

# Earnings Release Conference Third Quarter of FY2020 (October 1, 2020 to December 31, 2020)

January 29, 2021

Murata Manufacturing Co., Ltd.



- Net sales for the third quarter of FY2020 were 468.6 billion yen, up 10.2% quarter-on-quarter. Sales of modules increased for smartphones, and sales of capacitors rose for car electronics and smartphones. This was mainly due to the strong move in the smartphone market to secure components and an increase in the number of automobiles produced.
- Operating income for the third quarter of FY2020 grew by 35.2% quarter-on-quarter to 108.4 billion yen. This was due to productivity gains from higher capacity utilization resulting from a production increase.
- Net sales and operating income renewed their respective highest records on a quarterly basis as well as on a nine-month year-to-date basis.

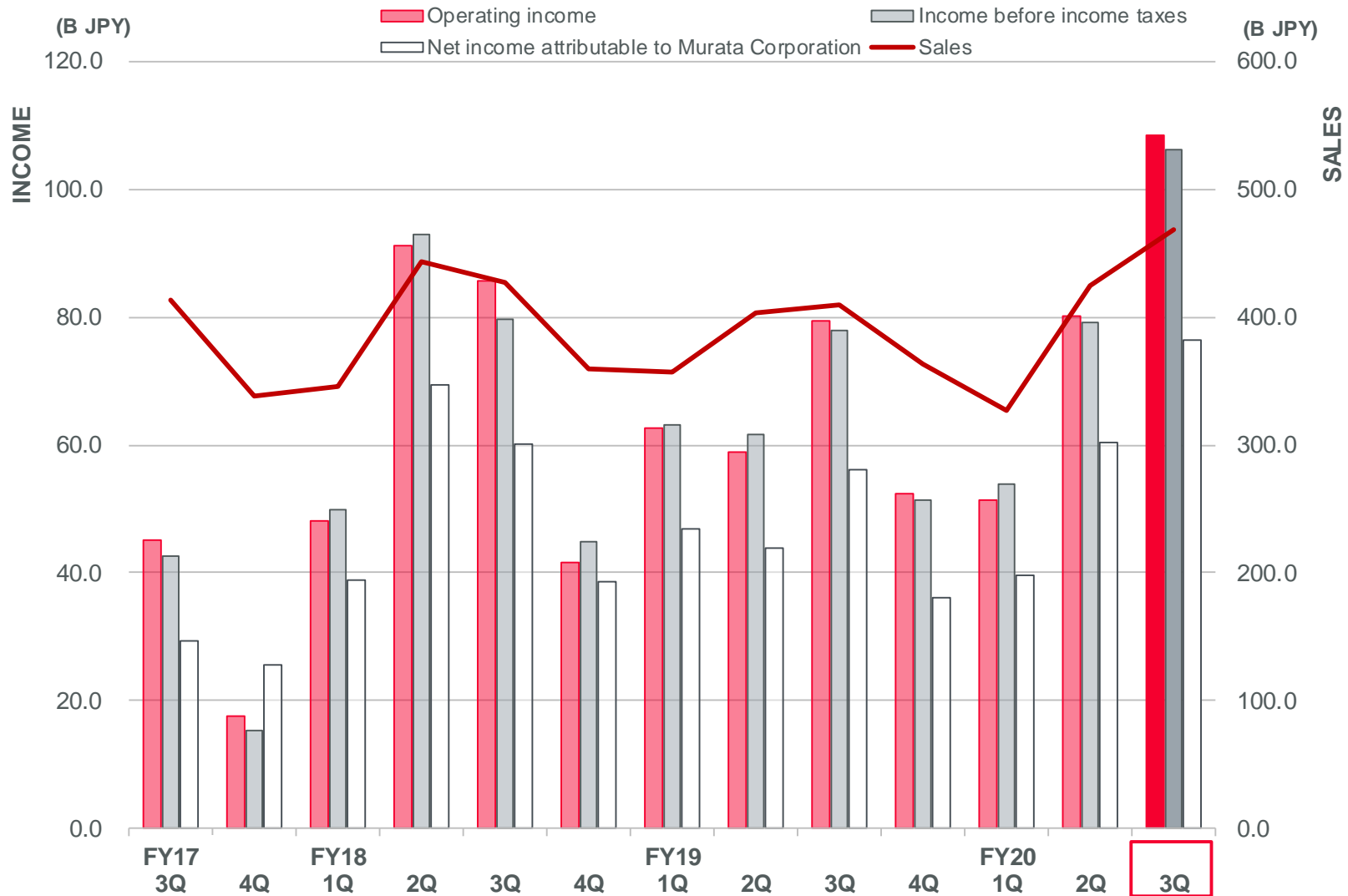
- The Company has upwardly revised the forecast after changing its premise for quantity of smartphones to a 1% increase, PCs to a 16% increase and automobiles to a 7% decrease on a year-on-year basis.
- It is assumed that the sense of overheating in the move to secure components will calm down and change within the range of seasonality in the fourth quarter of FY2020.
- On a full-year basis, net sales are expected to be 1,570.0 billion yen (up 2.3% year-on-year), and operating income is projected to be 290.0 billion yen (up 14.5% year-on-year). The Company expects operating income to break the current highest record.



