

Consolidated Financial Flash Report (March 31, 2018)

Date: April 27, 2018

Company Name : Murata Manufacturing Co., Ltd.
Listing Code : 6981
(URL <http://www.murata.com/>)
Phone : (075) 955-6525
The date of payout of dividends: June 29, 2018

Stock Exchange Listings:
Tokyo Stock Exchange
Stock Exchange of Singapore

1. Consolidated Financial results for the year ended March 31, 2018

(1) Operating results (Years ended March 31, 2018 and 2017)

	Net sales		Operating income		Income before income taxes		Net income attributable to Murata Corporation	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2018	1,371,842	20.8	162,146	(19.4)	167,801	(16.3)	146,086	(6.4)
2017	1,135,524	(6.2)	201,215	(26.9)	200,418	(28.2)	156,060	(23.4)

Comprehensive income attributable to Murata Corporation: 144,253 million yen for the year ended March 31, 2018 and 158,146 million yen for the year ended March 31, 2017

	Basic earnings attributable to Murata Corporation per share	Diluted earnings attributable to Murata Corporation per share	Net income attributable to Murata Corporation / Shareholders' equity	Income before income taxes / Total assets	Operating income / Net sales
	Yen	Yen	%	%	%
2018	685.86	-	10.4	9.8	11.8
2017	733.87	-	12.1	12.7	17.7

* Percentages in the fields of Net sales, Operating income, Income before income taxes, and Net income attributable to Murata Corporation are the growth ratios against the previous fiscal year.

(2) Financial position (At March 31, 2018 and 2017)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
2018	1,797,013	1,456,600	81.1	6,830.45
2017	1,634,999	1,354,819	82.9	6,368.48

(3) Cash flows (Years ended March 31, 2018 and 2017)

	Net cash provided by operating activities	Net cash used in investing activities	Net cash used in financing activities	Cash and cash equivalents at end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
2018	225,249	(194,165)	(83,585)	187,910
2017	243,920	(202,697)	(11,729)	239,184

2. Dividends (Years ended March 31, 2018 and 2017, and the year ending March 31, 2019)

	Cash dividends per share					Cash dividends (Total)	Consolidated basis	
	First Quarter	Second Quarter	Third Quarter	Year-end	Total		Payout ratio	Dividend on equity (DOE)
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
2017	-	110.00	-	110.00	220.00	46,803	30.0	3.6
2018	-	130.00	-	130.00	260.00	55,379	37.9	3.9
2019 (Projected)	-	140.00	-	140.00	280.00	-	33.2	-

3. Projected financial results for the six months ending September 30, 2018 and the year ending March 31, 2019 (Consolidated basis)

	Net sales		Operating income		Income before income taxes		Net income attributable to Murata Corporation		Basic earnings attributable to Murata Corporation per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2018	753,000	21.5	119,000	19.5	120,000	9.3	89,000	(2.3)	417.35
Year ending March 31, 2019	1,575,000	14.8	240,000	48.0	242,000	44.2	180,000	23.2	844.08

* Percentages in the fields of Net sales, Operating income, Income before income taxes, and Net income attributable to Murata Corporation for the six months ending September 30, 2018 are the growth ratios against the six months ended September 30, 2017.

Percentages for the year ending March 31, 2019 are the growth ratios against the previous year.

4. Notes

(1) Changes in significant subsidiaries (changes in specific subsidiaries that caused change in scope of consolidation): Yes
Murata Energy Device Wuxi Co., Ltd. and Murata Energy Device Singapore Pte. Ltd. were newly consolidated.

(2) Changes in accounting policy

Changes due to adoption of new accounting standard: Yes

Changes due to reasons other than above: None

(3) Number of common shares outstanding

Number of shares outstanding including treasury stock: 225,271,427 shares at March 31, 2018 and 225,263,592 shares at March 31, 2017

Number of treasury stock: 12,020,374 shares at March 31, 2018 and 12,525,306 shares at March 31, 2017

Average number of shares outstanding: 212,993,110 shares for the year ended March 31, 2018 and 212,654,609 shares for the year ended March 31, 2017

*See "Amounts per Share" for the average common shares outstanding, which is the basis of computation of earnings per share.

[Reference] Financial Results on Parent Company Basis

1. Financial results for the year ended March 31, 2018

(1) Operating results (Years ended March 31, 2018 and 2017)

	Net sales		Operating income		Income before income taxes and extraordinary items		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
2018	948,594	14.1	8,385	(75.0)	41,193	(43.7)	48,095	(36.5)
2017	831,136	(6.5)	33,525	(39.5)	73,134	(23.6)	75,754	(6.2)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
2018	225.82	-
2017	356.23	-

*1 Percentages in the fields of Net sales, Operating income, Income before income taxes and extraordinary items, and Net income are the growth ratios against the previous year.

*2 The diluted earnings per share is not stated since there were no dilutive potential securities.

(2) Financial position (At March 31, 2018 and 2017)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
2018	1,015,877	587,945	57.9	2,757.06
2017	942,873	580,270	61.5	2,727.62

*Notes to the projected financial results

The above projections were prepared based on estimates using information currently available.

Actual results may differ from the projections. For assumptions and other information regarding the projections, refer to "Business Results and Financial Position".

Business Results and Financial Position
(from April 1, 2017 through March 31, 2018)

1. Business Results

For the period under review, the global economic environment showed a slow recovery as a whole. Despite concerns over the increasing importance of protectionist policies, the U.S. achieved sustained economic recovery due to increasing employment, improved private income and signs of recovery in capital expenditures. Strong consumer spending driven by better employment enabled the European economy to continue stable economic growth. China's economy remained steady due to growing exports.

