

Second Quarter of FY2017 Presentation Q&A

Q: What is the most important reason why Murata has corrected its performance forecasts downward?

A: The biggest reason is that the technical difficulty of the new product MetroCirc™ causes the yield rate to fall short of the forecast level, resulting in an increase in production costs. At the same time, the additional capital investment that has been made is expected to raise depreciation and amortization and investment-related expenses. We also anticipate the negative impact of a reduction in SAW filter sales due to the delay in the recovery of Chinese smartphones compared with our initial estimate, as well as the loss expected for the battery business following the completion of the acquisition process.

Q: Was there any reason related to MetroCirc™ other than its technical difficulty?

A: The technical challenge was the main reason. We developed many measures (including ones for streamlining) for MetroCirc™ such as introducing a new cost reduction approach. Despite these efforts, however, we couldn't launch the production as planned.

Q: What was your capacity utilization in Q2 and what are your plans for Q3?

A: In Q2, the utilization of entire company 105% based on 20 operating days. In Q3 we expect to achieve 95% of that capacity. Capacitors used 100% based on 27 operating days in Q2. In Q3, we expect to achieve 100% of that capacity.

Q: What were your production quantities in Q2 and what are your production plans for Q3 and Q4?

A: In Q2, our production reached 366 billion yen. We expect to achieve the same output as net sales in Q3 and 8 billion yen higher than net sales in Q4.

Q: What is the breakdown of the increase in capital investment announced as a correction?

A: It includes the purchase of land in the Yokohama Minato Mirai 21 district for a development site, additional investment in increasing MetroCirc™ production, the acquisition of the Nomi Plant in Ishikawa Pref., and investment in the battery business following the completion of the acquisition process.

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