# Third Quarter of FY2020

From October 1, 2020 to December 31, 2020  
Consolidated Basis

# Quarterly Financial Results



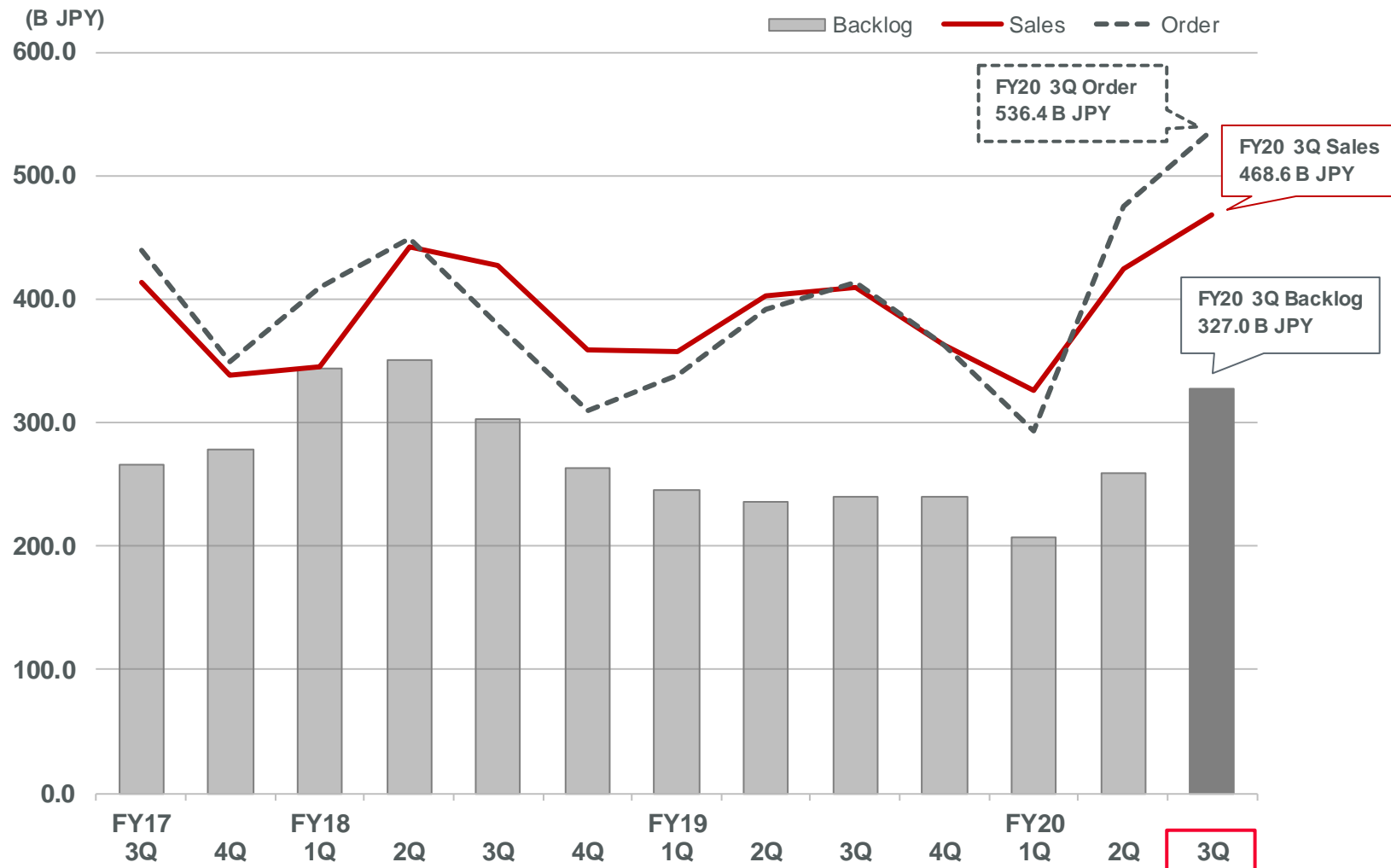
# Financial Results Overview

	FY2019 3rd Quarter		FY2020 2nd Quarter		FY2020 3rd Quarter		Y on Y Change		Q on Q Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Net sales	410.2	100.0	425.2	100.0	468.6	100.0	+58.4	+14.2	+43.4	+10.2
Operating income	79.5	19.4	80.2	18.9	108.4	23.1	+28.9	+36.3	+28.2	+35.2
Income before income taxes	78.0	19.0	79.2	18.6	106.3	22.7	+28.4	+36.4	+27.1	+34.2
Net income attributable to Murata Corporation	56.1	13.7	60.3	14.2	76.5	16.3	+20.4	+36.4	+16.2	+26.9
Average exchange rates yen/US dollar	108.76		106.22		104.51					

- Net sales increased quarter-on-quarter mainly because demand for RF modules, connectivity modules and multilayer resin substrates increased for smartphones, and demand for capacitors went up for car electronics and smartphones.
- Operating income posted a significant quarter-on-quarter increase. This was owing to productivity gains from higher capacity utilization resulting from a production output increase and cost reduction, although there was the negative factor for decreasing profit due to a fall in product prices.

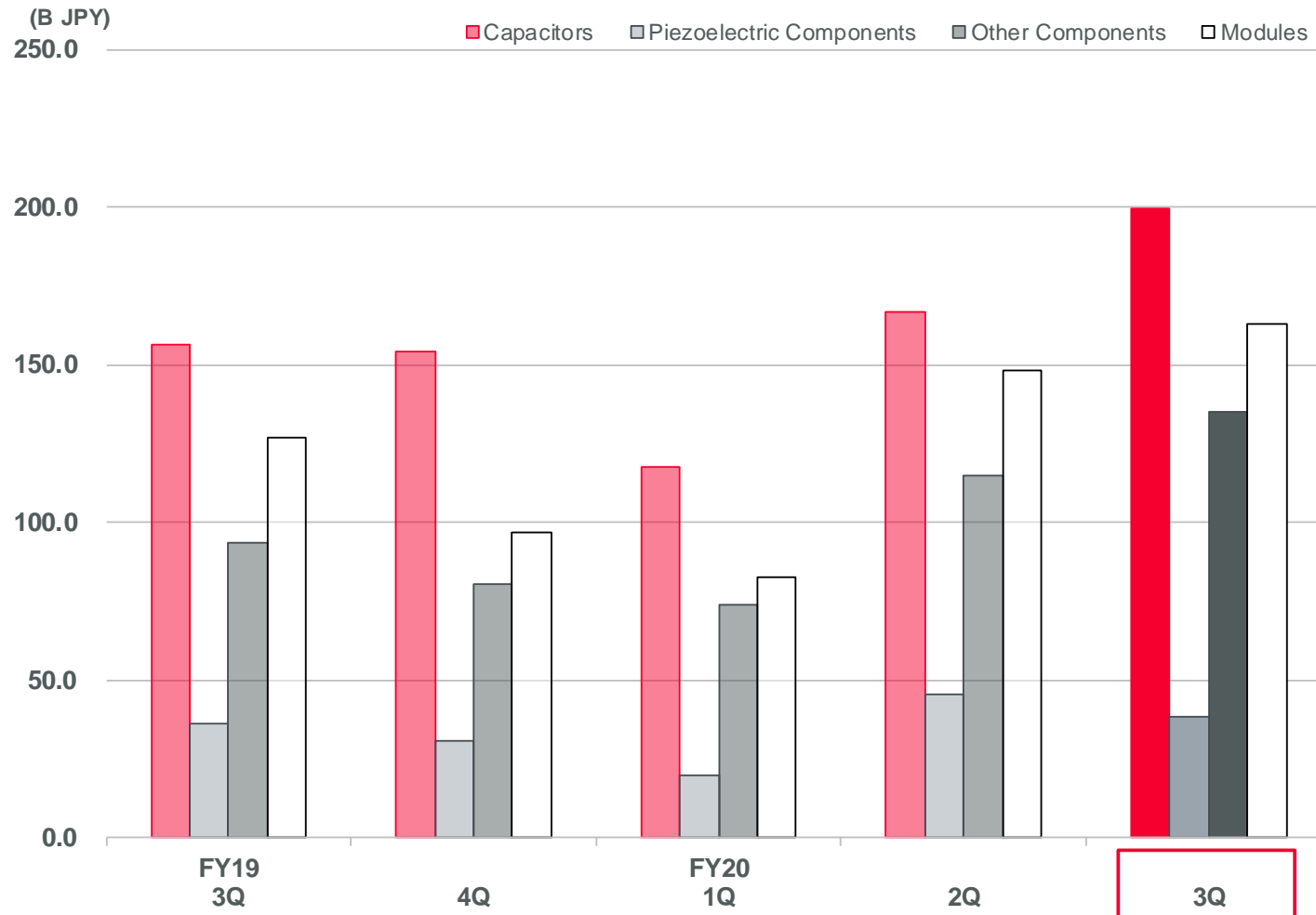
# Quarterly Sales, Order and Backlog

On a quarter-on-quarter basis, orders received remained at high levels for smartphones along with an increase in orders received for car electronics, PCs and power tools. The book-to-bill ratio stayed above 1, and orders received marked a record high.



# Orders by Product

Orders for capacitors increased for PCs, car electronics and smartphones on a quarter-on-quarter basis. Among other components, orders for batteries increased for power tools. In modules, orders for connectivity modules and multilayer resin substrates rose for smartphones.





