

First Quarter of FY2017 Presentation Q&A

Q: The Q1 operating income for 2017F accounts for only 38% of the forecast. Does this progress represent a delay in achieving the company's plans?

A: We do not create quarterly income/loss plans. The 2017F Q1 figure represents no significant impact on the plans because we had expected Chinese smartphones to make adjustments during the quarter. The product mix negatively affects the Q1 operating income compared with 2016F Q1. We see it only as a temporary effect because the figure was significantly affected by reduced sales of RF components for Chinese smartphones. Fixed costs did not increase significantly compared with our plan.

Q: What was your capacity utilization in Q1 and what are your plans for Q2? What was your production in Q1 and what are your plans for Q2?

A: In Q1, the utilization of entire company achieved 95% based on 20 operating days. In Q2 we expect to achieve 105% of that capacity. MLCCs used 100% based on 27 operating days in Q1. In Q2 they will also likely achieve 100%. Production reached 285 billion yen in Q1. In Q2, we expect to achieve the same production value as net sales.

Q: Murata achieved stronger order intake in 2017F Q1 than 2016F Q1. What major applications did you win your orders for?

A: Compared with 2016F Q1, we achieved strong order intake in applications other than smartphones, such as automobiles, AV equipment, and PCs. We are also seeing distributors placing orders with longer lead times than usual in part of order. In addition, we have been receiving smartphone orders in the run-up to the demand peak in summer and the following months. In July we will likely achieve the highest sales ever for the seventh month of the year.

Q: What are your price strategies with Asian MLCC competitors increasing their prices?

A: We will ask customers to accept price revisions for less profitable products. These measures will, however, have a limited impact on our performance forecasts for this fiscal year.

Q: Continued high order backlog levels could cause a lack of supply capacity next fiscal year. What are your thoughts on this?

A: We are aware that the current order backlog includes some longer-lead-time orders from certain distributors. We see that that portion needs to be analyzed closely.

Q: How have you changed your April forecast for demand for assembled products?

A: We initially anticipated that Chinese smartphones would complete their adjustments in 2017F Q1 and increase demand rapidly in Q2 and after. In actuality, however, the demand growth will likely come in Q3 or after, because some of our customers are reducing production in an effort to understand the trend for new autumn models. Despite changes at individual customers, the overall production plans of the Chinese smartphone industry have not changed significantly since April. Components for in-vehicle use see the electrification trend continue. We believe they are performing well.

Q: Murata is very active in research and development. How are you working on new products for next fiscal year, for example, RF modules and MetroCirc™?

A: For RF modules, we are striving to win back a substantial market share. MetroCirc™ is now being promoted mainly to specific customers, but we want to achieve a broader customer base in the future.

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