

# Earnings Release Conference Second Quarter of FY2019 (July 1, 2019 to September 30, 2019)

October 31, 2019

Murata Manufacturing Co., Ltd.



<http://www.murata.com/ir/library/index.html>

# 1. Second Quarter of FY2019

From July 1, 2019 to September 30, 2019  
Consolidated Basis

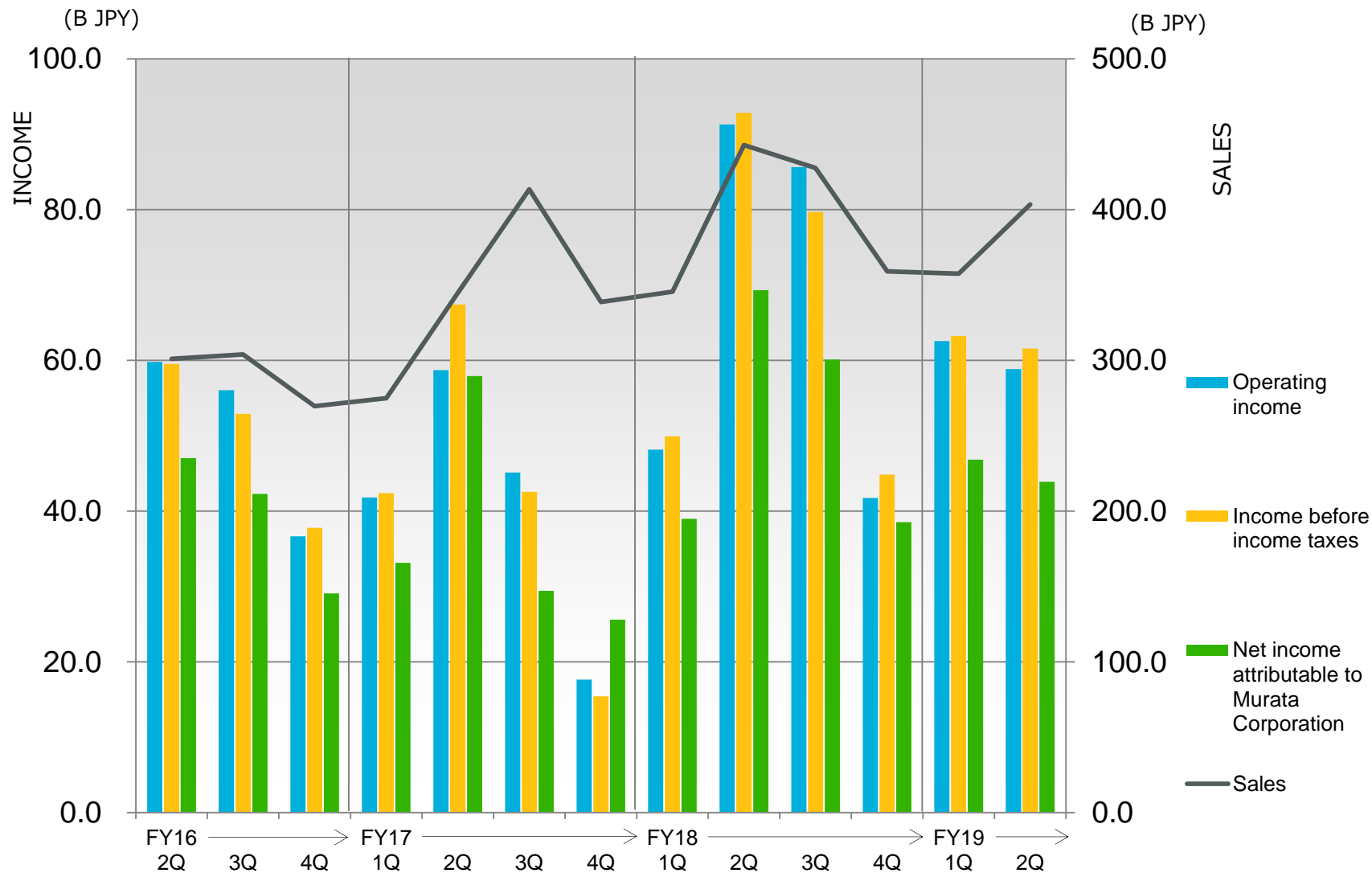


- Net sales in Q2 increased 12.8% from the previous quarter thanks to strong sales of modules, capacitors, and other components for new smartphone models despite a decrease in the sales of capacitors for distributors due to the impact of inventory adjustment.
- Net sales for H1 decreased 3.5% year on year due to a fall in the sales of capacitors, surface acoustic wave (SAW) filters, and lithium ion batteries for smartphones and the impact of the strong yen despite the growth in the sales of capacitors for automotive use and base stations. The targets for H1 were mostly achieved.

