

Second Quarter of FY2015 Presentation Q&A

Q: What are your forecasts for capacity utilization?

A: In Q2, the utilization of the entire company achieved 115% based on 20 operating days, while MLCCs achieved 100% based on 27 operating days. We expect 110% company-wide and 95% for MLCCs in Q3. Production will be 320 billion yen in Q3 and 267 billion yen in Q4 (assuming \$1=115 yen). In Q2, we achieved 347 billion yen in production.

Q: What are your prospects for the supply and demand of SAW filters and MLCCs in 2016F?

A: We are making capital investments in SAW filters, but the accelerated use of five-mode phones in China is causing a shortage of supply. We expect that this shortage will remain next year. Not the entire lineup of MLCCs, but the cutting-edge segment for small-sized large capacity MLCCs is expected to grow by approximately 20%. We will therefore continue to make capital investments in this segment, where we don't anticipate any loss of balance between supply and demand.

Q: In 2016F, what kinds of factors do you expect to contribute to an upside in the unit price per terminal?

A: We will see 10 to 20% growth in the demand of components for smartphones — in particular MLCCs, SAW filters, and coils. Despite declines in prices, we expect higher sales since they offer high added value.

Q: Do you plan to increase capital investment in SAW filters and MLCCs, which are suffering from tight supply?

A: In the current fiscal year, we plan to increase capacity for MLCCs by 10%. We are achieving 30% growth in production capacity for SAW filters. The 10% plan for MLCCs covers the entire MLCC range, and we plan a slightly higher level for the cutting-edge segment. We are not going to change these plans.

Q: If carrier aggregation phones are fully introduced in China in 2016F, components such as SAW filters could suffer from tight supply. How do you plan to manage your capacities for such products?

A: We have yet to develop our budget, but our capacity management will depend on balancing an increase in the number of components used per smartphone, production quantities, and market share. If we are to make a capital investment, we won't assume an increase in the market share. Instead we will enhance production capacities with a focus on the products of which we expect to see more units used per phone in 2016F, such as cutting-edge MLCCs, SAW filters, and coils.

Q: What are your prospects for demand in the automotive market in the latter half of 2015F?

A: We expect an 11% increase over the first half. Demand from the automotive market will develop steadily without being much affected by unit sales and developments in individual customers' production, since the main product is on general-purpose components such as capacitors.

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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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