# Sales by Product

	FY2019 3rd Quarter		FY2020 2nd Quarter		FY2020 3rd Quarter		Y on Y Change		Q on Q Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
<b>Capacitors</b>	145.7	35.6	156.1	36.7	167.3	35.7	+21.6	+14.8	+11.2	+7.2
<b>Piezoelectric Components</b>	33.6	8.2	34.4	8.1	32.0	6.8	(1.6)	(4.8)	(2.4)	(6.9)
<b>Other Components</b>	92.8	22.7	101.3	23.9	107.0	22.9	+14.1	+15.2	+5.6	+5.5
<b>Modules</b>	137.0	33.5	132.8	31.3	161.8	34.6	+24.8	+18.1	+29.0	+21.8
<b>Net sales</b>	409.2	100.0	424.5	100.0	468.0	100.0	+58.8	+14.4	+43.5	+10.2

# Sales by Product [FY20 3rd Quarter vs. FY20 2nd Quarter]

<b>Capacitors</b> +7.2%	<p><b>Multilayer Ceramic Capacitors(MLCCs) :</b>          Sales rose due to an increase for automobiles and smartphones although they decreased for AV equipment and remained flat for PCs.</p>
<b>Piezoelectric Components</b> (6.9%)	<p><b>SAW Filters :</b>          Sales decreased for smartphones.</p>
<b>Other Components</b> +5.5%	<p><b>Inductors :</b>          Sales increased for smartphones, car electronics and PCs.</p>
<b>Modules</b> +21.8%	<p><b>RF modules / Multilayer resin substrates :</b>          Substantial growth of modules for smartphones.</p> <p><b>Connectivity modules :</b>          Sales increased for smartphones and PCs.</p>

# Sales by Application

	FY2019 3rd Quarter		FY2020 2nd Quarter		FY2020 3rd Quarter		Y on Y Change		Q on Q Change	
	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
AV	14.8	3.6	20.7	4.9	18.4	4.0	+3.6	+24.2	(2.3)	(11.1)
Communication	226.1	55.3	222.1	52.3	247.7	52.9	+21.6	+9.5	+25.6	+11.5
Computers and Peripherals	58.1	14.2	71.3	16.8	74.5	15.9	+16.5	+28.3	+3.3	+4.6
Automotive Electronics	66.2	16.2	66.4	15.6	80.0	17.1	+13.8	+20.9	+13.6	+20.4
Home Electronics and Others	43.9	10.7	44.0	10.4	47.3	10.1	+3.4	+7.7	+3.3	+7.5
Net sales	409.2	100.0	424.5	100.0	468.0	100.0	+58.8	+14.4	+43.5	+10.2

\*Based on our estimate

# Sales by Application [FY20 3rd Quarter vs. FY20 2nd Quarter]

<b>AV</b> (11.1%)	Lithium ion batteries and capacitors for video game consoles decreased.
<b>Communication</b> +11.5%	<p>Sales of RF modules, multilayer resin substrates, capacitors and others for smartphones significantly increased.</p> <p>Decreased sales of capacitors for base stations.</p>
<b>Computers and Peripherals</b> +4.6%	Sales of connectivity modules, capacitors and inductors increased for PCs, driven by the ongoing trend of teleworking and online education.
<b>Automotive Electronics</b> +20.4%	Demand grew for components such as capacitors, electromagnetic interference (EMI) suppression filters, inductors and sensors, thanks to a recovery in the quantity of automobiles produced.

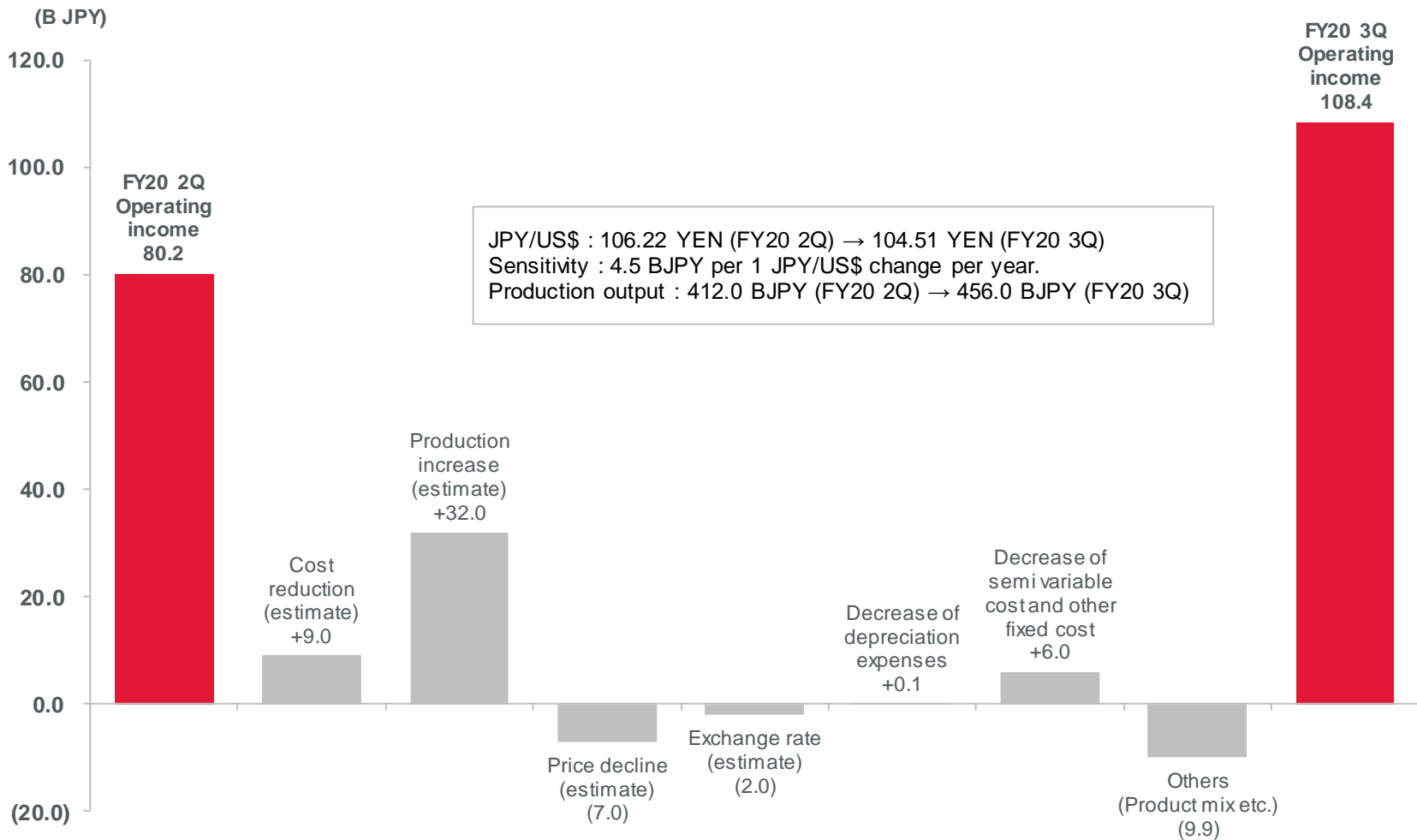
\*Based on our estimate

# Segment Information

		FY2019 9 months		FY2020 9 months		Y on Y Change	
		(B JPY)	(%)	(B JPY)	(%)	(B JPY)	(%)
Components	Total Revenues	835.8	100.0	861.4	100.0	+25.7	+3.1
	Segment income	186.6	22.3	229.5	26.6	+42.9	+23.0
Modules	Total Revenues	366.5	100.0	382.5	100.0	+16.0	+4.4
	Segment income	47.8	13.0	54.7	14.3	+6.9	+14.4
Others	Total Revenues	46.4	100.0	46.3	100.0	(0.0)	(0.0)
	Segment income	4.2	9.1	5.9	12.7	+1.6	+38.7
Corporate and eliminations	Total Revenues	(77.5)	-	(69.6)	-	+7.9	-
	Corporate expenses	(37.7)	-	(50.1)	-	(12.4)	-
Consolidated	Total Revenues	1,171.2	100.0	1,220.7	100.0	+49.5	+4.2
	Operating income	200.9	17.2	239.9	19.7	+39.0	+19.4