# Topics of Financial Results for FY2019 Second Quarter

- Operating income in H1 reached the target for the period thanks to efforts for cost reduction and improvement in the product mix despite posting an impairment loss of 19.8 billion yen due to a decline in the profitability of batteries for mobile devices. Operating income decreased 12.9% year on year and operating income ratio fell by 1.7 percentage points year on year to 16.0%.
- Assumptions for demand for components and the level of foreign exchange rates were modified and the full-year financial forecasts were revised, taking into account a delay in full-fledged recovery of demand despite the gradual optimization of distribution inventory. Net sales are expected to be 1,510.0 billion yen (down 4.4% from the previous forecast) and operating income is projected to be 230.0 billion yen (up 4.5% from the previous forecast).

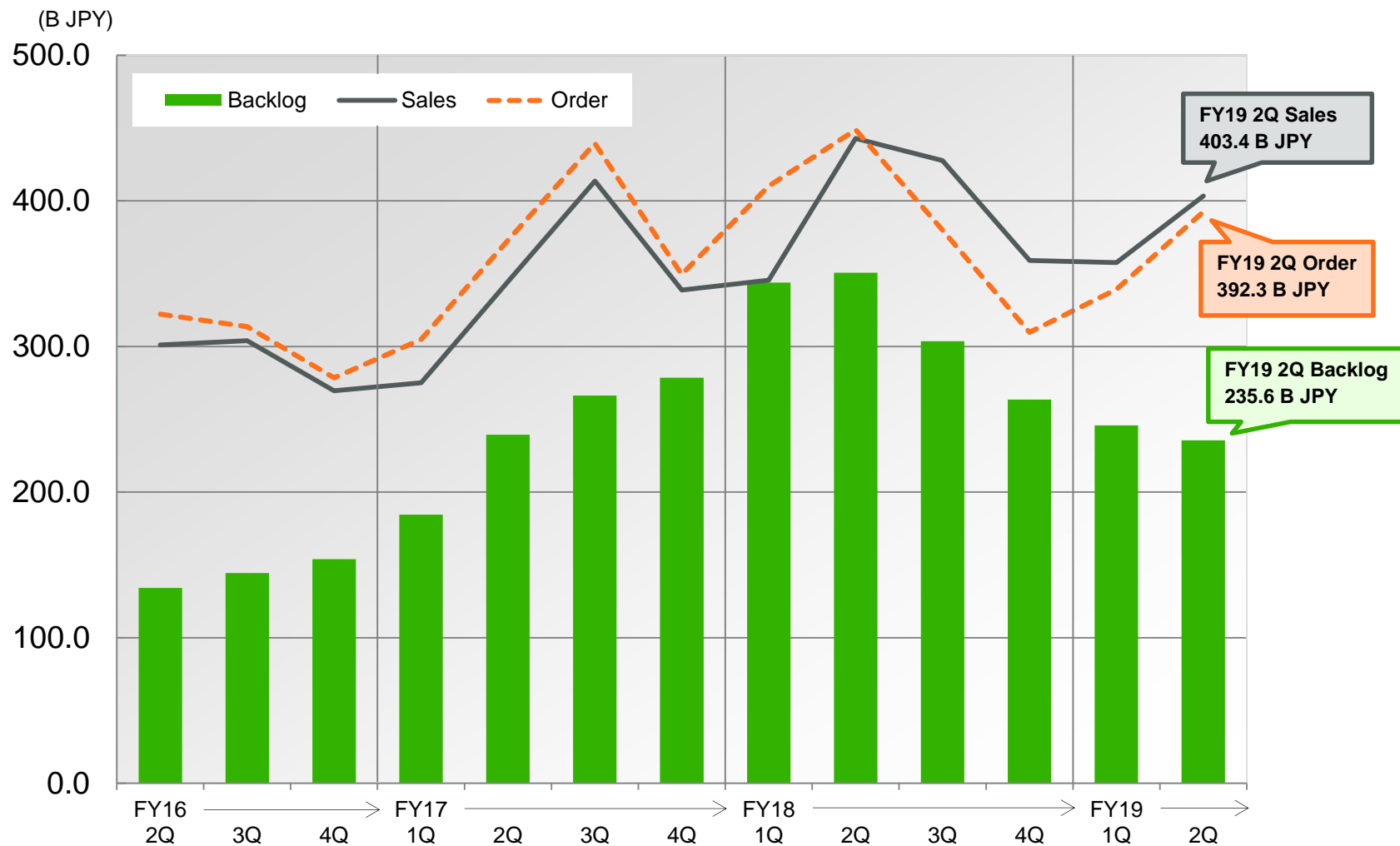
# Quarterly Financial Results



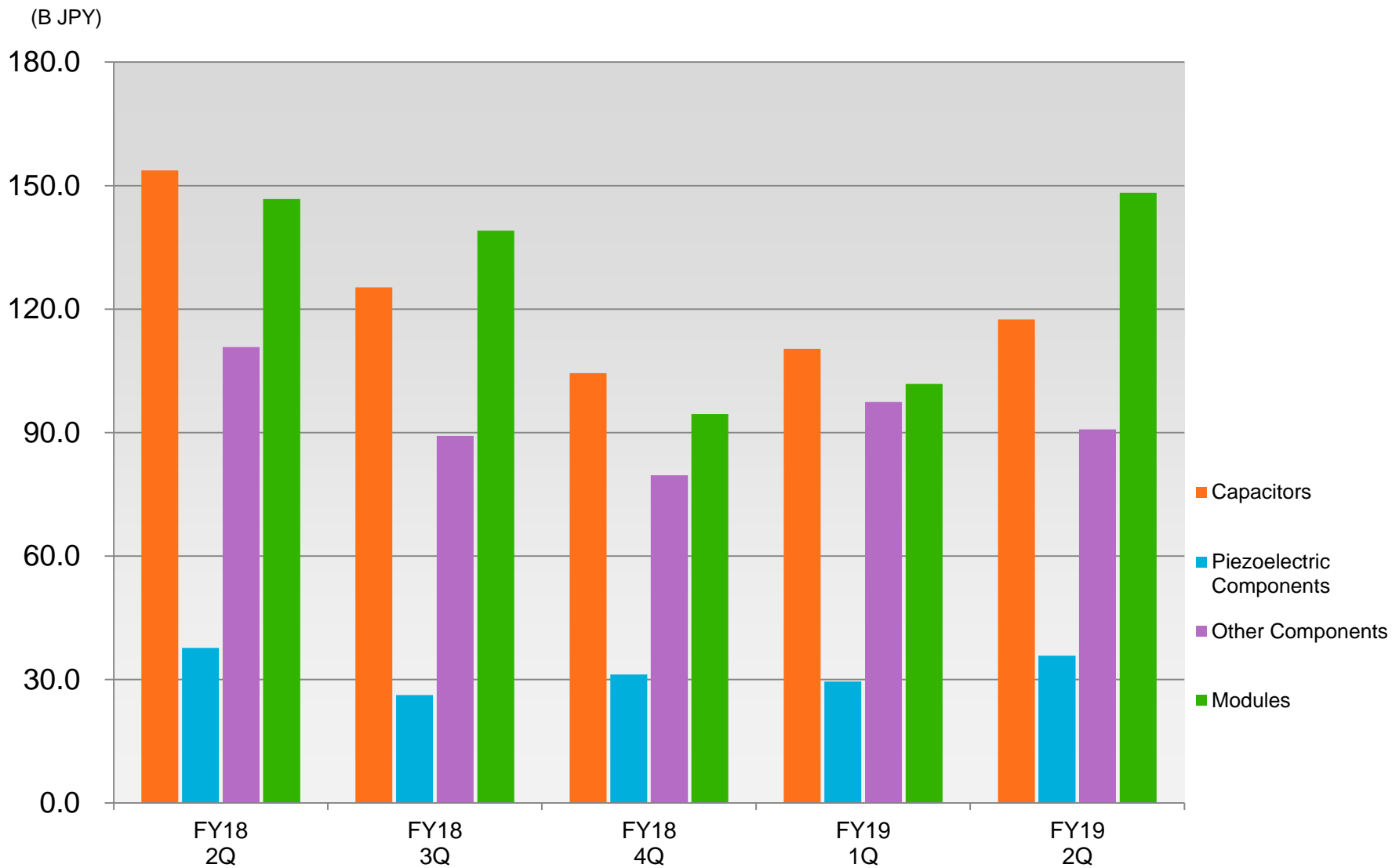
# Financial Results Overview

	FY2018 First Half		FY2019 First Half				Q on Q Change		Y on Y Change			