The electronics market generated continued increasing demand for electronic components. While some products for smartphones suffered from lower shipment in China, the increasing functional sophistication of terminals led to steady growth in the number of components used per phone, especially in high-end models. In car electronics, there was a sharp increase in the number of electric components installed in vehicles due to improvements in vehicle environment friendliness and safety, generating significantly higher demand for electronic components.

By focusing on promising markets, Murata Manufacturing Co., Ltd. and subsidiaries (together the "Companies") increased net sales by 20.8% year-on-year to 1,371,842 million yen in the fiscal year under review. This was primarily due to the consolidation of the lithium-ion secondary battery business, whose acquisition process from Sony Corporation was completed in September 1, 2017, as well as the effect of the exchange rate (the yen's depreciation of 2.44 yen against the dollar compared with the previous fiscal year).

Operating income was 162,146 million yen, down 19.4%, income before income taxes was 167,801 million yen, down 16.3%, and net income was 146,086 million yen, down 6.4% from the year ended March 31, 2017. Positive contributions such as cost reduction initiatives and the ongoing introduction of new products were more than offset by negative factors such as: an increase in production costs due to a delay in launching new, technically challenging products, and growing depreciation expenses and investments which were mainly in buildings and production equipment for increasing the production of new products.

	Millions of yen					
	Year ended March 31, 2017		Year ended March 31, 2018		Change	
		%*		%*		%*
Net sales	1,135,524	100.0	1,371,842	100.0	236,318	20.8
Operating income	201,215	17.7	162,146	11.8	(39,069)	(19.4)
Income before income taxes	200,418	17.6	167,801	12.2	(32,617)	(16.3)
Net income attributable to Murata Corporation	156,060	13.7	146,086	10.6	(9,974)	(6.4)
Average exchange rate (Yen/U.S. dollar)	108.42	—	110.86	—	2.44	—
Average exchange rate (Yen/EURO)	118.84	—	129.70	—	10.86	—

*Component ratio as a percentage of net sales

Sales by Product Category

Net sales by product category for the period under review were as follows.

	Millions of yen						
	Year ended March 31, 2017		Year ended March 31, 2018		Change		
		%*		%*		%	
Capacitors	369,488	32.6	449,801	32.9	80,313	21.7	
Piezoelectric Components	170,012	15.0	152,016	11.1	(17,996)	(10.6)	
Other Components	222,259	19.7	322,332	23.6	100,073	45.0	
Components Total	761,759	67.3	924,149	67.6	162,390	21.3	
Communication Modules	325,736	28.7	395,003	28.9	69,267	21.3	
Power Supplies and Other Modules	45,100	4.0	48,851	3.5	3,751	8.3	
Modules Total	370,836	32.7	443,854	32.4	73,018	19.7	
Net sales	1,132,595	100.0	1,368,003	100.0	235,408	20.8	

*Component ratio as a percentage of net sales

<Components>

Sales of Components for the period under review increased by 21.3% year-on-year to 924,149 million yen.

[Capacitors]

The Capacitors category includes multilayer ceramic capacitors (MLCCs).

For the period under review, sales of MLCCs for communication equipment, the main product in this category, grew significantly as demand increased in a broad range of applications. New products for new smartphone models achieved much higher sales, as did MLCCs for car electronics as a result of the progress in vehicle electrification.

As a result, overall net sales increased by 21.7% year-on-year to 449,801 million yen.

[Piezoelectric Components]

The Piezoelectric Components category includes SAW (surface acoustic wave) filters, ceramic resonators, piezoelectric sensors, and ceramic filters.

For the period under review, substantial reductions in the production and prices of Chinese smartphones caused a sharp sales decline for SAW filters.

As a result, overall net sales decreased by 10.6% year-on-year to 152,016 million yen.

[Other Components]

Other Components include inductors (coils), EMI (electro-magnetic interference) suppression filters, connectors, sensors, thermistors and lithium ion batteries.

For the period under review, this segment achieved substantial sales growth due to growth in demand for coils, EMI suppression filters and MEM sensors for car electronics. The lithium-ion secondary battery business also contributed to the success now that the acquisition process was completed.

As a result, overall net sales increased by 45.0% year-on-year to 322,332 million yen.

<Modules>

Sales of Modules for the period under review increased by 19.7% year-on-year to 443,854 million yen.

[Communication Modules]

The Communication Modules category includes short-range wireless communication modules, circuit modules, RF sub modules, Multilayer resin substrates and multilayer ceramic devices.

For the period under review, circuit ceramic modules and RF sub modules for high-end smartphones faced sluggish sales due to a reduction in the Murata share of orders won from a specific customer. However, short-range wireless communication modules for products such as smartphones and personal computers were successful. Sales in multilayer resin substrates also achieved substantial growth as an increasing number of them were used in high-end smartphones.

As a result, overall net sales increased by 21.3% year-on-year to 395,003 million yen.

[Power Supplies and Other Modules]

This product category includes power supplies.

For the period under review, power supplies mainly for office automation equipment recorded sales growth.

As a result, overall net sales increased by 8.3% year-on-year to 48,851 million yen.

2. Financial Position

Total assets at March 31, 2018 increased by 162,014 million yen from the end of the previous fiscal year to 1,797,013 million yen. The ratio of shareholders' equity to total assets decreased by 1.8 percentage points from the end of the previous fiscal year to 81.1% at March 31, 2018.

Compared with the same period of the previous year, cash flows for the period under review were as follows:

<Net Cash Provided by Operating Activities>

For the period under review, net cash provided by operating activities was 225,249 million yen. Negative factors — 47,268 million yen growth in inventories and a 30,135 million yen increase in trade notes and accounts receivable — were more than offset by a net income of 146,052 million yen, depreciation and amortization of 141,625 million yen, and an increase in trade notes and accounts payable by 24,873 million yen.