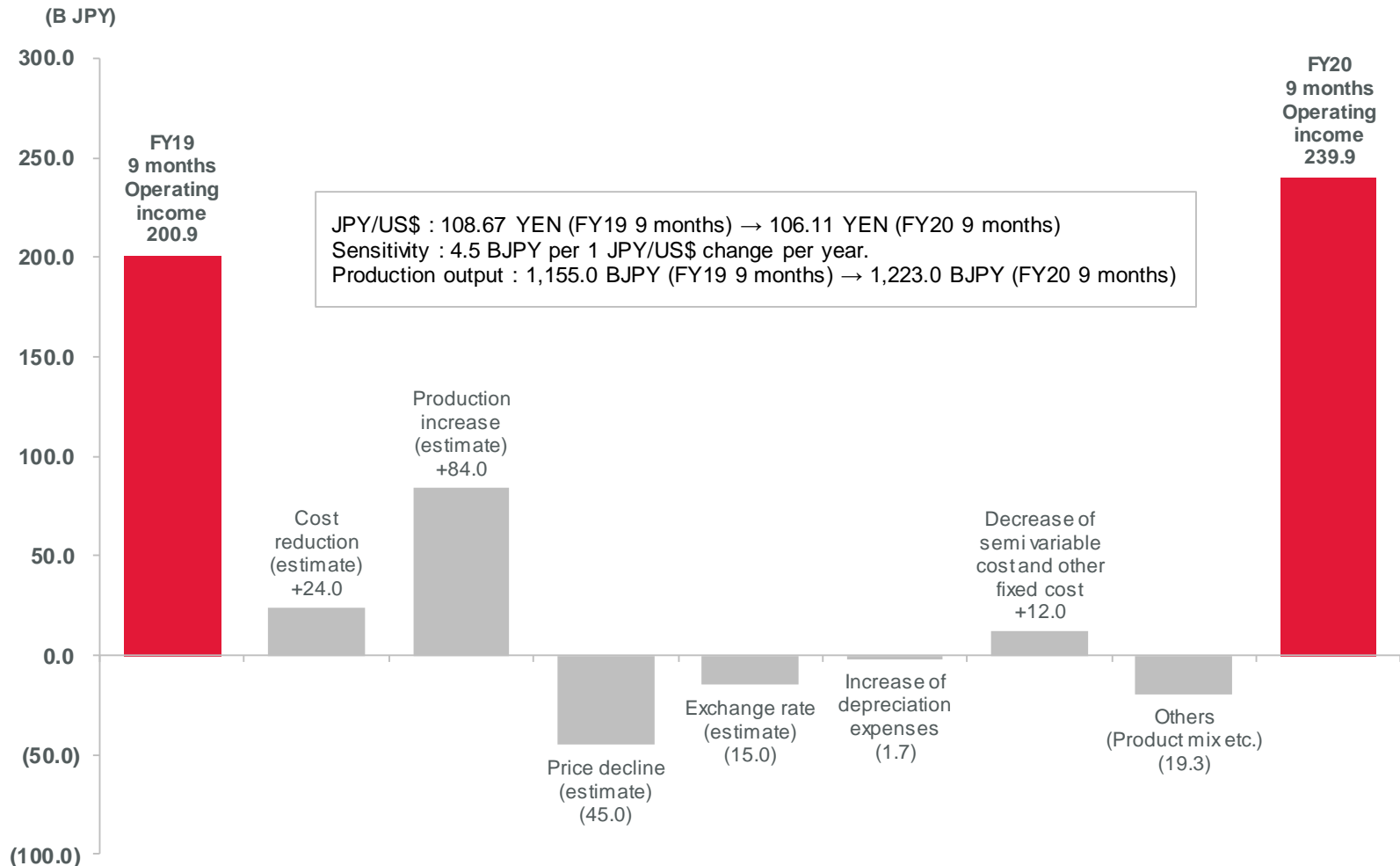
- Components** Both sales and income increased mainly due to a rise in sales of capacitors and inductors and a reduction in fixed costs as a reaction to the impairment loss reported in the previous term (minus 19.8 billion yen).
- Modules** Both sales and income increased primarily due to a rise in sales of RF modules.

## Breakdown of Operating Income Changes [FY20 2nd Quarter to FY20 3rd Quarter]



\*\*“Production increase” is calculated on the basis of production output excluding the effect of sales price reductions and exchange rate fluctuations.

## Breakdown of Operating Income Changes [FY19 9 months to FY20 9 months]



\*"Production increase" is calculated on the basis of production output excluding the effect of sales price reductions and exchange rate fluctuations.

\*Decrease of semi-variable cost and other fixed cost includes a decrease in fixed costs as a reaction to the impairment loss incurred in the second quarter of FY2019.

\*Others (product mix etc.) include a decrease in income as a reaction to gains from sales of precious metals recorded until the end of the third quarter of FY2019.

# Cash Flows

	FY2019 9 months (B JPY)	FY2020 9 months (B JPY)	Y on Y Change (B JPY)
Operating activities	221.1	197.7	(23.3)
Investing activities	(173.1)	(125.3)	+47.8
Financing activities	29.5	(31.3)	(60.9)
Effect of exchange rate changes	0.7	(2.4)	(3.1)
Cash and cash equivalents	296.0	341.1	+45.1
Free Cash Flows	47.9	72.4	+24.5
Capital expenditures	(176.1)	(142.2)	+34.0
Depreciation and amortization	103.9	105.6	+1.7

- Although net income increased year-on-year, net cash provided by operating activities decreased due to an increase in working capital resulting from higher sales.
- The factor behind a decrease in net cash used in financing activities is the issuance of bonds in the previous financial year.



# Projected Financial Results for FY2020

(From April 2020 to March 2021)



# Projection of Demand

	FY2019 Actual	FY2020 Previous (October 2020)	FY2020 Revised (January 2021)	Y on Y Change	
SmartPhones (units)	1,370 M	1,280 M	1,390 M	+1%	↗
PCs (units)	400 M	410 M	460 M	+16%	↗
Desktop	100 M	80 M	70 M	(24%)	↘
Notebook	160 M	180 M	210 M	+31%	↗
Tablet	140 M	150 M	180 M	+26%	↗
Vehicles (units)	83 M	71 M	77 M	(7%)	↘

- SmartPhones** With the move to secure components outpacing sales of smartphones, the premise for quantity was revised to a 1% year-on-year increase.
- PCs** The premise for quantity was changed to a 16% year-on-year increase as demand for notebooks and tablets continued growing due to teleworking and online education.
- Vehicles** The premise for quantity was revised to a 7% year-on-year decrease as the market kept recovering thanks to government stimulus measures in countries.