	(a)		(b)		(c)		(d)		(c) vs. (b)		(d) vs. (a)	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Net sales	788.4	100.0	357.6	100.0	403.4	100.0	760.9	100.0	+45.8	+12.8	(27.5 )	(3.5 )
Operating income	139.4	17.7	62.6	17.5	58.8	14.6	121.4	16.0	(3.7 )	(5.9 )	(18.0 )	(12.9 )
Income before income taxes	142.8	18.1	63.2	17.7	61.6	15.3	124.8	16.4	(1.7 )	(2.6 )	(18.0 )	(12.6 )
Net income attributable to Murata Corporation	108.3	13.7	46.8	13.1	43.9	10.9	90.7	11.9	(2.9 )	(6.2 )	(17.6 )	(16.2 )
Average exchange rates Yen/US dollar	110.27		109.90		107.35		108.63					

# Quarterly Sales, Order and Backlog



# Orders by Product





# Sales by Product

	FY2018 First Half		FY2019 First Half				Q on Q Change		Y on Y Change	
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	(B JPY)	(%)	(B JPY)	(B JPY)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Capacitors	273.7	34.8	137.7	137.8	275.5	36.3	+0.0	+0.0	+1.8	+0.7
Piezoelectric Components	76.6	9.7	31.4	31.9	63.3	8.3	+0.4	+1.4	(13.3 )	(17.3 )
Other Components	202.1	25.7	92.4	98.6	191.0	25.2	+6.3	+6.8	(11.1 )	(5.5 )
Modules	234.6	29.8	95.2	134.3	229.5	30.2	+39.0	+41.0	(5.1 )	(2.2 )
Net sales	786.9	100.0	356.7	402.5	759.3	100.0	+45.8	+12.8	(27.6 )	(3.5 )