Net cash provided by operating activities decreased by 18,671 million yen from the year ended March 31, 2017.

<Net Cash Used in Investing Activities>

For the period under review, net cash used in investing activities was 194,165 million yen. While cash inflows included a 98,424 million yen reduction in short-term investments and maturities and sales of marketable securities of 57,131 million, there were cash outflows due to 306,608 million yen in capital expenditures, 33,648 million yen spent on acquisition of businesses, and 13,016 million yen in payment for purchases of marketable securities, investments and other.

Net cash used in investing activities increased by 8,532 million yen from the year ended March 31, 2017.

<Net Cash Used in Financing Activities>

For the period under review, net cash used in financing activities was 83,585 million yen, primarily due to 51,058 million in dividend payments and a reduction in short-term borrowings by 32,618 million yen.

Net cash used in financing activities decreased by 71,856 million yen from the year ended March 31, 2017.

3. Projected Results for the Year Ending March 31, 2019

For the year ending March 31, 2019, we will see economic recovery in major countries, most notably the United States. However, there will be continued concern over uncertainty arising from increasing geopolitical risks and possible reductions in trade due to rising protectionism. These economic risks are also reflected in increasingly unstable exchange rates.

Despite concern in the electronics market over the expected slowdown in the growth of smartphone unit sales, we can still expect an increase in the number of electronic components per terminal and growth in added product value resulting from growing demand for new products. Progression in vehicle electrification is driving the dramatic sales expansion of components for car electronics, mainly of capacitors. Given the above outlook, the Companies have made the following business projections for the year ending March 31, 2019.

[Consolidated Projections for the Year Ending March 31, 2019]

		Consolidated Basis	
		2018 (Actual)	2019 Projections
Net sales	Millions of yen	1,371,842	1,575,000
	<%>*	<11.8>	<15.2>
Operating income	Millions of yen	162,146	240,000
	<%>*	<12.2>	<15.4>
Income before income taxes	Millions of yen	167,801	242,000
Net income attributable to Murata Corporation	Millions of yen	146,086	180,000
	<%>*	<10.6>	<11.4>
Capital expenditures	Millions of yen	306,608	340,000
	<%>*	<10.3>	<7.4>
Depreciation and amortization	Millions of yen	141,625	116,000
	<%>*	<6.9>	<7.0>
R & D expenses	Millions of yen	94,181	110,000

*1 Ratio to net sales

For the year ending March 31, 2019, the Companies forecast net sales of 1,575,000 million yen or a 14.8% year-on-year increase. Electronic components are expected to continue to generate strong demand, due to further functional sophistication of smartphones in the communication market and the development of car electronics to accommodate further vehicle electrification. Positive contributions to income figures include the ongoing introduction of new products and cost reduction initiatives as well as reduced expenses due to the planned change in the depreciation and amortization method.* Adverse factors include investments in buildings and production equipment related to increasing demand for electronic components, an increase in up-front expenditures mainly used for research and development, and product price declines. Compared with the year ended March 31, 2018, the Companies plan to achieve higher earnings: operating income of 240,000 million yen, up 48.0%, income before income taxes of 242,000 million yen, up 44.2%, and a net income of 180,000 million yen, up 23.2%.

The Companies are planning 340,000 million yen in capital expenditures for the year ending March 2019, mainly for investments for boosting production capacity for new products and for products expected to generate continuing steady demand, streamlining production processes, and research and development.

*The straight-line method will replace the declining-balance method, the Companies' traditional method for depreciation and amortization of property, plant and equipment. Beginning in the year ending March 2019, the new calculation method will be applied in principle. Due to this change, depreciation and amortization expenses for the year ending March 31, 2019 are expected to decrease by 67,500 million yen.

4. Basic Policy on Profit Distribution and Dividends for the Year Ended March 31, 2018 and the Year Ending March 31, 2019

The Companies belong to the electronics component industry segment which experiences rapid fluctuation in technological innovation. We endeavor to flexibly respond to changes in the market, achieve continuous profit growth and maintain sufficient equity capital in order to maintain the Companies' stabilized management in the severe business environment.

Our basic policy on profit distribution to shareholders is to prioritize the sharing of profits through payment of dividends. We will steadily raise the dividends by increasing profit per share, while enhancing long-term corporate value and strengthening the Companies' capital structure, and aim to achieve a payout ratio of about 30% in the mid-term. In accordance with this policy, our dividends are determined after comprehensively considering our business performance on a consolidated basis, as well as the accumulation of internal reserves necessary for reinvestment to ensure future development.

The Companies regard the repurchase of own shares as an approach for returning profits to shareholders. We accordingly implement this measure as appropriate in order to improve our capital efficiency.

For the year ended March 31, 2018, the Companies plan to pay a year-end dividend of 130 yen per share. Combined with the interim dividend previously paid, the total annual dividend is expected to be 260 yen.

Through comprehensive evaluation of forecasts of consolidated business performance, earnings retention for reinvestment for future development, and a targeted payout ratio of 30% in the mid-term, we plan to pay an annual dividend of 280 yen per share (comprising interim and year-end dividends of 140 yen per share) for the year ending March 31, 2019, a 20 yen increase from the previous fiscal year. This will put our consolidated payout ratio at 33.2%. Note that the annual dividend per share above is calculated considering the business environment and performance forecasts for the year ending March 31, 2019.

[Cautionary Statement on Forward-looking Statements]

This report contains forward-looking statements concerning the Companies' projections, plans, policies, strategies, schedules, and decisions. These forward-looking statements are not historical facts; rather, they represent the assumptions of the Companies based on information currently available and certain assumptions we deem as reasonable. Actual results may differ materially from expectations owing to various risks and uncertainties. Readers are therefore requested not to rely on these forward-looking statements as the sole basis for evaluating the Companies. The Companies have no obligation to revise any of the forward-looking statements as a result of new information, future events or otherwise.