# Projected Sales by Product

	FY2020 Projections (Growth Ratio against FY19)	FY2020 2nd Half Projections (Growth Ratio against FY20 1H)
Capacitors	+8%	+7%
Piezoelectric Components	(7%)	(1%)
Other Components	+3%	+9%
Modules	(2%)	+13%
Total	+2%	+9%

# Projected Sales by Application

	FY2020 Projections (Growth Ratio against FY19)	FY2020 2nd Half Projections (Growth Ratio against FY20 1H)
AV	+14%	(8%)
Communication	+1%	+10%
Computers and Peripherals	+18%	(4%)
Automotive Electronics	(3%)	+34%
Home Electronics and Others	(7%)	+1%
<b>Total</b>	<b>+2%</b>	<b>+9%</b>

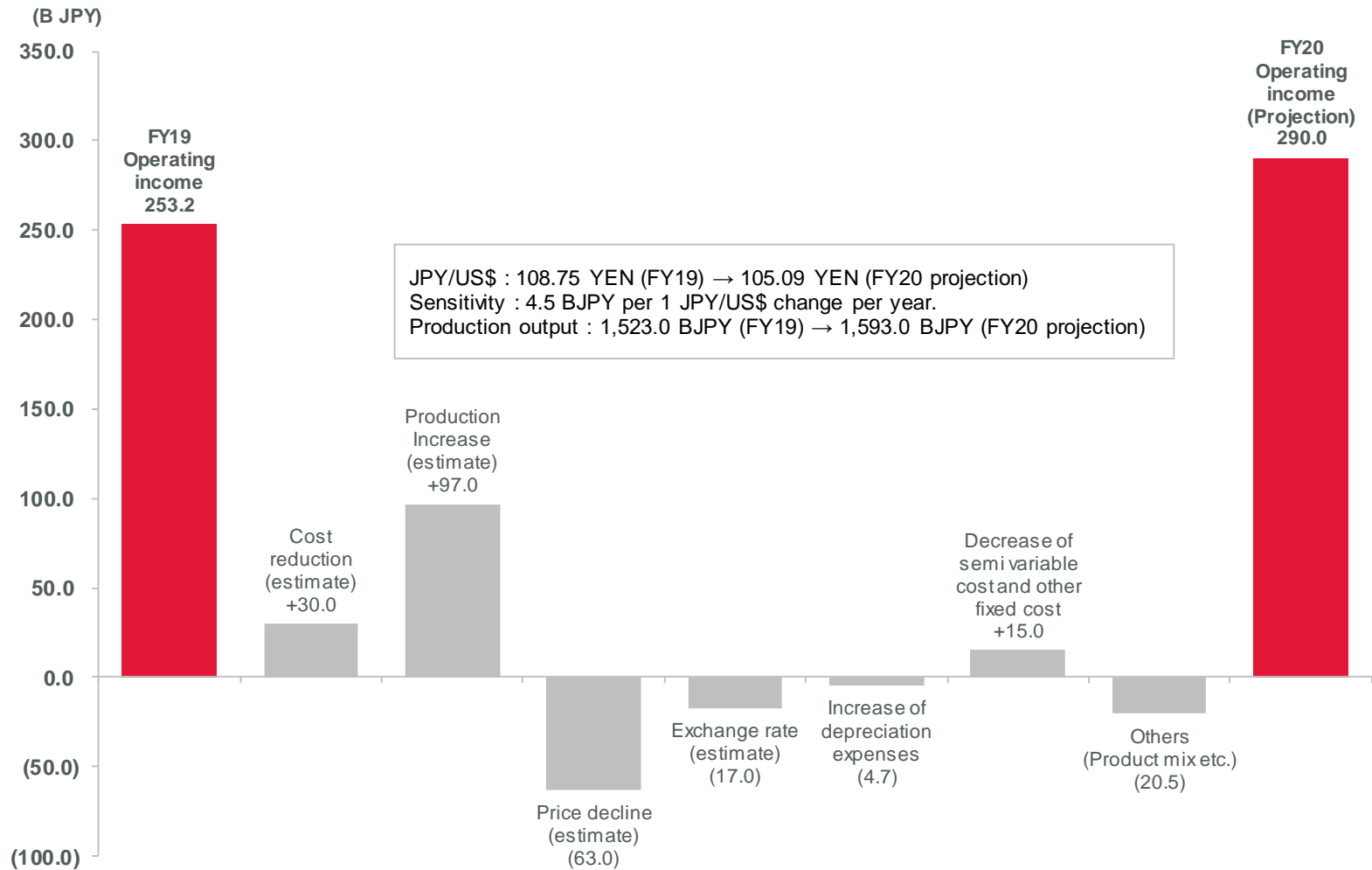
\*Based on our estimate

# Projected Financial Results for FY2020

	FY2019 Actual		Previous (October 2020)		FY2020 Projections	Revised (January 2021)				FY2020 Projections	
	(B JPY)	(%)	1st Half (B JPY)	2nd Half (B JPY)		1st Half Results (B JPY)	(%)	2nd Half Projections (B JPY)	(%)	(B JPY)	(%)
<b>Net sales</b>	1,534.0	100.0	752.0	738.0	1,490.0	752.0	100.0	818.0	100.0	1,570.0	100.0
<b>Operating income</b>	253.2	16.5	131.5	118.5	250.0	131.5	17.5	158.5	19.4	290.0	18.5
<b>Income before income taxes</b>	254.0	16.6	133.2	118.8	252.0	133.2	17.7	157.8	19.3	291.0	18.5
<b>Net income attributable to Murata Corporation</b>	183.0	11.9	99.9	89.1	189.0	99.9	13.3	116.1	14.2	216.0	13.8
<b>Average exchange rates yen/US dollar</b>	108.75		105.96			106.92		103.26		105.09	

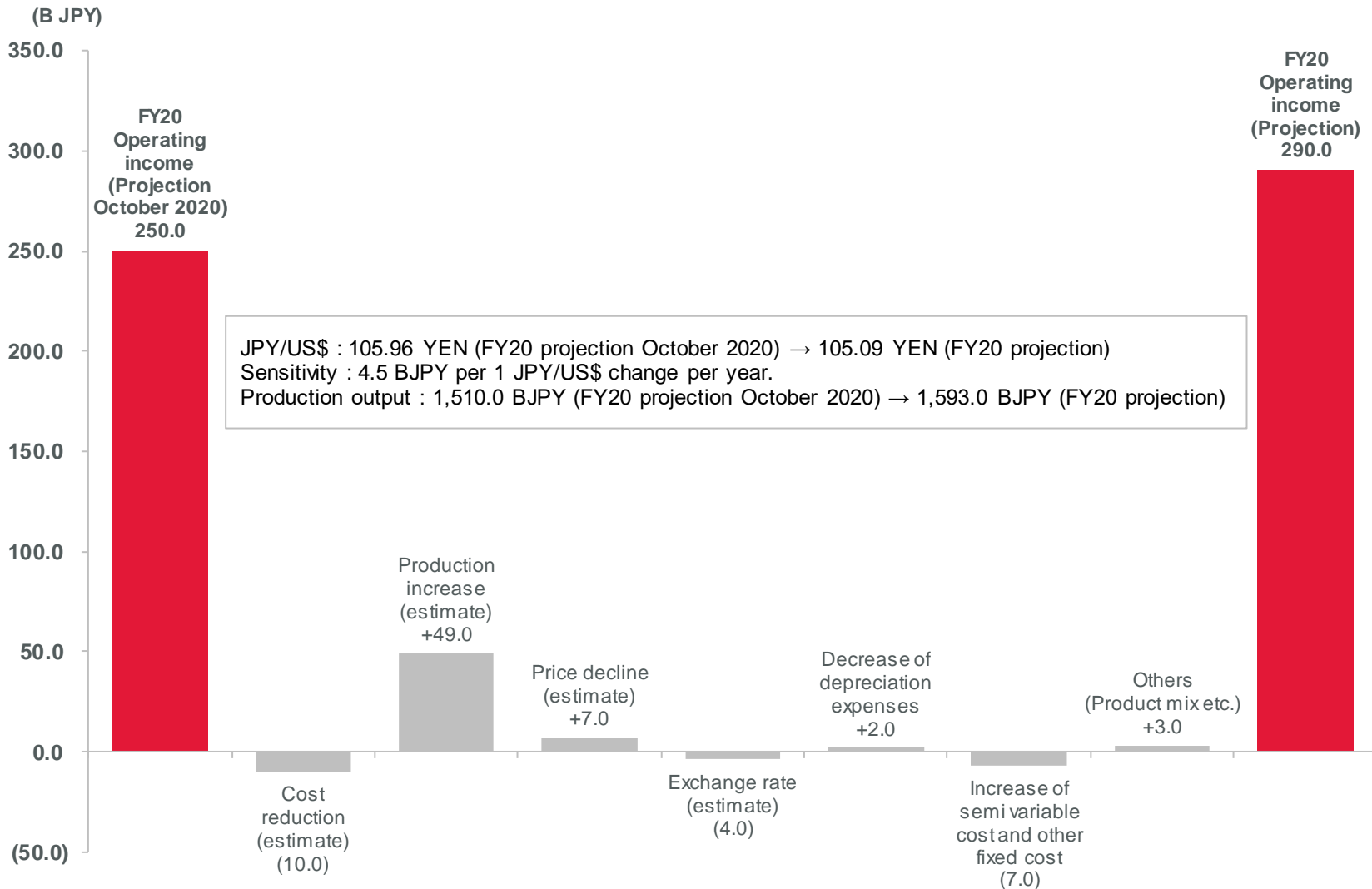
- Net sales for FY2020 have been revised upward from the previous forecast. This is because sales of modules and capacitors are projected to increase mainly due to the strong move in the smartphone market to secure components and the recovery in the automotive market as well as the expansion of PC-related demand.
- Operating income for FY2020 has also been revised upward. This is mainly due to productivity gains from higher capacity utilization resulting from a production output increase. Operating income is forecast to post a record high.

