

FY2021 Presentation Q&A

Presenter : Norio Nakajima President

Masahiro Ishitani Executive Vice President (Board Member)

Masanori Minamide Executive Vice President (Board Member)

Questioner 1

Q. 【Group-Wide】 Please share with us the actual production output for 21Q4 and projection for FY2022. You expect an increase of 3 billion yen in FY2022 in earnings due to better capacity utilization. Do you assume production output will not increase substantially year on year?

A. Planned production output is 459 billion yen for 21Q4, 450 billion yen for 22Q1, 510 billion yen for 22Q2, and 990 billion yen for the second half of FY2022. Production output exceeded sales as a result of inventory accumulation in FY2021. In FY2022, while we are looking to accumulate our inventory to some extent, the gap between net sales and production output is expected to narrow year on year as we basically adopt a demand-activated manufacturing approach. Profit margin, including forex movements, decreased slightly because fixed cost, etc. are expected to increase compared with FY2021.

Q. 【Components】 At what pace will you enhance your capacitor production capacity and what is the outlook for capacity utilization ratio in FY2022?

A. We plan to enhance our production capacity at an annualized rate of about 10% on a production capacity load basis, which is the same rate as FY2021. As the scale of production grows, enhancing production capacity by 10% per year may need more investment compared with five years ago. We plan to keep capacity utilization at 90 to 95%. Taking into consideration the area of deficiency of inventory, though having accumulated inventory to some extent, we hope to maintain the capacity utilization at a high level.

Q. 【Components】 I understand the FY2022 projected capacitors sales of +11% year on year are contributed mainly by mobility sales, excluding forex movements. Please explain the key factor.

A. As you understand, mobility sales are the major contributor for sales growth. This is due mainly to an increase in the number of automobiles produced and stronger sales of high value-added products and very reliable products with relatively high unit prices. For mobility, we expect that the impact of the increase in ASP and the increase in the number of parts per vehicle will be almost the same.

Q. 【Components】 Do you assume customers' inventory levels were unchanged in and after the second half of FY2021?

A. Sales for 21Q4 probably reached slightly more than actual demand levels, which we think resulted in a slight increase in customers' inventory. However, even if we take that into consideration, we see the level of customers' inventory, including BCP inventory, is within an appropriate range. We expect customers' inventory to be maintained at the current level in FY2022, with orders received and placed and sales in line with actual demand.

Q. 【Group-Wide】 Please explain the background to determining to purchase your own shares. Did you take the current level of the stock price into consideration or do it as scheduled based on the level of liquidity on hand?

A. We found we were capable of generating future cash that allows for exercising capital allocation provided in the 2024 medium-term plan, and decided to acquire our own shares. We would like to refrain from commenting on the current stock price level now, though we pay attention to it internally. We will continue implementing flexible shareholder return from a comprehensive point of view.

Questioner 2

Q. 【Devices/modules】 Could you comment on an outlook for the acquisition of orders for RF modules with XBAR for smartphone models which will be released in FY2023?

A. XBAR will be mass produced in FY2024. We plan to market XBAR for non-major platforms in order to build up a track record in FY2023, and this approach has been successful so far.

Q. 【Components】 How has the capacitor market environment changed in the last six months? Please also mention the future outlook.

A. Six months ago, as for the mobility side, our customers almost completed purchasing components for BCP inventory purposes and started placing and receiving orders in line with actual demand. At the same time, as for the smartphone side, signs of slow sales of smartphone manufacturers in Greater China were becoming evident gradually. We secured relatively substantial orders for distributors. Though it depends on the market, we think sales of capacitors as a whole have been consistent with actual demand. At the moment, while smartphone manufacturers in the Greater China are taking longer than expected to adjust their production and inventory, we hope to see a demand recovery and growth for smartphones in Greater China in and after the summer of 2022 and for mobility in the second half of FY2022. We expect demand for trusted, high-priced capacitors will increase from the middle to the second half of FY2022.

Q. 【Group-Wide】 I assume the price reduction in FY2021 was on a limited scale. Do you anticipate a price reduction In FY2022 on a scale similar to the previous year?

A. As we did in the previous years, we will implement price reductions in FY2022 aimed at securing our market position. We anticipate price reductions in FY2022 will be on a scale a little larger than the previous year.

Q. 【Group-Wide】 What is an impact of the current rise in raw material costs on your corporate earnings”?

A. As for capacitors and other products, we basically absorb an increase in raw material costs by improving productivity and making streamlining efforts. Therefore, from the perspective of the entire business, there is no major impact. On the other hand, given the significant cost increases in communication modules equipped with batteries and transceiver ICs, we are currently shifting a cost increase onto customers, though there is a time lag.

