in Q2?

A: We maintain our initial net sales forecast. That is, we expect higher overall revenue than in Q1. We do not forecast net sales of individual products, but we expect even higher growth for communication modules.

Q: Do you see your Q1 results as deviating significantly upward from your initial forecasts?

A: We see no significant deviations because we recognize the impact of reducing costs and ongoing generation of fixed costs.

Q: Can SAW filters for three-mode handsets be used for five-mode ones, which will replace the former in the future?

A: It depends on the product.

Q: What impact of the ongoing carrier aggregation do you expect on Murata components?

A: Carrier aggregation will lead to further sophistication of communication functions, which could increase the number of Murata components used per mobile device and accelerate the use of modules.

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