Risks and uncertainties that may affect actual results include, but are not limited to, the following: (1) economic conditions of the Companies' 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 Companies' 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 Companies' financial assets; (6) drastic legal, political, and social changes in the Companies' business environment; and (7) other uncertainties and contingencies.

Murata's Fundamental Management Policy

1. Murata's Fundamental Management Policy

"New quality electronic devices begin with new quality components, and new quality components begin with new quality materials." Based upon this fundamental corporate principle, Murata pursues excellence in a broad range of technical disciplines from basic to advanced future technologies. In so doing, we develop and supply distinctive and innovative products, with the ultimate goal of contributing toward the advancement of an electronic society. We focus on the research and development of technological elements including electronic materials technology (e.g., ceramic materials), circuit design technology, processing technology (e.g., thin-film and micro-fabrication technology), and development technologies for production equipment. By intelligently combining the achievements from these efforts, we create multilayer ceramic capacitors (MLCCs), ceramic piezoelectric products, noise suppression components, microwave devices, circuit modules, and other electronic components. These are indispensable for a range of electronic devices from communication and information/computer-related devices to automotive electronics.

2. Business goals

(1) Sales

Aiming to grow at an annualized rate of 5–10%, We will pursue medium- to long-term sales expansion in our focus markets (automotive, energy, healthcare) in addition to growth in existing markets, especially the communications market. Moreover, our goal is to have new products account for 40% of sales, and will strive to increase sales by providing new value to customers.

(2) Operating income

We will pursue an operating income ratio of at least 20% (at an exchange rate of \$1 USD = ¥115 JPY) and greater corporate value with an increase in net income per share. Also, we will improve return on investment to increase our capital efficiency.

3. Medium to Long Term Management Strategy

The Companies will focus on the following growth strategies in order to achieve the business goals.

(1) Pursuit of a competitive edge in the communications market

While the growth in the production volumes of mobile communication equipment is tending to slow down, we can still expect an increase in the number of electronic components per terminal due to further functional sophistication of devices and growth in added product value resulting from growing demand for new products. We will not only maintain our current market share, but also keep its competitive edge and

achieve growth by delivering new added value. In anticipation of the future 5G technology (5th Generation wireless System), we will also aim to achieve growth by offering technological skills and products that can meet customer needs for more advanced solutions.

(2) Expansion of business in focus markets / Expansion of business in automotive, energy and healthcare

We will create new business models and customer value in pursuit of market diversification and growth within automotive, energy and healthcare/medical markets. In automotive market, the evolution of electric and autonomous cars will increase the number of semiconductors per vehicle, which has resulted in a significant increase in demand for electronics parts such as components around semiconductors. The demand of sensors for safety-driving and wireless modules for data communication with outside the vehicle will increase. We aim to achieve sustainable growth with a wide range of product lineup which take advantage of our strengths such as sensing, communication, small-size, noise suppression, based on our common value "High reliability" which brings our customers comfort. Our approach to energy and healthcare/medical markets will be to build businesses in which we can bring Murata's uniqueness to the fore, after clearly defining entry scenarios.

(3) Market development with a longer-term view

The Internet of Things (IoT) is expanding the boundaries of electronics and creating new needs for the smart society. In response to these expanding needs, we will strive to provide new value by integrating sensors and communications technology.

4. Challenges Facing the Companies

The global electronics market is expected to grow in the medium to long term, driven by new demand for automotive market which accelerate its shift toward electric and autonomous cars, in addition to consumer electronics market such as smartphones whose demand is expanding due to high functionality and multi-functionality. Additionally, it is expected that future demand for electronics components will expand and shift to new applications which will become the next primary market such as energy, and healthcare/medical. Moreover, IoT, which has been spreading across those markets, accelerates the increase of demand.

The Companies intend to strengthen our marketing abilities and identifying market opportunities, and enhance production capacity by capital investment and productivity improvement, launch new, high value-added products earlier than their competitors and contribute to the trend of reduced size and thickness of electronic devices, add more manifold functions, and also create new business models and customer value.

On September 1, 2017, we acquired a battery business from Sony Corporation. We will grow and expand the battery business to the core of our energy business by utilizing Murata's customer base and marketing abilities and introducing production techniques which Murata have been developing mainly for MLCC, in addition to Sony's high technological capabilities.

In regard to corporate social responsibility, the Companies will develop our business with equal emphasis on

environmental preservation (E), social responsibility (S), and corporate governance (G), with following the 17 goals of the United Nations Sustainable Development Goals (SDGs).

The Companies defines corporate governance as one of the most important principles of management. While taking all stakeholders in consideration, we commit ourselves to always keeping an optimal management structure in place to ensure the sound growth and development of the Companies.