Questioner 3

Q. 【Devices/modules】 Please explain the future competitive strategy for the RF module business.

A. Architectures of RF modules have become extremely complex. It is impossible for a single company to cover all products, and it is becoming more and more important to focus on specific targets. We are looking at where we can demonstrate our technological advantage, including where XBAR and Digital ET technologies are usable. We are also focusing on a platform that can be used by customers as long as possible. We thoroughly benchmark one specific competitor that we recognize as extremely powerful from both technological and business perspectives, and clearly define a target area in which we should survive and take full advantage of business opportunities. The acquisition of Resonant Inc. is considered a final piece of our technological expertise that we have accumulated up to now. While smartphones and tablets use wider frequencies and become more sophisticated, we assume that standardization of 5G will be accelerated for example by consolidating frequencies of private 5G- and local 5G-compliant hardware. We are promoting an approach to standardization separately, demonstrating our strength in dealing with sophisticated hardware to some extent.

Q. 【Components】 What was and will be the relationship between the sales growth of capacitors and ASP in FY2021 results and outlook for FY2022?

A. More than two-thirds of the FY2021 sales growth is driven by the growth of ASP. Since demand is particularly expanding in the area of automobile advanced driver assistance systems (ADAS) and EV where the number of suppliers is extremely limited, we assume ASP for mobility will continue growing in FY2022.

Q. 【Components】 Please share with us actual orders received for capacitors in recent months.

A. Orders received increased in January 2022, fell in February, and grew in March, month on month respectively. Due partly to the impact of lockdowns in China and a major customer's bulk purchase, sales were varying by month, for Q4, however, were consistent with actual demand. Sales and orders by customers in April still seem to be consistent with actual demand.

Q. 【Group-Wide】 Have you noticed any changes such as inventory adjustments and a rapid fall in orders received in connection with lockdowns in China?

A. On the whole, there has been no inventory adjustment by customers resulting from the lockdowns in China. Customers' factories may cease operation, but we project the current level of inventory, including BCP inventory, will be maintained.

Questioner 4

Q. 【Devices/modules】 Regarding the FY2022 sales forecast of Battery and Power supply (new sales category) at +27% year-on-year, please share with us the breakdown of contributions between an increase in product unit price as a result of shifting raw material costs onto customers and an increase in units sold. In addition, please mention your outlook for making a profit.

A. The increase in units sold is the predominating factor. Currently, we are not fully satisfying customers' demand, but will be capable of delivering more units when a production increase effect finally starts contributing in the second half of FY2022. For those suffering from insufficient operation caused by supply chain confusion due to lockdowns in China, we assume we will catch up in the second quarter and later. To be a little optimistic, we expect to make a profit early in the period of 2024 Medium-term Direction to which we are committed.

Q. 【Group-Wide】 What is the reason for appointing Mr. Nakajima to the role of General Manager of the Communication & Sensor Business Unit?

A. At present, our presence is slightly weakened in the area of High-Frequency Device and Communications Module (new sales category). I (Nakajima) am committed to achieving favorable results for FY2023 and FY2024 and want to strengthen our presence in the short term. The organizational change announced with this personnel change is intended to clarify the responsibility in line with individual disclosure segments to some extent.

Q. 【Devices/modules】 In which area of High-Frequency Device and Communications Module do you think it is critical for Murata to secure a competitive position?

A. The volume zone is probably high-frequency devices or small-sized modules that may benefit from the acquisition of Resonant Inc. and Eta Wireless, Inc. We also hope to develop a standardized module business for a wide range of targets in a simple approach.

Q. 【Devices/modules】 Could you explain your plan regarding the development of the standardized module business?

A. We hope to tap into 5G modules with all features, like Wi-Fi modules, on the assumption that we are expecting a highly promising market that differs from the current telecommunication market driven by smartphones, etc.

Questioner 5

Q. 【Devices/modules】 What is the key factor for expecting negative growth of 10% in High-Frequency Device and Communications Module for FY2022 year on year? Please also mention the outlook for sales for smartphone manufacturers in Greater China.

A. The main reason for expecting lower revenue is that we will continue restructuring our business portfolio in accordance with the change in Wi-Fi module architecture, and our share of RF modules for high-end smartphones for FY2022 did not increase as initially expected. On the other hand, for MetroCirc™, we assume a certain recovery in FY2022 and expect to gain further share in and after the following year, and plan to carry out property improvement and cost reductions at once to expand the business dynamically. We are yet to expect a recovery of sales for smartphone manufacturers in Greater China at least during the first quarter. While expecting to launch a new platform of Media Tek in summer, we will need to pay careful attention to how much it will contribute to expanding demand, given the already high percentage of 5G.

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.