# Sales by Product

## FY19 First Half vs. FY18 First Half

<p>Capacitors +0.7%</p>	<p><b>Multilayer ceramic capacitors :</b> Demand for MLCCs used for car electronics and base stations increased despite some weakness in demand for MLCCs used for a wide range of products such as smartphones due to inventory adjustment of major customers and distributors.</p>
<p>Piezoelectric Components (17.3%)</p>	<p><b>SAW filters :</b> SAW filters suffered reduced sales due to the sales downturn and price reductions in products for smartphones.</p>
<p>Other Components (5.5%)</p>	<p><b>Lithium Ion Batteries :</b> Sales of lithium ion batteries for power tools, smartphones, and tablet PCs decreased despite an increase in those for cleaners and wearable devices.</p> <p><b>Connectors :</b> Reduction in the sale of products for smartphones.</p>
<p>Modules (2.2%)</p>	<p><b>Power Supplies modules :</b> Sales for office-automation equipment decreased.</p> <p><b>Multilayer resin substrates and Wireless modules :</b> Sales fell due to lower demand for use in high-end smartphones.</p> <p><b>Circuit modules :</b> Growth for products used in high-end smartphones.</p>

# Sales by Product

## FY19 Second Quarter vs. FY19 First Quarter

<p>Capacitors Flat</p>	<p><b>Multilayer ceramic Capacitors :</b> Overall sales of MLCCs remained unchanged as a result of a decrease in those for home electrical appliances and other products due to the inventory adjustment of major customers and distributors and an increase in those for high-end smartphone models.</p>
<p>Piezoelectric Components +1.4%</p>	<p><b>Actuators :</b> Sales increased for hard disk drives.</p> <p><b>SAW filters :</b> Reduction in the sale of products for smartphones.</p>
<p>Other Components +6.8%</p>	<p><b>Inductors (Coil) :</b> Growth for products used in high-end smartphones.</p> <p><b>Connectors :</b> Sales increased for high-end smartphones and tablet PCs.</p> <p><b>Lithium Ion Batteries :</b> While laminated lithium ion batteries for wearable devices increased, those for smartphones, tablet PCs, and notebook PCs decreased.</p>
<p>Modules +41.0%</p>	<p><b>Wireless modules, Multilayer resin substrates and RF sub modules :</b> Sales increased for high-end smartphones.</p>

# Sales by Application

	FY2018 First Half		FY2019 First Half				Q on Q Change		Y on Y Change	
	(a)	(%)	(b)	(c)	(d)	(%)	(c) vs. (b)	(%)	(d) vs. (a)	(%)
AV	(B JPY) 37.0	(%) 4.7	(B JPY) 16.9	(B JPY) 17.7	(B JPY) 34.6	(%) 4.6	(B JPY) +0.8	(%) +5.0	(B JPY) (2.4 )	(%) (6.5 )
Communication	392.8	49.9	163.9	212.1	376.0	49.5	+48.2	+29.4	(16.8 )	(4.3 )
Computers and Peripherals	121.8	15.5	58.6	60.6	119.2	15.7	+2.1	+3.5	(2.6 )	(2.1 )
Automotive Electronics	122.6	15.6	66.8	66.1	132.9	17.5	(0.7 )	(1.0 )	+10.3	+8.4
Home Electronics and Others	112.7	14.3	50.6	46.0	96.6	12.7	(4.7 )	(9.3 )	(16.1 )	(14.3 )
Net sales	786.9	100.0	356.7	402.5	759.3	100.0	+45.8	+12.8	(27.6 )	(3.5 )

\*Based on our estimate

# Sales by Application FY19 First Half vs. FY18 First Half

<p>AV (6.5%)</p>	<p>Wireless modules and lithium ion batteries for digital cameras decreased.</p> <p>Weaker sales of capacitors for set-top boxes.</p>
<p>Communication (4.3%)</p>	<p>Multilayer resin substrates and wireless modules for high-end smartphone models decreased.</p> <p>Capacitors, SAW filters, and lithium ion batteries for smartphones decreased.</p> <p>Growth for medium-voltage capacitors for base stations.</p> <p>Circuit modules for high-end smartphones grew.</p>
<p>Computers and Peripherals (2.1%)</p>	<p>Weaker sales of power supply modules for office automation equipment.</p> <p>Weaker sales of lithium ion batteries for tablet PCs.</p> <p>Increased sales of wireless modules for tablet PCs.</p>
<p>Automotive Electronics +8.4%</p>	<p>Progress in electrification resulted in higher sales of in-vehicle capacitors.</p>