(1) Consolidated Balance Sheets (Assets)

At March 31, 2018 and 2017

	Millions of Yen			
	2017		2018	
		%		%
Assets	1,634,999	100.0	1,797,013	100.0
Current assets	871,431	53.3	810,260	45.1
Cash	170,929		168,902	
Short-term investments	173,401		30,747	
Marketable securities	53,043		20,790	
Trade notes receivable	271		2,895	
Trade accounts receivable	209,596		256,140	
Allowance for doubtful notes and accounts	(905)		(1,159)	
Inventories	211,447		290,257	
Deferred income taxes	25,890		-	
Prepaid expenses and other	27,759		41,688	
Property, plant and equipment	507,969	31.1	705,229	39.2
Land	50,761		64,772	
Buildings	394,239		467,427	
Machinery and equipment	950,280		1,104,592	
Construction in progress	40,035		97,090	
Accumulated depreciation	(927,346)		(1,028,652)	
Investments and other assets	255,599	15.6	281,524	15.7
Investments	103,468		87,288	
Intangible assets	48,883		54,347	
Goodwill	62,102		76,914	
Deferred income taxes	5,259		36,346	
Other	35,887		26,629	
Total assets	1,634,999	100.0	1,797,013	100.0

Consolidated Balance Sheets (Liabilities and Equity)

At March 31, 2018 and 2017

	Millions of Yen			
	2017		2018	
		%		%
Liabilities	279,665	17.1	339,797	18.9
Current liabilities	208,734	12.8	261,812	14.6
Short-term borrowings	46,118		13,500	
Trade accounts payable	57,918		94,074	
Accrued payroll and bonuses	34,075		38,041	
Income taxes payable	7,240		24,968	
Accrued expenses and other	63,383		91,229	
Long-term liabilities	70,931	4.3	77,985	4.3
Long-term debt	545		742	
Termination and retirement benefits	59,324		67,843	
Deferred income taxes	9,677		7,675	
Other	1,385		1,725	
Equity	1,355,334	82.9	1,457,216	81.1
Murata Corporation's Shareholders' equity	1,354,819	82.9	1,456,600	81.1
Common stock	69,377		69,444	
Capital surplus	114,290		120,596	
Retained earnings	1,241,180		1,336,208	
Accumulated other comprehensive loss:	(14,219)		(16,052)	
Unrealized gains on securities	6,127		7,576	
Pension liability adjustments	(15,652)		(16,995)	
Foreign currency translation adjustments	(4,694)		(6,633)	
Treasury stock, at cost	(55,809)		(53,596)	
Noncontrolling interests	515	0.0	616	0.0
Total liabilities and equity	1,634,999	100.0	1,797,013	100.0

(2) Consolidated Statements of Income

For the years ended March 31, 2018 and 2017

	Millions of Yen			
	2017		2018	
		%		%
Net sales	1,135,524	100.0	1,371,842	100.0
Cost of sales	703,129	61.9	927,565	67.6
Selling, general and administrative	149,371	13.2	187,950	13.7
Research and development	81,809	7.2	94,181	6.9
Operating income	201,215	17.7	162,146	11.8
Interest and dividend income	2,449	0.2	2,854	0.2
Interest expense	(272)	(0.0)	(581)	(0.0)
Foreign currency exchange loss	(4,815)	(0.4)	(7,299)	(0.5)
Gain on bargain purchase	-	-	6,442	0.5
Other - net	1,841	0.1	4,239	0.2
Income before income taxes	200,418	17.6	167,801	12.2
Income taxes	44,342	3.9	21,749	1.6
<Current income tax>	<39,813>		<48,538>	
<Deferred income tax>	<4,529>		<(26,789)>	
Net income	156,076	13.7	146,052	10.6
Less: Net income (loss) attributable to noncontrolling interests	16	0.0	(34)	(0.0)
Net income attributable to Murata Corporation	156,060	13.7	146,086	10.6

(3) Consolidated Statements of Comprehensive Income

For the years ended March 31, 2018 and 2017

	Millions of Yen	
	2017	2018
Net income	156,076	146,052
Other comprehensive income (loss), net of tax:		
Unrealized gains on securities	3,141	1,449
Pension liability adjustments	8,822	(1,343)
Foreign currency translation adjustments	(9,895)	(1,925)
Other comprehensive income (loss)	2,068	(1,819)
Comprehensive income	158,144	144,233
Less: Comprehensive loss attributable to noncontrolling interests	(2)	(20)
Comprehensive income attributable to Murata Corporation	158,146	144,253

(4) Consolidated Statements of Shareholders' Equity

	Number of common shares issued	Millions of Yen							
		Common stock	Capital surplus	Retained earnings	Accumulated other comprehensive loss	Treasury stock	Controlling interests	Noncontrolling interests	Total equity
		Balance at March 31, 2016	225,263,592	69,377	103,865	1,131,809	(15,532)	(60,360)	1,229,159
Purchases of treasury stock at cost						(88)	(88)		(88)
Disposal of treasury stock			3			2	5		5
Net income				156,060			156,060	16	156,076
Cash dividends				(46,689)			(46,689)		(46,689)
Other comprehensive income, net of tax					2,086		2,086	(18)	2,068
Equity transaction with noncontrolling interests and other			10,422		(773)	4,637	14,286	(14,303)	(17)
Balance at March 31, 2017	225,263,592	69,377	114,290	1,241,180	(14,219)	(55,809)	1,354,819	515	1,355,334
Purchases of treasury stock at cost						(53)	(53)		(53)
Disposal of treasury stock			6,272			2,266	8,538		8,538
Net income				146,086			146,086	(34)	146,052
Cash dividends				(51,058)			(51,058)		(51,058)
Other comprehensive loss, net of tax					(1,833)		(1,833)	14	(1,819)
Restricted stock compensation	7,835	67	34				101		101
Equity transaction with noncontrolling interests and other								121	121
Balance at March 31, 2018	225,271,427	69,444	120,596	1,336,208	(16,052)	(53,596)	1,456,600	616	1,457,216

