Financial Results for FY2018 Presentation Q&A

Q: What are the main reasons that your business results for FY2018 fell short of your previous forecasts?
A: Net sales were affected because there was no growth in the production of new smartphones. Earnings would have met the forecast but for the fixed asset impairment loss of 17.7 billion yen.

Q: What were the factors that caused the impairment loss of fixed assets?
A: The greatest reason was related to the old equipment used for MetroCirc™. To increase production, we had introduced new streamlined equipment since FY2017, which not only increased productivity, but also enabled us to produce products featuring sufficient quality levels, technical performance, and cost-competitiveness. This reduced the use of the old equipment to very low levels, leading to the impairment loss in question.

Q: How have you been progressing in your negotiations for correcting capacitor prices?
A: Most of the planned negotiations for price correction have been completed. Out of respect for our relationships with customers, we cannot make any further comments.

Q: What are the assumptions on which you base your performance forecasts for FY2019?
A: At present, customers and the market have higher-than-normal levels of capacitor inventories. Our forecasts are based on the careful consideration of these current circumstances. As we see it right now, demand for capacitors will recover around July. Over the medium to long term, we confirm our projection that demand for components will expand due to further progress in the electrification of vehicles, the functional sophistication of smartphones, and the introduction of 5G technology.

Q: Could you be more specific about your planned capital investment of 300 billion yen for FY2019?
A: Medium- and long-term investments in buildings and the remodeling of accompanying equipment represent 165 billion yen, a substantial sum. In the short term, we are conservative as to increasing equipment capacity. Short-term investment in increasing production has been reduced to approximately 100 billion yen.

This Q&A contains forward-looking statements concerning Murata Manufacturing Co., Ltd. and its group companies' projections, plans, policies, strategies, schedules, and decisions. These forward-looking statements are not historical facts; rather, they represent the assumptions of the Murata Group (the “Group”) based on information currently available and certain assumptions we deem as reasonable. Actual results may differ materially from expectations due to various risks and uncertainties. Readers are therefore requested not to rely on these forward-looking statements as the sole basis for evaluating the Group. The Company has 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 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.

The Company undertakes no obligation to publicly update any forward-looking statements included in this Q&A.