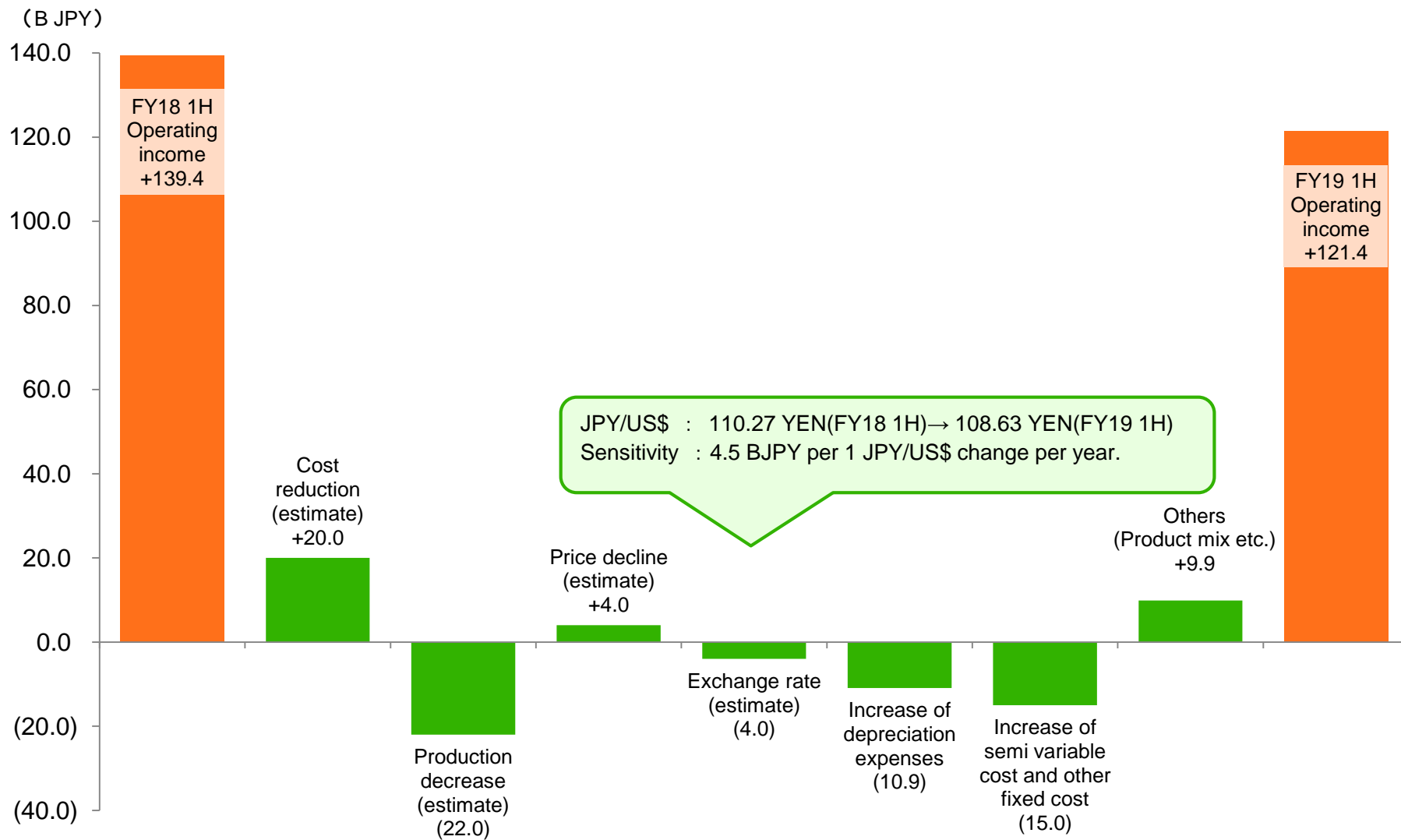
\*Based on our estimate

# Sales by Application FY19 Second Quarter vs. FY19 First Quarter

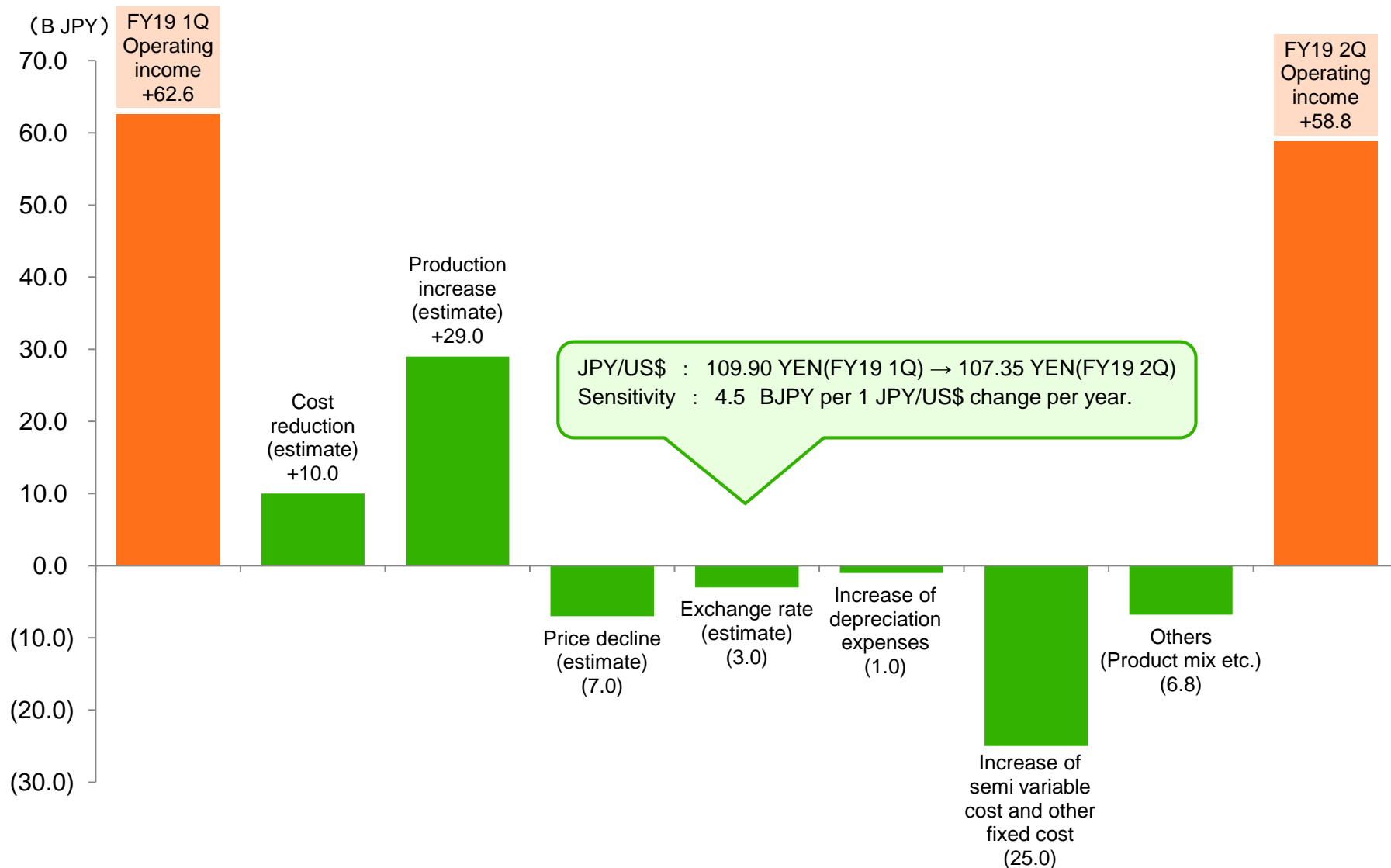
<p>AV +5.0%</p>	<p>Sales of lithium ion batteries for digital cameras increased.</p>
<p>Communication +29.4%</p>	<p>Wireless modules, multilayer resin substrates, circuit modules, capacitors, inductors (coils), connectors, and other products for new high-end smartphone models grew significantly.</p>
<p>Computers and Peripherals +3.5%</p>	<p>Sales of actuators and capacitors increased for hard disk drives. Sales of wireless modules and connectors increased for tablet PC. Weaker sales of lithium ion batteries for tablet PCs and notebook PCs.</p>
<p>Automotive Electronics (1.0%)</p>	<p>Sales of MLCCs for automotive decreased due to inventory adjustment of major clients and distributors.</p>

\*Based on our estimate

# Breakdown of Operating Income Changes FY18 First Half to FY19 First Half



# Breakdown of Operating Income Changes FY19 First Quarter to FY19 Second Quarter











## 2. Projected Financial Results for FY2019

(From April 2019 to March 2020)

# Projection of Demand

	FY2018	FY2019 Projection	
<b>Smartphones (units)</b>	<b>1,360 M</b>	<b>1,310 M</b>	<b>(4%)</b> 
<b>PCs (units)</b>	<b>410 M</b>	<b>390 M</b>	<b>(4%)</b> 
Desktop	100 M	100 M	<b>(1%)</b> 
Notebook	160 M	160 M	<b>(2%)</b> 
Tablet	150 M	140 M	<b>(7%)</b> 
<b>Vehicles (units)</b>	<b>94.7 M</b>	<b>90.0 M</b>	<b>(4%)</b> 

# Projected Sales by Product

	FY2019 Projections (Growth Ratio against FY2018)	FY2019 Second Half Projections (Growth Ratio against First Half)
Capacitors	(4%)	Flat
Piezoelectric Components	(11%)	(4%)
Other Components	(6%)	(8%)
Modules	Flat	+3%
Total	(4%)	(2%)

