

First Quarter of FY2019 Presentation Q&A

Q: What is the status of distribution inventory at distributors, etc.?

A: We do not have the complete knowledge of distribution inventory with regard to how many months' inventory is maintained as a whole. We feel that currently, the period of inventory for distributors and car electronics is prolonged. We expect that a recovery trend will begin in or after H2.

Q: What are the trends in product prices after Q2?

A: Speaking in terms of our plan at the beginning of the fiscal year, we expect that prices will decrease in line with the plan. Negotiations for raising capacitor prices were mostly completed in January to March 2019. Out of respect for our relationships with customers, we cannot make any further comments.

Q: Can you describe the current status of your inventories and outlook for future inventory levels?

A: Although our current inventories are at a high level, we expect that the ages of our inventories in months will gradually become appropriate as sales will recover from now on.

Q: Please describe Murata's market view of 5G.

A: We expect that 5G will begin to have material impact on our financial performance in or after fiscal 2021. As devices become more sophisticated, including the development of 5G, further reduction in sizes and weight of electronic components will be required and the quantities of components such as capacitors and noise filters used are likely to increase. We expect that this will have a positive effect on our financial performance. In addition, we think that demand for products for base stations will also increase. As for modules, we think that there will be business opportunities for MetroCirc™ particularly in the millimeter wave market, and we are making various proposals for products such as millimeter wave modules and RF modules for terminals and base stations.

Q: What are the effects of the US-China trade friction?

A: While its direct impact on us is limited, if it causes a slowdown in the global economy or forecasts for applications are revised downward, it is likely to have a negative impact on our financial results.

Q: How will the factor of temporary profit growth in inventories affect your financial results in and after Q2?

A: Because the capacity utilization ratio was low in the first quarter in the accounting process, the fixed cost per unit of inventories produced during the period increased and as a result, the inventory value has also increased. This increase in the inventory value is a temporary rise in the accounting process and will be recognized as the cost of sales as sales are posted in Q2 and thereafter.

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.