## Breakdown of Operating Income Changes [FY19 to FY20 Projection]



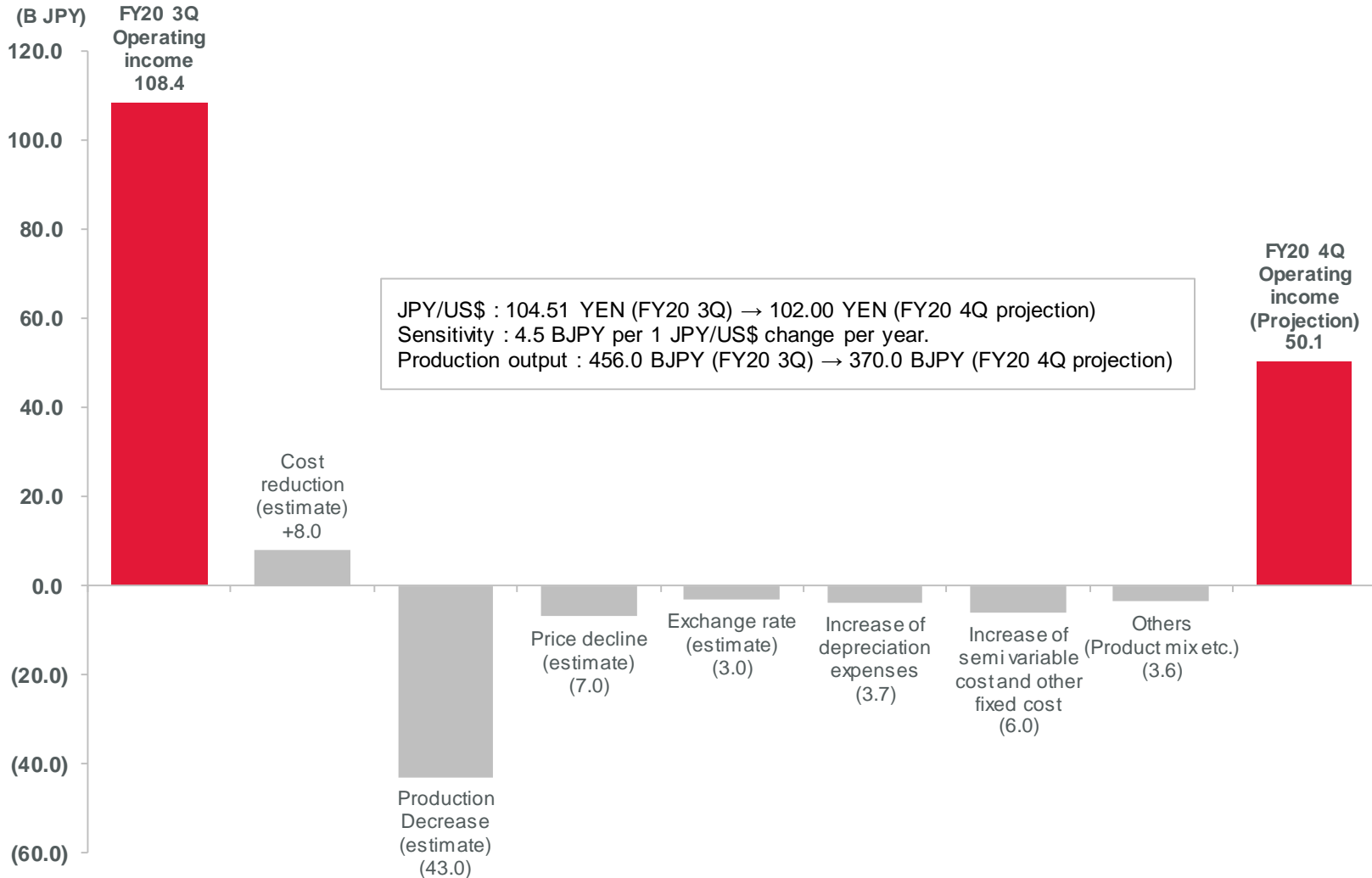
\*“Production increase” is calculated on the basis of production output excluding the effect of sales price reductions and exchange rate fluctuations.  
\*Decrease of semi-variable cost and other fixed cost includes a decrease in fixed costs as a reaction to the impairment loss incurred in FY2019.  
\*Others (product mix etc.) include a decrease in income as a reaction to gains from sales of precious metals recorded in FY2019.

## Breakdown of Operating Income Changes [FY20 Projection (October 2020) to FY20 Projection]



\*\*“Production increase” is calculated on the basis of production output excluding the effect of sales price reductions and exchange rate fluctuations.

## Breakdown of Operating Income Changes [FY20 3rd Quarter to FY20 4th Quarter Projection]



\*\*“Production increase” is calculated on the basis of production output excluding the effect of sales price reductions and exchange rate fluctuations.