# Projected Sales by Application



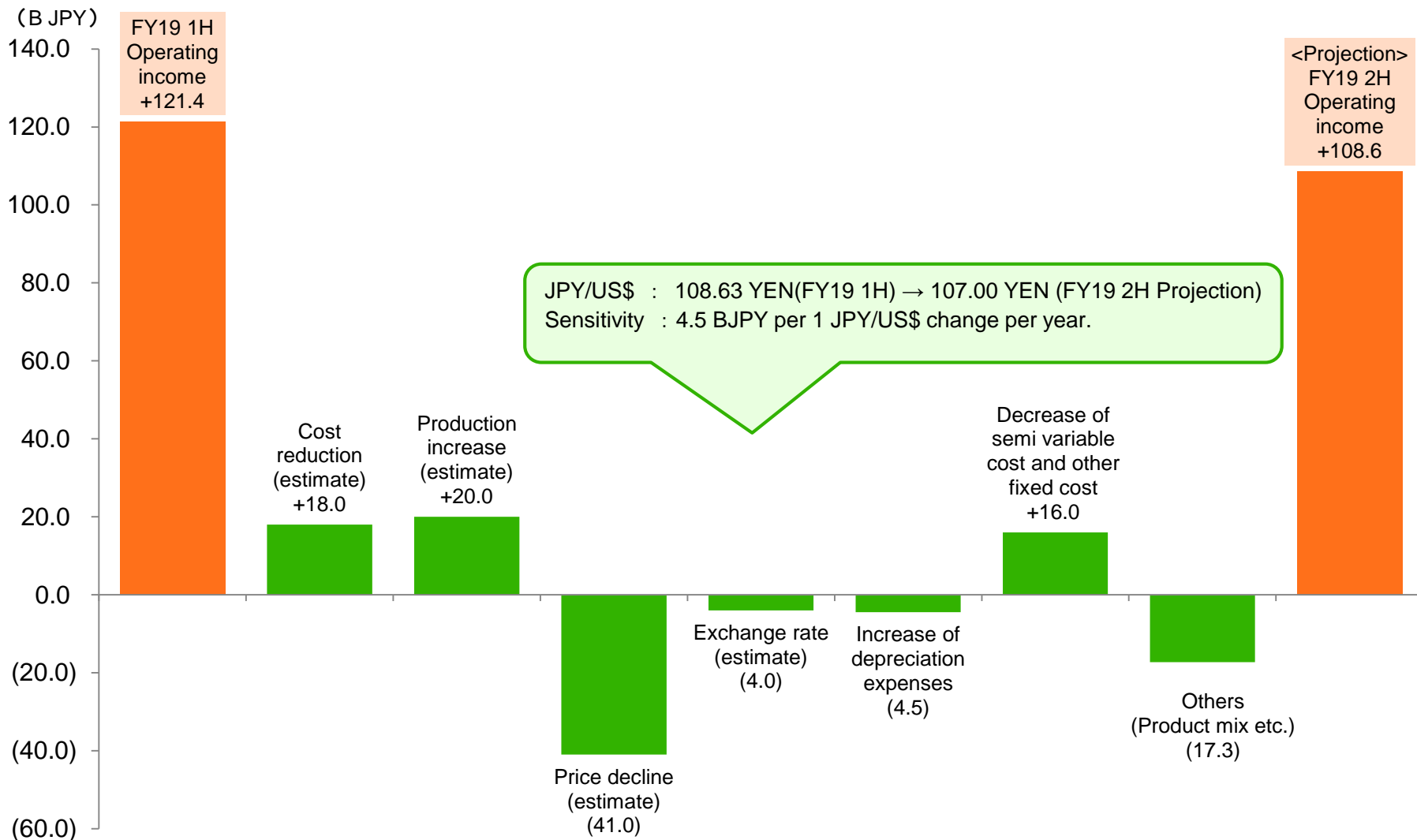
	FY2019 Projections (Growth Ratio against FY2018)	FY2019 Second Half Projections (Growth Ratio against First Half)
AV	(4%)	(7%)
Communication	(3%)	(5%)
Computers and Peripherals	(6%)	(3%)
Automotive Electronics	+7%	+6%
Home Electronics and Others	(16%)	+4%
Total	(4%)	(2%)

\*Based on our estimate

# Projected Financial Results for FY2019

	Previous (April 2019)			Revised (October 2019)					
	1st Half	2nd Half	FY2019 Projections	First Half Results		Second Half Projections		FY2019 Projections	
				(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Net sales	765.0	815.0	1,580.0	760.9	100.0	749.1	100.0	1,510.0	100.0
Operating income	115.5	104.5	220.0	121.4	16.0	108.6	14.5	230.0	15.2
Income before income taxes	116.5	105.5	222.0	124.8	16.4	107.2	14.3	232.0	15.4
Net income attributable to Murata Corporation	89.0	81.0	170.0	90.7	11.9	79.3	10.6	170.0	11.3
Average exchange rates Yen/US dollar	110.00			108.63		107.00		107.81	

# Breakdown of Operating Income Changes FY19 First Half to FY19 Second Half Projection



# Projected Financial Results for FY2019

	FY2019 First Half Results	FY2019 Second Half Projections	FY2019 Projections
Depreciation and amortization	68.3 B JPY	72.7 B JPY	141.0 B JPY
R & D expenses	51.4 B JPY	50.6 B JPY	102.0 B JPY
Capital expenditures	114.9 B JPY	185.1 B JPY	300.0 B JPY
Average exchange rate (JPY/USD)	108.63	107.00	
Average exchange rate (JPY/EUR)	121.41	120.00	

# Dividends per Share

FY2019 projected annual dividends per share

94 JPY per share

(Interim: 47 JPY per share, Year-end: 47 JPY per share)

\*The dividend per share reflects the stock split. Calculated using the previous shares, the annual dividend would be 282 yen.