(5) Consolidated Statements of Cash Flows

Years ended March 31, 2018 and 2017

	Millions of Yen			
	2017		2018	
Operating activities:				
Net income		156,076		146,052
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	113,523		141,625	
Losses on sales and disposals of property, plant and equipment	1,867		1,620	
Provision for termination and retirement benefits, less payments	(1,040)		(771)	
Deferred income taxes	4,529		(26,789)	
Gain on bargain purchase	-		(6,442)	
Changes in assets and liabilities:				
Increase in trade notes and accounts receivable	(14,317)		(30,135)	
(Increase) decrease in inventories	5,032		(47,268)	
Increase in prepaid expenses and other	(4,916)		(11,970)	
Increase in trade notes and accounts payable	650		24,873	
Increase (decrease) in accrued payroll and bonuses	(2,394)		970	
Increase (decrease) in income taxes payable	(22,678)		17,784	
Increase in accrued expenses and other	7,586		10,433	
Other-net	2	87,844	5,267	79,197
Net cash provided by operating activities		243,920		225,249
Investing activities:				
Capital expenditures		(158,579)		(306,608)
Payment for purchases of marketable securities, investments and other		(58,967)		(13,016)
Maturities and sales of marketable securities, investments and other		45,192		57,131
(Increase) decrease in long-term deposits		(22,591)		1,081
Decrease in short-term investments		5,982		98,424
Acquisition of businesses, net of cash acquired		(14,725)		(33,648)
Other-net		991		2,471
Net cash used in investing activities		(202,697)		(194,165)
Financing activities:				
Net increase (decrease) in short-term borrowings		39,673		(32,618)
Proceeds from long-term debt		-		403
Repayment of long-term debt		(4,662)		(353)
Dividends paid		(46,689)		(51,058)
Other-net		(51)		41
Net cash used in financing activities		(11,729)		(83,585)
Effect of exchange rate changes on cash and cash equivalents		(2,880)		1,227
Net increase (decrease) in cash and cash equivalents		26,614		(51,274)
Cash and cash equivalents at beginning of year		212,570		239,184
Cash and cash equivalents at end of year		239,184		187,910
Additional cash and cash equivalents information:				
Cash		170,929		168,902
Short-term investments		173,401		30,747
Short-term investments with the original maturities over 3 months		(105,146)		(11,739)
Cash and cash equivalents at end of year		239,184		187,910

(6) Assumptions for Going Concern

None

(7) Changes in accounting policy

In November 2015, the FASB issued ASU No. 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes."

To simplify the presentation of deferred income taxes, the ASU requires that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position.

On June 30, 2017, Murata Manufacturing Co., Ltd. (the "Company") adopted the ASU.

For the adoption of the ASU, the Company did not adjust prior period's financial statement retrospectively.

(8) Segment Information

Operating Segment Information

The Companies mainly develop, manufacture and sell electronic components and related products.

Operating segments of the Companies are classified based on the nature of products, and the Companies recognized the Components segment, the Modules segment, and Others.

		Millions of Yen			
		2017		2018	
Components	Sales to:		%		%
	Unaffiliated customers	761,759		924,149	
	Intersegment	36,489		39,752	
	Total revenue	798,248	100.0	963,901	100.0
	Segment income	202,573	25.4	216,786	22.5
Modules	Sales to:		%		%
	Unaffiliated customers	370,836		443,854	
	Intersegment	38		11	
	Total revenue	370,874	100.0	443,865	100.0
	Segment income (loss)	39,512	10.7	(11,478)	(2.6)
Others	Sales to:		%		%
	Unaffiliated customers	2,929		3,839	
	Intersegment	40,131		82,203	
	Total revenue	43,060	100.0	86,042	100.0
	Segment income	3,810	8.8	9,453	11.0
Corporate and eliminations	Sales to:		%		%
	Unaffiliated customers	-		-	
	Intersegment	(76,658)		(121,966)	
	Total revenue	(76,658)	-	(121,966)	-
	Corporate expenses	(44,680)	-	(52,615)	-
Consolidated	Sales to:		%		%
	Unaffiliated customers	1,135,524		1,371,842	
	Intersegment	-		-	
	Total revenue	1,135,524	100.0	1,371,842	100.0
	Operating income	201,215	17.7	162,146	11.8

Notes: 1. Major products and businesses included in the operating segments.

(1) Components: Capacitors and Piezoelectric Components

(2) Modules: Communication Modules and Power Supplies

(3) Others: Machinery manufacturing, welfare services, education and training services, and sales of software

2. Intersegment transactions are based on market prices.

3. Segment income for each operating segment represents net sales less related costs.

Corporate expenses represent expenses of headquarters functions and fundamental research.

4. The battery business transferred from Sony Corporation has been included in Components since September 1, 2017.

(9) Amounts per Share

The Company introduced a restricted compensation plan (hereinafter, the "Plan") for the Company's Directors (except directors serving as Audit and Supervisory Committee members and Outside Directors) and executive officers. Among the new shares issued under the Plan, those transfer restrictions which have not been cancelled are distinguished as participating securities from common shares.

A holder of participating securities has the same rights as a holder of common shares to net income attributable to Murata Corporation.

A reconciliation of the basic and diluted earnings per share computation was as follows:

Diluted earnings attributable to Murata corporation per share is not stated since there were no potential dilutive securities.

		Year ended March 31, 2017	Year ended March 31, 2018
Net income attributable to Murata Corporation	Millions of yen	156,060	146,086
Net income available to participating securities	Millions of yen	-	3
Net income available to common shareholders	Millions of yen	156,060	146,083
Weighted-average number of common shares outstanding	Number of shares	212,654,609	212,997,190
Weighted-average number of participating securities	Number of shares	-	4,080
Weighted-average number of common shares	Number of shares	212,654,609	212,993,110
Basic earnings attributable to Murata Corporation per share	Yen	733.87	685.86

Shareholders' equity per share for the years ended March 31, 2018 and 2017 were 6,830.45 Yen and 6,368.48 Yen, respectively.