# Projected Financial Results for FY2020

	FY2020 1st Half Results	FY2020 2nd Half Projections	FY2020 Projections
Depreciation and amortization	69.8 B JPY	75.2 B JPY	145.0 B JPY
R & D expenses	51.0 B JPY	50.0 B JPY	101.0 B JPY
Capital expenditures	84.0 B JPY	116.0 B JPY	200.0 B JPY
Average exchange rate (JPY/USD)	106.92	103.26	105.09
Average exchange rate (JPY/EUR)	121.29	123.27	122.28

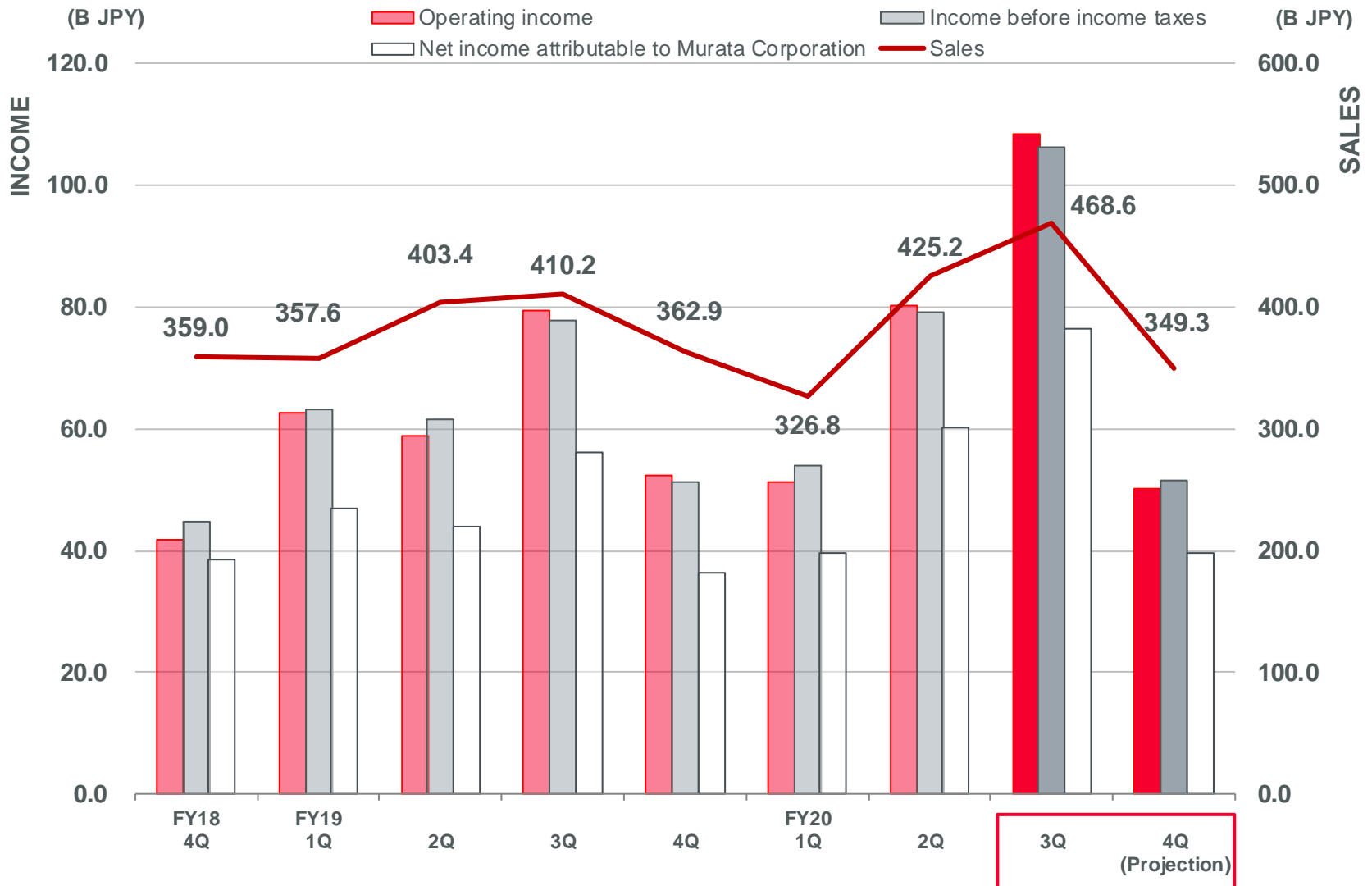
[Exchange rate sensitivity]

Net sales: 9.0 B JPY per 1 JPY/US\$ change per year.

Operating income: 4.5 B JPY per 1 JPY/US\$ change per year.

**Please note that this forecast is based on the premise that there will be no large-scale shutdown of production activity and others that may be caused by restrictive measures on economic activities.**

# Quarterly Financial Results



## Dividends per Share

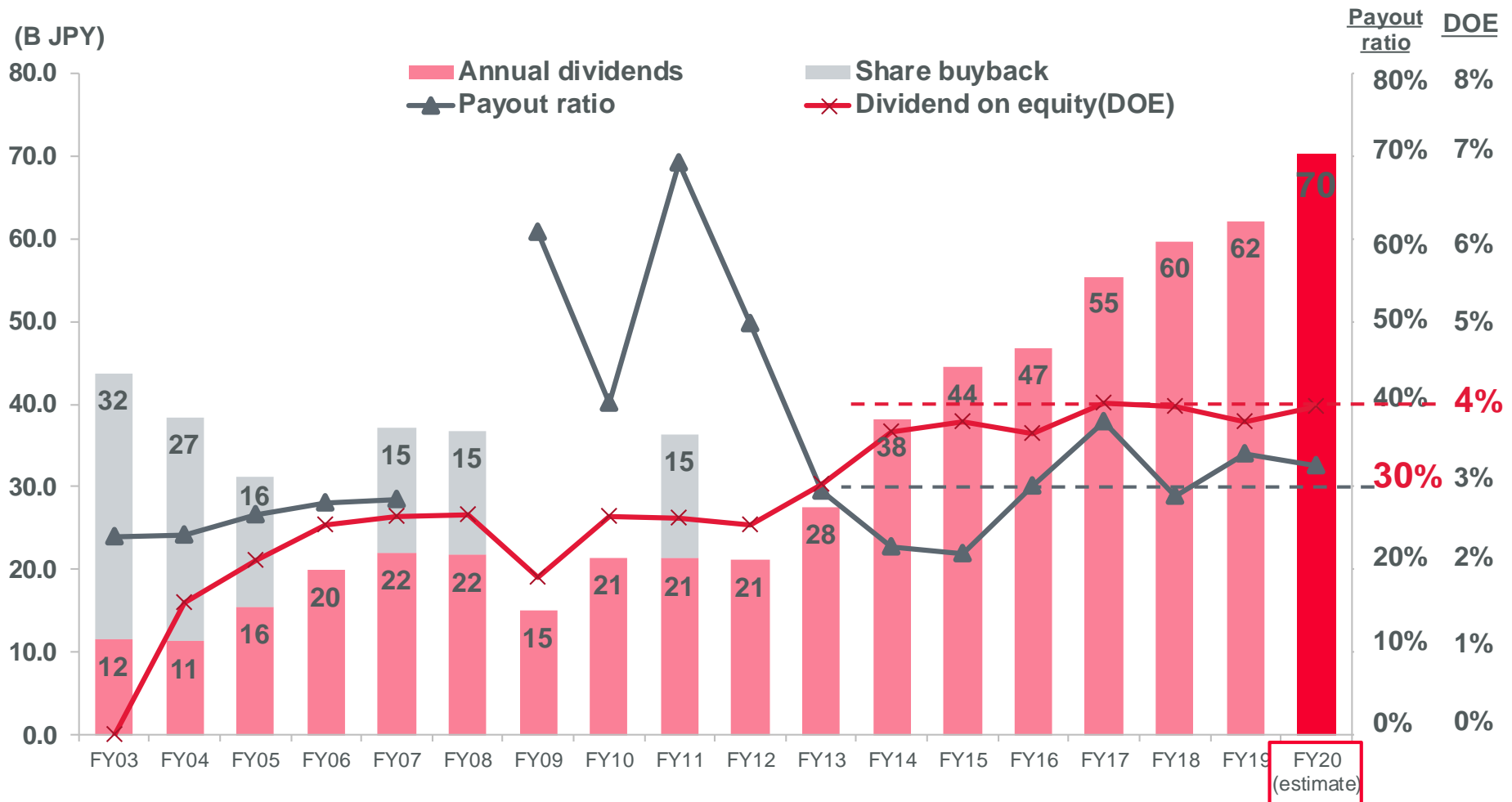
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- FY2020 projected annual dividends per share  
110 JPY per share  
(Interim: 55 JPY per share, Year-end: 55 JPY per share)  
\*13 yen increase of year-end dividend per share
- FY2019 annual dividends per share  
97 JPY per share  
(Interim: 47 JPY per share, Year-end: 50 JPY per share)

Note: The above projections are based on our view of the current business environment and our projections for FY2020.

