

Second Quarter of FY2019 Presentation Q&A

Q: What is the status of MLCC's inventory adjustment? In particular, what is the status of in-vehicle products? What are the price trends in the second half of the fiscal year?

A: Demand is weaker than we initially assumed. In particular, the recovery of in-vehicle and related products is slower than we expected and inventory adjustment has been prolonged. In addition, inventory adjustment of products for use in consumer products such as smartphones is expected to be completed by the end of the year. It is our understanding that price reductions are continuing as demand weakens. While the prices of products for use in consumer products are already decreasing, the speed of price reduction is at the expected level. Prices of products for in-vehicle equipment will also start decreasing in January, but we expect that the decrease will remain at the level we have planned.

Q: What is your view of the prospects for the number of 5G smartphones to be sold in the next fiscal year? Additionally, you have said that there is demand for MetroCirc™ in the millimeter wave market, but will that demand be met earlier than initially planned?

A: We forecast that the number of 5G smartphones sold in the current fiscal year will be approximately 15 million. We will carefully examine our forecast for the number of units to be sold in the next fiscal year in the process of developing our budget. We plan to increase the uses of MetroCirc™ around antennas in electronic devices.

Q: What will be the impact of products such as MetroCirc™, PA Module, and filters on your financial performance from the next fiscal year?

A: We will approach the high-frequency product market in areas where we can use our strengths while observing prices and other factors. 5G is an area on which we particularly want to focus in this market, and we hope to develop businesses not only of receiving modules, but transmitting modules for sub-6GHz and millimeter wave modules.

Q: What is the background of the revision of your financial forecasts?

A: The factors in the revision included a downward revision of the number of sets sold, a prolonged period of inventory adjustment, and foreign exchange fluctuations. The results for the first half of the fiscal year include further improvement of the product mix and reduction of fixed cost. In connection with fixed cost, a decrease in production-related expenses at factories due to a recent decrease in production contributed to profit growth. We have developed our financial forecasts for the second half of the fiscal year, taking into account conditions in the first half, the number of sets sold, and exchange rates. The assumptions for price reduction have not been changed from the initial plan.

Q: Will battery impairment have effects such as a decrease in depreciation from the second half of the fiscal year?

A: We expect a decrease of approximately 5 billion yen per year in fixed expenses such as depreciation and amortization and production-related expenses from the next fiscal year.

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.