(10) Subsequent Events

None

(11) Other

Flash Report (Year ended March 31, 2018)

Selected Financial Data - Consolidated basis

Years ended March 31, 2018 and 2017 / at March 31, 2018 and 2017

		Consolidated Basis		
		2017	2018	Growth ratio
Net sales	Millions of yen	1,135,524	1,371,842	20.8%
Operating income	<*> Millions of yen	<17.7> 201,215	<11.8> 162,146	(19.4)
Income before income taxes	<*> Millions of yen	<17.6> 200,418	<12.2> 167,801	(16.3)
Net income attributable to Murata Corporation	<*> Millions of yen	<13.7> 156,060	<10.6> 146,086	(6.4)
Total assets	Millions of yen	1,634,999	1,797,013	9.9
Shareholders' equity	Millions of yen	1,354,819	1,456,600	7.5
Shareholders' equity ratio	%	82.9	81.1	-
Basic earnings attributable to Murata Corporation per share	Yen	733.87	685.86	(6.5)
Diluted earnings attributable to Murata Corporation per share	Yen	-	-	-
Return on equity (ROE)	%	12.1	10.4	-
Shareholders' equity per share	Yen	6,368.48	6,830.45	-
Capital expenditures	Millions of yen	158,579	306,608	93.3
Depreciation and amortization	<*> Millions of yen	<10.0> 113,523	<10.3> 141,625	24.8
R & D expenses	<*> Millions of yen	<7.2> 81,809	<6.9> 94,181	15.1
Number of employees	*4	<35,019> 59,985	<46,943> 75,326	25.6
Average exchange rates				
Yen/US dollar	Yen	108.42	110.86	-
Yen/EURO	Yen	118.84	129.70	-

*1 The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America.

*2 Ratio to net sales

*3 Diluted earnings attributable to Murata Corporation per share is not stated since there were no potential dilutive securities.

*4 Figures in parentheses indicate the number of employees in foreign countries.

Projected Financial Data - Consolidated basis

		Six months ending September 30, 2018 and six months ended September 30, 2017			Year ending March 31, 2019 and year ended March 31, 2018		
		2017 (Actual)	2018 (Projection)	Growth ratio	2017 (Actual)	2018 (Projection)	Growth ratio
Net sales	Millions of yen	619,622	753,000	21.5	1,371,842	1,575,000	14.8
Operating income	<*> ¹ Millions of yen	<16.1>	<15.8>	19.5	<11.8>	<15.2>	48.0
Income before income taxes	<*> ¹ Millions of yen	<17.7>	<15.9>	9.3	<12.2>	<15.4>	44.2
Net income attributable to Murata Corporation	<*> ¹ Millions of yen	<14.7>	<11.8>	(2.3)	<10.6>	<11.4>	23.2
Basic earnings attributable to Murata Corporation per share	Yen	428.09	417.35	(2.5)	685.86	844.08	23.1
Capital expenditures	Millions of yen	132,821	197,000	48.3	306,608	340,000	10.9
Depreciation and amortization	<*> ¹ Millions of yen	<9.8>	<7.0>	(12.4)	<10.3>	<7.4>	(18.1)
R & D expenses	<*> ¹ Millions of yen	<7.2>	<7.4>	25.5	<6.9>	<7.0>	16.8

*1 Ratio to net sales

*2 The projections above are based on the assumed average exchange rates of 105 yen per US dollar and 130 yen per Euro for the year ending March 31, 2019.

*3 The projections above were prepared based on estimates using information currently available. Actual results may differ from the projections. For assumptions and other information regarding the projections, refer to "Business Results and Financial Position".

Orders, Backlogs and Sales

(1) Orders and Backlogs by Product

<Orders>

	Millions of Yen					
	Year ended March 31, 2017		Year ended March 31, 2018		Change	
		%*1		%*1		%
Capacitors	397,343	34.4	535,859	36.5	138,516	34.9
Piezoelectric Components	153,817	13.3	153,153	10.5	(664)	(0.4)
Other Components	226,041	19.5	336,076	22.9	110,035	48.7
Components Total	777,201	67.2	1,025,088	69.9	247,887	31.9
Communication Modules	333,141	28.8	390,748	26.6	57,607	17.3
Power Supplies and Other Modules	46,177	4.0	50,830	3.5	4,653	10.1
Modules Total	379,318	32.8	441,578	30.1	62,260	16.4
Total	1,156,519	100.0	1,466,666	100.0	310,147	26.8

*1 Component ratio

*2 Figures are based on sales prices to customers.

*3 Exclusive of consumption taxes

*4 The tables by product indicate orders, backlogs, and sales of electronic components and related products.

*5 The orders of the battery business transferred from Sony Corporation have been included in Other Components since September 1, 2017.

<Backlogs>

	Millions of Yen					
	At March 31, 2017		At March 31, 2018		Change	
		%*1		%*1		%
Capacitors	62,484	40.6	148,542	53.3	86,058	137.7
Piezoelectric Components	18,654	12.1	19,791	7.1	1,137	6.1
Other Components	22,579	14.7	62,319	22.4	39,740	176.0
Components Total	103,717	67.4	230,652	82.8	126,935	122.4
Communication Modules	43,049	28.0	38,794	13.9	(4,255)	(9.9)
Power Supplies and Other Modules	7,085	4.6	9,064	3.3	1,979	27.9
Modules Total	50,134	32.6	47,858	17.2	(2,276)	(4.5)
Total	153,851	100.0	278,510	100.0	124,659	81.0

*1 Component ratio

*2 Figures are based on sales prices to customers.

*3 Exclusive of consumption taxes

*4 The backlogs of the battery business transferred from Sony Corporation have been included in Other Components at December 31, 2017.