# Return to Shareholders

- Dividend** As a stable increase in dividends is our basic policy, we aim to achieve DOE (Dividend on equity ratio) of 4% or higher over the medium term with reference to dividend payout ratio of approximately 30%.
- Share buyback** As a means of returning profits to shareholders, we implement share buybacks in a timely manner to improve capital efficiency.



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



# Appendixes



# Financial Data (1/3)

(B JPY)

	FY2017		FY2018				FY2019				FY2020		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Sales	413.5	338.7	345.5	442.9	427.6	359.0	357.6	403.4	410.2	362.9	326.8	425.2	468.6
Operating income	45.1	17.6	48.2	91.3	85.6	41.7	62.6	58.8	79.5	52.4	51.3	80.2	108.4
Income before income taxes	42.6	15.4	49.9	92.8	79.7	44.9	63.2	61.6	78.0	51.3	53.9	79.2	106.3
Net income attributable to Murata Corporation	29.4	25.6	39.0	69.3	60.1	38.5	46.8	43.9	56.1	36.2	39.6	60.3	76.5
Capital expenditures	89.9	83.9	77.7	78.8	72.7	62.4	52.9	62.0	81.4	85.4	40.2	43.8	48.9
Depreciation and amortization	39.8	41.3	26.9	30.5	32.3	34.7	33.6	34.6	35.7	36.4	34.0	35.9	35.7
R & D expenses	23.8	25.7	26.0	24.3	25.1	26.2	26.1	25.3	24.7	26.4	24.8	26.2	24.4
Average exchange rates (yen)	112.98	108.30	109.07	111.46	112.90	110.21	109.90	107.35	108.76	108.97	107.62	106.22	104.51



# Financial Data (2/3)

(B JPY)

		FY2017		FY2018				FY2019				FY2020		
		3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Sales by Product	Capacitors	126.9	113.9	126.5	147.2	158.3	142.3	137.7	137.8	145.7	138.2	134.5	156.1	167.3
	Piezoelectric Components	38.9	34.6	38.1	38.5	32.1	30.0	31.4	31.9	33.6	32.3	26.4	34.4	32.0
	Other Components	105.5	89.2	93.8	108.3	99.2	90.9	92.4	98.6	92.8	79.2	77.4	101.3	107.0
	Components	271.2	237.7	258.3	293.9	289.6	263.2	261.5	268.3	272.2	249.8	238.2	291.8	306.2
	Modules	141.4	99.5	86.5	148.2	137.1	95.0	95.2	134.3	137.0	112.1	87.9	132.8	161.8
	Net sales	412.6	337.2	344.8	442.1	426.6	358.2	356.7	402.5	409.2	361.9	326.2	424.5	468.0
Sales by Application	AV	19.5	16.2	17.3	19.7	17.5	15.0	16.9	17.7	14.8	11.6	15.4	20.7	18.4
	Communication	231.1	161.9	157.4	235.5	213.3	154.6	163.9	212.1	226.1	190.0	159.2	222.1	247.7
	Computers and Peripherals	52.7	51.3	56.4	65.3	68.0	59.5	58.6	60.6	58.1	53.2	68.0	71.3	74.5
	Automotive Electronics	53.3	54.7	59.6	63.0	66.0	68.5	66.8	66.1	66.2	64.4	42.8	66.4	80.0
	Home Electronics and Others	56.0	53.1	54.1	58.6	61.9	60.6	50.6	46.0	43.9	42.6	40.7	44.0	47.3
	Net sales	412.6	337.2	344.8	442.1	426.6	358.2	356.7	402.5	409.2	361.9	326.2	424.5	468.0
Sales by Product	The Americas	56.3	39.0	38.9	76.3	75.1	45.6	47.2	57.9	45.8	38.7	28.6	48.7	55.2
	Europe	29.2	30.9	32.9	32.2	33.2	41.5	36.1	31.7	30.4	33.8	21.2	31.8	35.0
	Greater China	234.4	175.6	181.0	231.5	216.1	165.7	172.7	208.1	237.2	192.1	198.8	244.1	276.4
	Asia and Others	59.0	61.5	60.3	66.4	64.2	68.4	63.0	69.6	60.8	64.6	48.7	67.7	62.8
	Overseas total	378.9	307.0	313.1	406.4	388.6	321.2	319.0	367.3	374.3	329.3	297.2	392.3	429.5
	Japan	33.7	30.2	31.8	35.7	38.0	36.9	37.8	35.3	34.9	32.6	28.9	32.2	38.5
Net sales	412.6	337.2	344.8	442.1	426.6	358.2	356.7	402.5	409.2	361.9	326.2	424.5	468.0	

# Financial Data (3/3)

(B JPY)


		FY2017		FY2018				FY2019				FY2020		
		3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Components	Total revenue	282.4	248.0	268.6	305.6	298.2	267.6	271.7	278.8	285.2	262.5	245.6	300.8	315.0
	Segment income	72.1	44.6	62.6	87.5	84.9	77.2	67.5	50.1	68.9	63.1	58.9	79.2	91.4
Modules	Total revenue	141.4	99.5	86.5	148.2	137.1	95.0	95.2	134.3	137.0	112.1	87.9	132.8	161.8
	Segment income	(15.7)	(16.6)	(0.5)	16.9	14.0	(15.9)	7.9	17.9	21.9	1.7	6.9	14.8	32.9
Others	Total revenue	20.1	24.2	24.4	33.6	20.8	23.6	16.9	15.4	14.0	12.9	14.4	16.8	15.1
	Segment income	2.2	2.7	2.9	3.4	2.2	2.1	1.5	1.6	1.2	1.5	1.9	2.0	1.9
Corporate and eliminations	Total revenue	(30.4)	(33.0)	(34.0)	(44.5)	(28.5)	(27.2)	(26.4)	(25.1)	(26.0)	(24.7)	(21.1)	(25.2)	(23.3)
	Corporate expenses	(13.5)	(13.1)	(16.8)	(16.5)	(15.5)	(21.6)	(14.3)	(10.8)	(12.5)	(13.9)	(16.4)	(15.9)	(17.9)
Consolidated	Total revenue	413.5	338.7	345.5	442.9	427.6	359.0	357.6	403.4	410.2	362.9	326.8	425.2	468.6
	Operating income	45.1	17.7	48.2	91.3	85.6	41.7	62.6	58.8	79.5	52.4	51.3	80.2	108.4

## Response to COVID-19

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### Ongoing Efforts to Prevent Infections in the Group (Examples)

- Wearing a mask is mandatory.
- Sanitize hands and measure and record body temperature with a thermographic device when people enter buildings.
- Record people's movements on company premises.
- Change the layout of canteens to a configuration of seats for sitting side-by-side and single seats with partitions. Record the use of dining seats (register by scanning a QR code with a mobile device).
- Have online meetings.
- Achieve social distancing in offices and install partitions to prevent the spread of droplets.
- Impose restraints on activities including business trips, gatherings and events.



**There has hardly been any impact of COVID-19 on production due to thorough implementation of infection-prevention measures.**

In accordance with government policies and guidelines, Murata is committed to doing our best to prevent infection with and minimize the spread of COVID-19, giving top priority to the well-being and safety of local residents, customers, suppliers, and all our employees.

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