FY2018 annual dividends per share

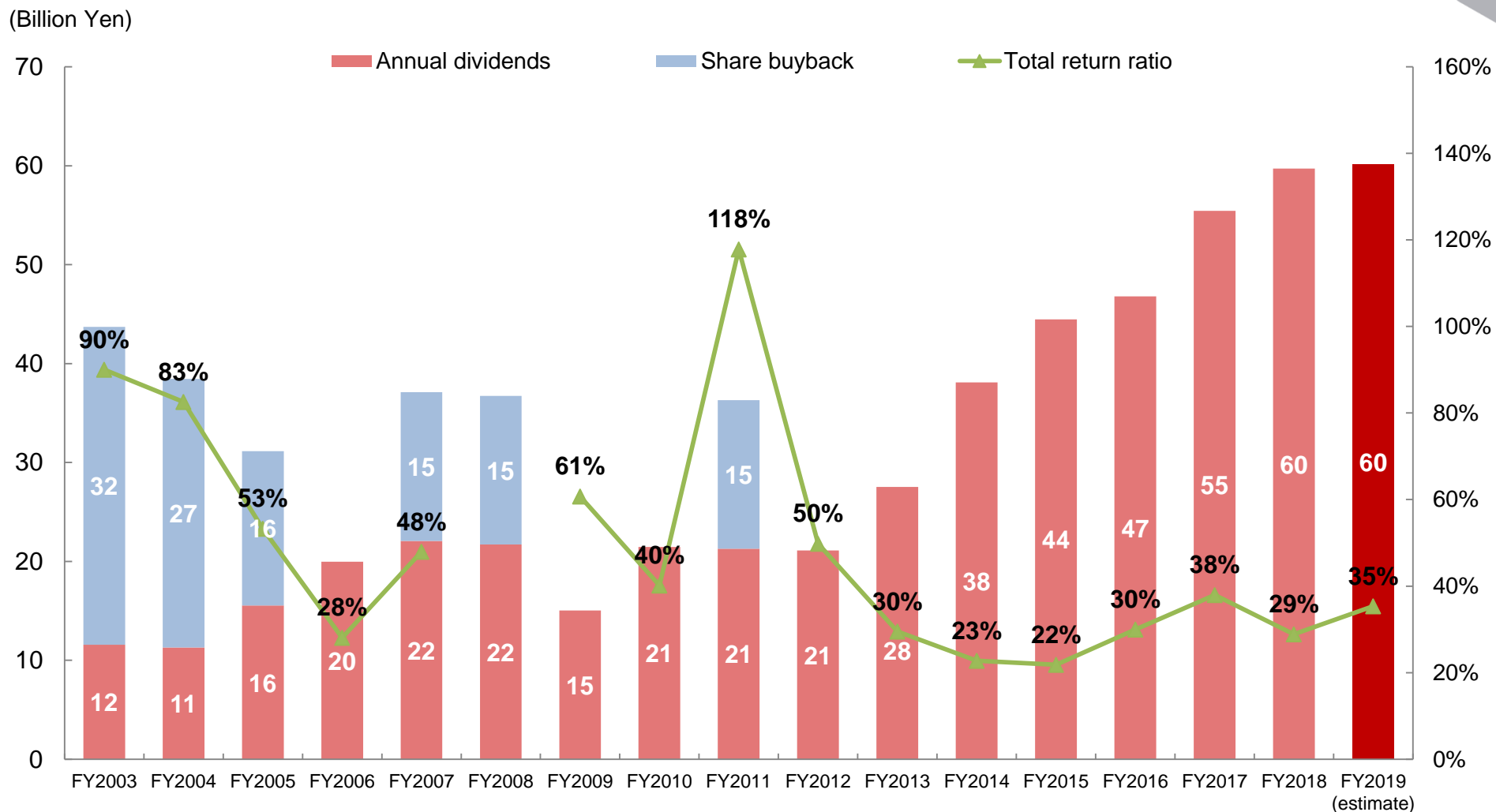
280 JPY per share

(Interim: 140 JPY per share, Year-end: 140 JPY per share)

Note: The above projections are based on our view of the current business environment and our projections for FY2019.



# Return to Shareholders



Our basic policy of profit distribution to shareholders is to prioritize the sharing of gains through payment of dividends, and to steadily raise them by increasing profit per share.

This report 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 report.

Thank you