(2) Sales by Product Category, Application and Area

1. Sales by Product Category

	Millions of Yen					
	Year ended March 31, 2017		Year ended March 31, 2018		Change	
		%*1		%*1		%
Capacitors	369,488	32.6	449,801	32.9	80,313	21.7
Piezoelectric Components	170,012	15.0	152,016	11.1	(17,996)	(10.6)
Other Components	222,259	19.7	322,332	23.6	100,073	45.0
Components Total	761,759	67.3	924,149	67.6	162,390	21.3
Communication Modules	325,736	28.7	395,003	28.9	69,267	21.3
Power Supplies and Other Modules	45,100	4.0	48,851	3.5	3,751	8.3
Modules Total	370,836	32.7	443,854	32.4	73,018	19.7
Net sales	1,132,595	100.0	1,368,003	100.0	235,408	20.8

*1 Component ratio

*2 Exclusive of consumption taxes

*3 Sales of the battery business transferred from Sony Corporation have been included in Other Components since September 1, 2017.

2. Sales by Application (based on the Company's estimate)

	Millions of Yen					
	Year ended March 31, 2017		Year ended March 31, 2018		Change	
		%*1		%*1		%
AV	46,245	4.1	66,644	4.9	20,399	44.1
Communications	634,082	56.0	719,607	52.6	85,525	13.5
Computers and Peripherals	170,083	15.0	202,398	14.8	32,315	19.0
Automotive Electronics	168,727	14.9	200,151	14.6	31,424	18.6
Home and Others	113,458	10.0	179,203	13.1	65,745	57.9
Net sales	1,132,595	100.0	1,368,003	100.0	235,408	20.8

*1 Component ratio

*2 Exclusive of consumption taxes

3. Sales by Area

	Millions of Yen					
	Year ended March 31, 2017		Year ended March 31, 2018		Change	
		%*1		%*1		%
The Americas	102,557	9.0	153,837	11.2	51,280	50.0
Europe	83,640	7.4	106,285	7.8	22,645	27.1
Greater China	647,349	57.2	760,851	55.6	113,502	17.5
Asia and Others	214,802	19.0	236,204	17.3	21,402	10.0
Overseas total	1,048,348	92.6	1,257,177	91.9	208,829	19.9
Japan	84,247	7.4	110,826	8.1	26,579	31.5
Net sales	1,132,595	100.0	1,368,003	100.0	235,408	20.8

*1 Component ratio

*2 Exclusive of consumption taxes

Quarterly Consolidated Performance

(1) Consolidated Financial Results

	Millions of yen							
	Three months ended June 30, 2016		Three months ended September 30, 2016		Three months ended December 31, 2016		Three months ended March 31, 2017	
Net sales	260,925	% *1 100.0	300,995	% *1 100.0	304,014	% *1 100.0	269,590	% *1 100.0
Operating income	48,695	18.7	59,803	19.9	56,057	18.4	36,660	13.6
Income before income taxes	50,200	19.2	59,528	19.8	52,907	17.4	37,783	14.0
Net income attributable to Murata Corporation	37,675	14.4	47,026	15.6	42,286	13.9	29,073	10.8

	Millions of yen							
	Three months ended June 30, 2017		Three months ended September 30, 2017		Three months ended December 31, 2017		Three months ended March 31, 2018	
Net sales	274,964	% *1 100.0	344,658	% *1 100.0	413,523	% *1 100.0	338,697	% *1 100.0
Operating income	40,944	14.9	58,620	17.0	44,915	10.9	17,667	5.2
Income before income taxes	42,384	15.4	67,420	19.6	42,572	10.3	15,425	4.6
Net income attributable to Murata Corporation	33,136	12.1	57,937	16.8	29,420	7.1	25,593	7.6

*1 Ratio to net sales

(2) Sales by Product Category

	Millions of yen							
	Three months ended June 30, 2016		Three months ended September 30, 2016		Three months ended December 31, 2016		Three months ended March 31, 2017	
Capacitors	84,263	% *1 32.4	93,140	% *1 31.0	98,041	% *1 32.4	94,044	% *1 35.0
Piezoelectric Components	44,753	17.2	44,412	14.8	44,937	14.8	35,910	13.3
Other Components	50,838	19.5	59,255	19.7	59,171	19.5	52,995	19.7
Components Total	179,854	69.1	196,807	65.5	202,149	66.7	182,949	68.0
Communication Modules	69,179	26.6	91,987	30.7	90,142	29.7	74,428	27.7
Power Supplies and Other Modules	11,114	4.3	11,489	3.8	10,993	3.6	11,504	4.3
Modules Total	80,293	30.9	103,476	34.5	101,135	33.3	85,932	32.0
Net sales	260,147	100.0	300,283	100.0	303,284	100.0	268,881	100.0

	Millions of yen							
	Three months ended June 30, 2017		Three months ended September 30, 2017		Three months ended December 31, 2017		Three months ended March 31, 2018	
Capacitors	96,321	% *1 35.1	112,719	% *1 32.8	126,891	% *1 30.7	113,870	% *1 33.8
Piezoelectric Components	37,526	13.7	40,998	11.9	38,856	9.4	34,636	10.3
Other Components	54,648	19.9	73,012	21.2	105,491	25.6	89,181	26.4
Components Total	188,495	68.7	226,729	65.9	271,238	65.7	237,687	70.5
Communication Modules	73,710	26.9	104,630	30.4	128,881	31.2	87,782	26.0
Power Supplies and Other Modules	12,096	4.4	12,523	3.7	12,525	3.1	11,707	3.5
Modules Total	85,806	31.3	117,153	34.1	141,406	34.3	99,489	29.5
Net sales	274,301	100.0	343,882	100.0	412,644	100.0	337,176	100.0

*1 Component ratio

*2 Exclusive of consumption taxes